

Inta Bina Group Berhad

TP: RM0.28 (+7.7%)

Dragged by Higher Materials and Labour Costs

Last Traded: RM0.26

Hold (ESG: ★★★)

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Results Review

- INTA's FY22 core profit of RM10.7mn came in below expectations, accounting for 82.0% of our full-year estimate. The variance was mainly due to higher-than-expected construction materials and labour costs.
- The group declared a second interim dividend of 0.25sen/share, bringing full year dividend to 0.75sen/share. (FY21: 1.0sen/share).
- YoY, FY22 core profit dropped 8.9% to RM10.7mn, despite revenue was 38.8% higher at RM466.3mn. The weaker bottom line was mainly due to margin squeeze as a result of higher construction materials and labour costs.
- QoQ, 4QFY22 core profit grew 9.8% to RM2.7mn while revenue was 4.0% higher at RM122.9mn. The stronger performance was contributed by higher progress billings from the on-going projects.

Impact

- Given the weaker-than-expected results, earnings forecasts for FY23 and FY24 are reduced by 21.3% and 29.3% respectively, after factoring in higher construction materials and labour costs.
- Meanwhile, we introduce FY25 numbers with a projected net profit of RM18.4mn, representing an earnings growth of 11.0%.

Outlook

- As of end-December 2022, the group's outstanding construction order book stood at RM1.3bn, translating to about 2.8x FY22 revenue. This could provide earnings visibility to the group for the next 3 years.

Valuation

- After revising the earnings forecasts and rolling forward our valuation base year to CY24, we revised the target price from RM0.30 to **RM0.28**, based on 10xCY24 earnings. Downgrade the stock from Buy to **Hold**.

Share Information

Bloomberg Code	INTA MK
Bursa	INTA
Stock Code	0192
Listing	Main Market
Share Cap (mn)	535.3
Market Cap (RMmn)	139.2
52-wk Hi/Lo (RM)	0.285/0.205
12-mth Avg Daily Vol ('000 shrs)	90.8
Estimated Free Float (%)	23.1
Beta	0.3

Major Shareholders (%)

Apexjaya Industries Sdn Bhd	- 28.1
Ahmad bin Awi	- 12.6
Lim Ooi Joo	- 9.2
Teo Hock Choon	- 8.8

Forecast Revision

	FY23	FY24
Forecast Revision (%)	(21.3)	(29.3)
Net profit (RMmn)	14.2	16.6
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Downgraded)	
Consensus Target Price	-	

Financial Indicators

	FY23	FY24
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	1.7	0.2
Price / CFPS (x)	15.0	140.0
ROA (%)	3.4	3.7
NTA/Share (Sen)	27.5	29.3
Price/NTA (x)	0.9	0.9

Scorecard

	% of FY	
vs. TA	82.0	Below
vs. Consensus	-	-

Share Performance (%)

Price Change	INTA	FBM KLCI
1 mth	2.0	(2.8)
3 mth	10.6	(2.1)
6 mth	20.9	(3.0)
12 mth	(5.5)	(8.6)

(12-Mth) Share Price relative to the FBMKLCI

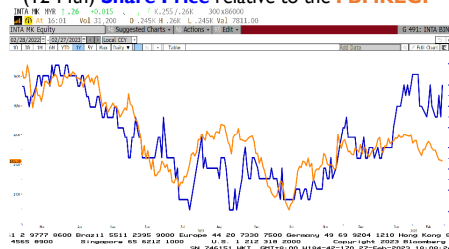


Table 1: Earnings Summary (RMmn)

FYE Dec (RMmn)	2021	2022	2023F	2024F	2025F
Revenue	336.0	466.3	491.6	535.0	565.0
Gross profit	31.5	31.6	33.9	37.5	40.1
EBITDA	29.5	28.2	32.3	36.2	38.8
EBITDA margin (%)	8.8	6.0	6.6	6.8	6.9
EBIT	19.6	16.5	21.4	25.0	27.6
Reported PBT	17.9	13.6	19.3	22.6	25.1
Core PBT	17.9	14.8	19.3	22.6	25.1
Reported net profit	11.8	9.5	14.2	16.6	18.4
Core profit	11.8	10.7	14.2	16.6	18.4
Core EPS (sen)	2.2	2.0	2.4	2.8	3.1
PER (x)	11.8	13.0	10.8	9.2	8.3
Gross dividend (sen)	1.0	0.75	1.0	1.0	1.0
Dividend yield (%)	3.8	2.9	3.8	3.8	3.8
ROE (%)	8.2	7.2	9.0	9.9	10.3

Table 2: 4QFY22 Results Analysis (RMmn)

FYE Dec	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Revenue	110.4	118.2	122.9	4.0	11.4	336.0	466.3	38.8
Operating profit	5.7	4.1	3.7	(10.1)	(35.2)	19.6	16.5	(15.5)
Finance cost	(0.4)	(0.8)	(1.1)	28.9	151.3	(1.7)	(3.1)	84.2
Profit before taxation	5.3	3.3	2.9	(11.7)	(45.2)	17.9	13.6	(23.8)
Core PBT	5.3	3.3	4.1	25.5	(22.2)	17.9	14.8	(16.9)
Income tax expense	(3.1)	(0.9)	(1.4)	62.0	(55.2)	(6.2)	(4.1)	(33.5)
Net profit	2.3	2.4	1.5	(40.3)	(36.7)	11.8	9.5	(19.4)
Core net profit	2.3	2.4	2.7	9.8	16.5	11.8	10.7	(8.9)
Reported EPS (sen)	0.5	0.5	0.3	(41.3)	(40.0)	2.2	1.8	(19.8)
Core EPS (sen)	0.5	0.5	0.5	8.0	10.4	2.2	2.0	(9.6)
Dividend (sen)	0.5	0.5	0.3	(50.0)	(50.0)	1.0	0.8	(25.0)
Margin (%):								
- Operating	5.2	3.5	3.0	(0.5)	(2.2)	5.8	3.5	(2.3)
- Core PBT	4.8	2.8	3.4	0.6	(1.4)	5.3	3.2	(2.1)
- PAT	2.1	2.1	2.2	0.1	0.1	3.5	2.3	(1.2)
- Effective tax rate	58.0	25.8	47.4	21.6	(10.6)	34.5	30.1	(4.4)

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★★	★★★
Remark	Have yet to set up comprehensive environmental policy but generally in compliance with project environmental requirements.	Gave back to society through scholarship, donation and biweekly gotong-royong campaign.	The board is presented by 55.6% independent directors with 22.0% women directors.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Tuesday, February 28, 2023, the analyst, Chan Mun Chun, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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