

Variation order for ITMAX a positive surprise: Maybank IB

KUALA LUMPUR: ITMAX System Bhd's recent Variation Order No. 7 (VO7) contract secured from Kuala Lumpur City Hall (DBKL) is expected to increase the group's turnover by approximately RM23.6 million for the fiscal years 2024 to 2025 estimates (FY24-25E), said Maybank Investment Bank (Maybank IB).

In a note yesterday, the research house said the contract came as a positive surprise last week as there had been no prior indication of additional scope of work for the existing contract.

"We maintain FY23E earnings, but raise FY24E and 25E by 14% and 12%, respectively. Our target price (TP) is also nudged 30 sen higher to RM2.40 (+14%).

"We peg our TP to unchanged 24.4 times FY24E price-to-earnings ratio (PER), a 20% premium to the simple PER average of its comparable peers," it said.

Maybank IB also said that it continues to like ITMAX for its cost, security, and technical advantages over its peers.

Incorporated on Oct 26, 2001, ITMAX System Bhd is a leading solution provider in the field of Public Space Networked Systems and related Artificial Intelligence. ITMAX core strength is in developing Networking Solutions for Lighting Systems, Traffic Management Systems, Video Surveillance, Communication Network, and related Artificial Intelligence. It's mission is to create and design sustainable digital solutions that drive efficiency and productivity.

As the premier Provider of Public Space Networked Systems, ITMAX's endeavour is to ideate, incubate and create cutting-edge technology solutions that promote sustainable living in efficiently managed Cities, Townships, and Enterprises. – Bernama

ITMAX System Bhd

Buy. Target price: RM2.40



Source: Maybank Investment Bank

ITMAX announced that it had secured Variation Order No. 7 (VO7) on Feb 6 from DBKL for the replacement of LED street lights in the district that were either broken, malfunctioned or had expired warranties. Recall that ITMAX had secured its first DBKL street lighting supply, installation and maintenance contract in July 2016 for a period of 5 years, which was subsequently renewed twice: (i) for the first time in August 2021, and (ii) for the second time in August 2023. The latest extension was for a tenure of 3 years (through to July 2026) and had a contract value of RM52.8 million.

The latest VO7 contract is a positive surprise in our view, as it represents additional scope of work to the second extension granted last year. It has a stated contract sum of RM47.2 million and from our understanding, will cover the replacement cost of roughly 18,000 street light units in the district (or 36% of the 49,350 LEDs ITMAX has installed for DBKL in the district). We do not overrule the possibility of further variation orders in the future, as wear and tear sets in for the remaining installed capacity over time.

With works for VO7 expected to take a minimum of 24 months to complete, we expect it to increase ITMAX's group turnover by RM23.6 million p.a. for FY24-25E. In addition to accounting for general housekeeping adjustments (including the provision for minority interests for its Johor-related JVs), we raise FY24E and FY25E earnings by 14% and 12% each. We continue to like ITMAX for its cost, security and technical advantages over its peers.

Raising TP to RM2.40; BUY maintained.