

Pesona's job flow momentum appears to be picking up

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Pesona Metro Holdings Bhd (March 26, 37 sen)

Maintain buy with a target price (TP) of 52 sen: Pesona Metro Holdings Bhd announced that it has been awarded a RM216.4 million contract from Gaya Kuasa Sdn Bhd for an affordable housing job in Bukit Jalil. The job involves two 42-storey apartment blocks over a period of 32 months commencing July 2018.

This contract is Pesona's second job win for financial year 2018 (FY18), bringing the cumulative sum to RM378 million. Coming off a quiet FY17 with no new job wins, it appears that job flow momentum is picking up for Pesona. With this recent job in the bag, we estimate Pesona's order book to stand at RM1.9 billion, implying a cover of 3.6 times FY17 construction revenue.

What's next? Looking ahead, in terms of potential job wins, Pesona is targeting several building-type jobs in the tune of more than RM500 million. This includes hospitals, government facilities, condos and affordable housing. There could also be job flow potential from its sister company, Juta Asia (unlisted), via upcoming new property developments.

The acquisition of SEP Resources (M) Sdn Bhd has been concluded.

Pesona Metro Holdings Bhd

FYE DEC (RM MIL)	2016	2017	2018F	2019F
Revenue	393	549	795	800
Ebitda	41	49	51	59
Ebit	30	33	38	45
Profit before tax	29	29	36	43
Core Patmi	20	19	26	31
Vs consensus			(31)	(15)
Core EPS (sen)	2.9	2.8	3.8	4.5
PER (x)	14.2	14.9	10.8	9.1
Net DPS (sen)	2.0	1.0	1.0	1.0
Net dividend yield (%)	4.9	2.4	2.4	2.4
BV per share	0.21	0.25	0.26	0.29
P/B (x)	2.0	1.7	1.6	1.4
ROE (%)	14.3	12.2	15.0	16.3
Net gearing (%)	Cash	52.7	29.1	Cash

Source: Hong Leong Investment Bank Research

ed. Pesona's acquisition of its first tranche (70% stake) in SEP (a concessionaire of the hostel of Universiti Malaysia Perlis) was completed at end-September 2017. The second-tranche acquisition (the balance 30% stake) is targeted for completion by the third quarter of FY18 (3QFY18).

Our risk is higher material prices impacting margins, while our forecasts are unchanged as year-to-date job wins of RM378 million are still within our full-year order book replenishment

assumption of RM500 million.

We maintain "buy" on Pesona, with a TP of 52 sen. While its recent 4QFY17 results were disappointing, we are hopeful of a recovery in FY18 as order-book execution picks up, coupled with the full-year impact from SEP's contribution.

Our valuation is a fully diluted sum-of-parts-based TP of 52 sen, implying FY18 and FY19 price-earnings ratios of 13.8 times and 11.5 times respectively. — *Hong Leong Investment Bank Research, March 26*