

Mitrajaya Holdings Bhd

New Contract for FY18

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MITRA announced that they have bagged a new condominium construction job at Putrajaya worth RM132.5m from SPSETIA. We remain NEUTRAL on the win as construction works will only commence in August 2018 which is within our FY18E replenishment target of RM1.0b. No changes to our FY17-18E earnings. Maintain MP with lower SoP-derived Cum/Ex TP of RM0.95/RM0.84 (from RM1.10/0.95) after rebasing our construction valuations lower.

New contract for 2018. Yesterday, MITRA announced that they have bagged a new building job worth RM132.5m from Setia Putrajaya Sdn Bhd (a subsidiary of SPSETIA). The scope of work entails construction of a 35-storey condominium (363 units) with amenities and a 5-level car park (1 level underground) in Precinct 15, Putrajaya. We highlight that the contract will only commence construction from **2nd August 2018** and is slated for delivery in Feb 2021 (30 months).

Neutral on contract. Including this newly won job, YTD wins total up to RM920m (prior to this job: RM787m) bringing it above our FY17E replenishment target of RM800m. However, we note that the construction works for this job will only commence **from Aug 2018**, which we classify as part of the replenishment for our FY18E target of RM1.0b. Hence, we are NEUTRAL on the contract win. We make no changes to our FY17-18E replenishment assumptions of RM0.8b-RM1.0b.

Outlook. Currently, MITRA's outstanding order-book stands at c.RM1.9b, providing earnings visibility for another c.2.0 years. For their property arm, unbilled sales of RM233m (mostly from Wangsa 9 residency and Puchong Prima affordable homes) provide c.2.0 years earnings visibility to the group. We note that management plan 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 earnings. We make no changes to our FY17-18E earnings as the new contract is within our FY18E replenishment target of RM1.0b.

Maintaining MP with a lower TP. Post contract announcement, we maintain our MARKET PERFORM call but lowered our SoP-derived cum/ex TP to RM0.95/RM0.84 (from RM1.10/RM0.95) after rebasing our construction valuations lower to 10x FY18 PER (from 12x).

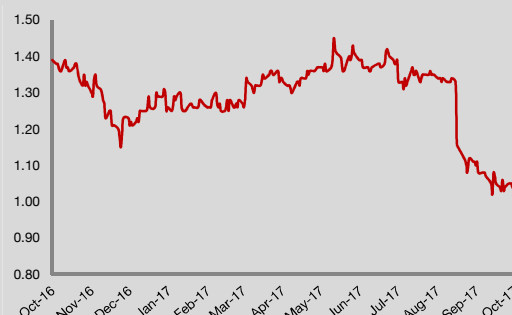
We choose to rebase our construction valuations lower given (i) their currently weaker FY18E construction PBT margins of 7.5% against small-mid cap peers' average of 9.0% as we do not expect any contributions from their RAPID projects post reported losses in 2Q17 results and (ii) we are anticipating a lower DPR of 20% from 40% given that they had recently just announced a cash call (rights issuance) leading us to believe that more cash would be conserved for their working capital purposes.

Our TP implies FY18E PER of 9x, which we find fair given that it is within our applied targeted PER for small-mid cap contractors of 8-13x.

MARKET PERFORM ↔

Cum/Ex-Price : RM0.91/RM0.80
Cum/Ex-Target Price : RM0.95/RM0.84 ↓

Share Price Performance



KLCI 1,743.99
YTD KLCI chg 6.2%
YTD stock price chg -27.8%

Stock Information

| | |
|----------------------|---------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | MHB MK Equity |
| Market Cap (RM m) | 626.9 |
| Issued shares | 688.9 |
| 52-week range (H) | 1.46 |
| 52-week range (L) | 0.90 |
| 3-mth avg daily vol: | 1,688,789 |
| Free Float | 51% |
| Beta | 0.8 |

Major Shareholders

| | |
|--------------------------|-------|
| Tan Eng Piow | 40.9% |
| Employees Provident Fund | 5.9% |
| 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 | 107.2 |
| Net Profit (NP) | 117.8 | 70.5 | 85.4 |
| Core net profit | 97.3 | 70.5 | 85.4 |
| Consensus (NP) | n.a. | 69.0 | 52.0 |
| Earnings Revision | 0% | 0% | 0% |
| *Core EPS (sen) | 10.9 | 7.9 | 9.5 |
| EPS growth (%) | 11% | -28% | 21% |
| DPS (sen) | 5.0 | 2.0 | 2.0 |
| NTA/Share (RM) | 0.64 | 0.76 | 0.93 |
| *Core PER (x) | 7.4 | 10.2 | 8.4 |
| BVPS (RM) | 0.69 | 0.76 | 0.93 |
| Net Gearing (x) | 0.3 | 0.3 | 0.2 |
| Dividend Yield (%) | 6.3% | 2.5% | 2.5% |

*post rights

| Sum-of-parts valuation | | | |
|----------------------------|--------------|-------------------|---------------------|
| <u>Segment</u> | <u>Stake</u> | <u>Method</u> | <u>Value (RM m)</u> |
| Construction | 100% | FY18 PE of 10x | 560.2 |
| Property Division | 100% | FY18 PE of 7x | 143.4 |
| South Africa | 100% | RNAV 60% discount | 46.7 |
| Sub Total | | | 750.2 |
| Total | | | 750.2 |
| No of shares | | | 896 |
| SOP/Share | | | 0.84 |
| Target Price | | | 0.84 |
| FD FY18 EPS | | | 9.5 |
| Implied FD FY18 PER | | | 9.0 |
| Source: Kenanga Research | | | |

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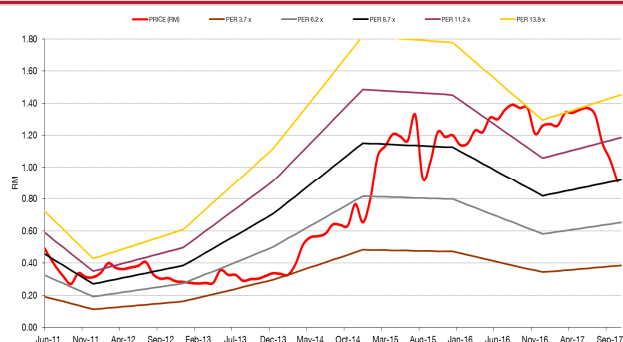
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| Income Statement | | | | | | Financial Data & Ratios | | | | | |
|-------------------|-------|-------|-------|-------|-------|--------------------------|-------|-------|-------|-------|-------|
| FY Dec (RM m) | 2014A | 2015A | 2016A | 2017E | 2018E | FY Dec (RM m) | 2014A | 2015A | 2016A | 2017E | 2018E |
| Revenue | 520 | 891 | 964 | 1111 | 1055 | Growth (%) | | | | | |
| EBITDA | 86 | 149 | 191 | 105 | 135 | Revenue | 54% | 71% | 8% | 15% | -5% |
| Depreciation | -10 | -18 | -18 | -19 | -19 | EBITDA | 59% | 74% | 29% | -45% | 29% |
| EBIT | 76 | 130 | 163 | 86 | 116 | EBIT | 74% | 71% | 25% | -47% | 35% |
| Net Interest Exp | -4 | -5 | -12 | -14 | -9 | Pre-tax Income | 80% | 72% | 24% | -53% | 48% |
| Investing | 0 | 0 | 0 | 0 | 0 | Net Income | 83% | 63% | 34% | -40% | 21% |
| Associate/JCE | 0 | 0 | 0 | 0 | 0 | Core Net Income | 83% | 63% | 11% | -28% | 21% |
| Exceptionals/FV | 0 | 0 | 1 | 0 | 0 | | | | | | |
| PBT | 72 | 125 | 155 | 73 | 107 | Profitability (%) | | | | | |
| Taxation | -19 | -37 | -31 | -20 | -25 | EBITDA Margin | 16% | 17% | 20% | 9% | 13% |
| Minority Interest | 0 | 0 | 2 | -18 | -3 | EBIT Margin | 15% | 15% | 17% | 8% | 11% |
| Net Profit | 54 | 88 | 118 | 71 | 85 | PBT Margin | 14% | 14% | 16% | 7% | 10% |
| Core Net Profit | 54 | 88 | 97 | 71 | 85 | Net Margin | 10% | 10% | 12% | 6% | 8% |
| | | | | | | Effective Tax Rate | -26% | -30% | -20% | -28% | -24% |
| | | | | | | ROE | 14% | 15% | 16% | 10.3% | 10% |
| | | | | | | ROA | 8% | 9% | 8% | 6% | 7% |
| | | | | | | | | | | | |
| | | | | | | 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 | 1.8 | 1.5 |
| | | | | | | ROE (%) | 14% | 15% | 19% | 10% | 10% |
| | | | | | | | | | | | |
| | | | | | | Leverage | | | | | |
| | | | | | | Debt/Asset (x) | 0.16 | 0.16 | 0.21 | 0.18 | 0.13 |
| | | | | | | Debt/Equity (x) | 0.26 | 0.28 | 0.41 | 0.32 | 0.19 |
| | | | | | | Net Debt/(Cash) | 3 | 3 | 3 | 15 | 5 |
| | | | | | | Net Debt/Equity (x) | 0.20 | 0.21 | 0.32 | 0.30 | 0.16 |
| | | | | | | | | | | | |
| | | | | | | Valuations | | | | | |
| | | | | | | Core EPS (sen) | 6.0 | 9.8 | 10.9 | 7.9 | 9.5 |
| | | | | | | NDPS (sen) | 0.9 | 2.1 | 5.0 | 2.0 | 2.0 |
| | | | | | | BV/share (RM) | 0.44 | 0.55 | 0.69 | 0.76 | 0.93 |
| | | | | | | Core PER (x) | 13.3 | 8.2 | 7.4 | 10.2 | 8.4 |
| | | | | | | Net Div. Yield (%) | 1.1% | 2.7% | 6.3% | 2.5% | 2.5% |
| | | | | | | PBV (x) | 1.8 | 1.4 | 1.2 | 1.1 | 0.9 |
| | | | | | | EV/EBITDA (x) | 6.2 | 3.5 | 2.7 | 5.5 | 4.2 |

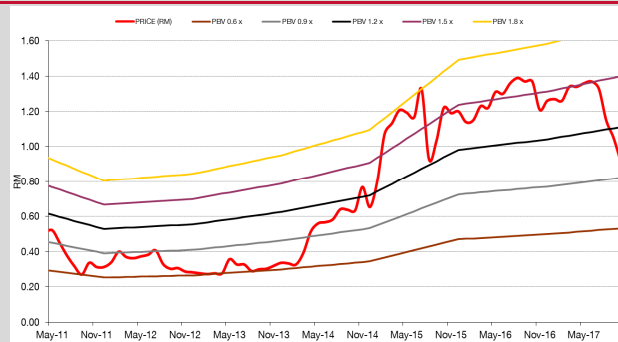
Source: Kenanga Research

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

Fwd Core PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

| CORE COVERAGE | | | | | | | | | | | | | | | | |
|------------------------------|---------------------|---------|---------|-------------|-------------|-------------------|----------|------|------------------|-------------|-------------|--------------------------|--------------------------|-----------------|----------------|---------|
| NAME | Price (19/10/17) | 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 | 0.90 | 701 | -5.0 | 11.8 | 10.0 | 2% | 6% | 0.8 | -140.3 | 58.9 | 70.0 | -142% | 19% | 0.75 | Underperform | 56.5 |
| GAMUDA BHD | 5.13 | 12592 | 20.6 | 19.5 | 16.3 | 2% | 10% | 1.6 | 700.6 | 741.7 | 885.4 | 6% | 19% | 5.45 | Market Perform | 7.3 |
| IJM CORP BHD | 3.23 | 11719 | 21.7 | 19.9 | 17.8 | 2% | 6% | 1.2 | 539.1 | 585.8 | 656.1 | 9% | 12% | 3.48 | Market Perform | 0.9 |
| KIMLUN CORP BHD | 2.25 | 719 | 8.5 | 9.9 | 8.9 | 3% | 12% | 1.2 | 81.9 | 70.7 | 78.3 | -14% | 11% | 2.27 | Market Perform | 8.2 |
| MUHIHBAH ENGINEERING (M) BHD | 2.85 | 1369 | 16.8 | 14.5 | 13.9 | 2% | 11% | 1.5 | 87.7 | 101.5 | 106.2 | 16% | 5% | 2.94 | Market Perform | 27.8 |
| HOCK SENG LEE BERHAD | 1.53 | 841 | 14.9 | 17.0 | 12.2 | 1% | 7% | 1.1 | 56.5 | 49.4 | 69 | -13% | 40% | 1.40 | Market Perform | -4.4 |
| WCT HOLDINGS BHD | 1.62 | 2279 | 32.0 | 18.2 | 16.0 | 0% | 5% | 0.9 | 84.8 | 149 | 169.4 | 76% | 14% | 1.83 | Market Perform | -5.8 |
| MITRAJAYA HOLDINGS BHD | 0.80 | 627 | 6.2 | 8.6 | 7.1 | 2% | 12% | 1.1 | 97.3 | 70.5 | 85.4 | -28% | 21% | 0.84 | Market Perform | -27.8 |
| SUNWAY CONSTRUCTION GROUP | 2.30 | 2972 | 25.3 | 20.5 | 17.2 | 2% | 25% | 5.1 | 117.7 | 145.2 | 173.1 | 23% | 19% | 2.29 | Market Perform | 35.3 |
| KERJAYA PROSPEK GROUP BHD | 3.79 | 2135 | 21.4 | 16.9 | 14.4 | 1% | 15% | 2.6 | 100 | 126.7 | 148.1 | 27% | 17% | 3.30 | Underperform | 74.7 |
| Average | | | 16.2 | 15.7 | 13.4 | | | | | | | | | | | |
| 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 | 1.25 | 739 | -2.5 | 17.5 | 12.8 | n.a. | n.a. | n.a. | -264.9 | 38.5 | 52.9 | -115% | 37% | n.a. | Not Rated | 37.4 |
| PROTASCO | 1.11 | 471 | 9.1 | 8.0 | 7.8 | 5% | 15% | 1.2 | 51.8 | 58.5 | 60.1 | 13% | 3% | 1.52 | Trading Buy | -1.8 |
| PINTARAS JAYA | 4.05 | 669 | 37.3 | 15.7 | 13.1 | 5% | 12% | 1.9 | 17.8 | 42.2 | 50.6 | 137% | 20% | 4.2 | Trading Buy | 15.1 |
| GABUNGAN AQRS | 1.77 | 767 | 30.6 | 18.6 | 8.9 | 1% | 12% | 2.2 | 22.6 | 37.2 | 77.9 | 65% | 109% | 1.6 | Not Rated | 95.6 |
| GADANG HOLDINGS | 1.21 | 797 | 4.2 | 4.5 | 4.3 | 2% | 29% | 1.3 | 94.2 | 86.8 | 90.8 | -8% | 5% | 2.44 | Not Rated | 15.2 |
| AZRB | 1.12 | 595 | 19.9 | 9.4 | 7.4 | n.a. | 15% | 1.4 | 27.2 | 57.4 | 73 | 111% | 27% | 1.35 | Trading Buy | 76.4 |
| TRC SYNERGY | 0.79 | 380 | 12.7 | 11.5 | 14.4 | 3% | 8% | 0.9 | 29.9 | 32.9 | 26.3 | 10% | -20% | n.a. | Not Rated | 107.9 |
| 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 | 3.26 | 1836 | 18.1 | 19.6 | 17.3 | 3% | 21% | 4.0 | 101.4 | 93.8 | 106 | -7% | 13% | 2.8 | Trading Buy | 60.9 |
| PESONA | 0.54 | 372 | 17.5 | 9.9 | 7.2 | 4% | 22% | 2.2 | 20 | 35.3 | 48.5 | 77% | 37% | 0.485 | Take Profit | -11.6 |
| JAKS | 1.43 | 700 | 0.9 | 10.1 | 7.3 | 0% | 12% | 1.2 | 736 | 61.933 | 85.433 | -92% | 38% | 1.54 | Not Rated | 40.2 |
| Average | | | 21.3 | 11.9 | 9.7 | | | | | | | | | | | |

Source: Bloomberg, 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% |
| 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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