

Mitrajaya Holdings Bhd

Broadly Within

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1Q16 CNP of RM18.5m came in broadly within our and consensus estimates at 18% and 20%, respectively, as we expect construction billings to pick up for the remaining quarters in FY16. No dividends declared as expected. We make no changes to earnings forecast. Hence, maintain **OUTPERFORM** call with an unchanged TP of RM1.77 based on our SoP calculations implying a 11.1x FY16 PER.

Broadly within expectation. 1Q16 CNP of RM18.5m came in broadly within our and consensus forecasts representing 18% and 20% of estimates, respectively. We deem the results as broadly within expectation as we expect the advancement of construction billings to pick up for the remainder of FY16. No dividends were declared as expected.

Result Highlights. 1Q16 CNP of RM18.5m was up 47% YoY buttressed by lower effective tax rate (-3ppt) and an increase in topline by 27% from higher construction activities coupled with property sales and billings, which saw property EBIT increased by 74%. 1Q16 CNP of RM18.5m decreased 27% QoQ underpinned by: (i) 23% dip in revenue mainly due to lower construction billings (-23%) and (ii) lower construction EBIT margins (-4.7ppt) as 4Q15 saw a number of project finalisations which help boosted margins. We note that property earnings were back in the black bolstered by a 103% increase in property revenue attributed to higher sales and billings from their Wangsa 9 project.

Construction prospects. Currently, MITRA's outstanding orderbook stands at RM1.64b providing earnings visibility for another c.1.5 years. Year-to-date, MITRA has secured RM450m worth of contracts making up 64% of our RM800m orderbook assumption with a remainder of RM350m to be achieved. We feel our replenishment target is achievable given the existing RM2.5b tenderbook in hand. That said, we note that management has a far greater target of another RM1.0b to be achieved till year-end.

Property unbilled sales. Within the property segment, MITRA's unbilled sales of c.RM195m from Wangsa 9 and 280 Park Homes provide visibility for another 1.5 years. Meanwhile, its South Africa division will see unbilled sales of Rand75m (RM20m) recognised progressively upon completion of the transfer of ownership by year-end.

Maintain earnings. We make no changes to our FY16 and FY17 earnings forecasts of RM105.8m and RM114.4m, respectively.

Valuations unchanged. Maintain **OUTPERFORM** with an unchanged target price of RM1.77 based on our SoP calculations. Our TP implies 11.1x FY16 PER, which is inline with small-mid cap contractors' Fwd. PER range of 9-11x.

Risks to our call include lower-than-expected margins, delay in construction works, lower-than-expected orderbook replenishment and lower-than-expected property sales.

OUTPERFORM ↔

Price: **RM1.33**

Target Price: **RM1.77** ↔

Share Price Performance



KLCI	1,631.09
YTD KLCI chg	-3.6%
YTD stock price chg	10.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	855.3
Issued shares	643.1
52-week range (H)	1.39
52-week range (L)	0.80
3-mth avg daily vol:	2,011,269
Free Float	55%
Beta	1.4

Major Shareholders

ENG PIOW TAN	40.4%
EMPLOYEES PROVIDENT	2.6%
KUMPULAN WANG PERSAR	2.5%

Summary Earnings Table

FY Dec (RM'm)	2015A	2016E	2017E
Turnover	891.0	1,128.0	1,139.2
EBIT	130.1	151.7	162.7
PBT	124.8	139.9	149.2
Net Profit (NP)	87.7	107.3	114.4
Core net profit	87.7	105.8	114.4
Consensus (NP)	n.a.	91.2	111.5
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	13.1	15.9	17.1
FD EPS (sen)	11.6	14.0	15.2
EPS growth (%)	63%	21%	8%
DPS (sen)	2.5	4.2	4.2
NTA/Share (RM)	0.61	0.71	0.82
Basic PER (x)	10.1	8.4	7.8
FD PER (x)	11.4	9.5	8.8
BVPS (RM)	0.61	0.71	0.82
Net Gearing (x)	0.2	0.3	0.3
Dividend Yield (%)	1.9%	3.2%	3.2%

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OTHER POINTS

Result Highlight

FYE: Dec (RM'm)	1Q16	4Q15	QoQ	1Q15	YoY
Revenue	195.5	254.9	-23%	154.5	27%
EBIT	25.4	41.8	-39%	18.7	36%
PBT	24.0	41.2	-42%	17.5	37%
Taxation	-5.5	-15.9	-65%	-4.5	23%
Net Profit (NP)	18.5	25.3	-27%	12.6	47%
Core Net Profit (CNP)	18.5	25.3	-27%	12.6	47%
Basic EPS (sen)	2.5	3.4	-27.0%	1.7	47.3%
EBIT margin (%)	13%	16%		12%	
PBT margin (%)	12%	16%		11%	
Effective tax rate (%)	23%	39%		26%	
NP margin (%)	9%	10%		8%	
CNP margin (%)	9%	10%		8%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	1Q16	4Q15	QoQ	1Q15	YoY
Revenue					
Construction	165.1	214.6	-23%	129.7	27%
Property	25.6	12.6	103%	17.6	46%
South Africa Investment	4.8	20.0	-76%	7.2	-34%
Healthcare	-	7.7	-100%	7.1	-100%
Manufacturing & trading	-	-	n.m.	-	n.m.
	195.5	254.9		161.6	
Segmental EBIT					
Construction	16.2	31.0	-48%	13.8	17%
Property	6.2	(4.4)	-241%	3.6	74%
South Africa Investment	2.7	7.4	-63%	2.5	9%
Healthcare	-	1.1	-100%	1.1	-100%
Manufacturing & trading	-	-	n.m.	-	n.m.
Others	-	8.0	-100%	(0.0)	-100%
Eliminations	0.3	(1.4)	-119%	(1.2)	-123%
	25.4	41.8		19.8	
EBIT margin					
Construction	9.8%	14.5%		10.7%	
Property	24.3%	-35.2%		20.4%	
South Africa Investment	57.4%	37.0%		35.0%	
Healthcare	n.a.	14.8%		15.8%	
Manufacturing & trading	n.m.	n.m.		n.m.	

Source: Company, Kenanga Research

Sum-of-parts valuation

Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	841.2
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	46.5
Sub Total			1,210.0
Proceed from warrants (C and D)			126.9
Proceeds from disposal of Optimax			5.1
Total			1,342.0
No of FD shares			756.9
SOP/share			1.77
Target Price			1.77
Implied Basic PE (x)			11.1
Implied FD PE (x)			12.6

Source: Kenanga Research

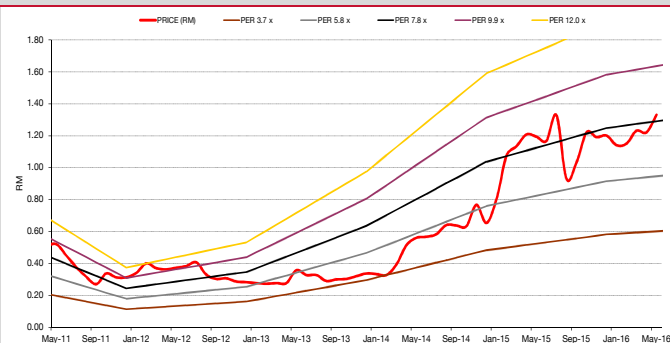
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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E	FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	338.4	520.2	891.0	1128.0	1139.2	Growth (%)					
EBITDA	53.7	85.6	148.5	170.2	181.3	Revenue	35%	54%	71%	27%	1%
Depreciation	-10.0	-9.5	-18.4	-18.5	-18.5	EBITDA	38%	59%	74%	15%	7%
EBIT	43.7	76.1	130.1	151.7	162.7	EBIT	39%	74%	71%	17%	7%
Net Interest Exp	-3.4	-3.6	-5.3	-11.7	-13.5	Pre-tax Income	44%	80%	72%	12%	7%
Investing	0.0	0.0	0.0	0.0	0.0	Net Income	55%	83%	63%	22%	7%
Associate/JCE	0.0	0.0	0.0	0.0	0.0	Core Net Income	55%	83%	63%	21%	8%
Exceptionals/FV	0.0	0.0	0.0	1.5	0.0						
PBT	40.3	72.5	124.8	139.9	149.2	Profitability (%)					
Taxation	-11.6	-19.2	-37.0	-33.1	-35.3	EBITDA Margin	16%	16%	17%	15%	16%
Minority Interest	-0.7	-0.5	0.1	-0.5	-0.5	EBIT Margin	13%	15%	15%	13%	14%
Net Profit	29.3	53.8	87.7	107.3	114.4	PBT Margin	12%	14%	14%	12%	13%
Core Net Profit	29.3	53.8	87.7	105.8	114.4	Net Margin	9%	10%	10%	10%	10%
						Effective Tax Rate	-29%	-26%	-30%	-24%	-24%
						ROE	8%	14%	19%	20%	18%
						ROA	5%	8%	10%	10%	10%
						DuPont Analysis					
						Net margin (%)	9%	10%	10%	10%	10%
						Assets Turnover (x)	0.6	0.8	1.0	1.1	1.0
						Leverage Factor (x)	1.6	1.6	1.8	1.9	1.8
						ROE (%)	8%	14%	19%	20%	18%
						Leverage					
						Debt/Asset (x)	0.15	0.16	0.17	0.19	0.19
						Debt/Equity (x)	0.23	0.26	0.32	0.36	0.35
						Net Debt/(Cash)	3	3	3	6	6
						Net Debt/Equity (x)	0.18	0.20	0.24	0.31	0.30
						Valuations					
						Core EPS (sen)	4.4	8.1	13.1	15.9	17.1
						NDPS (sen)	1.0	1.0	2.5	4.2	4.2
						BV/share (RM)	0.46	0.52	0.61	0.71	0.82
						Core PER (x)	30.3	16.5	10.1	8.4	7.8
						Net Div. Yield (%)	0.0%	0.8%	1.9%	3.2%	3.2%
						PBV (x)	2.9	2.5	2.2	1.9	1.6
						EV/EBITDA (x)	16.5	10.3	5.9	5.4	5.0

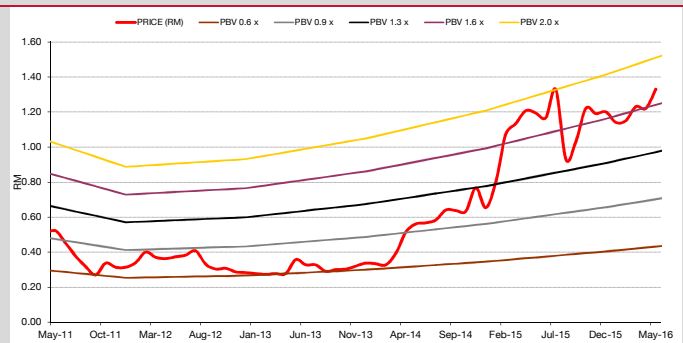
Source: Kenanga Research

Core earnings excludes one-offs including remeasurement gains, impairments/provisions/write-backs, translation FOREX, one-off disposals

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

CORE COVERAGE																
NAME	Price (26/5/16)	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
EVERSENDAI CORP BHD	0.66	510.8	10.8	9.9	9.4	3.0	5.5	0.5	47.5	51.5	54.2	8.4	5.2	0.73	Market Perform	-13.73
GAMUDA BHD	4.73	11417.9	16.6	17.9	16.1	2.5	13.2	2.4	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	1.50
IJM CORP BHD	3.44	12344.8	24.7	19.5	17.6	2.1	6.7	1.3	499.9	634.2	700.8	26.9	10.5	3.66	Market Perform	1.78
KIMLUN CORP BHD	1.76	529.0	8.2	7.6	6.3	3.5	13.7	1.0	64.4	70.0	83.8	8.7	19.7	2.10	Outperform	27.54
MUHIKBAH ENGINEERING (M) BHD	2.20	1039.1	11.7	11.2	9.9	2.3	8.8	1.0	88.9	92.9	104.9	4.5	12.9	2.79	Outperform	-0.45
HOCK SENG LEE BERHAD	1.68	923.2	12.1	11.7	10.3	1.7	10.9	1.3	76.2	78.8	89.2	3.4	13.2	1.79	Market Perform	-11.11
NAIM HOLDINGS BERHAD	1.79	424.1	192.8	16.8	10.7	1.5	1.9	0.3	2.2	25.3	39.8	1050.0	57.3	1.32	Underperform	-27.24
WCT HOLDINGS BHD	1.54	1922.7	39.0	13.6	9.9	2.9	5.6	0.8	49.3	141.3	193.5	186.6	36.9	1.58	Market Perform	-4.35
MMC CORP BHD	2.14	6516.4	54.9	25.9	20.6	0.0	2.7	0.7	118.8	251.6	316.6	111.8	25.8	2.72	Outperform	9.18
MITRAJAYA HOLDINGS BHD	1.33	855.3	9.8	8.1	7.5	3.2	22.9	1.8	87.7	105.8	114.4	20.6	8.1	1.77	Outperform	10.83
Average			38.0	14.2	11.8											
NOT RATED/ON OUR RADAR																
NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
MUDAJAYA	1.20	646.1	-452.4	17.3	10.3	2.3	3.3	0.6	-1.4	37.4	62.5	-2721.4	67.1	n.a.	Not Rated	1.69
PROTASCO	1.70	573.3	8.7	7.0	n.a.	5.9	n.a.	n.a.	66.2	81.4	n.a.	22.9	n.a.	2.25	Trading Buy	5.59
PINTARAS JAYA	3.52	575.6	11.1	17.3	12.1	4.2	9.5	1.7	51.9	33.2	47.5	-36.0	42.8	4.20	Trading Buy	6.67
GABUNGAN AQRS	0.95	371.0	-37.5	8.8	10.0	1.6	n.a.	n.a.	-9.9	42.0	37.1	-524.8	-11.7	n.a.	Not Rated	14.46
GADANG HOLDINGS	2.05	530.2	9.0	6.9	6.5	2.8	16.4	1.1	58.8	77.4	81.9	31.6	5.8	2.44	Not Rated	-3.30
AZRB	0.72	344.7	15.1	n.a.	n.a.	n.a.	n.a.	n.a.	22.9	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	12.60
TRC SYNERGY	0.45	213.8	7.0	10.4	6.4	2.2	5.4	0.6	30.7	20.6	33.4	-32.9	62.1	n.a.	Not Rated	20.27
BINA PURI	0.37	88.3	26.8	6.4	5.1	5.4	n.a.	n.a.	3.3	13.7	17.4	315.7	27.0	n.a.	Not Rated	-13.95
Average			-61.1	11.2	8.4											

Source: Kenanga Research

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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