3QFY23 Results Review (Below) | Monday, 29 May 2023

Pintaras Jaya Berhad

(9598 | PINT MK) Main | Construction

Maintain BUY

Challenging Quarter but May Turn Better

***Revised* Target Price: RM1.88**
(previously RM2.43)

KEY INVESTMENT HIGHLIGHTS

- **Core earnings of -RM1.9m in 3QFY23 (-7.4%yoy); 9MFY23 core earnings at RM1.9m (-93.5%yoy)**
- **Construction recorded loss before tax during the quarter at -RM0.5m due to higher raw material prices, low productivity and LAD**
- **Outstanding order book stands at RM282m. Tight competition for new jobs but construction sector outlook in Singapore remains bright**
- **Maintain BUY with a revised TP of RM1.88**

Below expectations. Pintaras Jaya Berhad (Pintaras) registered a core net profit of RM1.6m for the 3QFY23, a decline of -7.4%yoy. For the 9MFY23, the core net profit came in at RM1.9m, which was a reduction of -93.5%yoy. This came in below ours and consensus expectations, making up only 5.9% and 13.4% respectively of our full-year estimates. These were attributable to the weaker performance of the group's business segments.

Construction division. Construction revenue for the quarter dipped -14.0%yoy to RM64.29m for the quarter, but it recorded a loss before tax of -RM0.5m, due to higher raw material prices, low productivity and liquidated ascertained damages (LAD). For the nine-month period, construction revenue was down -26.3%yoy to RM221.2m while posting a loss before tax of -RM6.5m. The recognition of losses from Pintaras' Malaysia operations have exceeded the profit contribution from its Singapore projects.

Manufacturing division. Revenue from the segment inched lower by -3.6%yoy to RM11.5m for the quarter while PBT fell -55.2%yoy to RM1.1m on the back of margin compressions. For the 9MFY23, revenue rose +13.4%yoy but its PBT dipped -47.3%yoy to RM3.0m. According to management, the average inventory cost for tinplate was up +42% compared to FY22.

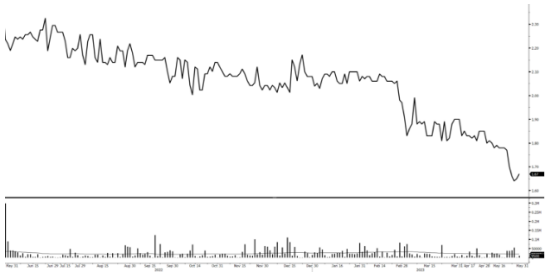
Fewer jobs. Pintaras has an outstanding orderbook of RM282m, which management said will help the group navigate through the "next few challenging months". In Malaysia, management guided that there are fewer jobs as developers adopt a wait and see approach on the back of higher construction costs. In Singapore, competition for jobs remains tight. Management is looking forward to the commencement of Changi Airport's fifth terminal and casino expansion projects sometime from end-2023 to early 2024 which will improve job flows.

Earnings estimates. We are slashing our FY23E revenue estimate by -15.9% to RM339.6m and our core earnings estimate by -84.2% to RM5.1m. For FY24F, we are revising our revenue and core earnings estimates downwards by -14.2% and -9.4% respectively to RM356.6m and RM33.9m respectively.

Target price. We are revising our TP to **RM1.88** from RM2.43. This is based on pegging a three-year mean PER of 9.2x to the group's FY24F

RETURN STATISTICS	
Price @ 26th May 2023 (RM)	1.67
Expected share price return (%)	+12.57
Expected dividend yield (%)	+03.19
Expected total return (%)	**+15.76**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.7	-8.9
3 months	-12.1	-12.6
12 months	-33.2	-26.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	339.6	356.6	367.3
Operating Profit	11.9	39.2	42.2
Profit Before Tax	6.8	46.4	50.3
Core Net Profit	5.1	33.9	44.1
Core EPS	3.1	20.4	26.6
DPS (sen)	6.0	6.0	6.0
Dividend Yield	3.2%	3.2%	3.2%

KEY STATISTICS	
FBM KLCI	1,402.98
Issue shares (m)	165.86
Estimated free float (%)	20.42
Market Capitalisation (RM'm)	276.99
52-wk price range	RM1.62-RM2.48
3-mth average daily volume (m)	0.02
3-mth average daily value (RM'm)	0.03
Top Shareholders (%)	
PINTARAS BINA SDN BHD	36.08
Chiu Hong Keong	14.66
CIMB Group Holdings Bhd	7.54

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EPS of 20.4 sen.

Maintain BUY. We believe things may take a turn for the better with the expectations of improving construction job flows, which will provide Pintaras the opportunities for order book replenishment, which is crucial due to the nature of the group's specialised nature of business in piling and earthworks. Such contracts generally have shorter time frames as compared to normal construction contracts. We expect the Pintaras' Singapore operations to continue being the main earnings driver for the group. Singapore's Building and Construction Authority (BCA) forecasted that total construction demand will reach between SGD25b and SGD32b annually from 2024 to 2027. This will be led by the public sector, which is expected to contribute SGD14b to SGD18b yearly, comprising 60% of building projects and 40% of civil engineering works. All factors considered, we maintain our **BUY** recommendation on **Pintaras.**

PINTARAS JAYA: 3QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3Q23**	**2Q23**	**3Q22**	**QoQ**	**YoY**	**9MFY23**	**9MFY22**	**YoY**
Revenue	75.8	77.3	86.7	**-2%**	**-13%**	255.0	329.7	**-22.7%**
Cost of sales	(71.6)	(76.7)	(79.7)	**-7%**	**-10%**	(247.6)	(285.1)	**-13%**
Other operating income	2.9	3.1	0.7	**-6%**	**294%**	8.9	5.9	**50%**
Other operating expenses	(0.2)	(0.1)	(2.3)	**218%**	**-91%**	(5.8)	(10.7)	**-46%**
Finance cost	(0.3)	(0.2)	(0.2)	**24%**	**21%**	(0.7)	(0.8)	**-6%**
Profit before tax	4.5	1.0	2.3	**371%**	**97%**	1.9	30.2	**-94%**
Taxation	(0.8)	0.8	(1.7)	**-201%**	**-52%**	0.1	(7.1)	**-102%**
Reported net profit	3.7	1.8	0.6	**108%**	**529%**	2.1	23.1	**-91%**
Core net profit	1.6	(0.1)	1.7	**-1246%**	**-7%**	1.9	29.1	**-93.5%**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	**2021A**	**2022A**	**2023E**	**2024F**	**2025F**
Revenue	370.4	443.1	339.6	356.6	367.3
Gross profit	81.04	51.65	16.98	46.35	51.42
Operating profit	76.4	50.6	11.9	39.2	42.2
Profit before tax	75.1	48.3	6.8	46.4	50.3
Tax	(11.0)	(7.1)	(1.7)	(12.5)	(6.2)
Net proft	64.1	41.2	5.1	33.9	44.1
Core net profit	53.0	49.7	5.1	33.9	44.1

Balance Sheet (RM'm)	**2021A**	**2022A**	**2023E**	**2024F**	**2025F**
Fixed assets	186.7	171.8	163.2	171.4	174.0
Intangible assets	61.4	57.1	60.0	58.7	61.8
Non-current assets	248.1	228.9	223.2	230.1	235.8
Cash	60.1	45.4	17.2	39.6	60.6
Trade debtors	143.8	203.7	144.0	157.6	154.2
Current assets	318.4	362.3	336.9	345.7	395.6
Trade creditors	106.5	128.7	112.3	104.9	108.3
Short-term debt	15.8	15.0	14.3	13.5	12.9
Current liabilities	160.7	165.2	156.0	140.1	148.4
Long-term debt	26.8	18.6	12.1	8.5	11.0
Non-current liabilities	33.6	25.8	16.0	11.5	14.7
Share capital	180.2	180.2	180.2	180.2	180.2
Retained earnings	190.4	215.0	210.1	244.0	288.1
Equity	372.2	400.2	390.3	424.2	468.3

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	**75.1**	**48.3**	**6.8**	**46.4**	**50.3**
Depreciation & amortisation	32.1	33.4	29.9	32.4	32.4
Changes in working capital	6.0	-48.8	-55.5	40.9	16.9
Operating cash flow	**103.1**	**18.1**	**16.4**	**64.4**	**69.9**
Capital expenditure	-22.9	-11.0	-2.5	-20.0	-20.0
Investing cash flow	**-41.3**	**37.2**	**39.2**	**-36.0**	**-36.0**
Debt raised/(repaid)	-16.1	-21.6	-18.1	-15.2	-12.8
Dividends paid	-16.6	-16.6	-10.0	-10.0	-10.0
Financing cash flow	**-34.1**	**-39.8**	**-29.3**	**-26.3**	**-23.8**
Net cash flow	**27.7**	**15.5**	**26.3**	**2.1**	**10.1**
Beginning cash flow	**68.7**	**94.5**	**111.9**	**138.2**	**140.3**
Ending cash flow	**94.5**	**111.9**	**138.2**	**140.3**	**150.4**

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	21.9%	11.7%	5.0%	13.0%	14.0%
Operating profit margin	20.6%	11.4%	3.5%	11.0%	11.5%
PBT margin	20.3%	10.9%	2.0%	13.0%	13.7%
PAT margin	17.3%	9.3%	1.5%	9.5%	12.0%
Core PAT margin	14.3%	11.2%	1.5%	9.5%	12.0%

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 *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