

Inta Bina Group Berhad

TP: RM0.50 (+38.9%)
Values Emerging on Positive Outlook
Last Traded: RM0.36
BUY (ESG: ★★★)

Raymond Ng Ing Yeow

Tel: +603-2167 9601

raymondng@ta.com.my

www.taonline.com.my

Following our recent productive meeting with INTA management, we are upbeat about the group's future earnings outlook. Key takeaways are as follows: (i) rising property sector's, a boon to INTA, (ii) resilient orderbook and earnings visibility, and (iii) improving profitability margin ahead. Maintain BUY with a higher TP of RM0.50/share based on higher target PER of 11x.

Rising property sector's, a boon to INTA

To recap, the group's job replenishment for FY23 fell short of our expected RM600mn by 24.5%, totaling only RM453mn. This shortfall was primarily attributed to the increasing costs of raw materials, specifically the cement and steel bars, which began to erode into profit margins. Consequently, many property developers have chosen to delay the launch of new housing projects, anticipating a more favourable cost environment in CY24. Looking ahead, we anticipate that INTA will benefit from the resurgence of the property sector, particularly in securing more contracts from key players in the industry.

Resilient orderbook and earnings visibility

Currently, INTA's outstanding order book stands at RM1bn, equivalent to 1.5x FY23 revenue. While the group aims to replenish its order book with new contracts of RM800mn, it is actively pursuing new opportunities and has amassed a gross tender book value of RM6.1bn. We are confident that INTA is well-positioned to meet its order book replenishment target, given its track record in high-rise building construction. Moreover, we anticipate the launch of more projects in the 2HCY24, especially those delayed due to the reason abovementioned, further supporting the group's growth trajectory.

Improving profitability margin ahead

Looking forward, we anticipate a gradual improvement in the group's net margin, supported by stabilizing input costs and new projects with better margins. Recap, INTA's net margin was impacted by rising raw material costs and minimum wage issues over the past two years, resulting in a net margin below the 4% level. However, we expect the net margins to be bolstered by the company's strategy to realign its focus on design-and-build projects type which would contribute higher margin.

Impact

After housekeeping our progress billing and adjusting our gross profit margin assumptions, we raise our FY24/25/26F earnings forecasts by 27.4%/15.7%/16.9%, respectively.

Valuation

Following our earnings forecast's revision, we adjust our target price to **RM0.50** from RM0.42 previously, based on a higher PER 11x CY25 EPS. This is in tandem with the average target PE of the small market cap construction player under our coverage. We believe the valuation is fairly justified by the

Share Information

Bloomberg Code	INTA MK
Bursa	INTA
Stock Code	0192
Listing	Main Market
Share Cap (mn)	539.2
Market Cap (RMmn)	194.1
52-wk Hi/Lo (RM)	0.375/0.2
12-mth Avg Daily Vol ('000 shrs)	730.8
Estimated Free Float (%)	22.0
Beta	0.5

Major Shareholders (%)

Apexjaya Industries Sdn Bhd	- 34.8
Ahmad bin Awi	- 12.5
Lim Ooi Joo	- 9.1
Teo Hock Choon	- 8.8

Forecast Revision

	FY23	FY24
Forecast Revision (%)	27.4	15.7
Net profit (RMmn)	25.7	28.3
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	
Consensus Target Price	-	

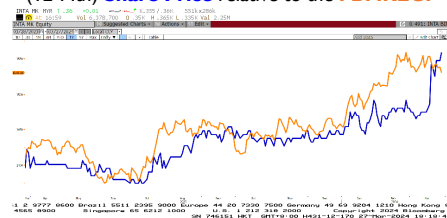
Financial Indicators

	FY23	FY24
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	(2.8)	2.3
Price / CFPS (x)	(12.9)	15.9
ROA (%)	4.9	5.1
NTA/Share (sen)	32.1	33.3
Price/NTA (x)	1.1	1.1

Share Performance (%)

Price Change	INTA	FBM KLCI
1 mth	18.0	(1.8)
3 mth	35.8	5.3
6 mth	35.8	6.3
12 mth	60.0	9.6

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

company's improving prospects in the construction sector, riding on the reinvigoration of the property sector. Maintain **Buy** on the stock.

Earnings Summary

Profit & Loss (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Revenue	466.3	650.1	648.1	687.5	746.4
EBITDA	28.5	47.0	48.8	52.7	58.7
Depreciation	(11.3)	(10.9)	(11.2)	(11.4)	(11.4)
EBIT	16.6	36.1	37.6	41.3	47.3
Finance cost	(3.1)	(5.6)	(2.6)	(2.8)	(3.0)
PBT	13.7	31.9	35.0	38.5	44.3
Taxation	(4.1)	(9.0)	(9.3)	(10.2)	(11.7)
Net profit	9.6	22.9	25.7	28.3	32.6
Core profit	10.8	23.2	25.7	28.3	32.6
GDPS (sen)	0.8	1.5	1.5	1.5	2.0
Div Yield (%)	2.1	4.2	4.2	4.2	5.6

Cash Flow (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
PBT	13.7	31.9	35.0	38.5	44.3
Adjustments	15.3	23.4	13.7	14.2	14.4
Changes in WC	(27.9)	37.9	(37.9)	(9.0)	(8.5)
Interest & tax	(4.8)	(9.0)	(9.3)	(10.2)	(11.7)
Operational cash flow	(5.5)	84.1	1.5	33.6	38.4
Capex	(4.7)	(8.3)	(9.2)	(10.0)	(10.0)
Others	(6.3)	(5.0)	(5.0)	(5.0)	(5.0)
Investment cash flow	(11.0)	(13.3)	(14.2)	(15.0)	(15.0)
Debt raised/(repaid)	40.0	4.8	4.8	4.8	4.8
Dividend	(5.4)	(8.1)	(8.8)	(9.4)	(13.5)
Others	(11.3)	(5.6)	(2.6)	(2.8)	(3.0)
Financial cash flow	23.4	(8.9)	(6.6)	(7.4)	(11.7)
Net cash flow	7.0	62.0	(19.3)	11.1	11.8
Beginning cash	23.8	30.7	92.7	73.4	84.6
Ending cash	30.7	92.7	73.4	84.6	96.3
Adjustments	43.4	35.5	35.5	35.5	35.5
Cash	74.2	128.2	108.9	120.0	131.8

Assumptions (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
New job wins	626	600	800	800	800

Balance Sheet (RMmn)

YE Dec 31	2022	2023F	2024F	2025F	2026F
Fixed assets	32.4	32.9	31.3	30.3	29.3
Others	42.7	32.0	36.6	41.2	45.8
NCA	75.1	64.8	67.8	71.4	75.0
Cash	74.2	101.3	108.9	120.0	131.8
Receivables	211.3	255.9	291.6	312.8	339.6
Others	65.1	87.5	66.4	70.3	76.2
CA	350.6	444.7	466.9	503.2	547.6
Total assets	425.7	509.5	534.7	574.6	622.7
ST borrowings	78.6	51.8	51.6	51.4	51.2
Payables	179.4	247.1	226.8	240.6	261.2
Other liabilities	5.8	26.7	41.6	44.0	47.5
CL	263.7	325.6	320.1	336.1	360.0
Shareholders' funds	152.3	169.6	195.3	214.2	233.3
LT borrowings	8.2	13.9	18.9	23.9	28.9
Other LT liabilities	1.5	0.4	0.4	0.4	0.4
Total capital	425.7	509.5	534.7	574.6	622.7

Ratio

YE Dec 31	2022	2023F	2024F	2025F	2026F
EBITDA Margins (%)	6.1	7.2	7.5	7.7	7.9
Core EPS (sen)	2.0	4.3	4.4	4.5	4.8
EPS Growth (%)	(8.5)	115.0	2.4	2.4	7.4
PER (x)	18.0	8.4	8.2	8.0	7.4
GDPS (sen)	0.8	1.5	1.5	1.5	2.0
Div Yield (%)	2.1	4.2	4.2	4.2	5.6
Net cash (RMmn)	(12.6)	35.5	38.4	44.7	51.7
Net gearing (%)	(12.6)	net cash	net cash	net cash	net cash
ROE (%)	7.2	14.4	14.1	13.9	14.6
ROA (%)	2.7	5.0	4.9	5.1	5.4
NTA (sen)	28.2	31.4	33.4	34.0	34.6
P/NTA(x)	1.3	1.1	1.1	1.1	1.0

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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% woman director.	

- ★★★★★ (≥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.

Disclaimer

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As of Friday, March 29, 2024, the analyst, Raymond Ng Ing Yeow, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048
www.ta.com.my