

08 September 2017

Mitrajaya Holdings Bhd

Two New Building Projects

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MITRA announced that they have secured two new building projects with value amounting to RM377.5m. **NEUTRAL** on the awards as YTD total win of RM787m is still within our targeted replenishment of RM800m. Maintain our FY17-18E earnings. Post awards, we maintain our SoP-derived TP of RM1.20 but upgrade our rating to MP (from UP) given that its share price has plunged over 17% since the announcement of their poor results and we believe that further downside risk is limited.

News. Yesterday, MITRA announced they have secured two new projects with a cumulative value of RM377.5m. The first project worth RM333.5m is for the construction of an academic building and car park for a higher learning institution in KL slated for completion by September 2019. The second project worth RM43.9m awarded by Gema Padu S/B is for the construction of 1 block of 'Rumah Selangorku' comprising of 338 units slated for completion by August 2020.

NEUTRAL on the awards. We are NEUTRAL on the awards as their newly secured contracts coupled with existing YTD wins amounts to RM787m - which is still within our targeted replenishment of RM800m; accounting for 98% of our full-year target. We note that our replenishment target of RM800m is slightly more conservative against management's target guidance of RM1.0b given the slower property market where MITRA has a strong track record in high rise residential projects. That said, should MITRA secure more than our replenishment target, note that we are almost at the tail-end of FY17 and these contracts would be within our FY18E replenishment target of RM1.0b. Assuming PBT margins of 8%, the newly secured contracts are expected to contribute c.RM11.8m/annum to MITRA's bottom-line.

Outlook. Currently, MITRA's outstanding order-book stands at c.RM1.80b, providing earnings visibility for another c.2.0 years. Current steel prices are at a 5-year high of RM2655/t (+37% against FY16's average of RM1933/t) which would lead to some margin compression for on-going projects secured back in FY16. That said, we highlight that we had factored these margins compression into our FY17-FY18E earnings. For their property arm, unbilled sales stood at RM233m (mostly from Wangsa 9 residency and Puchong Prima affordable homes) which is expected to provide c.2.0 year visibility to the group. We note that management plans to launch their Wangsa 9 Phase 3 by Nov 2017 (GDV of RM300m). Meanwhile, its South African division will see unbilled sales of Rand45m (RM14.8m) recognised progressively upon completion of the transfer of ownership in FY17 and early FY18.

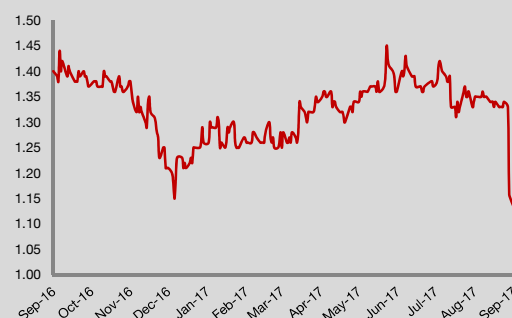
Maintaining FY17-18E earnings. We make no changes to our FY17-18E earnings.

Upgrade to MP with unchanged TP of RM1.20. Recall that just last week (29/8/17) we had downgraded MITRA to UP due to their weaker-than-expected results from losses at their RAPID project. Post awards, we maintain our SoP-derived TP of RM1.20 but upgrade MITRA to MP (from UP) given that its share price has plunged over 17% since the announcement of their poor results. At current share price level, we believe downside risk could be limited as we have already accounted for the earnings risks from their loss-making RAPID project.

MARKET PERFORM

Price : **RM1.10**
 Target Price : **RM1.20** 

Share Price Performance



KLCI 1,782.98
 YTD KLCI chg 8.6%
 YTD stock price chg -12.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	757.8
Issued shares	688.9
52-week range (H)	1.46
52-week range (L)	1.07
3-mth avg daily vol:	1,450,543
Free Float	51%
Beta	1.1

Major Shareholders

Tan Eng Piow	40.9%
Employees Provident Fund	5.6%
CIMB-Principal Asset	2.2%

Summary Earnings Table

FYE Dec (RM m)	2016A	2017E	2018E
Turnover	964.1	1,110.6	1,054.7
EBIT	162.9	86.2	116.3
PBT	155.3	72.6	100.8
Net Profit (NP)	117.8	70.5	80.5
Core NP	97.3	70.5	80.5
Consensus (CNP)	n.a.	68.8	60.2
Earnings Revision	0%	0%	0%
Basic EPS (sen)	14.6	10.6	12.1
FD EPS (sen)	12.9	9.4	10.7
EPS growth (%)	11%	-28%	14%
NDPS (sen)	5.0	3.0	3.0
NTA/Share (RM)	0.76	0.87	0.94
Basic PER (x)	7.5	10.4	9.1
FD PER (x)	8.5	11.8	10.3
BVPS (RM)	0.82	0.87	0.94
Net Gearing (x)	0.3	0.6	0.5
Dividend Yield (%)	4.5%	2.7%	2.7%



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Sum-of-parts valuation			
Segment	Stake	Method	Value (RM m)
Construction	100%	FY18 PE of 12x	593.2
Property Division	100%	FY18 PE of 7x	126.9
South Africa	100%	RNAV 60% discount	45.2
Sub Total			765.3
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			893.6
No of FD shares			754
SOP/Share			1.20
Target Price			1.20
FD FY18 EPS			0.11
Implied FD FY18 PER			11.2
Source: Kenanga Research			

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Income Statement

FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Revenue	520	891	964	1111	1055
EBITDA	86	149	191	105	135
Depreciation	-10	-18	-18	-19	-19
EBIT	76	130	163	86	116
Net Interest Exp	-4	-5	-12	-14	-16
Investing	0	0	0	0	0
Associate/JCE	0	0	0	0	0
Exceptionals/FV	0	0	1	0	0
PBT	72	125	155	73	101
Taxation	-19	-37	-31	-20	-24
Minority Interest	0	0	2	-18	-3
Net Profit	54	88	118	71	81
Core Net Profit	54	88	97	71	81

Balance Sheet

FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Fixed Assets	138	174	265	266	266
Intangibles	3	3	2	3	3
Other FA	2	3	6	2	2
Inventories	94	131	192	222	253
Receivables	183	392	506	555	527
Other CA	196	274	186	279	274
Cash	24	40	58	-99	-80
Total Assets	640	1017	1215	1229	1246
Payables	125	337	325	267	254
ST Borrowings	83	144	215	215	194
Other ST Liability	16	19	17	29	28
LT Borrowings	19	19	39	57	59
Other LT Liability	1	1	2	1	1
Minority Int.	1	1	-2	1	1
Net Assets	394	497	617	658	709
Share Capital	199	321	335	335	335
Reserves	196	265	281	324	375
S. Equity	394	586	616	659	710

Cashflow Statement

FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Operating CF	7	15	36	-131	98
Investing CF	-4	-35	-32	-20	-19
Financing CF	14	10	13	-5	-61
Net change in Cash	17	-20	22	-157	19
Free Cash Flow	3	-19	4	-151	79

Source: Kenanga Research

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

Financial Data & Ratios

FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Growth (%)					
Revenue	54%	71%	8%	15%	-5%
EBITDA	59%	74%	29%	-45%	29%
EBIT	74%	71%	25%	-47%	35%
Pre-tax Income	80%	72%	24%	-53%	39%
Net Income	83%	63%	34%	-40%	14%
Core Net Income	83%	63%	11%	-28%	14%
Profitability (%)					
EBITDA Margin	16%	17%	20%	9%	13%
EBIT Margin	15%	15%	17%	8%	11%
PBT Margin	14%	14%	16%	7%	10%
Net Margin	10%	10%	12%	6%	8%
Effective Tax Rate	-26%	-30%	-20%	-28%	-24%
ROE	14%	15%	14%	14%	15%
ROA	8%	9%	8%	6%	6%

DuPont Analysis

Net margin (%)	10%	10%	12%	6%	8%
Assets Turnover (x)	0.8	0.9	0.8	0.9	0.8
Leverage Factor (x)	1.6	1.7	2.0	1.9	1.8
ROE (%)	14%	15%	19%	11%	11%

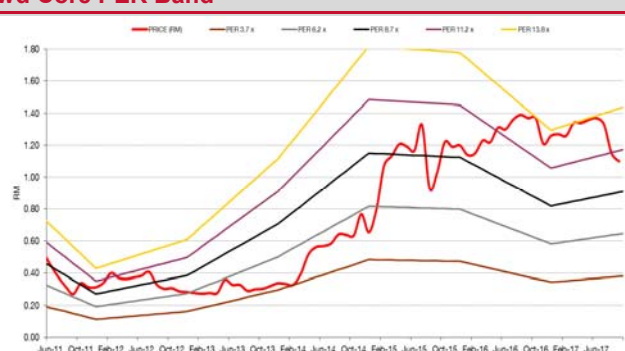
Leverage

Debt/Asset (x)	0.16	0.16	0.21	0.22	0.20
Debt/Equity (x)	0.26	0.28	0.41	0.41	0.36
Net Debt/(Cash)	3	3	3	(4)	(4)
Net Debt/Equity (x)	0.20	0.21	0.32	0.56	0.47

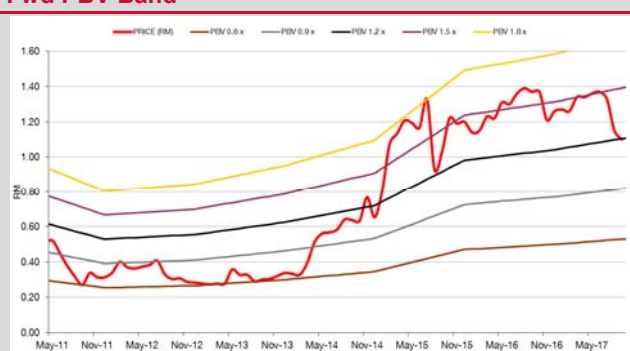
Valuations

Core EPS (sen)	8.1	13.1	14.6	10.6	12.1
NDPS (sen)	1.0	2.5	5.0	3.0	3.0
BV/share (RM)	0.52	0.66	0.82	0.87	0.94
Core PER (x)	16.5	10.1	9.1	12.6	11.0
Net Div. Yield (%)	0.8%	1.9%	3.8%	2.3%	2.3%
PBV (x)	2.5	2.0	1.6	1.5	1.4
EV/EBITDA (x)	10.3	5.8	4.5	10.3	5.8

Fwd Core PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

CORE COVERAGE

NAME	Price (7/9/17)	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	1.07	829	-5.9	14.1	11.8	1%	6%	0.9	-140.3	58.9	70.0	-142%	19%	0.75	Underperform	86.1
GAMUDA BHD	5.40	13245	30.5	21.5	20.5	2%	10%	1.8	499.3	709.5	741.7	42%	5%	5.45	Market Perform	13.0
IJM CORP BHD	3.43	12443	23.0	21.2	18.9	2%	6%	1.3	539.1	585.8	656.1	9%	12%	3.48	Market Perform	7.2
KIMLUN CORP BHD	2.16	690	8.2	9.5	8.6	3%	12%	1.1	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	3.8
MUHIHBAH ENGINEERING (M) BHD	2.90	1393	17.1	14.8	14.1	1%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	30.0
HOCK SENG LEE BERHAD	1.49	819	14.5	16.6	11.9	1%	7%	1.1	56.5	49.4	69.0	-13%	40%	1.40	Market Perform	-6.9
WCT HOLDINGS BHD	1.80	2532	35.5	20.2	17.8	2%	5%	1.1	84.8	149	169.4	76%	14%	1.83	Market Perform	4.7
MITRAJAYA HOLDINGS BHD	1.10	758	8.5	11.8	10.3	5%	10%	1.2	97.3	70.5	80.5	-28%	14%	1.20	Market Perform	-12.7
SUNWAY CONSTRUCTION GROUP	2.28	2946	25.0	20.3	20.1	2%	25%	5.1	117.7	145.2	146.9	23%	1%	2.00	Underperform	34.1
KERJAYA PROSPEK GROUP BHD	3.66	2051	20.6	16.3	13.9	1%	16%	2.5	100	126.7	148.1	27%	17%	3.30	Underperform	68.7
Average			17.7	16.6	14.8											

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	1.05	565	-2.1	14.7	10.7	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	15.4
PROTASCO	1.01	428	8.2	7.3	7.1	6%	14%	1.1	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-10.6
PINTARAS JAYA	3.95	652	36.4	15.3	12.8	5%	12%	1.9	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	12.2
GABUNGAN AQRS	1.74	747	30.1	18.3	8.7	1%	11%	2.1	22.6	37.2	77.9	65%	109%	1.6	Not Rated	92.3
GADANG HOLDINGS	1.21	796	8.3	9.0	8.6	2%	14%	1.3	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	15.2
AZRB	1.17	622	20.8	9.9	7.7	n.a.	15%	1.5	27.2	57.4	73	111%	27%	1.35	Trading Buy	84.3
TRC SYNERGY	0.83	399	13.3	12.1	15.2	2%	8%	0.9	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	118.4
BINA PURI	0.37	97	87.0	5.8	5.8	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-16.1
GKENT	2.75	1549	15.3	16.5	14.6	3%	21%	3.4	101.4	93.8	106	-7%	13%	2.8	Trading Buy	35.7
PESONA	0.57	380	18.7	10.6	7.7	4%	22%	2.4	20	35.3	48.5	77%	37%	0.485	Take Profit	-5.8
JAKS	1.34	646	0.8	9.5	6.9	0%	12%	1.1	736	61.933	85.433	-92%	38%	1.54	Not Rated	31.4
Average			21.5	11.7	9.6											

Source: Bloomberg, Kenanga Research

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

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

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

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