

28 December 2016

Mitrajaya Holdings Bhd

A Slice of WCE

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OUTPERFORM ↔

Price: **RM1.25**

Target Price: **RM1.49** ↔

Yesterday, MITRA announced that they have secured a WCE civil works package worth RM183.4m from WCE Sdn Bhd. Despite YTD wins surpassing our FY16E replenishment target by 15%, we are **NEUTRAL** on the award as we are currently at the tail-end of FY16 and the award is in line with our FY17E target of RM800m. Hence, we make no changes to our FY16-17E earnings estimates. Reiterate OP with unchanged SoP-derived TP of RM1.49.

News. Yesterday, MITRA announced that they have secured a contract worth RM183.4m from West Coast Expressway Sdn Bhd for the construction and completion of civil works for Section 2 of the West Coast Expressway from South Klang Valley Expressway interchange to Shah Alam Expressway interchange, slated for completion 30 months from the site possession.

Neutral on award. Post award, MITRA's YTD wins currently stands at RM920m; surpassing our RM800m FY16E targeted replenishment by 15%. Nonetheless, we remain neutral on the award as we are currently at the tail-end of FY16 and the award is in line with our FY17E target of RM800m – bearing in mind that billings from the award is only expected to kick in from FY17. We note that the YTD wins is still in line with management's FY16E replenishment target of RM1.0b. Assuming PBT margins of 8%, we expect the contract to contribute c.RM4.4m to bottom line per annum.

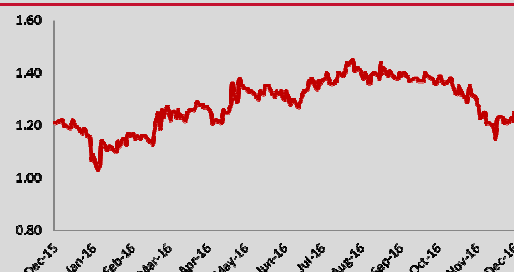
Company outlook. Currently, MITRA's outstanding order book stands at RM1.68b, providing earnings visibility for another c.1.5-2.0 years. Moving forward, we believe our FY17E replenishment order book of RM800m is achievable on the back of c.RM2.0b tender book. However, we note that job margins might be slightly compromised in view of the competitive landscape due to the slowdown in property market.

Earnings estimates. Post award, we make no changes to our FY16-17E earnings estimates.

Maintain OUTPERFORM with unchanged TP of RM1.49 based on SoP. Our TP implies 11.0x FY17 FD PER, which is in line with small-mid cap contractors' targeted Fwd. PER range of 9-13x.

Risks to our call include (i) lower-than-expected margins, (ii) delay in construction works, (iii) lower-than-expected order book replenishment and (iv) lower-than-expected property sales.

Share Price Performance



KLCI	1,619.68
YTD KLCI chg	-4.3%
YTD stock price chg	4.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	836.4
Issued shares	669.1
52-week range (H)	1.47
52-week range (L)	1.02
3-mth avg daily vol:	670,286
Free Float	55%
Beta	1.1

Major Shareholders

ENG PIOW TAN	40.6%
AW ENG SOON	2.1%
EMPLOYEES PROVIDENT FUND	1.8%

Summary Earnings Table

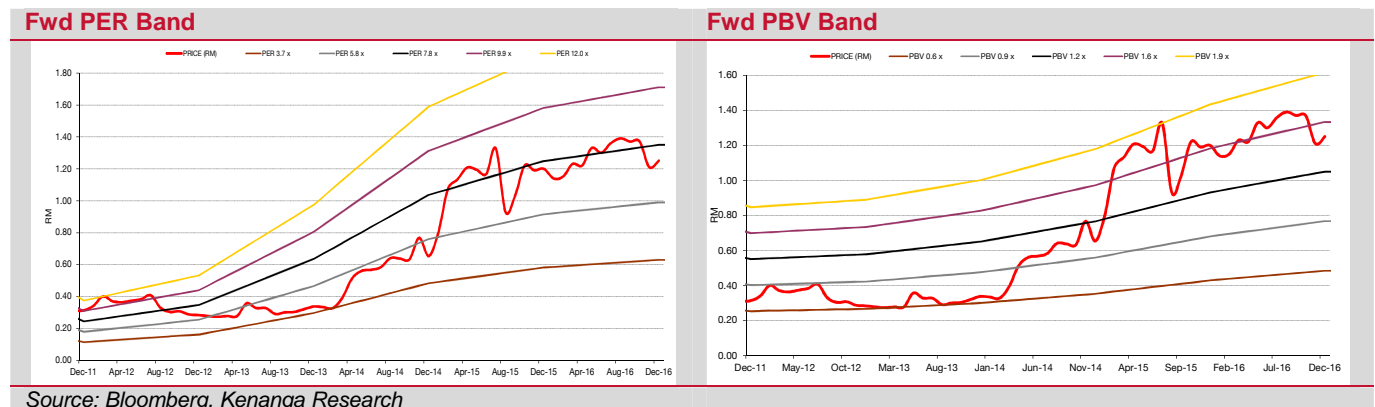
FY Dec (RM'm)	2015A	2016E	2017E
Turnover	891.0	969.7	1,024.8
EBIT	130.1	172.9	146.6
PBT	124.8	161.1	133.1
Net Profit (NP)	87.7	130.1	102.1
Core net profit	87.7	99.9	102.1
Consensus (NP)	n.a.	96.6	105.5
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	13.1	15.0	15.3
FD EPS (sen)	11.6	13.3	13.6
EPS growth (%)	63%	14%	2%
DPS (sen)	2.5	4.0	4.0
NTA/Share (RM)	0.61	0.75	0.84
Basic PER (x)	9.5	8.4	8.2
FD PER (x)	10.7	9.4	9.2
BVPS (RM)	0.61	0.75	0.84
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	2.0%	3.2%	3.2%

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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	969.7	1024.8	Growth (%)					
EBITDA	53.7	85.6	148.5	191.3	165.2	Revenue	35%	54%	71%	9%	6%
Depreciation	-10.0	-9.5	-18.4	-18.5	-18.5	EBITDA	38%	59%	74%	29%	-14%
EBIT	43.7	76.1	130.1	172.9	146.6	EBIT	39%	74%	71%	33%	-15%
Net Interest Exp	-3.4	-3.6	-5.3	-11.7	-13.5	Pre-tax Income	44%	80%	72%	29%	-17%
Investing	0.0	0.0	0.0	0.0	0.0	Net Income	55%	83%	63%	48%	-22%
Associate/JCE	0.0	0.0	0.0	0.0	0.0	Core Net Income	55%	83%	63%	14%	2%
Exceptionals/FV	0.0	0.0	0.0	1.5	0.0						
PBT	40.3	72.5	124.8	161.1	133.1	Profitability (%)					
Taxation	-11.6	-19.2	-37.0	-31.3	-31.5	EBITDA Margin	16%	16%	17%	20%	16%
Minority Interest	-0.7	-0.5	0.1	-0.4	-0.5	EBIT Margin	13%	15%	15%	18%	14%
Net Profit	29.3	53.8	87.7	130.1	102.1	PBT Margin	12%	14%	14%	17%	13%
Core Net Profit	29.3	53.8	87.7	99.9	102.1	Net Margin	9%	10%	10%	13%	10%
						Effective Tax Rate	-29%	-26%	-30%	-19%	-24%
						ROE	8%	14%	19%	18%	16%
						ROA	5%	8%	10%	10%	9%
						DuPont Analysis					
						Net margin (%)	9%	10%	10%	13%	10%
						Assets T/o (x)	0.6	0.8	1.0	1.0	0.9
						Leverage Fac. (x)	1.6	1.6	1.8	1.8	1.8
						ROE (%)	8%	14%	19%	23%	16%
						Leverage					
						Debt/Asset (x)	0.15	0.16	0.17	0.19	0.19
						Debt/Equity (x)	0.23	0.26	0.32	0.34	0.35
						Net Debt/(Cash)	3	3	2	0	0
						Net Debt/Eq (x)	0.18	0.20	0.23	0.08	0.02
						Valuations					
						Core EPS (sen)	4.4	8.1	13.1	15.0	15.3
						NDPS (sen)	1.0	1.0	2.5	4.0	4.0
						BV/share (RM)	0.46	0.52	0.61	0.75	0.84
						Core PER (x)	28.5	15.5	9.5	8.4	8.2
						Net Div. Yield (%)	0.0%	0.8%	2.0%	3.2%	3.2%
						PBV (x)	2.7	2.4	2.0	1.7	1.5
						EV/EBITDA (x)	15.5	9.7	5.5	3.9	4.1

Source: Kenanga Research

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



Sum-of-parts valuation			
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY17 PE of 12x	869.0
Property Division	100%	FY17 PE of 5x	81.7
South Africa	100%	RNAV 60% discount	45.2
Sub Total			995.9
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			1124.2
No of FD shares			753.5
SOP/Share			1.49
Target Price			1.49
Implied Basic FY17 PER			9.7
Implied FD FY17 PER			11.0
Source: Kenanga Research			

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Peer Comparison

CORE COVERAGE

NAME	Price (27/12/16)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
EVERSENDAI CORP BHD	0.58	448.9	9.4	8.9	8.7	0.0	5.1	0.4	47.5	50.6	51.7	6.5	2.2	0.60	Outperform	-24.18
GAMUDA BHD	4.76	11535.1	18.3	16.2	15.5	2.5	9.8	1.6	626.1	709.5	741.7	13.3	4.5	4.85	Market Perform	2.15
IJM CORP BHD	3.19	11494.2	22.8	20.7	18.6	1.9	5.9	1.2	499.9	549.5	612.0	9.9	11.4	3.51	Market Perform	-4.78
KIMLUN CORP BHD	2.14	664.0	10.0	8.2	7.7	3.0	15.1	1.2	64.4	78.7	83.8	22.2	6.5	2.51	Outperform	55.07
MUHIKBAH ENGINEERING (M) BHD	2.17	1042.3	11.2	11.1	9.8	2.0	9.3	1.0	88.9	89.5	101.5	0.7	13.4	2.48	Outperform	-1.81
HOCK SENG LEE BERHAD	1.60	879.2	11.5	13.7	9.9	1.4	9.0	1.2	76.2	64.1	89.2	-15.9	39.1	1.79	Market Perform	-15.34
NAIM HOLDINGS BERHAD	1.39	329.4	149.7	-28.1	7.6	0.0	-0.9	0.2	2.2	-11.7	43.3	-631.8	-470.1	1.65	Market Perform	-43.50
WCT HOLDINGS BHD	1.76	2206.0	59.8	28.4	15.5	1.4	4.3	1.2	49.3	103.6	190.2	110.1	83.6	1.58	Underperform	9.32
MMC CORP BHD	2.33	7095.0	59.7	19.1	14.4	1.5	4.0	0.8	118.8	371.5	491.6	212.7	32.3	2.70	Outperform	18.88
MITRAJAYA HOLDINGS BHD	1.25	836.4	10.7	9.4	9.2	3.2	18.7	1.8	87.7	99.9	102.1	13.9	2.2	1.49	Outperform	4.17
SUNWAY CONSTRUCTION GROUP BH	1.67	2159.1	17.0	16.2	14.5	2.2	24.5	4.0	127.2	133.2	149.0	4.7	11.9	1.81	Outperform	19.29
KERJAYA PROSPEK GROUP BHD	2.10	1069.1	73.5	12.0	9.4	3.2	13.7	1.6	16.1	98.9	125.9	512.6	27.4	2.64	Outperform	28.83
Average			37.8	11.3	11.7											

NOT RATED/ON OUR RADAR

NAME	Price	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
MUDAJAYA	0.92	492.6	-346.0	-11.3	-12.9	4.9	-3.9	0.4	-1.4	-43.9	-38.5	2974.2	-12.4	n.a.	Not Rated	-22.46
PROTASCO	1.18	500.6	7.5	6.1	n.a.	n.a.	n.a.	n.a.	66.2	81.4	n.a.	22.9	n.a.	2.25	Trading Buy	-8.39
PINTARAS JAYA	3.57	584.6	32.7	14.6	11.7	5.3	11.8	1.7	17.8	39.9	49.9	124.2	25.1	4.20	Trading Buy	8.18
GABUNGAN AQRS	0.89	347.4	-35.0	17.0	9.4	0.0	n.a.	n.a.	-9.9	20.3	37.0	-305.3	82.3	n.a.	Not Rated	7.23
GADANG HOLDINGS	1.04	672.4	6.4	6.9	6.6	2.5	16.8	1.2	94.2	86.9	90.8	-7.7	4.4	2.44	Not Rated	22.64
AZRB	0.62	296.5	13.0	n.a.	n.a.	n.a.	n.a.	n.a.	22.9	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-3.15
TRC SYNERGY	0.38	182.6	6.0	n.a.	n.a.	n.a.	n.a.	n.a.	30.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	2.70
BINA PURI	0.44	105.3	27.8	7.3	6.1	n.a.	n.a.	n.a.	3.3	12.6	15.1	282.3	19.8	n.a.	Not Rated	1.16
GEORGE KENT	3.04	1141.6	22.7	15.7	12.6	2.9	19.9	3.1	50.3	72.9	90.5	44.9	24.2	2.80	Trading Buy	133.13
PESONA	0.61	399.4	34.1	18.7	11.3	2.5	14.2	2.7	11.7	21.3	35.3	82.2	65.7	0.485	Take Profit	52.50
Average			-48.6	8.4	5.6											

Source: Kenanga Research

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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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