

1Q FYE JUN 2019 RESULTS REPORT

29 November 2018

Name of PLC : Pintaras Jaya Bhd (Pintaras)		PLC Website : www.pintaras.com.my	
Business Summary: Involved in the provision of geotechnical engineering & construction services and also manufacturing of industrial metal containers			
Top Three Shareholders: Dr Chiu Hong Keong and deemed interest		43.5%	
Khoo Yok Kee		6.9%	
Lembaga Tabung Haji		6.8%	
Market / Sector:	MAIN/Construction	Stock Code:	9598
		Bloomberg Ticker:	PINT:MK
Market Capitalisation:	RM 409.7m	Recommendation:	HOLD
Target Price:	RM 2.20	Expected Capital Gain:	-11.6%
		Expected Div Yield:	8.0%
Current Price:	RM 2.49	Expected Total Return:	-3.6%
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Key Stock Statistics	2017	2018	2019F	2020F
EPS (sen)	22.0	9.4	15.4	18.3
P/E (x)	11.3	26.6	16.2	13.6
EPS ex-EI (sen)	20.5	7.4	15.4	18.3
P/E ex-EI (x)	12.1	33.6	16.2	13.6
Net Dividend/Share (sen)	20.0	20.0	20.0	20.0
NTA/Share (RM)	2.07	1.96	1.91	1.89
Book Value/Share (RM)	2.07	1.96	1.91	1.89
Issued Capital (mil shares)	164.7	165.9	165.9	165.9
52-weeks Share Price Range (RM)				2.28-3.85
Estimated free float				30.3%
Average volume (shares)				11,070

Per Share Data	2017	2018	2019F	2020F
Year-end 31 June				
Book Value/Share (RM)	2.07	1.96	1.91	1.89
Operating CF/Share (sen)	28.0	17.2	32.5	22.7
EPS (sen)	22.0	9.4	15.4	18.3
Net Dividend/Share (sen)	20.0	20.0	20.0	20.0
P/E (x)	11.3	26.6	16.2	13.6
P/Cash Flow (x)	8.9	14.5	7.7	10.9
P/Book Value (x)	1.2	1.3	1.3	1.3
Dividend Yield (%)	8.0	8.0	8.0	8.0
Payout Ratio (%)	91.0	213.8	130.0	110.0
ROE (%)	10.8	4.7	8.0	9.6
Net Gearing (%)	(52.7)	(56.3)	(57.9)	(48.7)

P&L Analysis (RM mil)	2017	2018	2019F	2020F
Revenue	193.7	95.9	246.6	300.9
EBITDA	50.7	27.1	45.1	50.8
Depreciation & amort	(14.9)	(13.1)	(17.5)	(18.3)
Net interest income	4.1	3.6	3.7	3.4
EI *	2.5	3.2	-	-
Pre-tax Profit	42.4	20.7	31.3	35.9
Net Profit	36.3	15.5	25.6	30.3
EBITDA Margin (%)	26.2	28.2	18.3	16.9
Pre-tax Margin (%)	21.9	21.6	12.7	11.9
Net-Margin (%)	18.7	16.2	10.4	10.1

1. 1QFY19 Results Highlight

	1Q FY19	1Q FY18	Chg
	RMm	RMm	%
Revenue	38.6	19.2	101.4
Gross Profit	4.4	2.0	119.9
Other operating income	7.4	4.0	85.3
Pre-tax Profit	5.6	3.9	43.5
Net Profit after Minority	2.8	3.8	(25.5)
Core Profit	0.5	2.3	(80.3)
Gross Margin (%)	11.3	10.3	
Pre-tax Margin (%)	14.4	20.2	
Net-Margin (%)	7.2	19.6	
Core-Margin (%)	1.2	11.9	

- The Company posted strong revenue growth in 1QFY19, registering 101.4% y-o-y to RM38.6m. However, core profits declined 80.3% y-o-y to RM0.5m. The topline was boosted by both construction and manufacturing growth as well as the consolidation of new subsidiary, Pintary International that was completed on 14 September 2018. The weaker bottom line was mainly due to higher unallocated costs of RM3.8m which we believe could be partially due to the acquisition cost of Pintary.
- Construction division's revenue jumped 148.9% y-o-y to RM29.2m on the back of 13.4% increase in its Malaysia operation and new contribution from Pintary, with operations in Singapore. The segmental results improved substantially from RM0.3m in 1QFY18 to RM4.3m in 1QFY19 due to a gain of RM3.0m on disposal of machinery and the new contribution from Pintary.

Stripping off the one-off gain, Malaysia operation's margin turned negative due to the current challenging conditions in the domestic construction industry.

- Manufacturing division's revenue improved 26.5% y-o-y to RM9.4m. PBT escalated 115.0% y-o-y to RM1.3m in 1QFY19. This improvement was mainly attributable to higher sales volume and better margins as a result of lower production costs.
- 1QFY19 core profits of RM0.5m was below expectation. However, if we add back an estimated RM3.5m fees for the acquisition of Pintary as one-off item, the core profits will be higher at RM4.0m. This represents a 15.4% of our full year estimate of RM25.6m. Hence, we deem the results within expectations. There can be more clarity once we are able to confirm with management.

2. Corporate Updates

- On 9th November 2018, the Company announced that Pintary received a Letter of Award from China Construction (South Pacific) Development Co. Pte Ltd. To undertake the execution and completion of piling works for a proposed 8-storey industrial factory situated at Senoko Drive/Senoko Road, Singapore. The contract is worth approximately RM45m with immediate commencement that last for 6 months.
- A final single-tier dividend of 12 sen was approved by shareholders during the AGM held on 23 October 2018 and shall be paid on 11 January 2019. This will bring the full year dividend pay-out to 20sen or an attractive dividend yield of 8.0% for FY18, also representing the third consecutive year of 20sen pay-out.

3. Earnings Outlook

- Pintaras is a leading piling and foundation specialist based in Klang Valley with 25 years of experience in the local construction industry. Unlike other companies, Pintaras has been able to maintain a profit track record despite a slowdown in construction activities, mainly due to prudent management and a cash-rich balance sheet with zero leverage. The Company has recently completed the acquisition of Pintary International (Pintary) that has been providing bored piling services to its customers in Singapore for 6 years.
- The construction industry outlook in Malaysia remains gloomy with the government cancelling and deferring several mega infrastructural projects. Chinese contractors, with their notable presence in the market previously, have left behind plenty of cheap equipments and machines flushing into the industry and thinning contracts margins. Both housing and commercial developments have also slowed down as overhang units remain in the market.
- Singapore's construction industry outlook is rather more upbeat, with the roll out of new tenders for infrastructure projects such as T5 and Land Transport Authority's Jurong Regional Line, Sengkang Bus Depot and Sports and Recreation Centre at Punggol as well as several HDB and private developments rousing construction activities in the market. Pintary has recently secured a significant foundation piling project as mentioned above where the Company expects to build up its orderbook to record volume by end of June 2019.
- For Pintaras, its Malaysia construction outstanding order book currently stands at less than RM100m, depleting further from RM130m reported in April 2018. YTD, the Company has replenished with contracts worth RM98.5m, of which RM68.5m was awarded in January 2018 by Bina Puri and RM30m worth of piling contract for a condominium development in Kuala Lumpur in September 2018. Malaysia's order book is expected to be lacklustre in FY19 on the back of RM414m worth of tender book. Growth should come from Pintary in Singapore, which has an outstanding order book of about SGD50m, but more importantly a stronger tender book at approximately SGD800m.

4. Valuation and Recommendation

- We maintain our TP of RM2.20, which is based on the unchanged 10-year Bursa Malaysia Construction Index’s -1 SD of 12x PER over FY20 EPS of 18.2sen, undermined by the lack of fresh leads in the sector near term. We maintain our Hold call on Pintaras. Positive catalysts for Pintaras could come in the form of a much-improved outlook for Malaysia’s construction sector and/or when it can demonstrate that it can secure a sustainable growth in orderbook, both in Malaysia and Singapore. Meanwhile, we believe the downside is limited with its attractive dividend yield of 8.0%.

Share price chart of Pintaras Jaya



Disclosures/Disclaimer

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

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