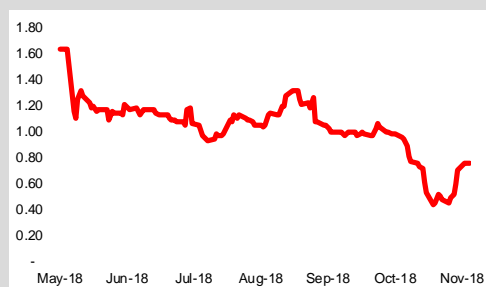


**DESCRIPTION**

An ICT service provider focusing on ICT training and certification and software licence distribution and management

<b>12-Month Target Price</b>	RM1.19
<b>Current Price</b>	RM0.765
<b>Expected Return</b>	-
<b>Market</b>	Main
<b>Sector</b>	Technology
<b>Bursa Code</b>	5204
<b>Bloomberg Ticker</b>	PRES MK
<b>Shariah-compliant</b>	Yes

**SHARE PRICE CHART**


52 Week Range (RM)	0.40-1.91
3-Month Average Vol ('000)	15,557.9

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-21.9	-27.0	-54.7
Relative Returns	-18.8	-23.4	-50.0

**KEY STOCK DATA**

Market Capitalisation (RM m)	369.0
No. of Shares (m)	482.3

**MAJOR SHAREHOLDERS**

	%
Dr. Abu Hassan Bin Ismail	24.2
KWAP	8.5
Brahmal Vasudevan	6.2

**Chong Hoe Leong**

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## Ceasing Coverage

Prestariang's share price has been in the limelight recently as it tumbled more than 51% over the last 1 month due to various uncertainties surrounding the companies amid heavy selling pressure from institutional investors, namely, Kumpulan Wang Persaraan (KWAP) and AIA. While having recovered admirably in recent days, we are nevertheless ceasing coverage on the stock given the poorer earnings outlook due to an anticipated ballooning in its finance costs, continuous bleed in its education segment and its bread-and-butter income stream (software) under threat. Due to internal resource allocation, we are **ceasing research coverage** of Prestariang. Our last call on the stock is Neutral with a TP of RM1.19.

§ **Its core contract under spotlight.** Its RM3.5bn National Immigration Control System (SKIN) concession project with the Home Ministry, which is under a public-private partnership (PPP), has become a subject of speculation as it is reportedly under review by the government, with some adjustments to the scope of work leaving it not likely to remain in the current format.

§ **Progress of the SKIN project.** The 15-year SKIN concession project, which officially started on 25 April this year, is expected to take three years in the construction phase. It will replace the current immigration system called MyIMMS, and is expected to provide annual recurring income of RM295m from year 4 to year 15 during the maintenance and operational period. It is currently under the business process reengineering stage and is about 10% completed to-date. To fund the construction, Prestariang has recently secured RM978m borrowings from Bank Pembangunan.

§ **Trading at 25%-29% discount to the SKIN project value.** Based on our forecasts, the SKIN project is worth RM1.08/share for the 70% equity stake under Prestariang. Based on the current share price of RM0.50, the market is reflecting at least 25%-29% cut in the RM3.5bn project value.

§ **Moving into bigger campus.** The education arm, under UniMy, has moved into a bigger campus with a 240,000 sq ft at the same rental of RM250k/mth. It currently has about 550 students and targets at least 1,000 students to break even at EBITDA level. To run the campus at a more efficient level, the company has recently appointed a new CEO and Vice Chancellor to undertake the UniMy management. We also understand that the big jump in 1HFY18 administrative expense, up 64.7% YoY, was mainly due to the aggressive marketing activities under the campus recruitment drive.

§ **Ceasing coverage.** Investors should no longer depend on any of our previous financial forecasts for Prestariang in making investment decisions, nor infer any adverse opinion as a result of our decision to cease coverage.

**KEY FINANCIAL SUMMARY**

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	132.0	219.5	275.1	398.0	420.7	33.6%
Gross Profit	32.4	65.9	82.5	119.4	130.4	41.6%
Pre-tax Profit	11.5	38.0	37.7	65.3	67.2	55.6%
Core Net Profit	8.9	18.3	24.9	44.2	46.7	51.3%
EPS (Sen)	1.8	3.8	5.1	9.1	9.6	51.3%
P/E (x)	57.6	28.0	20.6	11.6	11.0	
DPS (Sen)	3.0	2.7	1.2	2.1	2.2	
Dividend Yield (%)	2.8	2.6	1.2	2.0	2.1	

Source: Company, PublicInvest Research estimates

**Figure 1: SOP Valuations**

Sum-Of-Parts Valuations	Valuation Basis	Value (RM m)	RM/share
SKIN project	DCF (WACC:7.48%, IRR: 17% ), 70% stake	521.3	1.08
ICT training & cert and employment services	CY19 PER of 18x	53.7	0.11
Fair Value		574.9	1.19
		<b>574.9</b>	<b>1.19</b>
No of shares	484		

Source: Company, PublicInvest Research

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

<b>FYE Dec (RM m)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
<b>Revenue</b>	<b>132.0</b>	<b>219.5</b>	<b>275.1</b>	<b>398.0</b>	<b>420.7</b>
Gross Profit	32.4	65.9	82.5	119.4	130.4
Other Income	2.9	2.7	2.2	2.3	2.6
Administrative Expenses	-21.6	-24.1	-31.3	-31.6	-32.0
Other Expenses	-1.7	-6.0	-6.1	-6.1	-6.2
Finance Costs	-0.3	-0.5	-0.5	-9.7	-18.7
<b>Pre-tax Profit</b>	<b>11.5</b>	<b>38.0</b>	<b>37.7</b>	<b>65.3</b>	<b>67.2</b>
Income Tax	-2.5	-13.4	-4.5	-7.8	-8.1
Effective Tax Rate (%)	21.8	35.3	12.0	12.0	12.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>8.9</b>	<b>18.3</b>	<b>24.9</b>	<b>44.2</b>	<b>46.7</b>
<b>Growth</b>					
Revenue (%)	14.4	66.3	25.3	44.7	5.7
Gross Operating Profit (%)	-16.1	103.4	25.2	44.7	9.2
Core Net Profit (%)	-47.0	174.8	34.8	73.1	2.9

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

<b>FYE Dec (RM m)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
Fixed assets	12.1	37.2	323.8	696.9	960.3
Other long-term assets	7.3	6.0	6.0	6.0	6.0
Cash at bank	57.9	44.8	82.2	51.1	134.3
Other current assets	119.9	80.2	91.0	115.0	119.4
<b>Total Assets</b>	<b>198.2</b>	<b>256.2</b>	<b>592.0</b>	<b>958.1</b>	<b>1,309.1</b>
Short-term borrowings	0.0	0.8	0.8	0.8	0.8
Long-term borrowings	0.3	21.9	321.9	621.9	921.9
Payables	12.9	33.9	42.5	61.5	64.1
Other liabilities	23.7	28.3	28.3	28.3	28.3
<b>Total Liabilities</b>	<b>36.9</b>	<b>84.9</b>	<b>393.5</b>	<b>712.5</b>	<b>1,015.1</b>
Shareholders' Equity	161.3	171.3	198.5	245.6	294.0
<b>Total Equity and Liabilities</b>	<b>198.2</b>	<b>256.2</b>	<b>592.0</b>	<b>958.1</b>	<b>1,309.1</b>

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

<b>FYE Dec</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
Book Value Per Share	33.3	35.4	41.0	50.7	60.8
NTA Per Share	33.3	35.4	41.0	50.7	60.8
EPS (sen)	1.8	3.8	5.1	9.1	9.6
DPS (sen)	3.0	2.7	1.2	2.1	2.2
Payout Ratio (%)	161.9	54.1	18.0	18.0	18.0
ROA (%)	4.5	9.6	5.6	6.0	4.5
ROE (%)	5.6	14.4	16.7	23.4	20.1

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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#### **Published and printed by:**

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