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Inta Bina Group Berhad

TP: RM0.37 (+51.0%)

Dragged by Escalating Materials and Labour Costs

Last Traded: RM0.245

BUY (ESG: ★★★)

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Results Review

- INTA's IQFY22 net profit of RM2.8mn came in below expectations, accounting for 10.3% of our full-year estimate. The variance was mainly due to higher-than-expected construction materials and labour costs.
- YoY, IQFY22 revenue surged 14.9% to RM111.4mn. Nevertheless, the group saw its net profit drop 52.0% to RM2.8mn, mainly due to a margin squeeze as a result of escalating construction materials and labour costs.
- QoQ, IQFY22 net profit increased 18.1% to RM2.8mn while revenue was 0.9% higher at RM111.4mn. The stronger bottom line was mainly due to lower income tax expenses.

Impact

- Given the weaker-than-expected results, we adjust our revenue recognition assumptions and margin forecasts for certain ongoing projects. Consequently, earnings forecasts for FY22/FY23/FY24 are reduced by 40.8%/34.0%/26.2%, respectively.

Outlook

- INTA's outstanding order book stood at RM1.2bn as of end-March 2022, which translates into 3.6x FY21 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 CY23, we revised the target price from RM0.47 to **RM0.37**, based on unchanged 10x CY23 earnings. Maintain **Buy** call on the stock.

Share Information

Bloomberg Code	INTA MK
Bursa	INTA
Stock Code	0192
Listing	Main Market
Share Cap (mn)	535.3
Market Cap (RMmn)	131.1
52-wk Hi/Lo (RM)	0.34/0.245
12-mth Avg Daily Vol ('000 shrs)	287.4
Estimated Free Float (%)	28.5
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

	FY22	FY23
Forecast Revision (%)	(40.8)	(34.0)
Net profit (RMmn)	16.2	21.8
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY22	FY23
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	1.9	(1.3)
Price / CFPS (x)	13.0	(18.6)
ROA (%)	4.0	4.8
NTA/Share (Sen)	26.2	28.3
Price/NTA (x)	0.9	0.9

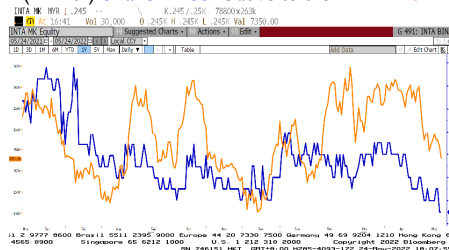
Scorecard

	% of FY	
vs. TA	10.3	Below
vs. Consensus	-	-

Share Performance (%)

Price Change	INTA	FBM KLCI
1 mth	(5.8)	(4.3)
3 mth	(7.5)	(2.6)
6 mth	(7.5)	0.7
12 mth	(19.7)	(2.5)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RMmn)

FYE Dec (RMmn)	2020	2021	2022F	2023F	2024F
Revenue	280.3	336.0	516.0	591.6	635.0
Gross profit	26.6	31.5	36.6	44.4	50.8
EBITDA	22.6	29.5	34.5	42.8	49.5
EBITDA margin (%)	8.1	8.8	6.7	7.2	7.8
EBIT	14.5	19.6	24.1	31.9	38.3
Reported PBT	12.9	17.9	22.0	29.7	36.0
Core PBT	15.0	17.9	22.0	29.7	36.0
Reported net profit	8.1	11.7	16.2	21.8	26.4
Core profit	10.2	11.8	16.2	21.8	26.4
Core EPS (sen)	1.9	2.2	2.8	3.7	4.5
PER (x)	12.9	11.1	8.9	6.6	5.5
Gross dividend (sen)	0.9	1.0	1.0	1.5	1.5
Dividend yield (%)	3.5	4.1	4.1	6.1	6.1
ROE (%)	7.4	8.2	10.7	13.4	14.8

Table 2: IQFY22 Results Analysis (RMmn)

FYE Dec	1Q21	4Q21	1Q22	QoQ (%)	YoY (%)	3MFY21	3MFY22	YoY (%)
Revenue	96.9	110.4	111.4	0.9	14.9	96.9	111.4	14.9
Operating profit	8.4	6.1	4.5	(26.7)	(46.8)	8.4	4.5	(46.8)
Finance cost	(0.5)	(0.7)	(0.7)	(11.7)	42.4	(0.5)	(0.7)	42.4
Profit before taxation	7.9	5.3	3.8	(28.8)	(52.0)	7.9	3.8	(52.0)
Core PBT	7.9	5.3	3.8	(28.8)	(52.0)	7.9	3.8	(52.0)
Income tax expense	(2.0)	(3.0)	(1.0)	(66.1)	(49.4)	(2.0)	(1.0)	(49.4)
Net profit	5.9	2.4	2.8	18.1	(52.0)	5.9	2.8	(52.0)
Core net profit	5.9	2.4	2.8	18.1	(52.0)	5.9	2.8	(52.0)
Reported EPS (sen)	1.1	0.5	0.5	17.8	(51.8)	1.1	0.5	(51.8)
Core EPS (sen)	1.1	0.5	0.5	17.8	(51.8)	1.1	0.5	(51.8)
Dividend (sen)	0.0	0.5	0.0	(100.0)	na	0.0	0.0	na
Margin (%):								
- Operating	8.6	5.5	4.0	(1.5)	(4.6)	8.6	4.0	(4.6)
- Core PBT	8.2	4.8	3.4	(1.4)	(4.7)	8.2	3.4	(4.7)
- PAT	6.1	2.2	2.5	0.4	(3.5)	6.1	2.5	(3.5)
- Effective tax rate	25.5	56.4	26.9	(29.6)	1.4	25.5	26.9	1.4

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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 Wednesday, May 25, 2022, 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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