4QFY22 Results Review (Below)| Tuesday, 30 August 2022

PINTARAS JAYA

(9598 | PINT MK) Main | Construction

Maintain BUY

Cost headwinds expected to ease

***Revised* Target Price: RM2.82**
(previously RM3.14)

KEY INVESTMENT HIGHLIGHTS

- **FY22 core earnings declined by -12% to RM48.3m, below our expectations but above consensus**
- **Construction division affected by higher costs, causing -13% decline in PBT to RM48m while margin dropped from 16.5% to 11.9%**
- **Manufacturing division remains defensive with PBT growth of +17% to RM7.5m. Margin remains strong at 18%**
- **Maintain BUY with revised TP of RM2.82**

Below Expectations. Pintaras Jaya Bhd's FY22 core earnings declined by -12% to RM48.3m as it incurred higher construction costs for the financial year. This was despite a stronger revenue of +20% to RM443.1m. The results came in below our expectations, making up 88.3% of our estimates but was above consensus by 31.6%.

Hit by higher costs. While the revenue from the construction division was +20% higher at RM401.8m, the profit before tax declined -13% to RM48m on the back of higher raw material prices, fuel, labour cost and lower productivity. PBT margin was lower at 11.9% as compared to 16.5% in FY21. Management guided that additional costs cannot be passed down to its clients nor could the contracts be renegotiated. As prices have started to moderate from their peaks, we expect this situation to improve in FY23. Note that about 80% of the group's construction revenue comes from its Singapore operations.

In need for order book replenishment. Pintaras Jaya has an outstanding order book of about RM240m which provides some earnings visibility for FY23, but this is below its usual levels of about RM400m. Management is expecting to secure some new projects in Singapore but remains cautious of unforeseen cost escalation in new tenders. They view that tender prices would be more competitive in FY23.

Manufacturing business remains defensive. Pintaras Jaya's metal container manufacturing business recorded a revenue growth of +19% in FY22 while its PBT rose +17% to RM7.5m. It managed to maintain its PBT margin at a level of 18% in FY22, close to the level of 18.3% seen in FY21. We expect this division to continue performing well in the future, with its capacity to produce more than 8 million metal pails and cans annually. Management's plans to upgrade some of its equipment is expected to improve its top line figures by late FY23.

Earnings estimates. We are maintaining our earnings projections for FY23-FY24, as our estimates made earlier were rather conservative, with expectations of weaker margins, which is in line with management's view of more competitive tender prices in FY23.

Target price. We are revising our **TP for Pintaras Jaya to RM2.82,** which was arrived by pegging Pintaras Jaya's FY23F core EPS of 26.1 sen to our target PER of 10.8x. The PER is premised on its 4-year average PER, which we believe is justified as it reflects the current business structure of the Group after acquiring its Singapore unit, Pintary in FY19.

RETURN STATISTICS	
Price @29th August 2022 (RM)	2.25
Expected share price return (%)	+25.3
Expected dividend yield (%)	+3.6
Expected total return (%)	**+28.9**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.0	-3.6
3 months	-4.7	-7.3
12 months	-15.1	-10.1

KEY STATISTICS	
FBM KLCI	1,501.57
Syariah compliant	Yes
Issue shares (m)	165.86
F4BGM Index	N.A.
ESG Grading Band (Star rating)	N.A.
Estimated free float (%)	21.82
Market Capitalisation (RM'm)	373.20
52-wk price range	RM2.12 - RM3.08
Beta vs FBM KLCI (x)	0.67
Monthly velocity (%)	0.00
Monthly volatility (%)	19.42
3-mth average daily volume (m)	0.02
3-mth average daily value (RM'm)	0.04
Top Shareholders (%)	
PINTARAS BINA SDN BHD	36.08
Chiu Hong Keong	14.66
Khoo Yok Kee	6.93

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Maintain BUY. We remain positive on Pintaras Jaya's prospects as we expect them to be a beneficiary of the uptrend of Singapore's construction sector, projected to be between +12% and +23.6% in CY22 until CY26. Its Singapore unit Pintary is among the top five players in the neighbouring country's foundation and geotechnical industry and we believe the group can ride on this for quality job wins in FY23. Prospects are also improving in Malaysia with the pick up in construction activities, coupled with the expected rollout of infrastructure projects by the government. All factors considered, we reiterate our **BUY** recommendation on Pintaras Jaya.

INVESTMENT STATISTICS

FYE 30th June	2020A	2021A	2022A	2023E	2024F
Revenue	315.92	373.90	443.1	403.80	415.48
Gross profit	65.99	56.25	51.6	77.93	77.69
Gross profit margin (%)	**20.9**	**15.0**	**11.7**	**19.3**	**18.7**
Profit before tax	31.61	39.26	48.3	54.92	61.49
Core net profit	**24.8**	**35.1**	**48.3**	**43.2**	**48.2**
Core net profit margin (%)	**7.8.**	**9.4**	**10.9**	**10.7**	**11.6**
Core EPS (sen)	14.9	21.1	29.1	26.1	29.1
PER (x)	13.6	12.5	7.4	10.8	10.8
DPS (sen)	20	10	6	20	20
Dividend yield (%)	9.2	4.1	2.7	3.6	3.6

Source: Company, MIDFR

PINTARAS JAYA BHD: 4QFY22 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q422**	**Q322**	**Q421**	**QoQ**	**YoY**	**12M22**	**12M21**	**YoY**
Revenue	113.4	86.7	99.8	**31%**	**14%**	443.1	370.4	**20%**
Cost of sales	(107.7)	(79.7)	(75.0)	**35%**	**44%**	(392.9)	(289.4)	**36%**
Other operating income	22.2	0.7	(0.0)	**>+100%**	**>+100%**	28.1	19.5	**44%**
Other operating expenses	(5.6)	(2.3)	(2.9)	**141%**	**94%**	(16.3)	(13.4)	**22%**
Finance cost	(0.2)	(0.2)	(0.3)	**-7%**	**-23%**	(1.0)	(1.3)	**-25%**
Profit before tax	18.1	2.3	18.8	**>+100%**	**-4%**	48.3	75.1	**-36%**
Taxation	0.0	(1.7)	(2.8)	**<-100%**	**<-100%**	(7.1)	(11.0)	**-36%**
Reported net profit	18.1	0.6	16.0	**>+100%**	**13%**	41.2	64.1	**-36%**
Core net profit	19.5	1.3	18.6	**>+100%**	**5%**	48.3	54.7	**-12%**

Source: Company, 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 *rise* 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 *fall* 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