

Headline	Prestariang affected by contract renewal delays		
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ICT services training group's earnings for FY14 expected to decline as new jobs yet to contribute ... page 16



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ICT services training group's earnings for FY14 expected to decline as new jobs yet to contribute

by Gordon Low

A delay in the renewal of contracts in existing projects and with new jobs not expected to start contributing soon, the performance of Prestariang Bhd is expected to be impacted in FY14.

Analysts are expecting Prestariang to see weaker contributions from its core ICT licensing, training and certification division and at least one research house has cut its earnings forecast for the company.

November had been a busy month for the ICT services training group, which signed two memoranda of understanding (MoUs) with MIE Corp and CIDB Holdings Sdn Bhd for ICT training. It also launched a big data competency centre (BDCC).

However, these collaborations are not expected to contribute to group earnings in FY14.

MIE Corp, a consortium comprising CTCI-Chiyoda JV of Taiwan and Synerlitz (Malaysia) Sdn Bhd, has successfully tendered for a particular package under the Refinery and Petrochemicals Integrated Development (Rapid) project in

Pengerang, Johor.

"The management is aiming for better results in the coming financial year supported by contracts renewal but the company is likely to post weaker results in FY14," an analyst with a local investment bank says.

To-date, Prestariang is involved in seven training programmes, which could generate recurring income.

For H1FY14 ended June 30, Prestariang's net profit slipped 29.3% to RM13.44 mil from RM19 mil a year earlier on a lower revenue of RM53.4 mil against the RM49.6 mil in the previous corresponding period. Prior to FY14, the company had achieved stronger earnings with net profit growing from RM33.6 mil in FY11 to RM42.1 mil in FY13.

RHB Research Institute Sdn Bhd, in a research note on Prestariang, says core earnings in the first half of FY14 were below the full-year estimation due to slower-than-expected contract flow.

"We noticed there have not been any major contract announcements in H1FY14, with its last contract announced in November last year. In our view, this may take a toll on its H2FY14 earnings.

As such, we are taking a pre-emptive approach by cutting our FY14 earnings forecast by 12.8% to RM28.7 mil, taking into account weaker contribution from its core ICT licensing, training and certification division," the research house says.

Prestariang's principal business is the provision of ICT professional training and certification undertaken with industry partners such as Microsoft, IBM, Oracle and Autodesk. The last contract it secured came from Yayasan Peneraju Pendidikan Bumiputra for skill training certification in oil and gas (O&G) for riggers, scaffolders and pipe-fitters under the Peneraju Tunas Iltizam Programme.

"We also caution that potential delays in firming up a strategic partner for its university could translate into further near-term losses," RHB Research says.

The weaker earnings outlook has seen Prestariang's shares trading 23% lower at RM1.53 on Nov 20, down from RM2.02 on April 30, the day it went ex-bonus issue. The company had declared a one-for-one bonus issue of 220 million shares.

Despite the delay in securing some contracts, analysts are positive that the MoU signed with MIE Corp will enable

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the company to bring its ICT training business into the Rapid project.

On Nov 3, Prestariang and MIE Corporation agreed to undertake a preliminary study to review the feasibility of setting up of a joint-venture company to supply manpower, both local and foreign, to the O&G industry, including the Rapid project.

The analyst says the RM60 bil Rapid project would require a large number of workers. Prestariang can tap into the mammoth project by supplying the needed manpower.

Rapid is a major downstream oil, gas and petrochemical project in Pengerang, Johor, which is spearheaded by Petronas. It comprises a crude oil refinery with a capacity of 300,000 barrels per day, a naphtha cracker and would see the further development of 22 mini-petrochemical complexes.

“The company is expected to receive considerable contribution from this segment and it may become one of the main contributors, albeit it is too early to give estimated earnings numbers at this juncture,” the analyst states.

Public Investment Bank Research believes the JV company will not only help improve the employability of Prestariang’s trainees and expand the industry network, but also generate ancillary income for the company in the future given the “one-stop” service provided for Rapid project workforce. The venture would also lessen the worries for project players, who need at least 10,000 workers.

The tie-up with MIE Corp is not Prestariang’s first venture into the O&G industry as it is providing software and

training to the sector under the Oil and Gas Enhancement Programme. As of FY13, it has secured RM9.1 mil worth of projects for training and certification from TalentCorp, the Ministry of Finance and Yayasan Penerajaru Pendidikan Bumiputra.

The company sees skills training in the O&G industry as one of its revenue drivers.

Another MoU it entered into on Nov 16 is an agreement with CIDB to provide comprehensive training of Autodesk software in building information modelling (BIM) for the building and construction industry.

The accord marks the first collaborative effort to boost training efforts for BIM users. Under the MoU, Prestariang will be the preferred training and certification provider for the registered members of CIDB.

The analyst says Prestariang had always wanted to provide training for the construction industry and the MoU with CIDB enables it to do so.

Prestariang sees the local construction and engineering industries to continue moving rapidly into the next millennium supported by the dynamic growth of the software and IT industry, it says in its FY13 annual report.

Prestariang is currently the master distributor and authorised training centre of Autodesk software for the education, O&G and construction sectors while BIM is one of the emerging technologies to be deployed in the planning, design, construction, and facility management.

BIM provides an object-oriented

database that is made up of intelligent objects, the 3D representation of integrated information, and a relational database that is interconnected.

In mid-November, Prestariang also officially launched the first phase of its BDCC, which is a joint initiative with the Ministry of Education, for four local universities and one polytechnic to provide a training platform to cultivate and drive talents towards supporting and strengthening the global growth of the big data industry.

The analyst says Prestariang will be the BDCC operator and the training provider for the universities and polytechnic where seven courses will be offered. The company will also be involved in certification services and big data analytics software and solution.

“The company is also involved in career placement, like JobStreet, for the big data-trained students,” the analyst adds.

“The company is expected to train up to 2,500 students over the next three years, and the estimated fees are about RM6,000 to RM10,000 per student. However, the project would only start contributing to earnings six months from now,” he says.

The BDCC initiative will also see the participation of global IT players such as Oracle, IBM, EMC, Microsoft, SAS and Unisys. Four universities and a polytechnic are also involved in the first phase of the BDCC. They are Universiti Utara Malaysia (Kedah), Universiti Sains Malaysia (Penang), Universiti Malaysia Terengganu, Universiti Malaysia Sarawak and Politeknik Ibrahim Sultan Johor. **FocusM**

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## PRESTARIANG BHD

### Key board members and management

Abu Hasan Ismail (*CEO/founder*), Abdul Razak Bakrun (*chief financial officer*), Aris Mohd Zainal (*chief marketing officer*)

### Major shareholders

Ekohati	<b>20.66%</b>
Kumpulan Wang Persaraan	<b>8.7%</b>
AIA Bhd	<b>6.67%</b>
Employees Provident Fund	<b>5.2%</b>

**Market cap (Nov 20)** **RM740.5m**

**Share price (Nov 20)** **RM1.53**

**52-week high (July 21, 2014)** **RM2.41**

**52-week low (Nov 20, 2013)** **RM1.23**

### Financial results

(Q2 ended June 30, 2014)

Revenue	<b>RM29.04m</b>
Net profit	<b>RM7.04m</b>



Prestariang's core business is ICT licensing, training and certification

