

Mitrajaya Holdings (BUY; NEW)

INDUSTRY: OVERWEIGHT

INITIATION

5 November 2014

Price Target: RM1.52

Share price: RM0.98

Rising up the ranks

Highlights

- **Stepping up its game.** Mitrajaya has successfully grown its job wins from less than RM100m p.a. during FY08-10 to over RM500m currently. New job wins YTD are at a record RM547m, surpassing last year's high of RM501m.
- **Orderbook in a sweet spot.** Mitrajaya's orderbook of RM1.3bn implies a strong cover of 6x FY13 construction revenue, vis-à-vis the sector average of 2.1x. Its orderbook profile is also relatively "young" with 75% comprising jobs that were secured less than a year ago, mitigating cost overrun risks.
- **More to come.** Backed with RM2bn in outstanding tenders, Mitrajaya aims to hit an orderbook target of RM1.5bn by year end, implying that another RM200m worth of jobs are forthcoming. These tenders are mainly building works for developers, both private and government related.
- **Beneficiary of LRT Line 3.** Budget 2015 announced the implementation of the LRT Line 3 (RM9bn). We view Mitrajaya as a potential beneficiary via station works (RM720-960m) given its experience with the ongoing LRT extensions.
- **Property booster from Wangsa 9.** Mitrajaya will soon be launching the Wangsa 9 condos (GDV: RM650m) in Wangsa Maju. We expect encouraging take up rates given its strategic location (opposite Wangsa Walk Mall) and LRT connectivity (Sri Rampai LRT station 150m away).
- **Other divisions.** These include (i) its South Africa investment which is a low risk and debt free self-sustaining model of selling land and (ii) 51% stake in Optimax, Malaysia's largest standalone eye specialist which recently turned back to the black.

Risks

- Execution risk, rising material prices, project implementation delays, weak property market and political risks.

Forecasts

- We expect FY14 core earnings to almost double to RM48m (+92% YoY) and FY15 to see a record RM60m (+24% YoY).
- Our forecast implies superior 3 year earnings CAGR of 40%.

Rating

Initiate with BUY, RM1.52 TP (+55% upside)

- Mitrajaya is an under researched hidden gem which offers superior earnings growth at cheap valuations of 8x and 6.5x FY14-15 P/E and decent yields of 3-5%.

Valuation

- Our TP is based on 10x FY15 earnings, inline with our target valuation parameter used for small cap contractors.
- For an alternate valuation perspective, at current market capitalisation, investors buying Mitrajaya would be getting its land at 48% discount to market value and all its core business of construction, property development and Optimax (not to mention a golf course in South Africa) for free!

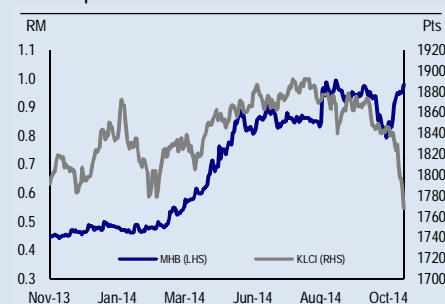
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KLCI	1847.4
Expected share price return	55.1%
Expected dividend return	3.8%
Expected total return	58.9%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	394
Market cap (RM m)	386
3-mth avg. volume ('000)	2,793

Price Performance	1M	3M	12M
Absolute	4.3	12.6	115.4
Relative	3.9	14.4	110.7

Major shareholders

Tan Eng Piow	41.1%
Soon Aw Eng	2.1%
Hong Leong Asset Mgt	2.0%

Summary Earnings Table

FYE Dec (RM m)	FY13	FY14F	FY15F	FY16F
Revenue	338	496	641	690
EBITDA	49	80	98	110
EBIT	39	70	87	99
Profit Before Tax	36	67	83	94
Core PATAMI	25	48	60	68
vs Consensus (%)	-	-	-	-
Core EPS (sen)	6.4	12.2	15.2	17.4
P/E (x)	15.4	8.0	6.5	5.6
Net DPS (sen)	2.0	3.7	4.6	5.2
Net DY (%)	2.0	3.7	4.6	5.3
BV per share	0.89	0.97	1.08	1.20
P/B (x)	1.1	1.0	0.9	0.8
ROE (%)	7.4	13.1	14.8	15.2
Net Gearing (%)	17.9	18.5	22.0	16.2

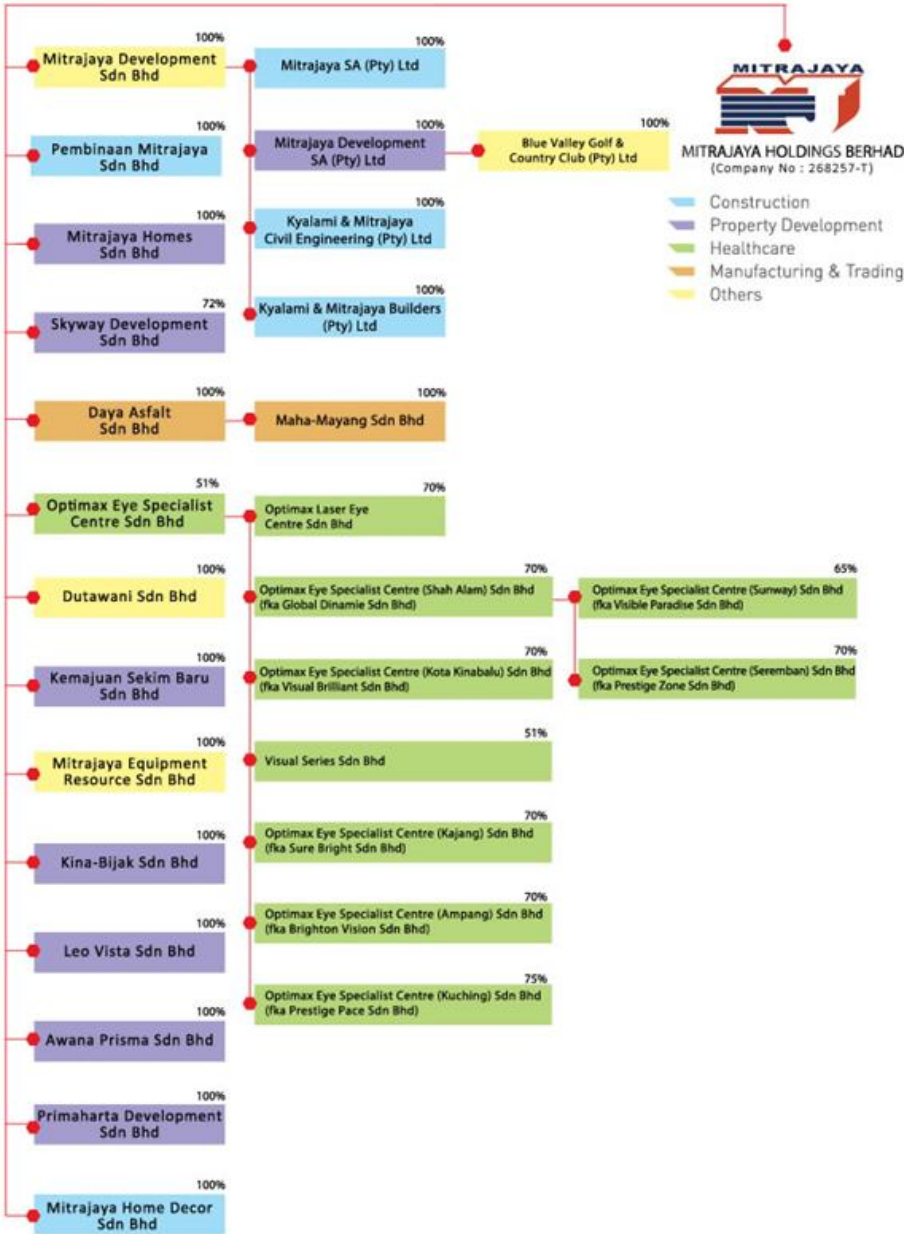
HLIB

Background

Mitrajaya was established in 1985 primarily as a construction company but has since ventured into other areas such as property development and optical healthcare. It was listed on the Second Board of the then Kuala Lumpur Stock Exchange back in Dec 1994. Subsequently in May 1998, it was transferred to the Main Board. Construction remains Mitrajaya's key contributor at 64% of revenue for FY13, followed by property development (28%), optical healthcare (6%) and others (2%). It has thus far completed RM3bn worth of construction jobs. Mitrajaya is led by its founder, Tan Eng Piow, a civil engineer who remains actively involved in its day to day operations. He is the single largest shareholder in Mitrajaya with a 41% stake.

Primarily involved in construction

Figure #1 Corporate structure of Mitrajaya



Mitrajaya

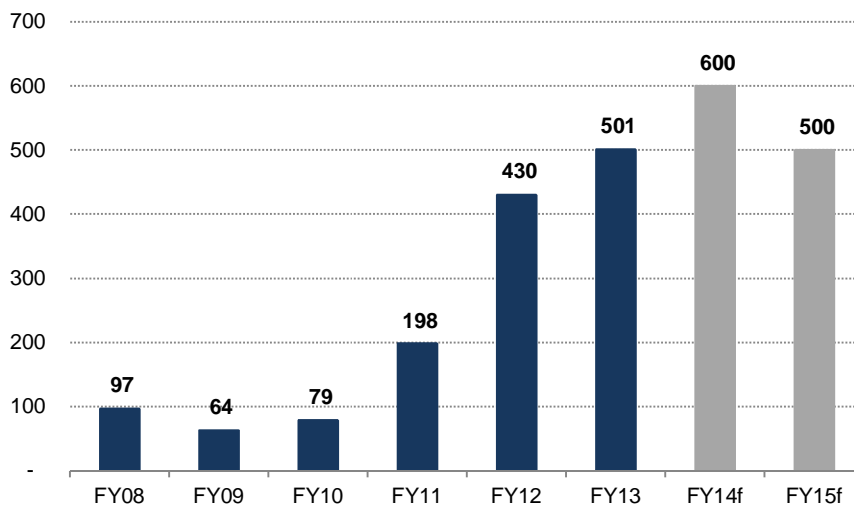
Investment Thesis

Construction: Ballooning orderbook

On the growth path... Despite humble beginnings where it mainly undertook smallish and subcontract works, Mitrajaya has over the years managed to move up the ranks by securing more sizable jobs. As depicted below, new job wins during FY08-10 only amounted to less than RM100m annually. However, in FY11-12 it managed to more than double its orderbook replenishment for 2 years consecutively to RM198m and again to RM430m. FY13 marked another milestone for Mitrajaya when it managed to outdo its competitors in an open tender to secure its single largest project yet, the MACC headquarters (RM428m) in Putrajaya. This set another record with total job wins coming in at RM501m for FY13.

...and still growing. There appears to be no slowing down for Mitrajaya with FY14 set to be another record year for job wins. YTD, it has managed to bag RM547m worth of jobs comprising (i) building works for the Symphony Hills development (RM277m) in Cyberjaya for UEM Sunrise and (ii) the Raffles School (RM270m) in Nusajaya.

Figure #2 Orderbook replenishment for Mitrajaya (RM m)



Mitrajaya, HLIB estimates

Strong orderbook cover. Mitrajaya's orderbook currently stands at RM1.3bn, implying a superior cover of 6x on FY13 construction revenue. This ratio is the highest in our sector coverage and perhaps even the highest amongst listed contractors. In comparison, our sector universe commands an average orderbook cover of 2.1x with a range of 0.9x to 2.8x. Mitrajaya's strong orderbook cover provides a very high degree of earnings visibility. Even in the absence of securing any new jobs or margin expansion, Mitrajaya's earnings growth is already anchored simply by running down on its existing orderbook. Looking forward, we have assumed RM600m in new job wins this year. This is rather conservative considering that 91% of our assumption has already been achieved. For FY15-16 we impute an annual orderbook replenishment of RM500m, inline with its 3 year historical average (i.e. FY12-14) of RM493m.

Figure #3 Mitrajaya's orderbook breakdown (RM m)

Contract	Client	Value	Balance
Ampong LRT ext - stations 3, 4, 5, 8 & 9	Prasarana	146	120
Kelana LRT ext - stations 11 & 12	Prasarana	47	33
MACC Headquarters, Precinct 7, Putrajaya	Putrajaya Holdings	428	419
Main building works for Housing Block 5, Symphony Hills, Cyberjaya	UEM Sunrise	227	273
Raffles American School, Nusajaya, Johor	Raffles	270	270
Other jobs			175
Orderbook balance as at end June 2014			1,290

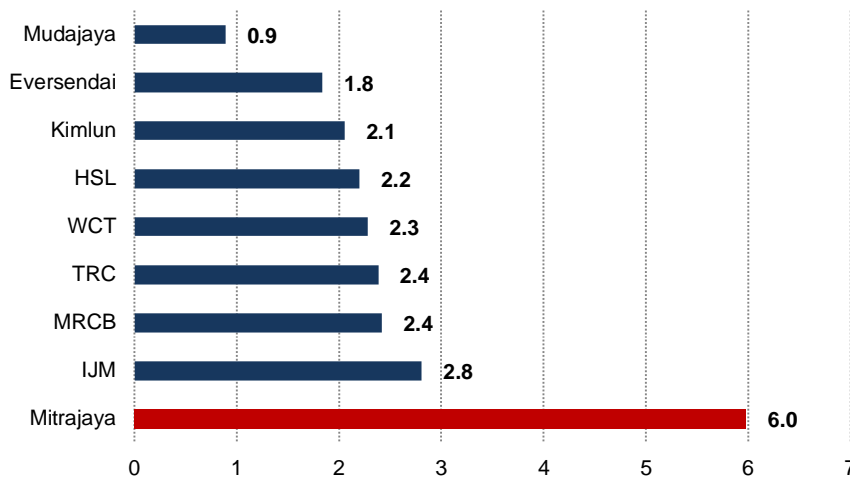
Mitrajaya

Annual orderbook replenishment increased 7-fold in 4 years

YTD job wins of RM547m is a record high

Superior orderbook cover of 6x provides earnings visibility

Figure #4 Orderbook to revenue cover comparison



HLIB estimates, Note: Estimate for Gamuda is excluded as the MRT contract is equity accounted and not consolidated

More to come. Backed by RM2bn worth of outstanding tenders, Mitrajaya aims to achieve an orderbook target of RM1.5bn by year end, implying that an additional RM200m worth of contracts could be forthcoming. These contracts could potentially come from building works for the following various private sector development projects in Bukit Jelutong (RM500m), Mont Kiara (RM480m) and Nusajaya (RM250m).

Repeat orders. Apart from that, there could also be jobs from government related entities such as Putrajaya Holdings and the East Coast Economic Region Development Council (ECERDC). Over the years, Mitrajaya has managed to build a strong working relationship with these entities, allowing it to secure repeat contracts totaling circa RM800m since 2010. We understand that Mitrajaya is currently bidding for RM300m worth of building works in Putrajaya.

More job wins expected by year end

Strong working relationship with Putrajaya Holdings and ECERDC

Figure #5 Contract wins from Putrajaya Holdings and ECERDC

Date	Contract	Client	RM m
12-Dec-13	MACC Headquarters, Precint 7, Putrajaya	Putrajaya Holdings	428
11-Apr-13	Dairy complex for Cattle Research Centre, Pahang	ECERDC	12
21-Feb-13	300 houses and 15 quarters for South Kelantan Agropolitan	ECERDC	61
15-May-12	City Campus Development (Phase 1), Precint 5, Putrajaya	Putrajaya Holdings	112
20-Feb-12	Medium cost appartments (560 units), Precint 11, Putrajaya	Putrajaya Holdings	79
13-Jan-12	63 units of 2 storey terrace houses, Precint 11, Putrajaya	Putrajaya Holdings	21
13-Jan-12	29 units of shop offices, Precint 8, Putrajaya	Putrajaya Holdings	13
19-Dec-11	Herbal and Biotechnology Products Clusters (Package 1), Terengganu	ECERDC	22
19-Jul-11	Freshwater Laboratory Complex (Package 1) at Tasik Chini, Pahang	ECERDC	14
11-Apr-11	37+45 units of terrace houses in Precint 11, Putrajaya	Putrajaya Holdings	26
5-Oct-10	Pekan Heritage Tourism Development (Phase 1A), Pahang	ECERDC	11
Contracts secured from Putrajaya Holdings and ECERDC			798

Bursa announcements

Potential beneficiary of LRT Line 3. Budget 2015 mentioned the implementation of the LRT Line 3 (RM9bn) which would span 36km from Bandar Utama to Klang. We view Mitrajaya as a potential beneficiary from the roll out of Line 3 via station works. Mitrajaya has been selected as one of Prasarana's nominated subcontractors for the ongoing Ampang and Kelana LRT extensions. It is currently constructing 5 stations (RM146m) for the Ampang line and 2 stations (RM47m) for the Kelana line. Based on the reported 24 stations for Line 3 at an estimated cost of RM30-40m per station, there would be RM720-960m worth of stations works up for grabs.

Beneficiary of LRT Line 3 via station works

Figure #6 Proposed alignment of LRT Line 3



Prasarana

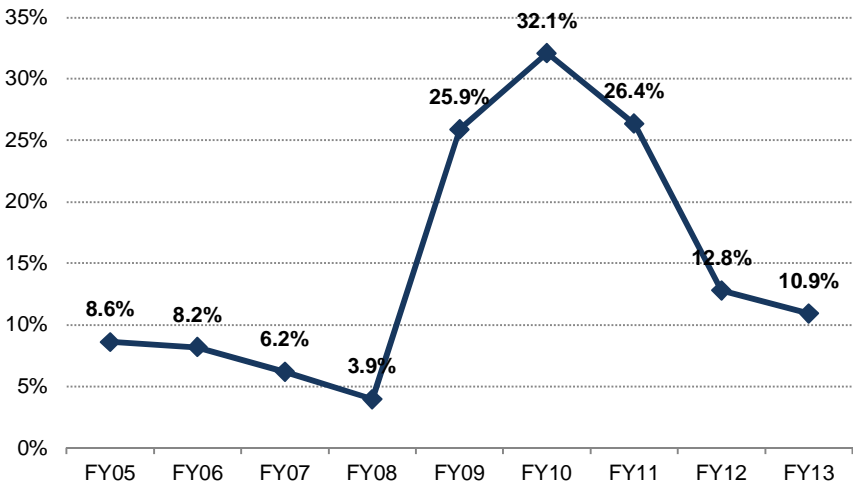
Minimal cost overrun risk. Mitrajaya’s orderbook profile is relatively “young” with 75% comprising contracts that were secured less than a year ago. Given its young orderbook profile, the risk of cost overruns is low as contract values still “freshly” reflect the current cost environment. For its older jobs, the main portion comes from the LRT stations with an outstanding balance of RM153m or 12% of its orderbook. Works were initially scheduled for completion in 2013 but this has been delayed to 2015 as a result of late site handover by the main contractors. Despite the delays, margins on the job remain intact as Mitrajaya has submitted variation orders (VOs), claiming for the incremental costs incurred with RM55m thus far approved by Prasarana.

Expanding its margins. Mitrajaya has over the years managed to expand its margins from single digits in FY05-08 to 25-32% in FY09-11 as it began to focus its resources on selective high margin jobs but were smaller sized in absolute value. Margins however normalized in the last 2 years (FY12-13) to the low-teens as Mitrajaya began participating in more open tender jobs. While these jobs had relatively lower margins they were larger in absolute value. Looking ahead, we expect margins to remain at the low-to-mid-teens level.

Young orderbook profile mitigates cost overrun risk

Margins have expanded over time

Figure #7 Construction gross margins for Mitrajaya



Annual Report

Property: Growing contribution

Started from Puchong Prima... Mitrajaya's property development is undertaken by its wholly owned subsidiary, Mitrajaya Homes, which contributed 27-36% to revenue over the last 3 years. Its maiden development started in 1999 when it undertook a 250 acre township called Puchong Prima (GDV: RM680m) which comprises double storey link homes, apartments and a business centre with a pedestrian mall.

...to Mont Kiara. During the 2008 peak of the Mont Kiara property market, Mitrajaya launched its Kiara 9 luxury condominiums (GDV: RM436m) which comprises 2 tower blocks (192 units) and 16 private garden villas. Although the project was completed in July 2011, there is still RM133m in unsold value (30% of GDV) due to the 2009 global financial crisis and current soft market in Mont Kiara resulting from oversupply. These unsold 44 units are mainly the larger ones (2,691 sq ft) and garden villas (4,450 sq ft). We were given to understand that the Mont Kiara market has stabilised and is showing pick up signs, albeit at a slow pace. Sales are currently averaging RM7-10m per quarter (ASP: RM700 psf) which can be booked directly into revenue as the development has been completed.

Figure #8 Location of Kiara 9



Mitrajaya

Wangsa Maju will be the key booster. The key upcoming development for Mitrajaya is the Wangsa 9 Residency (GDV: RM650m) luxury condominiums in Wangsa Maju. Situated on a 7.5 acre land, the development consists of 3 tower blocks hosting 565 units with sizes ranging from 1,033-2120 sq ft. The development has several key selling points that we like. Firstly, it is located in the mature township of Wangsa Maju which is just 7km away from the KL city centre. Secondly, the Sri Rampai LRT station is located just 150m away from the development which is accessible via a covered walkway and shuttle service. The Sri Rampai LRT station is just 5 stops away from the Ampang Park station and 6 stops from KLCC. Thirdly, the development is located just across the road from the neighbourhood Wangsa Walk Mall (20m). Other surrounding landmarks include malls such as AEON Big (400m), Alpha Angle (3.5km) and Festival City (4km) as well as education institutions like Fairview International School (2km), Seri Utama International School (2.5km) and TAR College (3.5km). Lastly, the units face a hill with 40 acres of "green lung" which has been designated as recreational, ensuring residents that there will be no future developments coming up in front.

Maiden development in Puchong Prima

Ventured into the luxury segment with Kiara 9

Wangsa 9 will be the key booster for its property division

Strong interest from prelaunch. Management guides that an official launch will take place in Dec with an indicative ASP of RM700 psf. We expect promising take up rates given its strategic location and LRT connectivity. A prelaunch was conducted in Oct for the first tower and all the mid-sized units (i.e. 1,647 and 1,733 sq ft) have been booked (with booking fee). We expect lucrative margins for the Wangsa 9 Residency with at least 30% PBT margin given its low land cost of only RM15m which was held since 1999.

Wangsa 9 received strong interest during pre-launch

Figure #9 Location of Wangsa 9 Residency



Mitrajaya

Figure #10 Artist impression of Wangsa 9 Residency



Mitrajaya

Sizable mixed development in Puchong Prima. Mitrajaya is in the midst of planning a sizable mixed development in Puchong Prima with GDV of RM1.5bn. The development sits on a 15 acre land and comprises (i) a 5 storey shopping mall with 700k sq ft (future extension of 1m sq ft); (ii) 3 blocks of service apartments and (iii) a boutique/ budget hotel which Mitrajaya is in talks with some prominent hotel chains to run it. Situated just 150m away from the development is the future LRT station for the Ampang line extension (station 11). Given its low land cost (including basic infra) of only RM21m, which was acquired in 1999, we expect margins to be lucrative with at least 30% PBT. The project has already received an approval in principal from the local municipal council and management is hopeful that the development order can be procured by 1Q15 for launches to be slated by 4Q15.

Puchong Prima mixed development to benefit from LRT connectivity

Figure #11 Artist impression of the Puchong Prima development



Mitrajaya

South Africa: Self-sustaining investment

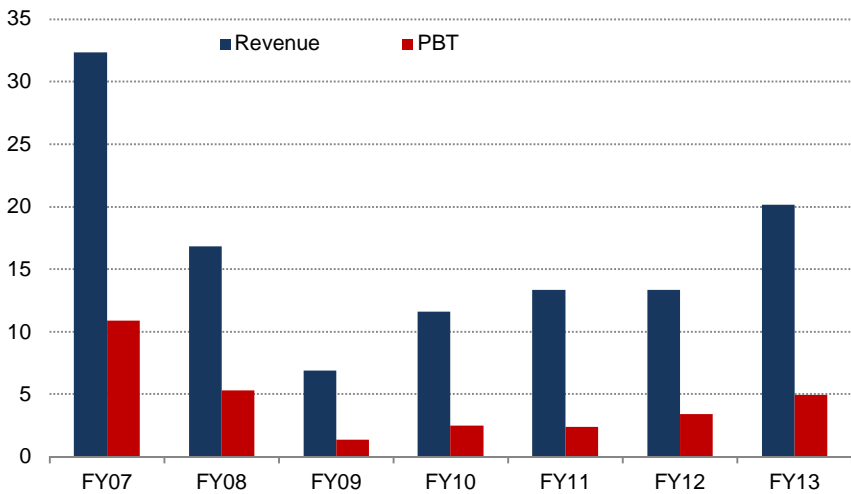
Set foot in the 90s. Mitrajaya's venture into South Africa began in the 90s, when it was invited to construct a golf club for the Blue Valley Golf & Country Estate, owned by a Malaysian. Situated between northern Johannesburg and Pretoria, The Blue Valley Golf & Country Estate is a 300-hectare development which features (i) an 18-hole golf course designed by legendary golfer, Gary Player; and (ii) residential and commercial developments surrounding the golf club. Construction of the golf club was completed in 1998, during the height of the Asian financial crisis. Due to financial troubles faced by the previous owner, Mitrajaya took ownership of the golf club and also purchased the surrounding 300 hectare land.

Self-sustaining model. Contrary to popular believe that investments by domestic players outside Malaysia can be risky, we wish to highlight that Mitrajaya's South African venture is self-sustaining and of low risk. The golf course is managed by Mitrajaya and remains profitable although insignificant to its bottomline. However, the presence of the golf course has enhanced the value of the surrounding land that Mitrajaya owns. Since 1999, Mitrajaya has been selling land plots to parties interested in undertaking their own development. Over the past 3 years, these land sales generated RM13-20m in revenue and RM2.5-5m in PBT to Mitrajaya.

South Africa investment began in 1998

Self-sustaining low risk model of selling land

Figure #12 Financials of the South African investment (RM m)



Mitrajaya

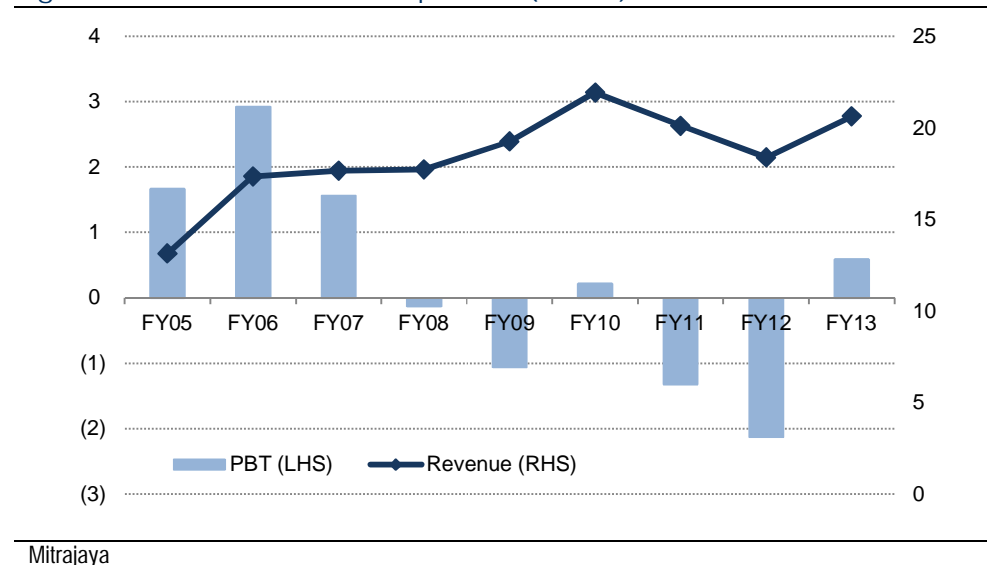
Current investment status. There is still another 61.5 hectares (out of the original 300 hectares) worth of land in the Blue Valley Golf & Country Estate left where Mitrajaya intends to sell up to 2018. This balance of land is estimated to be worth Rand 439m (RM132m on an exchange rate of 0.3) on a gross basis. After subtracting for infrastructure cost, this is estimated to be worth Rand 278m (RM83m). Apart from the remaining land, the clubhouse and golf course is estimated to be worth Rand 60m (RM18m). Mitrajaya's entire operations in South Africa are debt free.

Optimax: Turnaround executed

Largest standalone eye specialist. Mitrajaya's optical healthcare division is via its 51% stake in Optimax Eye Specialist Sdn Bhd which it acquired in 2001 as part of its diversification plans. At that time, laser eye surgery (aka Lasik) had just started to gain acceptance in Malaysia. While Lasik remains Optimax's main contributor, it also provides other services such as eye examinations, refractive lens exchange, implantable contact lens and eye specialist treatment for cataract, glaucoma, dry eyes, etc. Optimax is the largest standalone eye specialist (i.e. not hospital backed) in Malaysia and operates with 8 centres nationwide and has undertaken over 90k cases.

Bleeding in the past... Optimax was loss making for the most of FY08-12. In FY08, it added 7 new branches, bringing its total outlets to a peak of 16. This resulted in higher operating cost which was not offset by higher sales due to the onslaught of the Global Financial Crisis which hit shortly a year later. While Optimax returned to the black in FY10 post crisis, this did not last long. In FY11-12, Optimax decided to shut down some of its loss making branches resulting to equipment write offs. New equipment was also acquired during the same period to ensure the latest surgical technology was used, which resulted to higher finance cost. The combination of write offs and higher finance cost caused losses to return in FY11-12.

Figure #13 Financials of Optimax (RM m)



...but returned to the black. With its internal restructuring done, Optimax is now on a stronger footing. Loss making branches have been shut down and its number of outlets have halved from its peak of 16 to 8 currently. Sales also picked up following more aggressive promotional activities and new procedures introduced. For example, in Aug 2013, Optimax was the first to introduce the Flapless Lasik procedure which provides minimal invasive refractive procedure in a single system with no flap and no ablation. As a result of its turnaround efforts, Optimax managed to return to black in FY13 and remained profitable thus far into 1H14.

Remaining 62 hectares of land in South Africa to be sold from now till 2018

Owns 51% of Optimax, the largest standalone eye specialist

Previously loss making...

...but successful turnaround last year

Financial Highlights

Earnings hit an inflection point last year...

Mitrajaya posted dismal earnings of only RM17.9m in FY12 due to low construction margins recognised on its older jobs. However, FY13 earnings rebounded strongly to RM29.3m. After stripping out RM4.2m gain on disposal of its Rawang Hospital (20% stake), core earnings of RM25.1m still marked a strong 39.9% YoY increase. The surge in core earnings follows from strong job wins recorded the previous year (i.e. RM430m in FY12) which started to contribute to construction revenue.

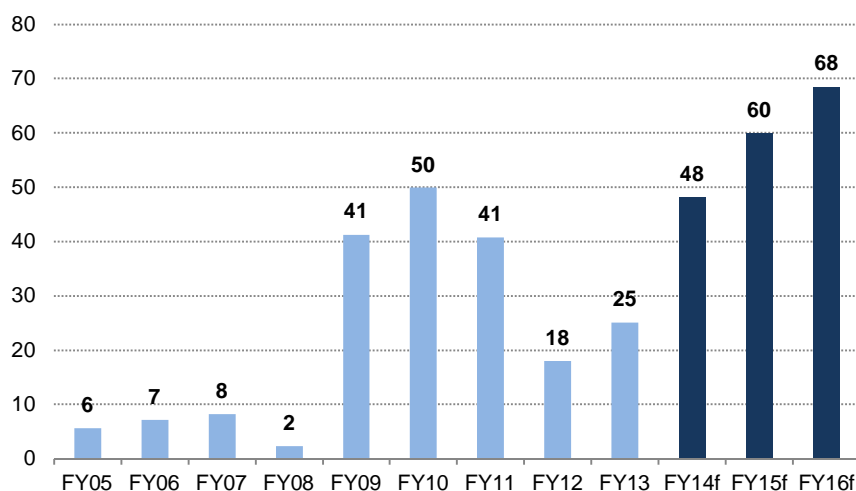
...and expected to double this year

We project core earnings to almost double to RM48.1m (+91.8% YoY) in FY14. This will mainly be fuelled by construction which should see (i) strong topline growth (+63.9% YoY) as it runs down on its sizable orderbook and (ii) margin expansion as newer projects are being recognised while the older lower margin ones are completed. 1HFY14 earnings stood at RM24.5m, marking a strong 235.6% YoY increase. There is a good chance that 3-4Q earnings will come in stronger QoQ due to higher construction orderbook recognition. If this happens, there will be upside to our FY14 earnings estimate.

Record earnings ahead, 40% CAGR

We forecast earnings to hit a record RM59.9m (+24.3% YoY) in FY15, underpinned by the recognition of new job wins in FY14 which achieved an all-time high of RM547m YTD. Contribution from the property segment will also increase from the recognition of the Wangsa 9 development (GDV: RM650m). For FY16, we expect the earnings momentum to persist, growing at 14.4% to another record of RM68.5m. This is anchored by the advanced stage of revenue recognition for both its construction orderbook and Wangsa 9 development. All in all, our projections imply a superior 3 year earnings of 39.7%. Upside to our estimates would come from (i) stronger than expected orderbook replenishment and (ii) launch of the Puchong Prima mixed development (GDV: RM1.5bn) which we have yet to impute in our forecast.

Figure #14 Core earnings trend for Mitrajaya (RM m)



Mitrajaya

Low net gearing

Mitrajaya's net gearing is relatively low at 14.8% as of 2QFY14. This has come off substantially from its high of 47.5% in FY08. Of its RM73.5m total debt, 76% of it is short term in nature which is mainly used by the construction division for working capital. We project net gearing to remain manageable within the range of 16-22% for FY14-16.

Earnings rebounded strongly last year

FY14 earnings to almost double (+92%)

3 year earnings CAGR of 40%

Net gearing manageable at 15%

Valuation & Recommendation

Initiate with BUY, RM1.52 TP

Mitrajaya is an under researched gem with superior growth at cheap valuations. It trades at FY14-15 P/E of 8x and 6.5x respectively yet offers a potential doubling of earnings this year with a 3 year CAGR of 40%. Bloomberg consensus shows that there are no brokers actively covering this stock, indicating that it is under owned. Our TP is premised on 10x FY15 P/E, inline with the targeted valuation parameter used for small cap contractors within our coverage. **We initiate coverage on Mitrajaya with a BUY rating and TP of RM1.52, offering 55% upside potential.** Mitrajaya is also our top small cap pick within the construction space.

Land at 48% discount, core business for free

For the sceptics that need more convincing, an alternate valuation angle would be to look at Mitrajaya's land value. As indicated below, Mitrajaya's gross land value stands at RM755m. All of its landbank is free of encumbrances except for the Seksyen 28 land which has an RM15.5m outstanding loan. Subtracting this would provide a total net land value of RM739m. At Mitrajaya's current market capitalisation of RM386m (RM0.98/share), investors buying into Mitrajaya would be getting its land at a 48% discount to market value and all its core business of construction, property development and Optimax (not to mention a golf course in South Africa) for free!

Figure #15 Landbank held by Mitrajaya

Location	Type	Acres	Year Acquired	Book value		Market value	
				RM m	RM psf	RM m	RM psf
Banting	Freehold	180.0	2007	29	3.7	118	15.0
Pulau Melaka	Leasehold	17.8	2006	28	36.6	60	77.2
Seksyen 28, Petaling Jaya	Leasehold	9.3	2009	42	103.6	101	250.0
Sungai Rengit, Johor	Freehold	10.8	1996	5	10.4	20	42.5
Bukit Beruntung	Freehold	16.9	1997	10	13.3	22	29.9
Wangsa Maju	Leasehold	7.8	1999	29	84.3	102	300.0
Puchong Prima	Freehold	15.0	1999	22	33.0	200	306.9
Blue Valley, South Africa	Freehold	152.0	2006^	23	3.5	132	19.9
Gross land value		409.7		188		755	
Less: associated debt						(16)	
Net land value						739	
Market capitalisation						386	
Implied discount						-47.8%	

Mitrajaya, HLIB, ^Note: All land carried at cost with no revaluation done except for South Africa which was revalued in 2006.

Decent dividend yield

While Mitrajaya has no formal dividend policy, it paid a 2 sen final dividend each in the past 2 years. Historical dividend payout ratio ranged between 26-49% over the past 5 years. We have assumed a 30% payout ratio which translates to a dividend yield of 3.7% and 4.6% for FY14-15.

Initiate with BUY, RM1.52 TP (+55% upside)

Current share price implies 48% discount to land value, core business for free

Dividend yield of 3-5%

Financial Projections for Mitrajaya Holdings

Balance Sheet

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Cash	3	19	18	22	56
Receivables	126	130	181	232	250
Inventories	160	125	191	253	270
PPE	41	38	38	38	37
Others	214	249	270	283	298
Assets	544	560	698	828	910
	-	-	-	-	-
Debts	80	82	89	116	132
Payables	126	124	217	279	296
Others	3	4	8	8	8
Liabilities	210	209	314	402	436
	-	-	-	-	-
Shareholder's equity	332	350	383	425	473
Minority interest	2	1	1	1	1
Equity	334	351	384	426	474

Cash Flow Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Profit before taxation	28	36	67	83	94
Depreciation & amortisation	8	10	10	10	11
Changes in working capital	(144)	31	(47)	(51)	(18)
Taxation	(9)	(12)	(19)	(23)	(25)
Others	143	(43)	(1)	(17)	(17)
CFO	25	23	10	2	45
Net capex	(11)	(8)	(10)	(10)	(10)
Others	3	13	-	-	-
CFI	(8)	5	(10)	(10)	(10)
Changes in borrowings	23	1	7	27	17
Issuance of shares	(0)	(0)	(0)	-	-
Dividends paid	(20)	(8)	(8)	(14)	(18)
Others	(30)	(19)	-	-	-
CFF	(26)	(26)	(0)	12	(1)
Net cash flow	(9)	2	(1)	4	33
Forex	(2)	(0)	-	-	-
Others	11	14	-	-	-
Beginning cash	4	3	19	18	22
Ending cash	3	19	18	22	56

Income Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Revenue	251	338	496	641	690
EBITDA	39	49	80	98	110
EBIT	31	39	70	87	99
Finance cost	(3)	(3)	(4)	(4)	(5)
Associates & JV	(0)	-	-	-	-
Profit before tax	28	36	67	83	94
Tax	(9)	(12)	(19)	(23)	(25)
Net profit	19	24	48	60	68
Minority interest	(1)	1	-	-	-
PATMI (core)	18	25	48	60	68
Exceptionals	-	4	-	-	-
PATMI (reported)	18	29	48	60	68

Valuation & Ratios

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Core EPS (sen)	4.5	6.4	12.2	15.2	17.4
P/E (x)	21.5	15.4	8.0	6.5	5.6
EV/EBITDA (x)	11.4	8.9	5.5	4.5	4.0
DPS (sen)	2.0	2.0	3.7	4.6	5.2
Dividend yield	2.0%	2.0%	3.7%	4.6%	5.3%
BVPS (RM)	0.84	0.89	0.97	1.08	1.20
P/B (x)	1.2	1.1	1.0	0.9	0.8
EBITDA margin	15.5%	14.6%	16.1%	15.3%	15.9%
EBIT margin	12.5%	11.7%	14.2%	13.6%	14.3%
PBT margin	11.1%	10.7%	13.5%	13.0%	13.6%
Net margin	7.2%	7.4%	9.7%	9.3%	9.9%
ROE	5.4%	7.4%	13.1%	14.8%	15.2%
ROA	3.5%	4.5%	7.6%	7.8%	7.9%
Net gearing	23.2%	17.9%	18.5%	22.0%	16.2%

Assumptions

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Contracts secured	430	501	600	500	500

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1. As of 5 November 2014, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

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2. As of 5 November 2014, the analyst, Low Yee Huap CFA, who prepared this report, has interest in the following securities covered in this report:

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Equity rating definitions

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.
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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.
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