

Pestech International

Bagged RM743m Aerotrain Project, Finally

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PESTECH has won its biggest ever contract with a value of RM743m for the KLIA aerotrain project which comes with financing, and O&M services. This is a highly positive win being its first airport train system project which will act as a good reference for future tender regionally. In all, we still like the stock as a niche utility infrastructure play. Keep OP at TP of RM1.11.

Finally, clinched the KLIA aerotrain project. Yesterday, PESTECH's wholly-owned subsidiary Pestech Technology Sdn Bhd finally secured the long awaited EPCC contract for KLIA's automated people mover (APM) aerotrain project, to replace the aging aerotrain system, from Malaysia Airports (Sepang) Sdn Bhd at a contract value of RM743.0m. The contract, which is option 2 under the tender, is inclusive of financing plus a 10-year O&M contract and this also explains why the contract value is higher than what market was speculating at RM400m previously.

Its highest ever contract win so far. This is highly positive which adds a new profile to PESTECH and will be a good reference for future airport train system tender regionally. Under the agreement, the EPCC project which uses Bombardier Transportation Technology will commence from March 2022 for three years to March 2025 while the 10-year O&M services will start from March 2025 to Feb 2034. This contract so far is the biggest win for PESTECH since listing and would boost its total order-book from RM1.58b as of Sep 2021 and keep them busy for the next three years.

However, there are no changes to forecasts. While this win tallies FY22 actual order-book replenishment to RM900m which is higher than our new win assumption of RM800m, it is still within our revenue forecast based on project timeline. As such, we are keeping FY22/FY23 earnings estimates unchanged for now. Meanwhile, due to the seasonally weak 1H period, the upcoming 2QFY22 is likely to be a soft quarter like 1QFY22 before the busy 2HFY22. Having said that, a better FY22 is expected as compared to FY21 as its key projects namely ODM and Tatay projects in Cambodia and MRT2 locally are advancing to later stages which mean overall better margins in FY22.

OUTPERFORM reiterated. We continue to like this niche utility infrastructure play which could potentially benefit from the revival of mega projects domestically and the fast-growing energy infrastructure development market in Indochina. As such, we continue to rate the stock an OUTPERFORM with unchanged target price of RM1.11 which is based on 3-year moving mean of 14x FY22E PER. **Risks to our call include:** (i) failure to replenish order-book, and (ii) cost overruns.

OUTPERFORM ↔

Price : **RM0.80**
Target Price : **RM1.11** ↔

Share Price Performance



KLCI 1,533.91
YTD KLCI chg -5.7%
YTD stock price chg 6.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEST MK Equity
Market Cap (RM m)	757.0
Shares Outstanding	952.2
52-week range (H)	1.14
52-week range (L)	0.59
3-mth avg daily vol:	5,638,754
Free Float	34%
Beta	1.0

Major Shareholders

Lim Ah Hock	33.5%
Lim Pay Chuan	19.8%
Great Eastern Life	1.8%

Summary Earnings Table

FYE Jun (RM m)	2021A	2022E	2023E
Turnover	889.4	1,000.0	1,050.0
EBIT	169.1	165.0	171.0
PBT	113.8	111.0	118.9
Net Profit (NP)	66.4	75.7	87.0
Core Net Profit	72.4	75.7	87.0
Consensus (NP)		N/A	N/A
Earnings Revision (%)		-	-
Core EPS (sen)	7.6	7.9	9.1
Core EPS growth (%)	38.8	4.7	14.9
NDPS (sen)	1.0	0.0	0.0
BV/Share (RM)	0.61	0.68	0.78
NTA/Share (RM)	0.51	0.58	0.67
Core PER (x)	10.5	10.0	8.7
PBV (x)	1.31	1.16	1.03
Price/NTA (x)	1.73	1.37	1.20
Gearing (%)	1.86	1.46	1.07
Net Yield (%)	1.1	0.0	0.0



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Contract Flow				
Date	Client	Value (RM m)	Contract Description	Duration
11 Jul 2012	OM Materials (S'wak)	111.55	275kV Substation for the Ferro Alloy Project in Samalaju, Sarawak	16 months
20 Sep 2012	Asia Advanced	27.84	Samalaju Industrial Park, Bintulu, Sarawak 132/33/6.6kV Substation	16 months
1 Oct 2012	TENAGA	16.49	132kV and 33kV switchgear, transformer and ancillary equipment and associated civil works for PMU 132/33kV Bukit Siput extension (2x90MVA), Johor	455 days
19 Oct 2012	TENAGA		132/33kV 2x45MVA at PMU New Bukit Ketri	546 days
7 Jan 2013	TENAGA	15.96	132KV and 33KV switchgear, 2 x 45MVA 132/33KV power transformer and ancillary equipment for PMU Jerantut	546 days
19 Mar 2013	RSG, gold mining company	9.21	225kV high voltage substation for the Syama Gold Mine located in the south of Mali, West Africa	13 months
30 Aug 2013	Sarawak Energy Bhd	95.62	275/33 kV substation ("MAPAI Substation") with provision for future 500kV switchyard with four future 500/275kV transformer bays expansion	23 months
19 Sep 2013	Electricite du Laos	90.40	115kV double circuits transmission line from Pakse, Lao People's Democratic Republic to the Lao-Thai border	18 months
28 Nov 2013	Metix Malaysia Sdn Bhd	51.29	132/33/11 kV integrated power distribution system including substations for Sakura Ferroalloys Sdn. Bhd	18 months
15 Jan 2014	Sarawak Energy Bhd	84.98	SEB's Mambong and Entinggan 275 kV substation extension project	23 months
10 Mar 2014	Alex Corp Co Ltd	279.71	230kv West Phnom Penh-Sihanoukville Transmission Line and 230/115/22kv substation extension project	32 months
19 Jun 2014	TENAGA	1.10	Utility SDH telecommunication equipment for TENAGA's operation requirement	240 days
10 Nov 2014	Sarawak Energy Bhd	0.89	Supply, installation, testing and commissioning of Information Management System as part of the expansion plan for control system in Sejingkat Power Plant Project in Sarawak	
19 Jan 2014	TENAGA	1.17	Supply and provision of engineering assistant to install and commission the new governor system upgrading at SJ Tenom Pangi, Sabah	14 weeks
24 Feb 2015	NUR Distribution Sdn Bhd	28.80	EPC & testing work package for the West 132kV substation project in Kulim, Kedah	15 months
2 Mar 2015	Sarawak Energy Bhd	48.36	Samajaya 132/33/11kV substation in Kuching, first indoor substation in Kuching	18 months
19 Apr 2015	Diamond Power Ltd	212.10	Design, build, testing and commissioning of the 230kV Kampong Cham-Kratie Transmission System Project.	30 months
25 Sep 2015	TENAGA	134.42	construction of the 500/275kV Yong Peng East (2x1050MVA) backbone main intake substation	36 months
31 Mar 2016	Dhaya Maju	318.00	Rail electrification and commissioning for rehabilitation work of KVDT	42 months
17 Aug 2016	NGCP	37.78	Upgrading of TIWI Geothermal Power Plant A & C Substations	420 days
23 Sep 2016	Severelectro JS	34.69	Upgrading of three substations under ESARIP	1 year
26 Sep 2016	Sarawak Energy Bhd	89.53	New Bintulu B 275/(132)kV substation	21 months
7 Oct 2016	PNG Power Ltd	52.12	KilaKila 66/11kV substation and 66kV double circuit transmission line	24 months
8 Feb 2017	Alex Corp Co Ltd	254.49	230kV Stung Hav to Chamkar Loung Transmission Line and 500kV Chamkar Loung to Bek Chan Transmission Line	34 months
6 Apr 2017	Alex Corp Co Ltd	440.94	EPC package for 230kV double circuit transmission line Stung Tatay Hydro Power Plant-Phnom Penh and two 23kV lines bays at Stung Tatay HPP switchyard.	36 months
15 Aug 2017	TENAGA	79.50	EPC for 2x1050 MVA Autotransformers, 500kV and 275kV switchgears and ancillary equipment for PMU 500/275kV Olak Lempit	18 months
4 Oct 2017	NGCP	50.18	EPCC for the Calamba 230kW Substation	18 months
19 Dec 2017	Schneitec Co., Ltd	106.08	EPC for 75km 115kV double circuit transmission line from Oddor Meanchey to Siem Reap; a 115/22kV Oddor Meanchey substation and a 230/22kV Bek Chan (Porsenchey) substation	24 months
23 Aug 2018	Sykt SESCO Bhd	57.95	Sibiyu 132/33kV Substation	28 months
25 Sep 2018	Sykt P YTL Sdn Bhd	399.00	Electrification portion of Gemas-JB Double-track project	26 months
09 Oct 2018	Sykt P YTL Sdn Bhd	75.00	Signaling portion of Gemas-JB Double-track project	26 months
31 Jan 2019	TENAGA	112.50	Double circuit 275kV XLPE underground cable	730 days
31 Jan 2019	TENAGA	168.39	PMU 500/275kV Junjung (3x1050 MVA) substation in Kedah	912 days
17 Jun 2019	Electricity Ministry, Iraq	29.90	4 new 132/33kV, 31.5MVA mobile substations & 2 new 132/11, 25MWV mobile substations	-
11 Nov 2019	TENAGA	38.38	To supply and delivery of Smart Meter for Smart Billing Project deployment Phase 2	2019-2020
12 Dec 2019	NGCP	93.79	EPCC for Cebu-Bohol 230kV interconnection project for substation portic	450 days
20 Dec 2019	PNG Power Ltd	70.52	EPC for Port Moresby System Study and 11kV Distribution Upgrade	900 days
27 Dec 2019	NGCP	111.71	EPCC for South Luzon Substation Upgrading Project Stage 1 and Stage	360 days
26 Mar 2020	Renaissance Minerals	32.22	EPCC of 230/11kV Okvau Transmission Substation	12 months
08 Dec 2020	NGCP	104.20	EPCC of Nabas-Caticlan-Boracay 138kV transmission line for substation	14 months
16 Feb 2021	Electricite du Cambodge	80.35	EPCC of 230kW underground cable work in Phnom Penh	-
17 May 2021	RTS Operations Pte Ltd	64.95	Traction Power Supply of RTS Link Assets for RTS Link between MY-SG	2021-2026
22 Nov 2021	NGCP	156.89	EPCC for South Luzon Substation Upgrading Project 2	600 days
27 Dec 2021	Malaysia Airport	742.95	EPCC for KLIA's APM system with financing and O&M services	3+10 years

Source: Bursa

Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
GAS MALAYSIA BHD	2.65	3,402.6	Y	12/2021	-11.9%	8.6%	7.8%	-7.7%	15.2	14.1	15.3	3.2	3.1	22.0%	6.4%	3.00	OP
MALAKOFF CORP BHD	0.725	3,543.0	Y	12/2021	-8.0%	0.4%	24.9%	-4.9%	14.3	11.4	12.0	0.7	0.7	5.9%	7.0%	1.01	OP
PESTECH INTERNATIONAL BHD	0.795	757.0	Y	06/2022	12.4%	5.0%	4.7%	14.9%	10.5	10.0	8.7	1.3	1.2	12.3%	0.0%	1.11	OP
PETRONAS GAS BHD	17.48	34,588.2	Y	12/2021	0.7%	1.4%	3.5%	-5.8%	17.3	16.7	17.7	2.7	2.7	16.2%	5.1%	17.02	MP
TENAGA NASIONAL BHD	9.41	53,882.5	Y	12/2021	14.6%	1.0%	27.2%	5.8%	14.1	11.1	10.5	1.0	0.9	8.5%	4.5%	11.41	OP
YTL POWER INTERNATIONAL BHD	0.615	4,982.8	N	06/2022	-4.8%	1.6%	-15.7%	21.2%	10.8	12.9	10.6	0.4	0.4	3.0%	8.1%	0.890	OP
Simple Average					0.5%	3.0%	8.7%	3.9%	13.7	12.7	12.5	1.5	1.5	11.3%	5.2%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

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