Corporate Update | Wednesday, 12 October 2022

PINTARAS JAYA

(9598 | PINT MK) Main | Construction

Maintain BUY

A timely replenishment

Unchanged Target Price: RM2.82

KEY INVESTMENT HIGHLIGHTS

- **Secures 6 new jobs in Singapore worth SGD59m (RM192.2m)**
- **Projects to commence in October, with contract periods between three months to 18 months**
- **Project a conservative margin of 5%, giving Pintaras Jaya a net profit of RM9.6m as construction scene in Singapore remains competitive**
- **Order book is now healthy at about RM430m**
- **Maintain BUY with unchanged TP of RM2.82**

Crucial job wins. Pintaras Jaya, through its wholly-owned subsidiary Pintary Foundations Pte Ltd, has secured crucial wins in Singapore that now brings its outstanding order book above the RM400m mark. It won six new piling contracts, worth a total of SGD59m (RM192.2m).

Project details. These projects commence in October, with contract periods ranging from three to 18 months. Note that this is normal in the nature of Pintaras Jaya's business, which is piling and earthworks.

Competitive Singapore market. The construction scene in Singapore is generally more competitive than Malaysia so we would be conservative in our profit margin expectations, which could be about 5%, giving Pintaras Jaya a net profit of RM9.6m from all the six new projects. Recall that for the FY22 ended June 30, Pintaras Jaya's construction revenue came in +20% higher at RM401.8m but its PBT declined -13% to RM48m, due to higher raw material prices, fuel, labour cost and lower productivity. Note that about 80% of the group's construction revenue comes from its Singapore operations.

Healthy outstanding order book. Pintaras Jaya has an outstanding order book of about RM430m now, which provides stable earnings visibility for FY23. Management previously guided that it remains cautious of unforeseen cost escalation in new tenders and view that tender prices would be more competitive in FY23.

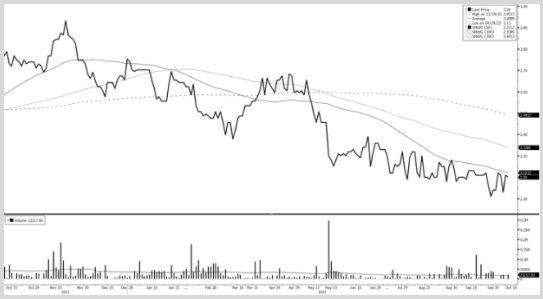
Earnings estimates. We are maintaining our earnings projections for FY23-FY24.

Target price. We are maintaining our **TP for Pintaras Jaya** at **RM2.82,** which was arrived by pegging its 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.

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,

RETURN STATISTICS	
Price @ 11th October 2022 (RM)	2.22
Expected share price return (%)	+27.03
Expected dividend yield (%)	+3.55
Expected total return (%)	**+30.58**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.0	8.0
3 months	2.8	-2.9
12 months	-23.6	-12.8

KEY STATISTICS	
FBM KLCI	1,386.82
Syariah compliant	Yes
Issue shares (m)	165.86
F4BGM Index	N.A.
ESG Grading Band (Star rating)	N.A.
Estimated free float (%)	20.42
Market Capitalisation (RM'm)	364.90
52-wk price range	RM2.04 - RM3.08
Beta vs FBM KLCI (x)	0.66
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
CIMB Group Holdings Bhd	7.54

MIDF Research
research@midf.com.my

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

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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