



05 JUN, 2020

'Outperform' call on Pestech from Kenanga

New Straits Times, Malaysia

THIRD CAMBODIAN CONCESSION ASSET

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KUALA LUMPUR: Integrated electrical power technology company Pestech International Bhd has bagged its third concession asset in Cambodia, a 10-year build-operate-transfer transmission line project worth US\$100 million, via its subsidiary.

Kenanga Research said in a note yesterday the concession value stemmed from committed payment from state utility supplier Electricite Du Cambodge to Pestech's 70 per cent-owned unit, ODM Power Line Co Ltd, over a concession period of 10 years and one month.

"We are positive about this as it helps to enrich Pestech's future recurring income and provides diversification from the company's over-reliance on engineering, procurement, construction and commissioning (EPCC) contracts.

"Although borrowing is set to increase, it is mainly ring-fenced financing like the other existing borrowings, which is fairly safe," said the research house.

Additionally, it said Pestech had a sizeable outstanding order book of RM1.6 billion, which would be able to sustain its earnings growth for the next two years.

"Pestech is expected to book in two streams of earnings from this project; the 10-year concession fees and an EPCC contract worth US\$50 million."

It said Pestech's two other concession assets in Cambodia were the 25-year build-operate-transfer independent power transmitter Diamond Power and the 20-year build-own-operate solar farm Green Sustainable Ventures.

"We still 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 Cambodia," it said.

As such, Kenanga Research has maintained its "outperform" call on Pestech, with an unchanged target price of RM1.15.

INFO BOX

RM1.6B

Pestech International Bhd's sizeable outstanding order book

Bernama



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SUMMARIES

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