



Pantech Group Holdings Bhd

“Stellar earnings ahead”

Bloomberg: PGHB MK | Reuters: PNTE.KL | Stock Code: 5125

Main Board
Industrial Products
BUY
TP: RM0.930
Price: RM0.745

Valuation / Recommendation

Results were within expectations, achieving 114.3% and 105.6% of our full year revenue and profit forecasts for FY22 due to higher local oil and gas demand, stable palm oil prices, robust export demand and higher product prices.

We revise our revenue and earnings estimates upwards by 15.9-16.5% and 7.9-8.0% for FY23F-FY24F on the premise of higher growth for its manufacturing and trading division moving forward. We maintain a BUY recommendation on Pantech Group Holdings Bhd with a revised TP of RM0.930 based on FY23F EPS 9.3 sen and PE of 10.0x in line with the 5-years average. We like the stock due to its attractive dividend yield, and cheap valuations.

Investment Highlights

Key catalyst was from the manufacturing and trading division, contributing 49% and 51% to total revenue for the current quarter. Trading operations were optimised, and deliveries to local oil and gas sector increased.

Manufacturing operations were optimised. Results were stronger due to better product mix, resulting in higher product price, to meet increased export demand supported by the reopening of the economy and waning impact from the Covid-19 pandemic. We notice that nickel, which is a major raw material utilised by Pantech had increased in price but the impact was partially offset by higher ASP.

Oil & Gas (O&G) sector a growth driver. Petronas had allocated 20% of planned capex over the next 5 years from FY22. This suggests a positive industry outlook, potentially adding tally to the Group’s current order book of RM450m. With more than 50% of the Group’s earnings derived from this sector, Pantech is in the right position to benefit from the capex cycle.

Expect higher contributions from the palm oil industry. Pantech supplies oil pipes, valves, and fittings (PVFs) to the palm oil industry. We think that more contracts could be secured from the palm oil industry on the back of strong palm oil prices. We expect contributions from this segment to the company’s revenue to increase to 20% for FY23, up 4% from FY21. With more than 30,000 stock keeping units (SKUs), the company is better positioned to meet rising customer demands.

Pantech currently has an attractive dividend yield above 3%, with low gearing below 10%.

Dividend. Dividend of 1 sen per share was declared on 3Q22, ex on 25th Feb 2022. (9M22 – 2.5 sen, 3Q21 – 0.5 sen, 9M21 – 1.3 sen)

Risk factor. Key risks include fluctuation of steel and nickel prices, labour shortage, and slower-than-expected contract flow.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	602.5	486.3	753.2	767.5	779.5
EBITDA	74.5	63.9	123.6	128.5	136.3
PATMI	35.8	29.5	72.1	76.7	78.6
EPS (sen)	4.4	3.6	8.8	9.3	9.6
EPS Growth (%)	-24.6	-17.5	144.2	6.3	2.5
BV Per Share (sen)	81.4	83.5	94.9	97.0	102.9
PE (x)	17.1	20.7	8.5	8.0	7.8
Dividend Yield (%)	4.3	2.9	4.9	4.9	4.9
Net Gearing (%)	13.6	3.7	5.1	6.5	6.2
ROA (%)	3.9	3.3	6.2	6.9	6.7
ROE (%)	5.4	4.4	9.4	9.7	9.4

Sources: Mercury Securities, Company

RESULTS (RM m)	4Q22	3Q22	qoq %	4Q21	yoy %
Revenue	258.9	209.3	23.7	136.2	90.1
Operating costs	225.9	182.1	24.1	134.7	67.7
EBITDA	39.1	32.9	18.8	22.1	76.9
EBITDA margin (%)	16.6	16.7	-0.6	13.1	26.7
Deprn & Amortization	4.8	4.8	-	1.4	242.9
EBIT	34.3	13.4	155.9	17.4	97.1
Interest expense	1.4	1.0	40.0	0.0	-
Interest income	0.4	0.4	-	0.3	33.3
Associate	-	-	-	-	-
Exceptionals	-	-	-	-	-
Pretax profit	32.4	26.4	22.7	19.2	68.8
Tax	11.1	6.0	85.0	3.8	192.1
Minority interest	-	-	-	-	-
Net profit	21.3	20.4	4.4	12.6	69.0
Core net profit	21.3	20.4	4.4	12.6	69.0
EPS (sen)	2.7	2.7	-	1.8	50.0
Core EPS (sen)	2.7	2.6	3.8	1.8	50.0

Business Overview

Pantech Group Holdings Bhd manufactures and markets steel products. The company produces butt-welded carbon steel elbows, tees, reducers, end caps, long bends, and flow control products used in pipelines, refineries, processing plants, and marine vessels.

Stock Return Information

KLICI (pts)	1,595.95
Expected Share Return (%)	24.8
Expected Dividend Yield (%)	4.9
Expected Total Return (%)	29.7

Price Performance

	1M	3M	12M
Absolute (%)	7.9	13.3	33.3
Relative to Index (%)	4.4	8.9	33.2

Share Information

Market Cap (RM m)	611.4
Issued Shares (m)	819.8
52W High (RM)	0.765
52W Low (RM)	0.470
Estimated Free Float (%)	45.9
Beta vs FBM KLICI	0.87
3-month Average Vol. (m)	63.0

Top 3 Shareholders (%)

CTL Capital Holdings Sdn Bhd	17.35
GI Management Agency Sdn Bhd	12.46
Lee Keng Hong	8.04

Sources: Mercury Securities, Company, Bloomberg

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Sources: Mercury Securities, Bloomberg

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