Kenanga Research maintains Outperform call on Pestech

KUALA LUMPUR: Kenanga Research is positive on Pestech International's move to acquire French railway contractor Colas Rail's business in Malaysia.

The research house said on Tuesday that the acquisition would provide the group with immediate involvement in the MRT2 rail electrification work, and a good reference for its future bidding both locally as well as regionally.

It maintained its Outperform call on the counter with a target price of RM2.00.

As the research house expects minimum impact to its FY18 forecast from this acquisition, which is also within its revenue assumption for FY19, it maintainedits FY18-FY19 estimates unchanged for now.

"We continue to like this niche utilities infrastructure play for its earnings growth story.

"In fact, its valuation is no longer excessive following the lacklustre share price performance in the past 1.5 years while earnings momentum remains strong.

"With the exciting acquisition coupled with busy contract flow from Cambodia, we believe it is currently good timing to look at this attractive stock," it said in a note.

On Monday, Pestech announced that its unit, Pestech Technology Sdn Bhd, has entered into agreements to acquire the entire 100% stake in Colas Rail System Engineering Sdn Bhd (CRSE) for RM10.4mil from Colas Rail Asia Sdn Bhd and Colas Rail, and Vital Bid Sdn Bhd.

CRSE is involved in the EPC for railway electrical and mechanical projects.

The parent company Colas Rail SA is a French company involved in building railway infrastructure projects worldwide.

This is not the first-time PESTECH is acquiring a competitor as it also acquired rail infrastructure equipment from Balfour Beatty Rail Ltd in April 2015 to boost its rail electrification business , the research house added.

Link: https://www.klsescreener.com/v2/news/view/299825/kenanga-research-maintains-outperform-call-on-pestech