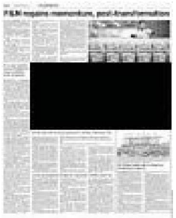

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# Analysts positive on early contracts angpow for Pestech

Pestech registered a slow start to FY19 with core profit of RM6.2 million only making up seven per cent of our FY19 full-year estimate, owing to early construction stages for MRT2 and KVDT as well as lower job claims from the Cambodian projects.

**KUALA LUMPUR:** Analysts are optimistic of Pestech International Bhd (Pestech) clinching two contracts from Tenaga Nasional Bhd (Tenaga Nasional) worth RM281 million for a substation project in Kedah and an underground cable job in Kuala Lumpur.

"This is definitely positive for the group as the RM112.5 million underground cable contract is Pestech's biggest underground cable project so far and is a good future job reference," explained analysts at Kenanga Investment Bank Bhd (Kenanga Research).

In detail, Pestech announced that its wholly-owned subsidiary company, Pestech Sdn Bhd had secured two separate contracts from Tenaga Nasional, the first of which is for a PMU 500.275kV Junjung (3x1050 MVA) substation in Kedah worth RM168.4 million for a contract period of 2.5 years.

The second one is through Pembinaan Tajri Sdn Bhd-Pestech Sdn Bhd joint venture, a RM112.5 million contract for double circuit 275kV XLPE underground cable from PMU Prince Court to PMU Ampang for the contract period of two years.

"The cable system is to deliver a minimum of 500MVA power for each 275kV cable circuit under the project.

"On the other hand, the Junjung substation is required to facilitate heavy power transfer from Perak to Prai area through several transformers and lines to the Northern Region," the research firm said.

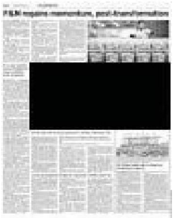
"With these two Tenaga contracts, Pestech has secured five contracts worth RM812.8 million in financia year 2019 (FY19) and brought the current order-book to circa RM2.3 billion which will keep it busy for at least the next two to three years."

These contract wins led Kenanga Research to believe that Pestech was well on track to a record FY19.

"Pestech registered a slow start to FY19 with core profit of RM6.2 million only making up seven per cent of our FY19 full-year estimate, owing to early construction stages for MRT2 and KVDT as well as lower job claims from the Cambodian projects given the raining season there.

"However, we should see better quarters for the rest of FY19 as the local projects are progressing towards an advanced stage while the Cambodian projects are at full stream in dry season in the second half of FY19.

"With the targeted revenue of RM1 billion in FY19 and nine to 11 per cent net margin, we believe our FY19 net profit estimate of RM90.8 million is not excessive and achievable."



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## SUMMARIES

Pestech registered a slow start to FY19 with core profit of RM6.2 million only making up seven per cent of our FY19 full-year estimate, owing to early construction stages for MRT2 and KVDT as well as lower job claims from the Cambodian projects.