

Big order book and high earnings visibility for Vizione

BY LIEW JIA TENG

Little known Vizione Holdings Bhd's order book — consisting of 23 projects, mainly construction jobs — has ballooned to RM3.91 billion as at June 30.

The order book provides relatively clear earnings visibility in the coming four years, at least. Of the 23 projects in hand, 12 are private commercial developments worth RM2.661 billion, seven are government housing schemes with a total contract value of RM589 million and the remaining four are infrastructure projects worth RM656 million.

Managing director Datuk Ng Aun Hooi says Vizione's order book is 7.5 times the company's market capitalisation of RM536 million as at last Thursday's closing of 14 sen. "Based on that ratio alone, we are probably one of the top five construction firms in the country. I don't think there are that many builders out there holding such a huge order book against their market cap," Ng tells *The Edge*.

For the financial year ended May 31, 2018 (FY2018), Vizione's net profits soared to RM26.2 million — a sharp rise of about 43 times from RM0.6 million a year ago. Its annual revenue grew eightfold to RM413.2 million from RM49.1 million a year earlier.

The reason for the big jump in earnings is the contribution from Wira Syukur (M) Sdn Bhd, a construction firm injected into Vizione through a cash-plus-shares deal worth RM280 million last October. Wira Syukur was founded by Ng and his two partners in September 1996. The asset injection appears to be a backdoor listing exercise for Wira Syukur.

Tender book of RM3.4 billion

The asset injection brought a whopping order book of RM3.1 billion to Vizione. The acquisition comes with a two-year aggregate profit guarantee of RM82.6 million, of

which RM28.6 million has been delivered in Wira Syukur's financial year ended Dec 31, 2017, while the remaining RM54 million will be delivered this year. Note that Vizione and Wira Syukur have different financial year ends of May 31 and Dec 31 respectively.

At a burn rate of 25%, Ng estimates that about RM1 billion revenue will be generated from its order book every year. Conservatively, he says, Vizione should be able to achieve its revenue growth target of 15% to 20% in the coming years.

"By looking at the order book and profit guarantee from Wira Syukur, Vizione's profit should at least double to RM52 million in FY2019 (ending May 31)," says Ng.

On top of that, he points out that Vizione has a tender book of over RM3.4 billion. Given its past success rate of about 30%, the company could replenish its order book by RM1 billion. But Ng did not elaborate on the timeframe for getting

the RM1 billion worth of jobs. "Almost every week, we are invited to tender for some private projects. We have to be selective. We choose developers who are good paymasters. [A] good project does not mean [we'll have a] good client, so we turned down a lot of people," says Ng.

Joint venture in Penang

Vizione may not be familiar to the investing fraternity but its former name, Astral Supreme Bhd, may ring a bell.

Astral Supreme was mainly involved in the manufacturing, assembly and export of electronic products and components before it ventured into infrastructure building. It gets a slice of Consortium Zenith Construction Sdn Bhd's RM6.3 billion Penang integrated infrastructure project, which has drawn much scrutiny over its RM200 million feasibility study.

Ng, 56, was appointed as an in-

dependent non-executive director of Astral Supreme in March 2014 before being redesignated as managing director in May 2015.

He managed to turn around the loss-making company in 2016 by disposing of its legacy business. The company was renamed in the same year.

As for Penang's transport master plan, Vizione has teamed up with Vertice Bhd to undertake the construction works for a RM815 million contract awarded by Consor-

tium Zenith. The contract, dubbed Package 2, entails the building of a 5.7km bypass connecting Bandar Baru Ayer Itam to Lebuh raya Tun Dr Lim Chong Eu.

Ng says the chemistry between Vizione and Vertice has been good, so he hopes to explore more joint ventures with it in the future. "To me, partnering with Vertice opens up more opportunities for us in Penang. Their networking is very strong. Whenever they have good jobs, they will invite us to go together. Likewise, we will do the same," he says.

Ng also points out that Vizione is keen on participating in Consortium Zenith's upcoming Packages 1 and 3 but he stresses that Vizione has to win the job first. "Bear in mind that there are many other construction players in town, all fighting for the same jobs. Our advantage is that we have secured Package 2, so we are getting a chance to prove ourselves. We have to perform with Package 2, then they will have more confidence in us," he adds.

Penny stock trap

Vizione is currently undertaking a share consolidation exercise to combine seven existing shares into one share. The rationale is to have a higher share price so that the company is not perceived as a penny stock.

Ng concedes that although institutional investors have enquired

about investing in Vizione, most have not made any moves.

“Whenever we go out to meet investors, they always say Vizione is a penny stock and our market cap is (too) small. There is a psychological factor there. Hopefully, after the share consolidation, we will no longer be a penny stock,” says Ng.

Based on Vizione’s closing price of 14 sen last Thursday, the share consolidation is expected to bring its theoretical adjusted reference share price to 98 sen. The ex-date for the corporate exercise is Oct 15.

Nevertheless, there is a drawback. Despite its higher trading price post-share consolidation, Vizione’s market capitalisation would theoretically remain the same, given its smaller share base, which will be consolidated from 3.54 billion shares into 505.53 million shares.

Ng acknowledges that Vizione needs to almost double its market capitalisation to RM1 billion by 2020 before it can attract bigger and more reputable funds to invest in it.

“My dream is to make Vizione one of the top 10 construction firms in Malaysia in terms of market capitalisation within the next two to

three years,” he says.

According to its latest annual report, Great Eastern Life Assurance (M) Bhd, Phillip Capital Management Sdn Bhd and Etiqa Life Insurance Bhd are among Vizione’s top 30 shareholders.

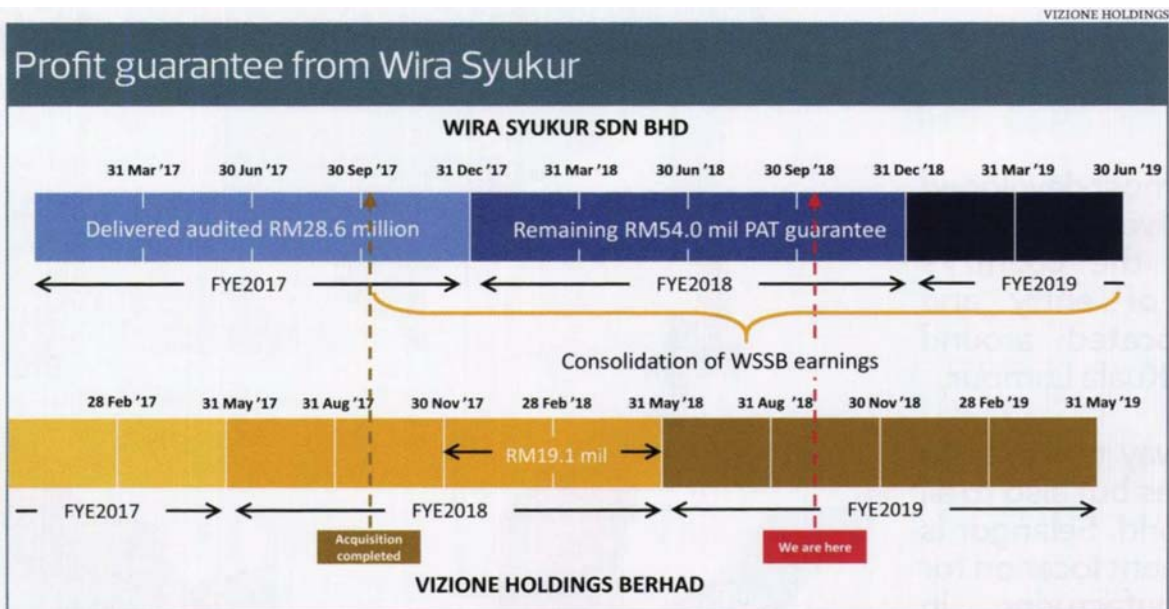
It is learnt that institutional funds collectively own about 20% equity interest in Vizione. “Currently, we do have some institutional investors, but those are relatively smaller local funds. The big international names have yet to come in. We hope to get some from Singapore and Hong Kong,” says Ng.

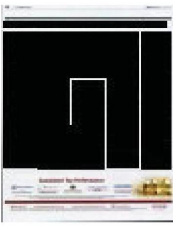
The rule of thumb is that an earnings track record attracts genuine investors, particularly institutional funds. Apart from a share consolidation exercise, a company’s earnings performance is crucial in impressing investors.

However, construction companies are generally not that appealing to investors against the backdrop of the government tightening the purse strings, resulting in less infrastructure building activities in the near future. **E**



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SUMMARIES

Little known Vizione Holdings Bhd's order book — consisting of 23 projects, mainly construction jobs — has ballooned to RM3.91 billion as at June 30. The order book provides relatively clear earnings visibility in the coming four years, at least. Of the 23 projects in hand, 12 are private commercial developments worth RM2.