



## Pestech wins first contract of the year, pegged to meet expectations

**KOTA KINABALU:** After eight months of silence on Pestech International Bhd's (Pestech) contract flow, the small-cap construction engineering company has started news buzzing again as it has managed to secure its first contract of the year – a RM58 million contract to building a substation for SESCO.

In a recent filing on Bursa Malaysia, the company announced that that the RM58 million contract is for the construction of the Sibiyu 132/33kV substation project in Kemena Land district located just 35 minutes from Bintulu Airport and would be expected to provide the essential 132Kv power injection into the city of Bintulu.

The contract is Pestech's first award since their last contract win of RM106 million in mid-Dec 2017 and would last for a period of 28 months from September and raise the company's FY19 revenue to circa RM610 million.

While it has been a long gap in contract wins, analysts at Kenanga Investment Bank Bhd (Kenanga Research) guided that they are still maintaining their contract win assumption of RM800 million as they are confident the company will still be able to secure another RM190 million worth in contract for the remainder of the financial year.

Moreover, the analyst also highlighted that Pestech has been busy with its current order-book and are not concerned about the company's profitability as its billing progresses for current contracts should be able to meet their earn-

ings estimates.

Currently, Pestech's order-book is estimated at RM1.57 billion and is expected to keep the company busy with works for at the next two to three years.

With the cancellation and deferment of the East Coast Rail Link (ECRL) and K1-Singapore High Speed Rail (HSR), the Gemas-JB double track projects is possibly the only major electrification projects locally for Pestech to participate in.

"We think the contract sums are fairly big should it be able to secure the project but there is still the potential upgrade of the existing East Coast KTM line that Pestech could look forward to in replacing the ECRL.

"Pestech would stand a good chance of securing the project based on its track record on the West Coast KTM line," said the research arm.

Looking at the group's future prospects, Kennaga Research states that they continue to like the stock due to its niche infrastructure play that will play into an earnings growth story.

"It's valuation is no longer excessive following the lackluster share price performance in the past two years despite strong earnings momentum and we believe its 4Q18 results will be on track to meet our FY18 estimate of RM92.1 million after posting 9M19 core earnings of RM62.8 million.

"This is premised on stronger Cambodia earnings before the start of the raining season in 2H of 2018.



25 Aug 2018  
Borneo Post (KK), Malaysia

Author: No author available • Section: Business • Page: A7 • Printed size: 206.00cm<sup>2</sup>  
Market: KL • Country: Malaysia • Photo: Black/white • Item ID: MY0033559954

 isentia.mediaportal

Provided for client's internal research purposes only. May not be further copied, distributed, sold or published in any form without the prior consent of the copyright owner.

SUMMARIES

KOTA KINABALU: After eight months of silence on Pestech International Bhd's (Pestech) contract flow, the small-cap construction engineering company has started news buzzing again as it has managed to secure its first contract of the year - a RM58 million contract to building a substation for SESCO.