New DBKL contract a positive surprise for ITMAX

PETALING JAYA: A new contract for ITMAX System Bhd is expected to improve the group's prospects and increase its turnover by RM23.6mil for the financial years of 2024 to 2025 (FY24-25), says Maybank Investment Bank Research (Maybank IB Research) .

The new contract, officially known as variation order No. 7 (VO7), was granted to ITMAX on Feb 6 by Kuala Lumpur City Hall (DBKL) for the replacement of the district's LED street lights, which were either defective, not working properly, or had past-due warranties.

Maybank IB Research said the VO7 contract, worth RM47.2mil, is expected to cover the replacement of about 18,000 street lights in the area, or roughly 39% of the 49,350 LEDs that the group had installed for DBKL in the district.

Maybank IB Research said that the deal is a positive surprise, adding more work to the initial contract extension that ITMAX received from DBKL last year.

The video surveillance and analytics services provider secured its first DBKL street lighting supply, installation and maintenance contract in July 2016, which spanned a period of five years.

The deal had been extended twice, with the most recent extension being valued at RM52.8mil and lasting three years until July 2026.

"We do not rule out the possibility of further variation orders in the future, as wear and tears sets in for the remaining installed capacity over time," the research house added.

The VO7 contract is expected to take a minimum of 24 months for completion.

Maybank IB Research maintained its FY23 earnings forecast for the company, but raised its FY24 and FY25 estimated by 14% and 12%, respectively.

The research house continues to favour ITMAX for its cost, security and technical advantages over its peers.

Maybank IB Research maintained a "buy" call on ITMAX with a higher target price of RM2.40 per share based on 24.4 times FY24 price-to-earnings ratio, and a 20% premium to the simple price earnings ratio average of its comparable peers.

The research firm added that a number of risk factors need to be taken into account, including a strong reliance on one-time project-based contracts that are not recurring and big single clients like DBKL.

"Although it has existing contracts and a long working relationship with its key customer, failure to replenish its order book could adversely affect earnings," it added.