

Company Name : Destini Berhad

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Destini's long road to recovery despite surprise Q1 core net profit

PETALING JAYA: It is still a long road to recovery for engineering specialist Destini Bhd.

This is despite the group having posted a surprise core net profit of RM1.1mil in the first quarter ended March 31, 2021 (Q1FY21).

According to CGS-CIMB Research, the resumption of the MD530G helicopter supply contract had swung Destini into profitability in Q1FY21 versus its earlier forecast of a full-year net loss.

The better-than-expected first quarter performance had also prompted the research

house to revise its FY21-FY23 earnings per share (EPS) forecasts.

"We now expect Destini to post a net profit in FY21 and also, elevate our FY22-FY23 EPS by 59%-67%," it added.

However, with the 20% share placement that the group is looking to complete, CGS-CIMB Research said shareholders value is bound to be diluted.

"We are keeping our 0.6 times estimated price -to-book value valuation basis for calendar year 2022 a discount to reflect on its earn-

ings risks. The EPS revision lifts our target price for Destini slightly to six sen from five sen," said the research house.

It said the upside risks would be the resumption of air travel and new contracts while the de-rating catalysts include worsening cash flow and lack of new jobs.

One positive development that came from Destini was its proposal to sell its 51%-owned loss-making shipbuilding joint venture, THHE Destini Sdn Bhd.

The buyer, which is Destini's joint venture

partner TH Heavy Engineering Bhd, will pay Destini RM121,131 for the latter's stake in the company.

"We are positive on this development given THHE Destini has been loss-making and this will remove one of the aspects that has been a drag on Destini's earnings," added CSG-CIMB Research.

Destini provides integrated engineering solutions and has interests in aviation and defense, marine, energy and rail and transport sectors.