

# Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

12 August 2015

Price Target: RM2.92 (↔)

Share price: RM1.76

## Boasting a record quarter

### Results

- Mitrajaya posted a record set of 2QFY15 results with revenue of RM243.2m (+81% YoY, +51% QoQ) and earnings of RM23.1m (+70% YoY, +72% QoQ). For the cumulative 1H period, earnings totalled RM36.5m, translating to a strong 49% YoY growth.

### Deviation

- 1H earnings made up 46% of our full year forecast (36% of consensus) which we deem inline. Earnings are expected to be even stronger in 2H. The strong 72% QoQ earnings growth in 2Q is testament that momentum is gathering pace fast, making this the strongest quarter ever recorded.

### Dividends

- None. Usually declared in 4Q.

### Highlights

- Strong push for construction.** Construction saw the best of both worlds YoY with 1H revenue almost doubling (+98%) and EBIT margins expanding from 10.9% to 11.6%. Its orderbook currently stands at RM1.8bn, implying a superior cover of 4.7x against FY14 construction revenue which should help sustain its earnings trajectory.
- Job wins to pick up.** YTD job wins have totalled RM230m or 46% of our full year target of RM500m. Management shared that it is bidding for building works in the Klang Valley (RM1.5bn) and Putrajaya (RM780m) as well as infra jobs in the Klang Valley (RM200m). It is also preparing another RM300m worth of tenders. Overall, management remained upbeat to further add on to its orderbook by year end.
- South African boost.** 1H domestic property revenue was lower by 26% YoY, due to the Wangsa 9 being at the initial construction stage. However, this was offset by a strong performance in South Africa with revenue up 159% YoY from the sale of 10 completed bungalows. Wangsa 9 has achieved 70% sales for Phase 1 and 26% for Phase 2.

### Risks

- Delays in construction and softening property market.

### Forecasts

- We maintain our earnings forecast as the results were inline and remain confident that FY15 will post another round of record earnings at RM80.2m (+49% YoY).

### Rating

**BUY, TP: RM2.92 (+66% upside)**

- Mitrajaya remains our top pick amongst the small cap contractors as it offers a compelling case of robust growth prospects (3 year CAGR: 24%) at inexpensive valuations of 9.1x and 7.6x FY15-16 P/E.
- Share price has fallen 13% from its peak this month and we advise investors to take the opportunity to accumulate. Near term catalysts would be on 17 Aug, being the ex-date for its 5 sen dividend and 1 for 5 free warrants.

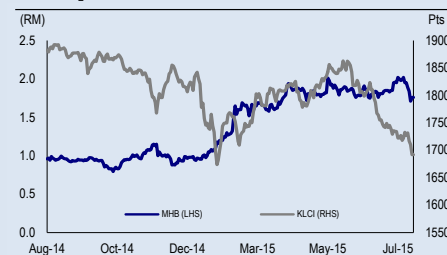
### Valuation

- Our SOP based TP of RM2.92 implies FY15-16 P/E of 15.1x and 12.6x respectively. Current share price merely reflects its net land value (RM1.78/ share), implying that investors would be getting its core business of construction for free!

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KLCI	1636.7
Expected share price return	65.9%
Expected dividend return	3.9%
Expected total return	69.8%

### Share price



### Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	415
Market cap (RM m)	730
3-mth avg. volume ('000)	2,163
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	-2.8	-0.6	79.6
Relative	1.9	9.3	103.0

### Major shareholders

Tan Eng Piow	39.8
EPF	2.7
KWAP	2.6

### Summary Earnings Table

FYE Dec (RM m)	FY14	FY15F	FY16F	FY17F
Revenue	520	764	931	984
EBITDA	86	122	145	153
EBIT	76	112	134	142
Profit Before Tax	72	108	130	138
Core PATAMI	54	80	96	102
vs Consensus (%)		(21)	(19)	0
Core EPS (sen)	13.0	19.3	23.3	24.7
P/E (x)	13.6	9.1	7.6	7.1
Net DPS (sen)	5.0	6.8	8.1	8.6
Net DY (%)	2.8	3.8	4.6	4.9
BV per share	0.95	1.08	1.23	1.39
P/B (x)	1.8	1.6	1.4	1.3
ROE (%)	14.5	19.1	20.2	18.9
Net Gearing (%)	19.8	16.9	15.4	8.1

HLIB

**Figure #1 Quarterly results comparison**

FYE Dec (RM m)	2QFY15	2QFY14	1QFY15	YoY	QoQ	Comments
Revenue	243.2	134.7	161.6	80.5	50.5	Strong growth YoY and QoQ as newer projects beginning to contribute.
EBIT	32.5	19.1	19.8	70.0	63.7	Inline with topline growth.
Finance cost	(1.3)	(0.7)	(1.3)	71.2	(3.8)	
Associates & JVs	0.0	-	(0.0)	n.m.	(383.3)	
PBT	31.2	18.4	18.5	70.0	68.7	
PAT	22.8	13.3	13.8	71.0	65.1	
PATMI - core	23.1	13.6	13.4	70.1	72.4	Within expectations. 2H will come in even stronger.
PATMI - reported	23.1	13.6	13.4	70.1	72.4	
EPS - core	5.6	3.3	3.2			
EBIT margin	13.4	14.2	12.3			Margins higher QoQ as newer jobs start to contribute. This should further expand in the coming quarters.
PBT margin	12.8	13.6	11.4			

Mitrajaya, HLIB

**Figure #2 Cumulative results comparison**

FYE Dec (RM m)	6MFY15	6MFY14	YoY (%)	Comments
Revenue	404.8	238.9	69.5	Strong growth as it continues to execute on its sizable orderbook.
EBIT	52.3	34.2	52.8	
Finance cost	(2.6)	(1.5)	72.5	
Associates & JVs	0.0	-	n.m.	
PBT	49.7	32.7	52.0	
PAT	36.6	24.3	50.7	
PATMI - core	36.5	24.5	48.9	Within expectations at 46% of full year forecast, 2H will be even stronger.
PATMI - reported	36.5	24.5	48.9	
EPS - core	8.8	5.9		
EBIT margin	12.9	14.3		
PBT margin	12.3	13.7		

Mitrajaya, HLIB

**Figure #3 SOP based valuation for Mitrajaya**

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid CY16 earnings	88	12	1,060	12x P/E target
Net land value	739	50%	370	50% discount to market value less debt
Cash from warrants conversion			131	Full exercise of Warrants C&D
<b>SOP Value</b>			<b>1,561</b>	
Fully diluted share base (mil)			534	
<b>Target price (RM/ share)</b>			<b>2.92</b>	

HLIB estimates

## Financial Projections for Mitrajaya Holdings

### Balance Sheet

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Cash	19	24	25	19	48
Receivables	130	204	271	326	343
Inventories	125	94	169	208	220
PPE	38	41	41	40	39
Others	249	277	312	343	367
<b>Assets</b>	<b>560</b>	<b>640</b>	<b>817</b>	<b>936</b>	<b>1,018</b>
	-	-	-	-	-
Debts	82	102	100	97	95
Payables	124	136	264	323	341
Others	4	6	6	6	6
<b>Liabilities</b>	<b>209</b>	<b>245</b>	<b>370</b>	<b>426</b>	<b>442</b>
	-	-	-	-	-
Shareholder's equity	350	394	447	509	576
Minority interest	1	1	1	1	1
<b>Equity</b>	<b>351</b>	<b>395</b>	<b>447</b>	<b>510</b>	<b>577</b>

### Cash Flow Statement

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Profit before taxation	36	72	108	130	138
Depreciation & amortisation	10	10	10	11	11
Changes in working capital	31	(23)	(15)	(35)	(11)
Taxation	(12)	(19)	(28)	(34)	(36)
Others	(43)	(32)	(43)	(37)	(26)
<b>CFO</b>	<b>23</b>	<b>7</b>	<b>33</b>	<b>35</b>	<b>76</b>
Net capex	(8)	(11)	(10)	(10)	(10)
Others	13	6	-	-	-
<b>CFI</b>	<b>5</b>	<b>(4)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
Changes in borrowings	1	20	(2)	(3)	(3)
Issuance of shares	(0)	(0)	-	-	-
Dividends paid	(8)	(8)	(21)	(28)	(34)
Others	(19)	2	-	-	-
<b>CFF</b>	<b>(26)</b>	<b>14</b>	<b>(23)</b>	<b>(31)</b>	<b>(36)</b>
<b>Net cash flow</b>	<b>2</b>	<b>17</b>	<b>1</b>	<b>(6)</b>	<b>29</b>
Forex	(0)	(0)	-	-	-
Others	14	(12)	-	-	-
Beginning cash	3	19	24	25	19
Ending cash	19	24	25	19	48

### Income Statement

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
<b>Revenue</b>	<b>338</b>	<b>520</b>	<b>764</b>	<b>931</b>	<b>984</b>
EBITDA	49	86	122	145	153
EBIT	39	76	112	134	142
Finance cost	(3)	(4)	(4)	(4)	(4)
Associates & JV	-	-	-	-	-
<b>Profit before tax</b>	<b>36</b>	<b>72</b>	<b>108</b>	<b>130</b>	<b>138</b>
Tax	(12)	(19)	(28)	(34)	(36)
<b>Net profit</b>	<b>24</b>	<b>53</b>	<b>80</b>	<b>96</b>	<b>102</b>
Minority interest	1	0	-	-	-
<b>PATMI (core)</b>	<b>25</b>	<b>54</b>	<b>80</b>	<b>96</b>	<b>102</b>
Exceptionals	4	-	-	-	-
<b>PATMI (reported)</b>	<b>29</b>	<b>54</b>	<b>80</b>	<b>96</b>	<b>102</b>

### Valuation & Ratios

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Core EPS (sen)	6.1	13.0	19.3	23.3	24.7
P/E (x)	29.1	13.6	9.1	7.6	7.1
EV/EBITDA (x)	16.9	9.8	6.8	5.8	5.5
DPS (sen)	1.9	5.0	6.8	8.1	8.6
Dividend yield	1.1%	2.8%	3.8%	4.6%	4.9%
BVPS (RM)	0.84	0.95	1.08	1.23	1.39
P/B (x)	2.1	1.8	1.6	1.4	1.3
EBITDA margin	14.6%	16.5%	16.0%	15.6%	15.5%
EBIT margin	11.7%	14.6%	14.7%	14.4%	14.4%
PBT margin	10.7%	13.9%	14.2%	14.0%	14.1%
Net margin	7.4%	10.3%	10.5%	10.4%	10.4%
ROE	7.4%	14.5%	19.1%	20.2%	18.9%
ROA	4.5%	9.0%	11.0%	11.0%	10.5%
Net gearing	17.9%	19.8%	16.9%	15.4%	8.1%

### Assumptions

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Contracts secured	501	1,136	500	500	500

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<b>BUY</b>	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
<b>TRADING BUY</b>	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
<b>HOLD</b>	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
<b>TRADING SELL</b>	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
<b>SELL</b>	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
<b>NOT RATED</b>	No research coverage and report is intended purely for informational purposes.

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<b>NEUTRAL</b>	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
<b>UNDERWEIGHT</b>	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.