

# Mitrajaya Holdings Bhd

## Earnings Reached Inflection Point

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### INVESTMENT MERIT

- Mitrajaya's earnings have reached an inflection point** after its core net profit (netting off the RM4.2m disposal gain) grew significantly by 40% to RM25.1m in FY13, driven its construction and property divisions. According to the management, its orderbook has reached its all-time high of RM1.2b (3.5x to FY13 revenue), 140% higher than that of its previous historical high of RM500m. As for its property division, there is RM80m locked-in sales, which will be recognised this year and about RM146m ready stock yet to be sold. Based on our conservative analysis, we forecast Mitrajaya's core earnings could at least report high double digit net profit growth of 52% and 31% in FY14 and FY15. This is substantially higher than that of our construction universe' aggregate FY14-FY15 earnings growth forecast of 16%-9%.
- Tenderbook of RM1.75b, targeting to win at least RM300m this year.** Tenderbook includes: Petronas RAPID project (RM600m), building works for Ikano Cochrane (RM350m), infra projects for ECERDC (RM300m), building works for Bandar Setia Alam (RM300m), and building works for Putrajaya (RM200m). The management expects to win at least RM300m this year and that, we believe, will be coming mainly from building works in Putrajaya and other infra projects. Note that Mitrajaya has established a long-term relationship (10 years) with Putrajaya Holdings through its excellent project delivery track record. The latest project they secured with Putrajaya Holdings Bhd was the RM427m MACC Building last year. With this track record and background, we believe Mitrajaya is well-placed to win more contracts from Putrajaya.
- Key catalyst for property division: Wangsa Maju.** Mitrajaya will be launching a property project comprising 3-blocks of luxury condominiums in Wangsa Maju starting 4Q2014. Total GDV for the whole project is estimated at RM650m and it is located right opposite Wangsa Walk Mall and is only 150m away from Sri Rampai LRT station. Despite the property cooling measures, we believe this project will achieve strong take-up rates due to the strategic location. According to the management, 1<sup>st</sup> phase of the project will be around RM200m and we expect this project to contribute significantly from FY16 onwards.
- Other businesses to support earnings growth.** We understand Mitrajaya has other businesses, including (i) a 51% stake in Optimax Eye Specialist Sdn Bhd, one of the largest optical companies in Malaysia and (ii) 152 acres of bungalow vacant lots and 18-hole golf course in South Africa. The former contributes about close to RM1.0m last year while the latter contribute about RM5.0m last year mostly through land sales. We expect at least it could maintain the same quantum of last year's profit through land sales. We believe these two divisions will likely continue to support its earnings growth in the foreseeable future.
- Forecasts.** We forecast its net profit to grow by 52% and 31% in FY14 and FY15 to RM38.3m and RM49.9m, respectively. The earnings growth is based on the following assumptions: (i) orderbook burn rate of 33%-35%, (ii) new contracts assumption of RM300m per annum, (iii) unbilled sales of around RM80m coupled with expected new sales of RM50m-RM115m in FY14-FY15.
- Fairly valued at RM1.13, TRADING BUY.** We reckon that this under-researched stock, Mitrajaya, is one of small-cap stocks with good growth prospect that worth considering given its visible earnings growth prospects. At current price, Mitrajaya appears very cheap as it is only trading at Fwd-PER15 of 6.0x against its small-cap peers average Fwd-PER of 8x-10x. Benchmarked at 9x fwd-PER on FY15 earnings, Mitrajaya is fairly valued at RM1.13. **TRADING BUY, as the stock offers 50% potential upside.**

	Rating	Fair Value
Last Price		RM0.75
Kenanga	Trading Buy	RM1.13
Consensus	N.A.	N.A.

### Stock Information

Stock Name	MITRAJAYA HOLDINGS BHD
CAT Code	9571
Industry	Engineering&Construction
Industry Sub-sector	Building-Heavy Construct
YTD stock price chg	48.51%
Market Cap (RM m)	295.60
Issued shares (m)	394.14
52-week range (Hi)	0.815
52-week range (Low)	0.42
3-mth avg daily vol:	2755376
Free Float	48%
Beta	1.23
Altman's Z-score	2.02

### Major Shareholders

TAN ENG PIOW	41.55%
KHIDMAS CAPITAL SDN	4.71%
TAN BOON HOCK	4.59%

### Financials

FYE Dec (RM'm)	2013A	2014E	2015E
Revenue	338.4	500.9	676.0
EBIT	43.7	56.4	72.9
Net Profit (NP)	25.1	38.3	49.9
EPS (sen)	6.4	9.7	12.7
BV/Share (RM)	0.9	0.9	1.0
PER	11.8	7.7	5.9
Price/BV (x)	0.9	0.8	0.7
Net Gearing (x)	0.2	0.2	0.2
NDPS (sen)	2.0	3.0	4.0
Dividend Yield (%)	2.7	4.0	5.3

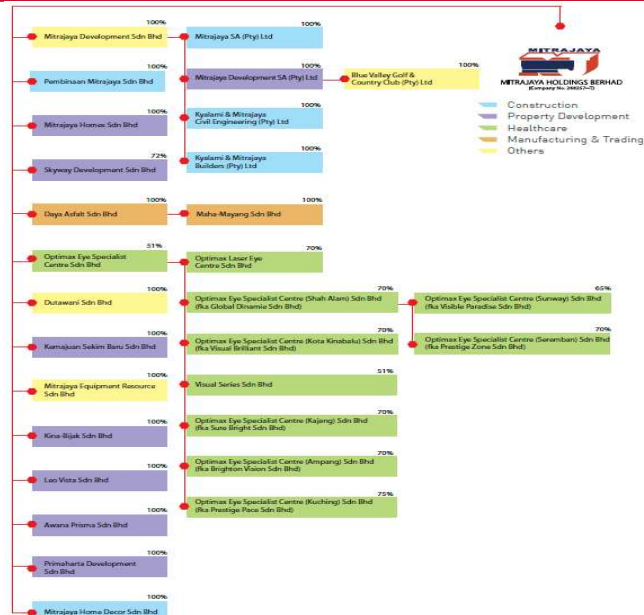
Quarterly Financial Data	2Q13	3Q13	4Q13
Revenue	78.0	70.2	123.9
PBT	6.2	10.5	19.4
Net Profit (NP)	4.4	8.6	13.4
EPS (sen)	1.1	2.2	3.4
EPS Growth (QoQ)	48.7%	96.2%	56.9%
Revenue Growth (QoQ)	17.5%	-10.1%	76.6%
PBT Margin	8.0%	15.0%	15.7%

Peers Comparisons	PER (FY14)	Div. Yld (%)	Mkt Cap (RM'm)
Naim	9.1	1.9	919.3
Kimlun	9.8	2.8	489.9
Eversendai	9.1	2.3	843.6
Gadang	9.3	2.8	330.4
<b>Average</b>	<b>9.3</b>	<b>2.4</b>	<b>-</b>
<b>Mitrajaya</b>	<b>7.7</b>	<b>4.0</b>	<b>295.6</b>
<b>FBMKLCI</b>	<b>16.4</b>	<b>5.8</b>	<b>-</b>

The chart displays the EUR/USD currency pair from 2011 to 2015. The main price chart includes several horizontal support and resistance levels and trend lines. The right side of the chart features a vertical axis with the following values: 0.90, 0.80, 0.75, 0.688, 0.605, 0.546, 0.50, and 0.40. Below the main chart are four sub-charts: a volume bar chart, a red line indicator, an orange line indicator, and a black line indicator. The x-axis shows years from 2011 to 2015.

Resistance	:	RM0.80 (R1)	RM0.87 (R2)	RM1.00 (R3)
Support	:	RM0.75 (S1)	RM0.67 (S2)	RM0.61 (S3)
Outlook	:	Bullish		

## CORPORATE STRUCTURE



- Incorporated since 1985, Mitrajaya is primarily involved in construction and civil engineering related fields. Mitrajaya has completed few major national projects such as: Kuala Lumpur International Airport (KLIA), KL's Light Rail Transit System, the CyberJaya Flagship Zone and numerous other projects. In addition, Mitrajaya is also involved in other businesses including property development, manufacturing as well as healthcare.

- **Construction division.** Construction segment is the biggest contributor to Mitrajaya's revenue and pre-tax profits, accounts for 64% and 33% of its total revenue and pre-tax profits in FY13.
- **Property.** Second major contributor in Mitrajaya's earnings. The division accounted for 24% and 42% of its total revenue and pre-tax earnings in FY13. It has total undeveloped landbank of approximately 260 acres.
- **Healthcare.** Mitrajaya also has 51% stake in Optimax Eye Specialist Sdn Bhd since 2001. This division, in FY13, contributed RM21m and RM0.6m respectively to the Group's revenue and pre-tax earnings.
- **Overseas operation in South Africa.** Mitrajaya also has overseas operation which it owns the clubhouse, 18-hole golf course & admin office building in the 300-hectare Blue Valley Golf and Country Estate in South Africa since 1998. It also has about 152 acres of vacant lots in the country that ready to be sold.

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