2QFY23 Results Review (Below)| Monday, 27 February 2023

PINTARAS JAYA

(9598 | PINT MK) Main | Construction

Maintain BUY

Staying put for better FY24

***Revised* Target Price: RM2.43**
(previously RM2.40)

KEY INVESTMENT HIGHLIGHTS

- **Core earnings of RM3.7m for 6MFY23, below estimates**
- **Construction loss before tax of -RM2.5m, dragged by Malaysian projects**
- **Manufacturing PBT dropped -41.2% to RM1.9m, due to lag in selling price adjustments**
- **Singapore projects expected to drive order book replenishment moving forward**
- **Maintain BUY with revised TP of RM2.43**

Below Expectations. Pintaras Jaya Bhd posted a core net loss of -RM0.1m in 2QFY23, as compared to a net profit of RM16.0m in the previous year's corresponding quarter. For the cumulative six months period ending Dec-22, the group recorded a core net profit of RM3.7m, which was -86.6%yoy lower, which is below ours and consensus expectations, making up 9.6% and 10.1% of full-year estimates.

Weaker Malaysia operations. Revenue from Pintaras Jaya's construction division declined -43.5%yoy in the 6MFY23 to RM179.1m while it recorded a loss before tax of -RM2.5m as compared to a PBT of RM27.9m in 6MFY22. This came on the back of lower construction activities, on top of competitive rates for newly secured contracts. These were exacerbated by the recognition of foreseeable losses from some of its ongoing Malaysian projects due to higher construction costs and lower productivity. The impact of the loss recognition from its Malaysian operations has exceeded the profit contribution from its Singapore operations.

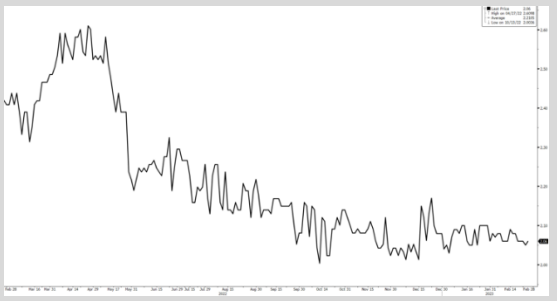
Slight drop in manufacturing profit. Revenue grew +24.7%yoy to RM22.2m in 6MFY23 but its PBT dropped -41.2% to RM1.9m, due to the lag in selling price adjustments that has yet to fully offset higher input costs such as tin plates, printing inks and labour.

Depleting order book. The level of outstanding order book has declined to RM275m as at Dec-22 and while this is able to sustain Pintaras Jaya up to FY24, there is a crucial need for replenishment, as piling jobs generally have shorter time frames compared to normal construction contracts. The recently announced Budget 2023 opens up some potential room for the group to bid for some second-tier piling jobs but we still expect Singapore to continue being the main driver of its job replenishments. Singapore's Building and Construction Authority (BCA) has projected that construction demand in the country would range between SGD27b to SGD32b (RM88.70b to RM105.13b). The amount excludes the development of Changi Airport's Terminal 5 (T5) and expansion of the two integrated resorts. Management expects competitive tender rates though construction costs are expected to stabilise further.

Earnings estimates. We slashed our core earnings projections for FY23 by -16% to RM32.3m, due to lower than expected margins and management's guidance of a tough FY23. We also cut our FY24 core earnings by -5% to RM37.4m.

RETURN STATISTICS	
Price @24th Feb 2023 (RM)	2.06
Expected share price return (%)	+17.96
Expected dividend yield (%)	+2.50
Expected total return (%)	**+20.46**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.9	0.8
3 months	-1.0	-3.6
12 months	-18.6	-11.0

KEY STATISTICS	
FBM KLCI	1,456.80
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)	341.68
52-wk price range	RM2.03 - RM2.75
Beta vs FBM KLCI (x)	0.62
3-mth average daily volume (m)	0.03
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
PINTARAS BINA SDN BHD	36.08
Chiu Hong Keong	14.66
CIMB Group Holdings Bhd	7.54

Analyst
Royce Tan Seng Hooi
royce.tan@midf.com.my
03-2173 8461

Target price. We are revising our **TP for Pintaras Jaya to RM2.43,** as we rollover our valuation year to FY24. The new TP was arrived by pegging Pintaras Jaya's FY24F core EPS of 23.8 sen to our target PER of 10.2x 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.

Maintain BUY. While Pintaras is not expected to perform better in FY23 as compared to FY22, we believe the group's prospects will improve in FY24, especially through jobs in Singapore, as the group is one of the more reputable names in the country for geotechnical works. Even in Malaysia, the situation should improve gradually, which should see the MRT3 contracts being rolled out by FY24 (2HCY23 onwards), allowing Pintaras to vie for second-tier 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**	**32.3**	**37.4**	**51.8**
Core net profit margin (%)	14.8	**10.9**	**8.0**	**9.5**	**10.1**
Core EPS (sen)	33.0	29.1	19.5	23.8	31.2
PER (x)	7.3	8.8	10.2	10.2	10.2
DPS (sen)	10	6	6	6	10
Dividend yield (%)	4.2	2.33	2.5	2.5	4.1

Source: Company, MIDFR

PINTARAS JAYA BHD: 2QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q223**	**Q123**	**Q222**	**QoQ**	**YoY**	**6M23**	**6M22**	**YoY**
Revenue	77.3	101.9	134.1	**-24%**	**-42%**	179.2	243.0	**-26%**
Cost of sales	(76.7)	(99.3)	(111.3)	**-23%**	**-31%**	(176.0)	(205.4)	**-14%**
Other operating income	3.1	2.8	2.0	**11%**	**59%**	5.9	5.2	**15%**
Other operating expenses	(0.1)	(5.5)	(5.1)	**-99%**	**-99%**	(5.6)	(8.4)	**-33%**
Finance cost	(0.2)	(0.2)	(0.2)	**6%**	**-10%**	(0.4)	(0.5)	**-18%**
Profit before tax	1.0	(3.5)	16.6	**-127%**	**-94%**	(2.5)	27.9	**-109%**
Taxation	0.8	0.1	(3.8)	**544%**	**-121%**	0.9	(5.4)	**-117%**
Reported net profit	1.8	(3.4)	12.9	**-152%**	**-86%**	(1.6)	22.5	**-107%**
Core net profit	(0.1)	3.8	16.0	**-104%**	**-101%**	3.7	27.5	**-87%**

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) pursuant to the Research Incentive Program under Bursa Research Incentive Scheme ("Bursa RISE") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

This report has been prepared by MIDF Investment for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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