

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

27 November 2014

Price Target: RM1.52 (↔)

Share price: RM1.15

Surpassing expectations

Results

- 3QFY14 results came in with revenue of RM146m (+108% YoY, +8% QoQ) and core PATMI of RM13m (+202% YoY, -3% QoQ).
- Cumulative 9M PATMI amounted to RM38m, up 137% YoY. After removing RM4m gain on disposal from the Rawang Hospital in 3Q last year, core earnings growth would be even stronger at 223%.

Deviation

- 9M core PATMI made up 78% of our full year forecast, which is slightly above expectations.

Dividends

- None. Final dividend usually declared post 4Q results.

Highlights

- Construction leads the way.** Construction revenue soared 109% YoY during the 9M period while EBIT margin expanded from 5.1% to 9.9%. Major contributing jobs were the LRT stations, MACC headquarters and Symphony Hills condos.
- Strong job wins.** Orderbook replenishment stands at RM949m YTD, an all-time high (FY13: RM501m). Its orderbook currently stands at RM1.6bn. This implies a superior cover of 7.2x on FY13 construction revenue, anchoring earnings growth prospects. We were made to understand that another contract (RM200-250m) could be secured by year end.
- Wangsa 9 well received.** Take up rate for Phase 1 (GDV: RM200m) of Wangsa 9 has hit 64% (80% if bookings included) since its launch last month. Given the encouraging response for Phase 1, Phase 2 (RM200m) will be launched sometime in Dec 14 and Phase 3 (RM250m) in early 2015. We envisage strong take up for Wangsa 9 given (i) strategic location behind Wangsa Walk Mall, (ii) LRT connectivity with the Sri Rampai station 150m away and (iii) close proximity to KL city (7km).

Risks

- Delays in execution and softening property market.

Forecasts

- We raise FY14 earnings by 4.2% to reflect stronger than expected progress billings on its orderbook.
- Our FY15-16 forecasts are unchanged but we highlight potential upside from stronger than expected job wins and take up rate for Wangsa 9.

Rating

BUY, TP: RM1.52 (↔)

- Mitrajaya is an under researched hidden gem which offers superior earnings growth at cheap valuations of 9x and 7.6x FY14-15 P/E and decent yields of 3-4%. It is our top small cap construction pick, with 32% upside potential.

Valuation

- Despite our earnings upgrade for FY14, our TP is unchanged at RM1.52 (based on unchanged 10x FY15 P/E) as our FY15 earnings are maintained.

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KLCI	1842.2
Expected share price return	32.2%
Expected dividend return	3.3%
Expected total return	35.5%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	394
Market cap (RM m)	453
3-mth avg. volume ('000)	2,219
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	26.4	15.6	139.6
Relative	24.8	16.8	133.9

Major shareholders

Tan Eng Piow	41.1
Soon Aw Eng	2.1

Summary Earnings Table

FYE Dec (RM m)	FY13	FY14F	FY15F	FY16F
Revenue	338	518	641	690
EBITDA	49	83	98	110
EBIT	39	73	87	99
Profit Before Tax	36	70	83	94
Core PATAMI	25	50	60	68
vs Consensus (%)	-	-	-	-
Core EPS (sen)	6.4	12.7	15.2	17.4
P/E (x)	18.1	9.0	7.6	6.6
Net DPS (sen)	2.0	3.8	4.6	5.2
Net DY (%)	1.7	3.3	4.0	4.5
BV per share	0.89	0.98	1.08	1.20
P/B (x)	1.3	1.2	1.1	1.0
ROE (%)	7.4	13.7	14.8	15.2
Net Gearing (%)	17.9	20.0	21.5	15.8

HLIB

Figure #1 Quarterly results comparison

FYE Dec (RM m)	3QFY14	3QFY13	2QFY14	YoY	QoQ	Comments
Revenue	145.6	70.2	134.7	107.5	8.0	Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo.
EBIT	18.1	7.1	19.1	154.2	(5.2)	Lower QoQ due to LRT stations which have lower margins.
Finance cost	(1.1)	(0.8)	(0.7)	33.0	46.9	Higher finance cost due to higher ST debt for project financing.
Associates & JVs	-	-	-			
PBT	17.0	6.3	18.4	170.1	(7.3)	
PAT	12.9	4.4	13.3	195.7	(3.0)	
PATMI - core	13.1	4.3	13.6	201.9	(3.4)	
PATMI - reported	13.1	8.6	13.6	53.1	(3.4)	Gain on disposal of Rawang Hospital last year (RM4m.)
EPS - core	3.3	1.1	3.4	201.9	(3.4)	
EBIT margin	12.4	10.2	14.2			
PBT margin	11.7	9.0	13.6			

WCT, HLIB

Figure #2 Cumulative results comparison

FYE Dec (RM m)	9MFY13	9MFY14	YoY (%)	Comments
Revenue	384.4	214.6	79.2	Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo.
EBIT	52.3	19.2	172.0	Driven by topline growth and margin expansion.
Finance cost	(2.6)	(2.6)	1.0	
Associates & JVs	-	-		
PBT	49.7	16.7	198.6	
PAT	37.2	11.3	229.0	
PATMI - core	37.6	11.6	223.0	Above expectations with 9M at 78% of full year forecast.
PATMI - reported	37.6	15.9	137.0	Gain on disposal of Rawang Hospital last year (RM4m).
EPS - core	9.5	3.0	223.0	
EBIT margin	13.6	9.0		Higher as newer jobs kick in.
PBT margin	12.9	7.8		Higher as newer jobs kick in.

WCT, HLIB

Financial Projections for Mitrajaya Holdings

Balance Sheet

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Cash	3	19	12	24	57
Receivables	126	130	188	232	250
Inventories	160	125	200	253	270
PPE	41	38	38	38	37
Others	214	249	270	283	298
Assets	544	560	709	830	912
	-	-	-	-	-
Debts	80	82	89	116	132
Payables	126	124	227	279	296
Others	3	4	8	8	8
Liabilities	210	209	323	402	436
	-	-	-	-	-
Shareholder's equity	332	350	385	427	475
Minority interest	2	1	1	1	1
Equity	334	351	386	428	476

Cash Flow Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Profit before taxation	28	36	70	83	94
Depreciation & amortisation	8	10	10	10	11
Changes in working capital	(144)	31	(55)	(44)	(18)
Taxation	(9)	(12)	(19)	(23)	(25)
Others	143	(43)	(1)	(16)	(17)
CFO	25	23	3	10	45
Net capex	(11)	(8)	(10)	(10)	(10)
Others	3	13	-	-	-
CFI	(8)	5	(10)	(10)	(10)
Changes in borrowings	23	1	7	27	17
Issuance of shares	(0)	(0)	(0)	-	-
Dividends paid	(20)	(8)	(8)	(15)	(18)
Others	(30)	(19)	-	-	-
CFF	(26)	(26)	(0)	12	(1)
Net cash flow	(9)	2	(7)	12	33
Forex	(2)	(0)	-	-	-
Others	11	14	-	-	-
Beginning cash	4	3	19	12	24
Ending cash	3	19	12	24	57

Income Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Revenue	251	338	518	641	690
EBITDA	39	49	83	98	110
EBIT	31	39	73	87	99
Finance cost	(3)	(3)	(4)	(4)	(5)
Associates & JV	(0)	-	-	-	-
Profit before tax	28	36	70	83	94
Tax	(9)	(12)	(19)	(23)	(25)
Net profit	19	24	50	60	68
Minority interest	(1)	1	-	-	-
PATMI (core)	18	25	50	60	68
Exceptionals	-	4	-	-	-
PATMI (reported)	18	29	50	60	68

Valuation & Ratios

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Core EPS (sen)	4.5	6.4	12.7	15.2	17.4
P/E (x)	25.3	18.1	9.0	7.6	6.6
EV/EBITDA (x)	13.1	10.3	6.2	5.2	4.6
DPS (sen)	2.0	2.0	3.8	4.6	5.2
Dividend yield	1.7%	1.7%	3.3%	4.0%	4.5%
BVPS (RM)	0.84	0.89	0.98	1.08	1.20
P/B (x)	1.4	1.3	1.2	1.1	1.0
EBITDA margin	15.5%	14.6%	16.0%	15.3%	15.9%
EBIT margin	12.5%	11.7%	14.1%	13.6%	14.3%
PBT margin	11.1%	10.7%	13.5%	13.0%	13.6%
Net margin	7.2%	7.4%	9.7%	9.3%	9.9%
ROE	5.4%	7.4%	13.7%	14.8%	15.2%
ROA	3.5%	4.5%	7.9%	7.8%	7.9%
Net gearing	23.2%	17.9%	20.0%	21.5%	15.8%

Assumptions

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Contracts secured	430	501	600	500	500

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Equity rating definitions

BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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OVERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.
NEUTRAL	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
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