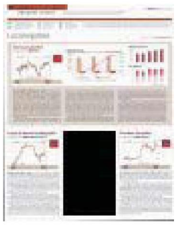

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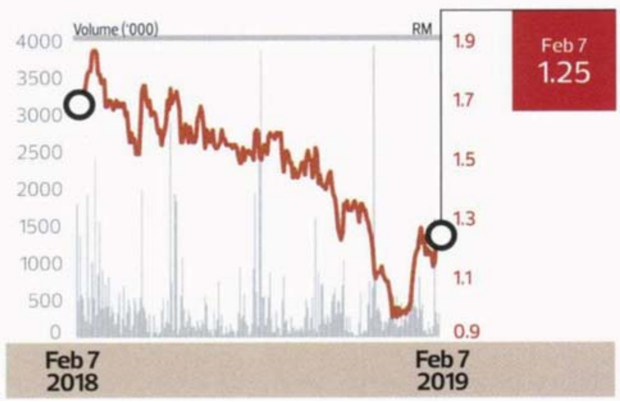
Pestech International Bhd

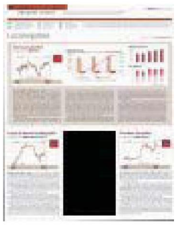
Target price: **RM1.45 OUTPERFORM**



KENANGA RESEARCH (FEB 4): Pestech clinched two contracts from Tenaga Nasional Bhd worth RM281 million in total for a substation project in Kedah and an underground cable job in Kuala Lumpur. The stock rebounded 23% in the past one month from a plunge of 42% in 2018, which took its PER to a new low of eight times. With an order book of RM2.3 billion to keep it busy till 2021, it should be able to post a record FY19.

The RM112.5 million underground cable job is Pestech's biggest project so far and is a good future job reference.

Pestech had a slow start to FY19, with a core profit of RM6.2 million, only making up 7% of our FY19 full-year estimate. However, we should see better quarters for the rest of FY19 as local projects are progressing towards an advanced stage while the Cambodian projects are at full stream in the dry season of 2HFY19. With targeted revenue of RM1 billion in FY19 and 9% to 11% net margin, we believe our FY19 net profit estimate of RM90.8 million is not excessive and is achievable.



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SUMMARIES

Target price: RM1.