

## Pintaras Jaya Berhad

(9598 | PINT MK) Main | Construction

### Construction Business Still in the Red

#### KEY INVESTMENT HIGHLIGHTS

- Core net profit of RM7.3m in 3QFY24; core net loss of RM3.5m in 9MFY24
- Construction division recorded loss before tax of -RM2.2m in 3QFY24; widened to -RM10.8m in 9MFY24, dragged by LADs
- Outstanding order book stands at RM316m, providing earnings visibility for FY24. Tender book at RM3.0b
- Maintain **NEUTRAL** with an unchanged TP of RM1.68

**In the red again.** Pintaras Jaya Berhad (Pintaras) posted a core net profit of RM7.3m in 3QFY24 while its cumulative 9MFY24 core net profit rose +82.5%yoy to RM3.5m, on the back of a stronger manufacturing division that cushioned the losses from the construction segment. The results were below our expectations at 39.8% of full-year estimates but within consensus at 71.9%.

**Construction division.** Despite an increase in construction revenue by +3.3%yoy during the quarter to RM66.4m, the group continued to incur a loss before tax of -RM2.2m. For the cumulative nine-month period, the loss before tax widened to -RM10.8m from -RM6.5m during the same period a year ago. This was attributable to its weaker construction activities and the recognition of liquidated damages for delays amounting to RM11.4m for its Malaysian projects.

**Manufacturing division.** The group's metal container manufacturing business saw a +25.1%yoy growth in revenue during the quarter to RM14.4m, lifting its PBT by 2.5x to RM2.9m due to stronger margins. For the 9MFY24, the division's PBT rose +86.2%yoy to RM5.7m. Management attributed this to better cost absorption and operating efficiency.

**Actively tendering.** Pintaras has an outstanding order book of about RM316m, which is sufficient for it to navigate through the remaining months of its FY24 ending June. Management is actively tendering for projects, with a tender book of around RM3.0b, comprising residential, industrial and infrastructure developments. Management is also expecting stronger prospects from Singapore, with the rising demand for bored piling jobs.

**Earnings estimates.** We have slashed our FY24E earnings estimates by -45% during the previous quarterly announcement in light of the weaker than expected performance and we are keeping to that figure for now.

**Target price.** We maintain our **TP** at **RM1.68** which was achieved by pegging the group's FY25F EPS of 11.2 sen to its two-year historical mean PER of 15x.

**Maintain NEUTRAL.** FY24 has been a tough operating year for Pintaras Jaya, due to the weak margins that it has to take on and the liquidated damages for project delays. We reiterate our view that it is crucial for the group to continue replenishing jobs, due to the specialised nature of its

**Maintain NEUTRAL**

**Unchanged Target Price: RM1.68**

#### RETURN STATISTICS

Price @ 20 <sup>th</sup> May 2024 (RM)	1.70
Expected share price return (%)	-1.2
Expected dividend yield (%)	+3.0
<b>Expected total return (%)</b>	<b>+1.8</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.2	1.0
3 months	6.9	-3.5
12 months	-4.0	-15.7

#### INVESTMENT STATISTICS


FYE Dec	2024F	2025F	2026F
Revenue	320.9	330.5	340.4
Operating Profit	25.7	26.4	28.9
Profit Before Tax	16.8	24.5	27.2
Core Net Profit	8.8	18.5	18.7
Core EPS	9.7	11.2	11.3
DPS (sen)	5.0	5.0	5.0
Dividend Yield	3.0%	3.0%	3.0%

#### KEY STATISTICS

FBM KLCI	1,627.50
Issue shares (m)	165.86
Estimated free float (%)	21.11
Market Capitalisation (RM'm)	281.97
52-wk price range	RM1.48 -
3-mth average daily volume (m)	0.04
3-mth average daily value (RM'm)	0.07
Top Shareholders (%)	
Pintaras Bina Sdn Bhd	36.22
Chiu Hong Keong	14.66
CIMB Group Holdings Bhd	7.54

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earthworks and piling business, where contracts usually have shorter time frames. We maintain our **NEUTRAL** recommendation. Rating catalysts include stronger than expected job wins. 

### PINTARAS JAYA: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Revenue	80.8	61.6	75.8	31.2%	6.6%	212.7	255.0	-16.6%
Cost of sales	(76.0)	(63.5)	(71.6)	19.7%	6.2%	(205.0)	(247.6)	-17.2%
Other operating income	2.9	2.7	2.9	9.0%	-1.7%	7.7	8.9	-13.7%
Other operating expenses	(2.6)	(2.1)	(0.2)	22.9%	1147.8%	(6.0)	(5.8)	4.1%
Finance cost	(0.2)	(0.3)	(0.3)	-8.6%	-15.2%	(0.8)	(0.7)	6.2%
Profit before tax	5.1	(4.4)	4.5	-217.5%	14.8%	2.8	1.9	42.0%
Taxation	(0.8)	(1.0)	(0.8)	-15.6%	1.3%	(2.6)	0.1	-2256.2%
Reported net profit	4.3	(5.4)	3.7	-180.5%	17.8%	0.1	2.1	-92.9%
Core net profit	7.3	(4.0)	1.6	-282.4%	359.5%	3.5	1.9	82.5%

### FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	443.1	333.2	320.9	330.5	340.4
Gross profit	51.7	11.3	33.7	36.4	40.8
Operating profit	50.6	6.8	25.7	26.4	28.9
Profit before tax	48.3	5.9	16.8	24.5	27.2
Tax	-7.1	-8.0	-8.0	-6.9	-8.5
Net profit	41.2	-2.1	8.8	18.5	18.7
Core net profit	49.7	-1.2	8.8	18.5	18.7

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Fixed assets	171.8	163.6	171.4	174.0	176.6
Intangible assets	57.1	48.8	58.7	61.8	64.9
<b>Non-current assets</b>	<b>228.9</b>	<b>212.4</b>	<b>230.1</b>	<b>235.8</b>	<b>241.5</b>
Cash	45.4	14.6	39.6	60.6	81.6
Trade debtors	203.7	164.5	157.6	154.2	0.0
<b>Current assets</b>	<b>362.3</b>	<b>338.8</b>	<b>309.0</b>	<b>325.0</b>	<b>341.2</b>
Trade creditors	128.7	100.1	104.9	108.3	111.7
Short-term debt	15.0	13.8	13.5	12.9	12.3
<b>Current liabilities</b>	<b>165.2</b>	<b>125.7</b>	<b>140.1</b>	<b>148.4</b>	<b>156.7</b>
Long-term debt	18.6	9.0	8.5	11.0	13.5
<b>Non-current liabilities</b>	<b>25.8</b>	<b>25.2</b>	<b>11.5</b>	<b>14.7</b>	<b>17.9</b>
Share capital	180.2	180.2	180.2	180.2	180.2
Retained earnings	215.0	199.6	207.3	217.5	227.9
<b>Equity</b>	<b>400.2</b>	<b>400.3</b>	<b>387.5</b>	<b>397.7</b>	<b>408.1</b>

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	48.3	5.9	24.1	24.5	27.2
Depreciation & amortisation	33.4	35.4	32.4	32.4	32.4
Changes in working capital	-48.8	-7.0	40.9	16.9	-7.1
<b>Operating cash flow</b>	<b>18.1</b>	<b>24.0</b>	<b>64.4</b>	<b>69.9</b>	<b>75.4</b>
Capital expenditure	-11.0	-6.8	-20.0	-20.0	-20.0
<b>Investing cash flow</b>	<b>37.2</b>	<b>36.8</b>	<b>-36.0</b>	<b>-36.0</b>	<b>-36.0</b>
Debt raised/(repaid)	-21.6	-20.0	-15.2	-12.8	-10.4
Dividends paid	-16.6	-16.6	-10.0	-10.0	-10.0
<b>Financing cash flow</b>	<b>-39.8</b>	<b>-36.5</b>	<b>-26.3</b>	<b>-23.8</b>	<b>-21.3</b>
<b>Net cash flow</b>	<b>15.5</b>	<b>17.8</b>	<b>2.1</b>	<b>10.1</b>	<b>18.1</b>
<b>Beginning cash flow</b>	<b>94.5</b>	<b>111.9</b>	<b>138.2</b>	<b>140.3</b>	<b>150.4</b>
<b>Ending cash flow</b>	<b>111.9</b>	<b>138.2</b>	<b>140.3</b>	<b>150.4</b>	<b>168.5</b>

Profitability Margins	2022A	2023A	2024F	2025F	2026F
Gross profit margin	11.7%	3.4%	10.5%	11.0%	12.0%
Operating profit margin	11.4%	3.5%	8.0%	8.0%	8.5%
PBT margin	10.9%	1.8%	7.5%	7.7%	8.0%
PAT margin	9.3%	-0.6%	2.7%	5.6%	5.5%
Core PAT margin	11.2%	-0.4%	2.7%	5.6%	5.5%

Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology