



Pantech Group Holdings Bhd

“Riding on robust demand”

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

Main Board

Industrial Products

BUY

TP: RM1.15

Last Closing Price: RM0.740

Initiated Price: RM0.595

Valuation / Recommendation

Results were above expectations, achieving 106.1% and 119.2% of our full year revenue and profit forecasts for FY23 respectively. We revise our revenue and profit forecast upward by 36.1% and 23.6% for FY24F due to higher local oil and gas demand and robust export demand for carbon and stainless steels.

We maintain a BUY recommendation on Pantech with a TP of RM1.15 based on FY24F EPS 14.4 sen and PE of 8x which is a 10% discount to the 10-years average. We like the stock due to its attractive dividend yield, and cheap valuations.

Investment Highlights

Key contributor was from the manufacturing and trading division, contributing 52.7% and 47.3% to total revenue for the current quarter. Results were weaker due to slower delivery to local oil and gas projects and lower raw material prices resulting in lower product ASPs.

Oil & Gas (O&G) sector a growth driver. The current strong oil prices could strengthen and bring positive impact to its related capital activities such as increase spending in facilities maintenance and upgrading activities in the oil and gas industry. This will improve the demand for the company’s PVF products in the local and international market.

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 about RM300m, expected to be fully recognised within 3 to 6 months. With more than 70% of the Group’s earnings derived from this sector, Pantech is in the right position to benefit from the capex cycle. Approximately 40% of the revenue from this sector comes from the maintenance of pipes, valves, and fittings (PVF), suggesting a strong recurring income.

Expect higher contributions from the palm oil industry. Pantech supply 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. With more than 30,000 stock keeping units (SKUs), the company is better positioned to meet rising customer demands.

Dividend. A third interim single tier dividend of 1.5 sen per share was declared, ex on 27th Feb 2023. (12MFY23 – 4.5 sen, FY22 – 4.0 sen, FY21 – 1.8 sen)

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

INVESTMENT STATISTICS	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	485.9	751.5	1038.3	1105.8	1161.1
EBITDA (RM m)	59.1	119.2	180.6	185.6	189.6
Net Profit (RM m)	27.1	71.8	114.8	118.9	121.5
Net Profit Margin (%)	5.6	9.5	11.1	10.7	10.5
EPS (sen)	3.3	8.7	13.9	14.4	14.7
EPS Growth (%)	-24.8	165.1	59.9	3.6	2.2
BV Per Share (sen)	81.6	91.3	99.3	107.9	119.0
PE (x)	22.6	8.5	5.3	5.1	5.0
Dividend Yield (%)	2.4	5.4	7.4	7.8	8.0
Net Gearing (%)	Net Debt	Net Debt	Net Debt	Net Cash	Net Cash
ROA (%)	3.0	6.1	10.0	9.9	9.5
ROE (%)	4.0	9.5	14.0	13.3	12.4

Sources: Mercury Securities, Company

RESULTS (RM m)	4Q23	3Q23	qoq %	4Q22	yoy %
Revenue	197.7	299.9	-34.1	258.9	-23.6
Operating costs	166.9	251.1	-33.5	225.9	-26.1
Other income	3.0	0.8	275.0	1.7	76.5
Profit from operations	33.9	49.7	-31.8	34.7	-2.3
Interest expense	2.8	3.1	-9.7	1.9	47.4
Associate	0.2	0.1	100.0	-0.3	-
Exceptionals	-	-	-	-	-
Pretax profit	31.2	46.7	-33.2	32.4	-3.7
Tax	8.5	12.0	-29.2	11.1	-23.4
Minority interest	-	-	-	-	-
Net profit	22.7	34.7	-34.6	21.3	6.6
Core net profit	22.7	34.7	-34.6	21.3	6.6
EPS (sen)	2.8	4.2	-33.3	2.7	-33.3

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

KLCI (pts)	1,414.25
Expected Share Return (%)	55.4
Expected Dividend Yield (%)	7.8
Expected Total Return (%)	63.2

Price Performance

	1M	3M	12M
Absolute (%)	2.6	-7.1	4.0
Relative to Index (%)	3.1	-1.6	14.8

Share Information

Market Cap (RM m)	611.3
Issued Shares (m)	826.1
52W High (RM)	0.865
52W Low (RM)	0.550
Estimated Free Float (%)	44.3
Beta vs FBM KLCI	1.32
3-month Average Vol. (m)	43.5

Top 3 Shareholders (%)

CTL Capital Holdings Sdn Bhd	18.67
GI Management Agency Sdn Bhd	12.38
Employees Provident Fund Board	3.23

Sources: Mercury Securities, Company, Bloomberg

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Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FY Feb	FY21A	FY22A	FY23A	FY24F	FY25F
Revenue	485.9	751.5	1038.3	1105.8	1161.1
Operating expenses	447.7	654.7	880.7	943.3	993.9
Other operating income	5.0	6.9	7.5	6.6	7.0
Profit from operations	43.2	103.6	165.1	169.2	174.2
Interest expense	6.9	6.7	9.9	9.4	8.8
Income/(loss) from affiliates	-0.1	-0.2	0.6	1.5	1.5
Profit Before Tax	36.3	96.7	155.8	161.3	166.9
Exceptional Items	-	-	-	-	-
Tax	9.2	25.0	41.0	42.4	43.4
Profit After Tax (PATMI)	27.1	71.8	114.8	118.9	122.5
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	27.1	71.8	114.8	118.9	122.5
BALANCE SHEET (RM m) FY Feb	FY21A	FY22A	FY23A	FY24F	FY25F
Cash & Equivalents	135.1	178.6	177.1	216.1	262.1
Trade and other receivables	105.6	229.1	178.5	195.0	225.1
Inventories	289.1	400.8	405.4	412.6	418.8
Other current assets	27.6	11.5	22.0	22.0	22.0
Current Assets	557.3	820.0	783.0	845.7	928.1
Property, plant & equipment	330.8	321.2	339.8	336.9	328.7
Other non-current assets	19.2	28.4	21.5	17.9	17.8
Non-Current Assets	349.9	349.6	361.3	354.8	346.5
Short term borrowings	121.5	187.5	198.2	193.2	183.2
Trade and other payables	34.7	150.0	43.5	49.7	48.3
Other current liabilities	10.1	12.2	24.5	14.7	14.6
Current Liabilities	166.3	349.6	266.1	257.6	246.2
Long term borrowings	41.5	32.5	21.4	16.4	11.4
Other non-current liabilities	24.9	33.2	36.7	35.2	33.7
Non-current Liabilities	66.5	65.7	58.1	51.6	45.1
Share capital	210.3	258.9	263.4	263.4	263.4
Retained profits	383.3	429.9	496.4	567.7	641.2
Other equity	80.8	65.3	60.3	60.3	78.6
Total Equity	674.4	754.1	820.1	891.3	983.2
CASH FLOW (RM m) FY Feb	FY21A	FY22A	FY23A	FY24F	FY25F
Profit before tax	36.3	96.7	155.8	161.3	166.9
Depreciation & amortization	19.4	19.2	18.3	18.3	18.3
Other operating cashflow	8.4	4.9	6.8	8.0	7.4
Operating profit before working capital changes	64.1	120.9	180.9	187.6	192.6
Changes in working capital	41.2	-105.0	-74.9	-17.5	-37.7
Cashflow from operations	105.3	15.9	106.0	170.1	154.9
Purchase of PPE	-5.2	-7.7	-11.3	-12.0	-12.0
Other investing cashflow	-8.4	-8.3	0.2	3.6	2.5
Cashflow from investing	-13.6	-16.0	-11.1	-8.4	-9.5
Dividend paid	-9.7	-23.2	-45.2	-47.5	-49.0
Other financing cashflow	-25.9	81.5	-18.3	-18.9	-23.3
Cashflow from financing	-35.6	58.2	-63.5	-66.5	-72.3

Sources: Mercury Securities, Company

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