1QFY23 Results Review (Below)| Friday, 25 November 2022

PINTARAS JAYA

(9598 | PINT MK) Main | Construction

Maintain BUY

Malaysian operation weighs

Revised **Target Price: RM2.40**
(previously RM2.82)

KEY INVESTMENT HIGHLIGHTS

- **Posted first net loss in two years at -RM1.1m; below expectations**
- **Construction hit by recognition of foreseeable losses, dragging division PBT to -RM2.9m**
- **Manufacturing division remains defensive with PBT growth of +31%yoy to RM1.5m**
- **Improved outstanding order book to RM350m**
- **Maintain BUY with revised TP of RM2.40**

Below Expectations. Pintaras Jaya Bhd slipped into its first quarterly loss in two years, registering a core net loss of -RM1.1m, on the back of a lower revenue of RM101.9m, a decline of -6.4%yoy. This came in below expectations.

Weaker construction numbers. The piling expert posted a loss before tax of -RM2.9m for its construction division, with a lower revenue of -11.6%yoy to RM90.1m. The loss was solely from its Malaysian operations, exceeding the contributions from Singapore. Note that its Singapore operations generates about 70% to 80% of the group's construction revenue. Management attributed the loss to the recognition of foreseeable losses for some ongoing projects in Malaysia due to higher costs and low productivity. These were mainly because of higher material, energy and labour costs.

Manufacturing remains strong. The group's defensive business of metal container manufacturing continues to deliver, cushioning the blow from its construction business. The manufacturing division posted a +31%yoy increase in PBT to RM1.5m for the quarter, on the back of a +69.1%yoy higher revenue at RM11.8m. We expect the business to continue delivering quality numbers for the group.

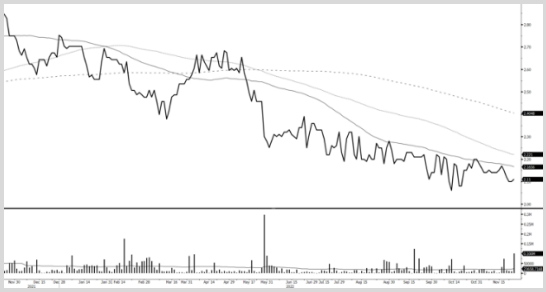
Slight improvement in order book. Pintaras Jaya has made some considerable order book replenishments, bringing its level up to RM350m, though there is still room to take on more jobs as its usual levels are about RM400m. It is crucial for the group to consistently win jobs as piling contracts generally have shorter time frames compared to normal construction contracts. We expect Singapore to continue being a main driver for job replenishments.

Earnings estimates. We slashed our core earnings projections for FY23 by -11.1% to RM38.4m, in line with expectations of competitive margin and management's guidance that the overall performance for FY23 is projected to be markedly lower than FY22. We also cut our FY24 core earnings by -4% to RM41.5m and introduce FY25.

Target price. We are revising our **TP for Pintaras Jaya to RM2.40,** which was arrived by pegging Pintaras Jaya's FY23F core EPS of 23.1 sen to our target PER of 10.4x. The PER is premised on its 4-year mean 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 @24th Nov 2022 (RM)	2.11
Expected share price return (%)	+13.74
Expected dividend yield (%)	+2.50
Expected total return (%)	**+16.20**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.9	-5.5
3 months	-1.4	-8.4
12 months	-28.7	-27.7

KEY STATISTICS	
FBM KLCI	1,501.88
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)	349.97
52-wk price range	RM2.04 - RM2.96
Beta vs FBM KLCI (x)	0.59
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

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Maintain BUY. Despite the lower expected performance for FY23, we still remain positive on Pintaras Jaya's prospects, especially in Singapore. Though it has to face intense competition in the neighbouring country on top of small margins, we expect it to have the upper hand as it is one of the more reputable names for piling in Singapore. We opine that management is quite pessimistic on its construction operations in Malaysia, as we believe the situation will improve gradually moving into 2023 with the rollout of MRT3 contracts and potentially other infrastructure jobs. All factors considered, we reiterate our **BUY** recommendation on Pintaras Jaya.

INVESTMENT STATISTICS

FYE 30th June (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	370.4	443.1	403.8	415.5	427.9
Gross profit	81.0	51.6	48.5	69.4	79.6
Gross profit margin (%)	**21.9**	**11.7**	**12.0**	**16.7**	**18.6**
Profit before tax	75.1	48.3	42.4	54.0	58.6
Core net profit	**54.7**	**48.3**	**38.4**	**41.5**	**51.8**
Core net profit margin (%)	14.8	**10.9**	**9.4**	**10**	**10.1**
Core EPS (sen)	33.0	29.1	23.1	25.1	31.2
PER (x)	7.3	8.8	10.4	10.4	10.4
DPS (sen)	10	6	6	10	10
Dividend yield (%)	4.2	2.33	2.5	4.2	4.2

Source: Company, MIDFR

PINTARAS JAYA BHD: 1QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
Income Statement	**Q123**	**Q422**	**Q122**	**QoQ**	**YoY**
Revenue	101.9	113.4	108.9	**-10%**	**-6%**
Cost of sales	(99.3)	(107.7)	(94.2)	**-8%**	**5%**
Other operating income	2.8	22.2	3.2	**-87%**	**-12%**
Other operating expenses	(5.5)	(5.6)	(3.3)	**-1%**	**69%**
Finance cost	(0.2)	(0.2)	(0.3)	**-1%**	**-25%**
Profit before tax	(3.5)	18.1	11.3	**-119%**	**-131%**
Taxation	0.1	0.0	(1.6)	**350%**	**-108%**
Reported net profit	(3.4)	18.1	9.7	**-119%**	**-135%**
Core net profit	(1.1)	19.5	11.5	**-106%**	**-110%**

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