

Malaysia

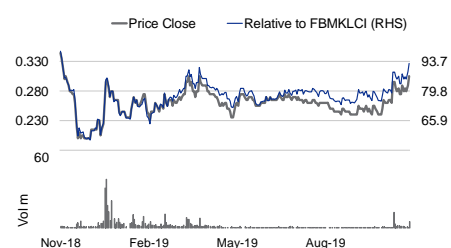
HOLD (no change)

Consensus ratings*: Buy 0 Hold 1 Sell 0

Current price:	RM0.31
Target price:	RM0.32
Previous target:	RM0.27
Up/downside:	4.9%
CGS-CIMB / Consensus:	18.5%
Reuters:	PRTO.KL
Bloomberg:	PRTA MK
Market cap:	US\$35.36m
	RM147.9m
Average daily turnover:	US\$0.04m
	RM0.17m
Current shares o/s:	424.2m
Free float:	65.6%
*Source: Bloomberg	

Key changes in this note

- FY19-21F EPS cut by 16-25% to account for weaker revenue and higher depreciation.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	27.1	17.3	-11.6
Relative (%)	26	17.5	-5.8

Major shareholders	% held
Dato' Sri Chong Ket Pen	15.4
Penmacorp Sdn Bhd	10.3
Employees Provident Fund (EPF)	8.7

Analyst(s)



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Weaker revenue performance in 9M19

- 9M19 results were below expectations due to weaker revenue. RM5.6m core net profit benefitted from cost cutting initiatives since Sep 2008.
- Job win rate remains subdued. Focus may continue to shift to potential asset/land monetisation plans in the medium term.
- Maintain Hold with a higher TP (0.5x FY20F P/BV).

9M19 results below expectations

9M19 core net profit of RM5.6m (excluding RM0.9m retrenchment expenses and impairment loss) represents an improvement from the core net loss of RM3.8m in 9M18. However, the performance was below expectations, at 47% of our full-year forecast. Key deviations were weaker-than-expected 9M19 revenue (69% of our full-year estimate) and higher depreciation. Overall, 9M19 revenue declined 8.4% yoy. A key positive in 9M19 was the continued decline in operating cost (-10.3% yoy) due to kitchen sinking and employee right-sizing. YTD DPS of 1.2 sen (2Q19: 0.6 sen) was in line.

Stronger billings for construction

9M19 construction revenue grew 45% yoy, with a RM18.4m pretax profit vs. a pretax loss of RM6.2m in 9M18. Key driver was stronger billings for the Project Perumahan Awam 1Malaysia (PPA1M) phase 2. Construction pretax margin improved to 7% in 9M19 (9M18: -4%) as a result of higher revenue and the effect of a kitchen sinking exercise in 4Q18. Road maintenance revenue declined 23% yoy in 9M19, impacted by fewer periodic maintenance jobs, while segment pretax profit contracted 19% yoy though pretax margin rose 1% pt to 9% in 9M19. Property development revenue surged 70%, driven by the sale of three completed units in inventory worth RM1.7m in 1H19 (none in 3Q19).

Shifting to asset divestment angle; less on job wins in 4Q19/1Q20F

End-3Q19 construction order book stood at RM513m (end-3Q19: RM655m). Building projects made up the bulk of order book, at c.97%, comprising PPA1M phase 2 (RM61m) and PPA1M phase 4 (RM434m). The remaining 3% are smaller jobs. At end-Sep, project tenders are ongoing though with zero success rates, in addition to weak job visibility since 2Q19. Meanwhile, we gather that its potential asset/land monetisation strategies remain intact; we believe these may materialise in 4Q19/1Q20F.

Maintain Hold with higher TP

We keep our Hold call. Our TP rises to RM0.32 as we roll over our valuation to end-CY20F based on a higher FY20F P/BV multiple of 0.5x (0.43x previously) and ascribe a lower 40% discount (50% before) to its 5-year average P/BV to reflect its better earnings prospects, cost-efficiency benefits and the possibility of an asset/land monetisation deal materialising. This is balanced by weak visibility in its job flows and weak property sales. Share price remains supported by FY19-20F dividend yields of 3.9-4.6%. Upside risks are a recovery in contract wins, and monetisation of land/assets which would enhance cash. Downside risks are bigger losses in its property development and education units.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	939.3	892.3	785.3	793.1	809.0
Operating EBITDA (RMm)	81.10	23.49	29.05	32.52	36.40
Net Profit (RMm)	28.11	(48.54)	9.18	12.18	14.79
Core EPS (RM)	0.057	(0.014)	0.019	0.025	0.030
Core EPS Growth	(34%)	(125%)		33%	21%
FD Core P/E (x)	5.37	NA	19.98	15.06	12.39
DPS (RM)	0.030	0.025	0.012	0.013	0.014
Dividend Yield	9.84%	8.20%	3.93%	4.26%	4.59%
EV/EBITDA (x)	1.86	11.03	8.94	8.01	7.19
P/FCFE (x)	NA	2.72	7.32	6.39	5.57
Net Gearing	(5.7%)	27.6%	28.7%	28.5%	28.5%
P/BV (x)	0.38	0.45	0.47	0.47	0.46
ROE	7.08%	(1.90%)	2.82%	3.79%	4.55%
% Change In Core EPS Estimates			(25.0%)	(18.2%)	(16.6%)
CGS-CIMB/Consensus EPS (x)			0.74	0.82	0.83

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (RM m)	3QFY19	3QFY18	yoy % chg	2QFY19	qoq % chg	3QFY19 Cum	3QFY18 Cum	yoy % chg	Prev. FY19F	Comments
Revenue	226.5	234.9	(3.6)	188.6	20.1	581.4	634.5	(8.4)	847.7	Construction surged 45% yoy in 9M19
Operating costs	(212.4)	(220.6)	(3.7)	(173.9)	22.1	(540.6)	(603.0)	(10.3)	(816.4)	Impact of cost optimisation initiative and
EBITDA	14.0	14.3	(1.9)	14.7	>100	40.8	31.6	29.3	31.4	right-sizing exercise in 3Q18/4Q18
EBITDA margin (%)	6.2	6.1	1.8	7.8	(20.5)	7.0	5.0	41.1	3.7	
Depn & amort.	(3.6)	(4.0)	(11.2)	(3.8)	(5.8)	(11.2)	(12.0)	(7.4)	(12.7)	
EBIT	10.5	10.3	1.8	10.9	>100	29.6	19.5	51.9	18.7	
Interest expense	(2.7)	(3.4)	(19.9)	(2.5)	7.4	(8.1)	(8.1)	(0.1)	(10.2)	Borrowings stood at RM387m
Interest & invt inc	1.1	0.9	22.4	1.9	(39.9)	4.4	4.0	9.8	1.3	Cash, deposits and STI stood at
Associates' contrib	0.9	0.5	91.0	0.7	24.4	2.3	0.8	172.9	1.9	RM84m
Exceptionals	-	-	nm	(1.1)	>100	(0.7)	(0.1)	372.2	-	Included RM0.9m in retrenchment
Pretax profit	9.8	8.3	18.1	9.9	>100	27.5	16.0	71.3	31.3	expenses in 1H19
Tax	(5.3)	(4.7)	13.6	(5.3)	0.0	(14.3)	(11.5)	24.2	(8.7)	
Tax rate (%)	54.3	56.5	(3.8)	53.7	>100	52.2	72.0	(27.5)	27.9	
Minority interests	(3.5)	(4.4)	(20.2)	(1.8)	92.6	(8.2)	(8.4)	(2.4)	(10.2)	
Net profit	1.0	(0.8)	>100	2.8	(65.2)	4.9	(3.9)	226.8	12.2	
Core net profit	1.0	(0.8)	>100	3.9	>100	5.6	(3.8)	249.8	12.2	9M19 core net profit made up 47% of our
EPS (sen)	0.2	(0.2)	>100	0.6	>100	1.0	(0.8)	226.6	0.3	full-year forecast
Core EPS (sen)	0.2	(0.2)	>100	0.8	>100	1.1	(0.8)	249.5	0.3	

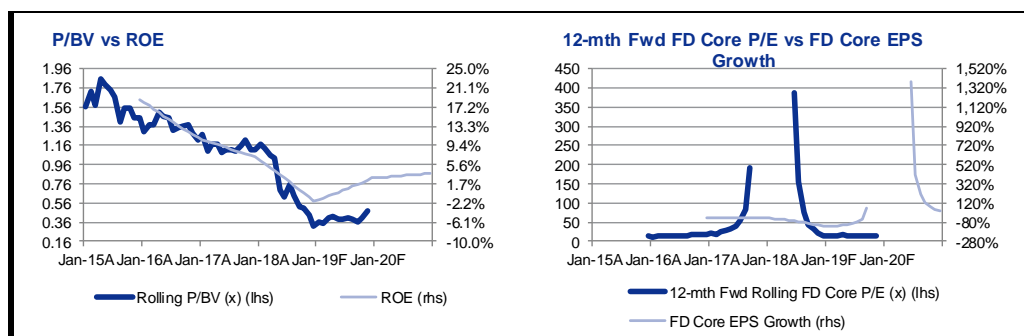
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Segmental comparison (RM m)

Revenue	9M19	9M18	YoY Comments
Maintenance	285.7	372.4	-23% In line with lesser periodic maintenance works in 9M19
Construction	255.2	176.1	45% Stronger contribution from PPA1M phase 2
Property development	4.3	2.5	70% Rental income and the sale 3 completed units in inventory worth RM1.7m
Engineering services	28.4	44.4	-36% Significant decline in geotechnical jobs
Trading & manufacturing	98.1	111.8	-12% Affected by weaker periodic maintenance works in 9M19
Education	34.5	39.2	-12% 18% yoy decline in student population to 2,683 students at IUKL
Others & eliminations	(125.0)	(111.9)	12%
Total	581.4	634.5	-8%
Pretax profit	9M19	9M18	YoY
Maintenance	25.5	31.3	-19% Deconsolidation of DAL HCM Sdn Bhd which is now an associate
Construction	18.4	(6.2)	-397% Contribution from PPA1M phase 2 kicked in
Property development	(5.8)	(3.4)	72% Higher overheads, interest cost and low occupancy rate in student residence
Engineering services	(3.7)	4.8	-176% Including RM0.9m retrenchment expenses in 1H19
Trading & manufacturing	1.0	2.1	-53% Higher demand for quarry and bitumen products in 3Q19
Education	(1.2)	(1.3)	-9% Cost optimisation initiatives: 19% yoy drop in operating cost
Others & eliminations	(6.7)	(4.1)	64%
Total	27.5	23.3	18%
Pretax margins	9M19	9M18	%pts
Maintenance	9%	8%	1% Stable range of 8-9%
Construction	7%	-4%	11% Starting from a clean slate post-provisions in 4Q18
Property development	-135%	-133%	-2% Impacted by higher overheads, interest expenses and low occupancy rates
Engineering services	-13%	11%	-24% Including RM0.9m retrenchment expenses in 1H19
Trading & manufacturing	1%	2%	-1% Affected by weaker periodic maintenance works in 9M19
Education	-4%	-3%	0% Dragged down by the decline in student population in 9M19
Others & eliminations	5%	4%	2%
Total	5%	4%	1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	939.3	892.3	785.3	793.1	809.0
Gross Profit	215.5	157.6	127.2	131.7	137.5
Operating EBITDA	81.1	23.5	29.1	32.5	36.4
Depreciation And Amortisation	(17.2)	(15.9)	(14.9)	(14.3)	(14.6)
Operating EBIT	63.9	7.6	14.1	18.2	21.8
Financial Income/(Expense)	(16.5)	(8.5)	(8.2)	(8.3)	(8.5)
Pretax Income/(Loss) from Assoc.	1.1	1.8	1.9	2.0	2.1
Non-Operating Income/(Expense)	21.9	17.0	18.1	18.2	18.6
Profit Before Tax (pre-EI)	70.4	17.8	25.8	30.1	34.0
Exceptional Items		(41.6)			
Pre-tax Profit	70.4	(23.8)	25.8	30.1	34.0
Taxation	(23.9)	(13.2)	(7.2)	(8.4)	(9.5)
Exceptional Income - post-tax					
Profit After Tax	46.5	(37.0)	18.6	21.7	24.5
Minority Interests	(18.4)	(11.5)	(9.4)	(9.5)	(9.7)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	28.1	(48.5)	9.2	12.2	14.8
Recurring Net Profit	28.1	(6.9)	9.2	12.2	14.8
Fully Diluted Recurring Net Profit	28.1	(6.9)	9.2	12.2	14.8

Cash Flow

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	81.1	23.5	29.1	32.5	36.4
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(326.9)	10.3	13.3	13.7	14.2
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	11.1	11.1	11.1	11.1	11.1
Net Interest (Paid)/Received	(16.5)	(8.5)	(8.2)	(8.3)	(8.5)
Tax Paid	(23.9)	(13.2)	(7.2)	(8.4)	(9.5)
Cashflow From Operations	(275.1)	23.2	37.9	40.5	43.7
Capex	(19.9)	(19.9)	(19.9)	(19.9)	(19.9)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(19.9)	(19.9)	(19.9)	(19.9)	(19.9)
Debt Raised/(repaid)	(324.6)	58.2	7.1	8.1	9.1
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(14.9)	(12.4)	(6.0)	(7.9)	(9.6)
Preferred Dividends	(23.6)	(23.6)	(23.6)	(23.6)	(23.6)
Other Financing Cashflow	604.1	(105.3)	11.6	9.2	6.7
Cash Flow From Financing	241.1	(83.0)	(10.8)	(14.2)	(17.3)
Total Cash Generated	(53.9)	(79.7)	7.2	6.4	6.5
Free Cashflow To Equity	(619.7)	61.5	25.0	28.7	32.9
Free Cashflow To Firm	(276.9)	14.7	27.4	30.1	33.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	234.2	178.4	185.0	192.2	200.1
Total Debtors	366.5	303.8	300.8	297.7	294.8
Inventories	20.9	18.1	18.1	18.1	18.1
Total Other Current Assets	164.3	189.0	190.7	192.4	194.2
Total Current Assets	785.9	689.4	694.6	700.5	707.1
Fixed Assets	199.3	188.7	191.1	193.3	195.3
Total Investments	85.7	91.1	91.9	92.8	93.6
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	17.4	17.6	0.0	0.0	0.0
Total Non-current Assets	302.5	297.5	283.1	286.1	288.9
Short-term Debt	106.9	87.4	83.0	78.9	74.9
Current Portion of Long-Term Debt	17.2	25.4	25.1	24.9	24.6
Total Creditors	425.2	342.5	339.1	335.7	332.3
Other Current Liabilities	18.8	6.0	6.0	6.0	6.0
Total Current Liabilities	568.2	461.3	453.3	445.5	437.9
Total Long-term Debt	85.5	163.3	174.7	186.9	200.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	85.5	163.3	174.7	186.9	200.0
Total Provisions	8.6	8.9	8.9	8.9	8.9
Total Liabilities	662.3	633.4	636.8	641.2	646.8
Shareholders' Equity	398.2	332.1	319.4	323.6	327.3
Minority Interests	28.0	21.3	21.5	21.7	21.9
Total Equity	426.1	353.4	340.9	345.3	349.2

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	(15.4%)	(5.0%)	(12.0%)	1.0%	2.0%
Operating EBITDA Growth	8.8%	(71.0%)	23.7%	11.9%	12.0%
Operating EBITDA Margin	8.63%	2.63%	3.70%	4.10%	4.50%
Net Cash Per Share (RM)	0.05	(0.20)	(0.20)	(0.20)	(0.20)
BVPS (RM)	0.80	0.67	0.65	0.65	0.66
Gross Interest Cover	3.52	0.66	1.50	1.92	2.25
Effective Tax Rate	34.0%	0.0%	28.0%	28.0%	28.0%
Net Dividend Payout Ratio	52.9%	NA	65.0%	65.0%	65.0%
Accounts Receivables Days	130.6	137.1	140.5	138.1	133.7
Inventory Days	12.46	9.69	10.06	10.04	9.86
Accounts Payables Days	210.7	190.7	189.0	186.7	181.6
ROIC (%)	7.25%	1.77%	2.91%	3.90%	4.61%
ROCE (%)	10.0%	3.7%	4.1%	4.8%	5.3%
Return On Average Assets	4.73%	1.07%	2.53%	2.85%	3.12%

Key Drivers

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Outstanding Orderbook	1,000	800	600	400	200
Order Book Depletion	300	300	300	300	300
Orderbook Replenishment	500	100	100	100	100
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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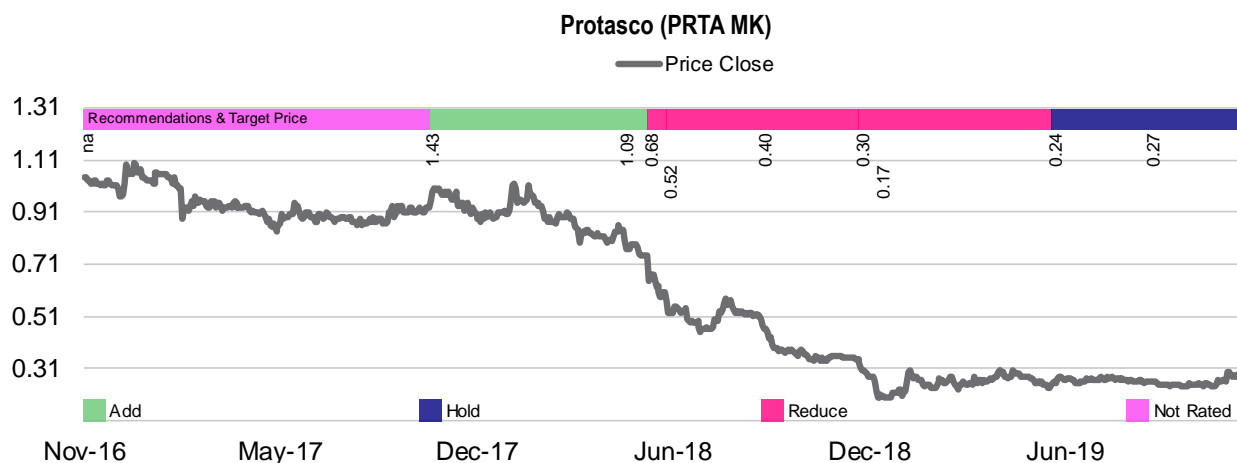
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	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

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Definition:

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- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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