



PEC LTD.

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Price: \$0.60; Mkt cap: \$152.5m;
NAV: \$0.898, Net cash/share: \$0.255
P/B: 0.67x, 2018 P/E: 14.6x, Ex-cash PE: 8.4x,
Dividend yield: 3.3%
Free float: 33.4%

Value play- At 0.7x P/B, of which \$0.255/share is net cash, \$0.024 is investment property, \$0.202 for accrued income (revenue from services earned but not invoiced yet), PPE of \$0.304.

Receivables more than offset payables. – Accrued income has been increasing from S\$0.08/share (S\$20m) in FY16 to currently S\$0.184/share (S\$47m) at end of FY18.

Maintenance income has been rising over the years- Rose by 50% from 2016 to \$226m in FY18, 67% of total revenue. EBITDA margins for it has been stable to rising at 24.2% at 2018. The contracts due date maybe a risk to the Company

Solid order book of \$279.4m as at end of 2018- This excludes maintenance contracts which form 67% of FY18 revenue. if we assume substantial of the order book will be recognised in 2019-2020, will translate to about \$125m of annual revenue, (at least safely comparable to 2018). Orderbook is highest at least over the last 3 years. PEC recently secured another S\$100m in new contracts in Apr 19.

[https://links.sgx.com/FileOpen/PEC%20secures%20over%20S\\$100%20million%20in%20new%20contracts.ashx?App=Announcement&FileID=553670](https://links.sgx.com/FileOpen/PEC%20secures%20over%20S$100%20million%20in%20new%20contracts.ashx?App=Announcement&FileID=553670)

A very positive outlook- Citing investments in Refining and Petrochem projects to come onstream in Asia and Middle east in next 5 years, and IMO decision to reduce bunker sulphur levels to 0.5% to result in investment by refiners to comply to the regulation.

Price supported by consistent share buybacks, In the meantime, 3% dividend yield to wait. Additionally, shareholders be rewarded with a small mini special dividend happened in 2016/2017, of 0.005 or 0.01, translates to 4-5%

Chartwise, after correcting from as high as \$0.74, seem to have found a base at \$0.56, amidst all the positive development and earnings, are prices ready to go higher? Prices have already broken higher with greater than average volume. If we assume profit revert back to about \$18m (average of 2017 and 2016), it will be about 5-6x ex cash PE.

So far, profit has surged in 1H19, revenue +33%, GP +18%, Net profit +74%- attributable to revenue increase from project works and maintenance.

Link to results:

<https://links.sgx.com/FileOpen/PEC%201HFY2019%20Results%20Announcement.ashx?App=Announcement&FileID=543372>