

Headline	Slow start for Pestech, but outlook still upbeat
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# Slow start for Pestech, but outlook still upbeat

**KUCHING:** Pestech International Bhd (Pestech) saw a slow start to its financial year 2017 (FY17) but analysts expect its outlook to remain upbeat with its improved order book and operational recovery.

The research arm of Kenanga Investment Bank Bhd (Kenanga Research) said, "Although the first quarter of FY17 (1QFY17) results were slow given the seasonality effect, we expect a better 2QFY17 before a strong second half of FY17 (2H FY17), as work progress will back in full swing in the dry season in Cambodia, to end FY17 at a new high again."

The research team also pointed out that its order book improved to RM1.04 billion as of end-September from RM840 million three months ago after securing four contracts in the past four months.

"With its aim to secure at least three projects in the near term: one local rail electrification project and two Cambodian projects of which it stands a high chance of securing, order book is expected to increase further," it opined.

As for its 1Q results, Kenanga Research noted that the seasonal weak 1QFY17 is not alarming as an expected strong 2H FY17 will bridge up the shortfall, catapulting FY17 earnings a new high.

"On the surface, 1QFY17 core earnings plunged 79 per cent sequentially to RM6.4 million from RM31 million in the preceding quarter as revenue contracted 46 per cent to RM102.8 million from RM190.7 million previously.

"The decline in revenue and earnings were primarily due to the raining season in Cambodia, which affected its work progress there.

"In addition, most of the work claims recognition was from Diamond Power (DPL) while claim for Alex Corp project was lower pending a potential job upgrade

request by the client. Back home, most of the local projects were at early construction stage," it explained.

While Pestech recorded a weak 1QFY17, it pointed out that the results were better than last year.

It said, "With revenue more than doubled to RM102.8 million from RM48.3 million, Pestech booked in a core profit of RM6.4 million in 1QFY17 from core loss of RM0.7 million in 1QFY16.

"This was largely attributable to the start of DPL in 2QFY16, which was reflected in revenue and hence bottom line. In addition, the effective tax rate in 1QFY17 was four per cent as opposed to 23 per cent in 1QFY16 as earnings from DPL was tax exempt."

Overall, Kenanga Research maintained an 'outperform' rating on the stock. It said, it continued to favour the stock its explosive earnings growth story.



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