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Pestech's earnings recognition likely to be pushed forward to FY21

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Yvonne Tuah

KUCHING: Pestech International Bhd's (Pestech) earnings recognition would likely be pushed forward to the financial year 2021 (FY21) with the lockdown being eased locally as well as overseas.

The research team at Kenanga Investment Bank Bhd (Kenanga Research) said that Pestech's third quarter of the financial year 2020 (3QFY20) core profit of RM10 million was disappointing as the lockdown-led slow billing claims dragged its normally seasonal strong quarter.

It noted that Pestech's first nine months of FY20 (9MFY20) core profit of RM39.3 million fell short of estimates primarily due to the movement control order (MCO) lockdown which delayed billings for its local as well as Philippines projects.

Besides that, it pointed out that interest expense and minority interest were also higher than expected.

"While 3QFY20 results were disappointing given the low billings, earnings are likely to be pushed forward to FY21 with the lockdown being eased locally as well as overseas.

"Besides, key local projects MRT2 and KVDT are advancing to higher stages as well as the Cambodian Tatay project.

"Meanwhile, the refinancing of existing loan should help to address the issue of high interest cost with the first draw-down expected in August.

"Going forth, its current order-book of RM1.48 billion will keep them busy for the next two years and sustain earnings growth.

"In addition, we expect contract flows to start kicking in with the revival of KVDT2, LRT2 and ECRL," it opined.

It also believed that Pestech should stand a good chance of participating in these projects as it is the only local firm with rail electrification expertise.

Post-3QFY20 results, Kenanga Research said it cut its FY20 to FY21 earnings estimates by 24 and 21 per cent respectively on lower revenue assumption on lockdown-effect and higher interest expense and minority interest.



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SUMMARIES

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