

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

29 November 2016

Price Target: RM1.95 (↑)

Share price: RM1.25

Continues to deliver

Results

- Mitrajaya reported 3QFY16 results with revenue of RM251m (+2% QoQ, +9% YoY) and earnings of RM27m (-9% QoQ, +4% YoY).
- Cumulative 9MFY16 earnings summed to RM75m, increasing 20% YoY.

Deviation

- 9M earnings made up 76% of our full year forecast which is within expectations. Against consensus, this made up 95% but we note that this is likely due to "stale" estimates that were not updated.

Dividends

- None declared. Usually in 4Q.

Highlights

- No surprises for construction.** The construction division continues to deliver satisfactory performance with 9M revenue growing by +12% YoY on back of stable EBIT margins at 13% (9MFY15: 12.9%).
- Decent job wins but more needed.** Mitrajaya has managed to secure 4 contracts YTD totalling RM577m. This has already surpassed the full year sum for FY15 at RM469m. Its orderbook of RM1.4bn translates to a 1.8x cover ratio on FY15 construction revenue. In view of Mitrajaya's much higher revenue base currently, we feel that more job wins may be needed to sustain its earnings growth momentum as witnessed in the past.
- Property fares better.** Overall 9M property revenue increased +13% YoY thanks to growth both domestically and in South Africa. During the same period, EBIT margin expanded from 25.3% to 29.4% due to contributions from Wangsa 9. The said development currently has unbilled sales of RM156m. Coupled with RM9m unbilled sales in South Africa, this would overall imply a healthy cover ratio of 1.7x on FY15 property revenue.

Risks

- Slower than expected orderbook replenishment.

Forecasts

- Our forecast is unchanged as the results were inline.

Rating

Maintain BUY, TP raised to RM1.95

- Despite its earnings growing at a CAGR of 69% over the last 3 years, Mitrajaya continues to deliver commendable results. We continue to envisage growth, albeit at a slower pace now with CAGR of 11% given its significantly higher earnings base.

Valuation

- While there are no changes to our earnings estimate, we raise our SOP based TP from RM1.88 to RM1.95 as we roll over our valuation horizon from FY16 to mid-CY17. This implies FY16-17 P/E of 13.2x and 12x respectively.

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KLCI	1628.7
Expected share price return	56.0%
Expected dividend return	4.2%
Expected total return	60.2%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	669
Market cap (RM m)	836
3-mth avg. volume ('000)	850
SC Shariah-compliant	Yes

Price Performance

	1M	3M	12M
Absolute	-8.1	-8.1	5.0
Relative	-5.7	-5.1	8.5

Major shareholders

Tan Eng Piow	40.6
Soon Aw Eng	2.1
EPF	1.8

Summary Earnings Table

FYE Dec (RM m)	FY15	FY16E	FY17F	FY18F
Revenue	891	953	1,029	1,081
EBITDA	148	162	175	188
EBIT	130	143	157	170
Profit Before Tax	125	137	150	164
Core PATAMI	87	99	109	119
vs Consensus (%)		26	48	0
Core EPS (sen)	12.9	14.8	16.3	17.8
P/E (x)	9.7	8.4	7.7	7.0
Net DPS (sen)	4.8	5.3	5.7	6.2
Net DY (%)	3.8	4.2	4.6	5.0
BV per share	0.75	0.84	0.95	1.07
P/B (x)	1.7	1.5	1.3	1.2
ROE (%)	19.3	18.6	18.2	17.7
Net Gearing (%)	24.5	16.7	12.0	6.4

HLIB

Figure #1 Quarterly results comparison

FYE Dec (RM m)	3QFY15	2QFY16	3QFY16	QoQ	YoY	Comments
Revenue	231.3	245.6	251.4	2.4	8.7	YoY: Driven by both construction and property. QoQ: Within standard quarterly fluctuations.
EBIT	35.8	40.1	37.1	(7.5)	3.5	
Finance cost	(2.1)	(1.6)	(2.6)	55.8	24.1	
Associates	0.1	0.3	0.0	(82.5)	(66.4)	
PBT	33.9	38.7	34.6	(10.8)	2.0	
PAT	25.9	29.9	27.6	(7.9)	6.6	Margin fluctuations within normal range.
PATMI - core	25.8	29.6	26.9	(9.2)	4.2	
PATMI - reported	25.8	29.6	26.9	(9.2)	4.2	
EPS - core	3.9	4.4	4.0			
EBIT margin	15.5	16.3	14.8			
PBT margin	14.7	15.8	13.8			

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Figure #2 Cumulative results comparison

FYE Dec (RM m)	9MFY15	9MFY16	YoY (%)	Comments
Revenue	636.1	692.5	8.9	Construction orderbook execution on track coupled with property contribution from Wangsa 9.
EBIT	88.1	102.6	16.4	Aided by margin expansion from property division.
Finance cost	(4.7)	(5.7)	22.0	
Associates & JVs	0.2	0.4	172.7	
PBT	83.6	97.3	16.4	
PAT	62.5	75.9	21.6	
PATMI - core	62.3	75.0	20.3	9M made up 76%, inline.
PATMI - reported	62.3	75.0	20.3	
EPS - core	9.3	11.2		
EBIT margin	13.9	14.8		Wangsa 9 helps lift overall margins, construction remains stable.
PBT margin	13.1	14.1		

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Figure #3 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid-CY17 earnings	104	10	1,041	10x P/E target
Net land value	638	50%	319	50% discount to market value less debt
Cash from warrants conversion			109	Full exercise of Warrants C&D
SOP Value			1,469	
Fully diluted share base (mil)			753	
Target price (RM/ share)			1.95	

HLIB estimates

Financial Projections for Mitrajaya Holdings**Balance Sheet**

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Cash	24	40	59	74	102
Receivables	204	488	365	409	429
Inventories	94	131	166	179	188
PPE	41	75	76	73	70
Others	277	286	304	323	344
Assets	640	1,021	970	1,058	1,133
Debt	102	162	153	150	148
Payables	136	343	239	258	258
Others	6	13	13	13	13
Liabilities	245	519	405	421	419
Shareholder's equity	394	501	564	635	713
Minority interest	1	1	1	1	1
Equity	395	502	566	636	714

Cash Flow Statement

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Profit before taxation	72	125	137	150	164
Depreciation & amortisation	10	18	19	19	18
Changes in working capital	(30)	(115)	(17)	(37)	(29)
Taxation	(19)	(38)	(38)	(41)	(45)
Others	(25)	25	(21)	(22)	(25)
CFO	7	15	81	68	83
Net capex	(11)	(52)	(20)	(15)	(15)
Others	5	17	-	-	-
CFI	(6)	(35)	(20)	(15)	(15)
Changes in borrowings	20	60	(10)	(2)	(2)
Issuance of shares	(0)	-	-	-	-
Dividends paid	(8)	(21)	(32)	(35)	(38)
Others	2	(29)	-	-	-
CFF	14	10	(42)	(38)	(41)
Net cash flow	16	16	19	15	28
Forex	(0)	(1)	-	-	-
Others	(11)	1	-	-	-
Beginning cash	19	24	40	59	74
Ending cash	24	40	59	74	102

Income Statement

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Revenue	520	891	953	1,029	1,081
EBITDA	86	148	162	175	188
EBIT	76	130	143	157	170
Finance cost	(4)	(5)	(6)	(6)	(6)
Associates & JV	-	0	-	-	-
Profit before tax	72	125	137	150	164
Tax	(19)	(38)	(38)	(41)	(45)
Net profit	53	87	99	109	119
Minority interest	0	(0)	-	-	-
PATMI (core)	54	87	99	109	119
Exceptionals	-	-	1	-	-
PATMI (reported)	54	87	101	109	119

Valuation & Ratios

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Core EPS (sen)	8.0	12.9	14.8	16.3	17.8
P/E (x)	15.6	9.7	8.4	7.7	7.0
EV/EBITDA (x)	11.3	6.5	6.0	5.5	5.1
DPS (sen)	3.2	4.8	5.3	5.7	6.2
Dividend yield	2.6%	3.8%	4.2%	4.6%	5.0%
BVPS (RM)	0.59	0.75	0.84	0.95	1.07
P/B (x)	2.1	1.7	1.5	1.3	1.2
EBITDA margin	16.5%	16.6%	17.0%	17.0%	17.4%
EBIT margin	14.6%	14.6%	15.0%	15.2%	15.8%
PBT margin	13.9%	14.0%	14.4%	14.6%	15.2%
Net margin	10.3%	9.7%	10.4%	10.6%	11.0%
ROE	14.5%	19.3%	18.6%	18.2%	17.7%
ROA	9.0%	10.4%	10.0%	10.8%	10.9%
Net gearing	19.8%	24.5%	16.7%	12.0%	6.4%

Assumptions

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Contracts secured	1,136	469	800	1,000	1,000

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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.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
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NOT RATED	No research coverage and report is intended purely for informational purposes.

Industry rating definitions

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.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.