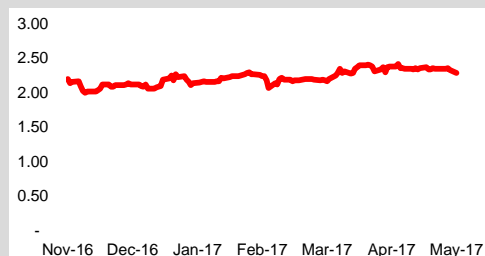


**DESCRIPTION**

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

**12-Month Target Price** RM2.87  
**Current Price** RM2.35  
**Expected Return** 22.1%

**Market** Main  
**Sector** Technology  
**Bursa Code** 5204  
**Bloomberg Ticker** PRES MK  
**Shariah-compliant** Yes

**SHARE PRICE CHART**


**52 Week Range (RM)** 1.69-2.53  
**3-Month Average Vol ('000)** 633.5

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	1.3	3.0	1.2
Relative Returns	-4.6	-1.4	-8.8

**KEY STOCK DATA**

**Market Capitalisation (RM m)** 1,137.0  
**No. of Shares (m)** 482.7

**MAJOR SHAREHOLDERS**

	%
Dr. Abu Hassan Bin Ismail	27.3
KWAP	11.8
AIA Bhd	9.7
Brahmal Vasudevan	5.9

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**Expecting A Catch Up**

Prestariang's 1QFY17 core net profit of RM3.2m only made up 7.6% and 7.0% of our and consensus forecasts respectively. Nevertheless, as the Sistem Kawalan & Imigresen Nasional (SKIN) project is anticipated to kick start anytime soon, we expect to see earnings picking up when it starts recognizing the construction profit from this mega security project. A dividend per share of 0.75sen was declared for the quarter. We maintain our **Outperform** stance with an unchanged TP of RM2.87.

§ **1QFY17 revenue climbed 8.1% YoY.** Group revenue increased from RM40.6m to RM43.9m led by all core businesses, namely, software & services and academy (+4.8%), education (+16.7%) and employment (>100%). The education segment, which operates the UniMy University, showed slightly improved numbers from RM0.6m to RM0.7m thanks to higher number of students enrolled and additional revenue from short courses. To-date, it has a total of 400 students and is expected to recruit another 200-300 students in the Aug 2017 intake. The university now offers 10 accredited courses ranging from foundation, diploma and undergraduate programs as well as various short certification courses in Big Data Analytics, coding and cybersecurity. Meanwhile, the employment services arm, which provides human resource management services for foreign workers' recruitment and document services, saw a 4-fold jump in revenue to RM1.6m.

§ **1QFY17 core earnings rose 18.5% to RM3.2m.** Despite weaker earnings contributions from all the core businesses, the Group's bottomline climbed 18.5% YoY to RM3.2m, helped by lower administrative expenses (-5.8%) and lower statutory income tax (tax rate: 15.7%). Software & services earnings fell 9.7% YoY to RM5.6m, mainly dragged by weaker ringgit movements. Education segment remained in the red though with a lower loss of RM1.4m. Employment services made significant improvements with a profit of RM0.3m.

§ **New tax exemption effective this year.** Prestariang Systems S/B, the main subsidiary of the company has been granted the Customised Incentive for its New MSC Malaysia activities. It will enjoy 30% income tax exemption on its statutory income from the approved business for 5 years, effective Jan 2017 to Dec 2021.

**KEY FINANCIAL SUMMARY**

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR
Revenue	115.4	132.0	170.0	184.0	198.0	14.4%
Gross Profit	38.6	32.4	59.5	64.4	69.3	15.8%
Pre-tax Profit	22.4	9.0	42.3	47.3	52.7	23.9%
Core Net Profit	17.0	8.9	42.0	47.0	52.4	32.5%
EPS (Sen)	3.5	1.8	8.7	9.7	10.8	32.5%
P/E (x)	64.0	124.4	25.7	23.1	20.7	
DPS (Sen)	3.8	3.0	5.6	6.3	7.0	
Dividend Yield (%)	1.7	1.3	2.5	2.8	3.1	

Source: Company, PublicInvest Research estimates

**Figure 1: Results Summary**

<u>FYE Dec (RMm)</u>	<u>1Q17</u>	<u>1Q16</u>	<u>4Q16</u>	<u>QoQ chg (%)</u>	<u>YoY chg (%)</u>	<u>YTD FY17</u>	<u>YTD FY16</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	43.9	40.6	24.7	77.7	8.1	43.9	40.6	8.1	Driven by better sales contributions from all core segments
Cost of sales	-35.3	-32.1	-17.8	98.3	10.0	-35.3	-32.1	10.0	
<b>Gross profit</b>	<b>8.6</b>	<b>8.5</b>	<b>6.9</b>	<b>24.6</b>	<b>1.2</b>	<b>8.6</b>	<b>8.5</b>	<b>1.2</b>	
Other income	0.6	1.1	0.5	20.0	-45.5	0.6	1.1	-45.5	
<b>Operating profit</b>	<b>9.2</b>	<b>9.6</b>	<b>7.4</b>	<b>24.3</b>	<b>-4.2</b>	<b>9.2</b>	<b>9.6</b>	<b>-4.2</b>	
Administrative expenses	-4.9	-5.2	-4.7	4.3	-5.8	-4.9	-5.2	-5.8	
Other expenses	-0.4	-0.4	-0.6	-33.3	0.0	-0.4	-0.4	0.0	
Finance costs	-0.1	0.0	-0.4	-	-	-0.1	0.0	-	
<b>Pre-tax profit</b>	<b>3.8</b>	<b>4.0</b>	<b>1.7</b>	<b>123.5</b>	<b>-5.0</b>	<b>3.8</b>	<b>4.0</b>	<b>-5.0</b>	
Taxation	-0.6	-1.0	-0.1	-	-40.0	-0.6	-1.0	0.0	
<b>Net profit</b>	<b>3.2</b>	<b>3.0</b>	<b>1.6</b>	<b>100.0</b>	<b>6.7</b>	<b>3.2</b>	<b>3.0</b>	<b>6.7</b>	
Core Net profit	3.2	2.7	1.4	>100	18.5	3.2	2.7	18.5	After stripping out FX gain of RM0.3m in 1QFY16
EPS (sen)	0.7	0.6	0.3	100.0	6.7	0.7	0.6	6.7	
DPS (sen)	0.8	0.8	0.8	0.0	0.0	0.8	0.8	0.0	Ex-date: 05 June 2017
Gross Margin (%)	19.6	20.9	27.9	-	-	19.6	20.9	-	
Pre-tax Margin (%)	8.7	9.9	6.9	-	-	8.7	9.9	-	
Net Margin (%)	7.3	7.4	6.5	-	-	7.3	7.4	-	

Source: Company, PublicInvest Research

**Figure 2: Segmental Breakdown**

<b>FYE Dec (RMm)</b>	<b>1Q17</b>	<b>1Q16</b>	<b>4Q16</b>	<b>QoQ chg (%)</b>	<b>YoY chg (%)</b>	<b>YTD FY17</b>	<b>YTD FY16</b>	<b>YoY chg (%)</b>	<b>Comments</b>
<b>Revenue:</b>									
Software & services & Academy	41.6	39.7	22.7	83.3	4.8	41.6	39.7	4.8	Mainly supported by the MLA 2.0 contract
Education	0.7	0.6	0.8	-12.5	16.7	0.7	0.6	16.7	Contributed by higher number of students and additional revenue from short courses
Employment services	1.6	0.4	1.2	33.3	>100	1.6	0.4	-	
<b>Total</b>	<b>43.9</b>	<b>40.7</b>	<b>24.7</b>	<b>77.7</b>	<b>7.9</b>	<b>43.9</b>	<b>40.7</b>	<b>7.9</b>	
<b>Profit Before Taxation:</b>									
Software & services & Academy	5.6	6.2	3.5	60.0	-9.7	5.6	6.2	-9.7	Dragged by weaker ringgit against the US dollar
Education	-1.4	-1.5	-1.5	-6.7	-6.7	-1.4	-1.5	-6.7	
Employment services	0.3	0.0	0.0	-	-	0.3	0.0	-	
Others	-0.7	-0.7	-0.3	>100	0.0	-0.7	-0.7	0.0	
<b>Total</b>	<b>3.8</b>	<b>4.0</b>	<b>1.7</b>	<b>123.5</b>	<b>-5.0</b>	<b>3.8</b>	<b>4.0</b>	<b>-5.0</b>	

Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
<b>Revenue</b>	<b>115.4</b>	<b>132.1</b>	<b>170.0</b>	<b>184.0</b>	<b>198.0</b>
Gross Profit	38.6	32.4	59.5	64.4	69.3
Other Income	6.1	3.0	5.3	5.7	6.4
Administrative Expenses	-20.0	-21.6	-20.4	-20.6	-20.8
Other Expenses	-2.0	-1.7	-2.1	-2.1	-2.2
Finance Costs	-0.2	-0.5	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>22.4</b>	<b>9.0</b>	<b>42.3</b>	<b>47.3</b>	<b>52.7</b>
Income Tax	-5.4	-2.5	0.0	0.0	0.0
Effective Tax Rate (%)	24.1	0.0	0.0	0.0	0.0
Minorities	0.0	0.2	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>17.0</b>	<b>8.9</b>	<b>42.0</b>	<b>47.0</b>	<b>52.4</b>
<b>Growth</b>					
Revenue (%)	46.4	14.4	28.7	8.2	7.6
Gross Operating Profit (%)	0.3	-16.1	83.6	8.2	7.6
Core Net Profit (%)	-15.8	-47.6	>100	11.9	11.5

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Fixed assets	12.9	12.1	16.7	18.4	19.9
Other long-term assets	5.2	9.2	5.2	5.2	5.2
Cash at bank	87.8	61.7	94.2	107.3	122.5
Other current assets	97.2	114.4	112.8	116.9	120.9
<b>Total Assets</b>	<b>204.3</b>	<b>197.4</b>	<b>230.2</b>	<b>249.0</b>	<b>269.8</b>
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Long-term borrowings	0.6	0.0	0.6	0.6	0.6
Payables	15.7	15.4	22.6	24.4	26.3
Other liabilities	18.5	20.5	18.5	18.5	18.5
<b>Total Liabilities</b>	<b>34.8</b>	<b>35.9</b>	<b>41.7</b>	<b>43.5</b>	<b>45.4</b>
Shareholders' Equity	169.2	161.5	188.2	205.1	224.1
<b>Total Equity and Liabilities</b>	<b>204.3</b>	<b>197.4</b>	<b>230.2</b>	<b>249.0</b>	<b>269.8</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	0.3	0.3	0.4	0.4	0.5
NTA Per Share	0.3	0.3	0.4	0.4	0.5
EPS (sen)	3.5	1.8	8.7	9.7	10.8
DPS (sen)	3.8	3.0	5.6	6.3	7.0
Payout Ratio (%)	64.1	>100	64.1	64.1	64.1
ROA (%)	8.3	4.6	18.4	19.0	19.5
ROE (%)	10.0	5.6	22.5	23.1	23.5

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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