

Headline	Latest TNB contract a positive for Pestech
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Latest TNB contract a positive for Pestech

Pestech International Bhd (Aug 16, RM1.65)

Maintain outperform with a target price (TP) of RM2: On Tuesday, Pestech International Bhd announced that its wholly-owned subsidiary Pestech Sdn Bhd had accepted a letter of acceptance from Tenaga Nasional Bhd (TNB) for the supply, erecting and commissioning of 2x1050MVA autotransformers, 500kV and 275kV switchgears, and ancillary equipment with associated civil works for PMU 500/275kV Olak Lempit, Selangor, for a contract value of RM79.5 million. The contract period is 18 months and will commence within the next 1.5 months.

This is a positive for Pestech as the last sizeable contract from TNB was in September 2015 for

the construction of the 500/275kV Yong Peng East (2x1050MVA) backbone main intake substation worth RM134.4 million. This highlights its ability to secure contracts in Peninsular Malaysia as well. This is a good start for financial year 2018 (FY18) for which we have an order-book replenishment assumption of RM1 billion, which is not excessive, in our view, as it bagged a total of RM910 million contracts in FY17 against our assumption of RM800 million.

Its order book is now estimated to be about RM1.5 billion with earnings visibility up to end-2019. So far, the RM1 billion worth of domestic electrification contract is not finalised yet. We believe it stands a good chance based on its track re-

cord and work capacity. Indochina remains its main focus and we believe there are few more contracts up for grabs there, especially once its BOT project, Diamond Power, commences operations by year end.

Pestech is expected to release its FY17 results next week and we believe our estimates are achievable given that the fourth quarter of 2017 is a dry season in Cambodia, which is conducive for work escalation to meet timelines. Higher earnings are expected. We continue to like this niche utilities infrastructure play for its earnings growth story. We maintain our "outperform" rating with an unchanged TP of RM2. Risks to our call include failure to replenish its order book and cost overruns.

— Kenanga Research, Aug 16

Pestech International Bhd

FYE JUNE (RM MIL)	2017E	2018E	2019E
Turnover	600.0	695.0	762.9
Ebit	131.6	136.8	149.8
PBT	109.3	107.1	118.8
Net profit (NP)	72.0	82.3	90.6
Core net profit	72.0	82.3	90.6
Core EPS (sen)	9.6	11.0	12.1
Core EPS growth (%)	-7.8	14.2	10.1
NDPS (sen)	2.9	3.3	3.6
BV/Share (RM)	0.48	0.55	0.64
NTA/Share (RM)	0.48	0.55	0.64
Core PER	17.1	15.0	13.6
PBV (x)	3.46	2.98	2.58
Price/NTA (x)	3.46	2.98	2.58
Gearing (%)	0.89	0.47	0.14
Net yield (%)	1.8	2.0	2.2

Source: Kenanga Research