

# Mitrajaya Holdings Bhd

## Bagged RM52m Infrastructure Contract

By the Kenanga Research Team | [research@kenanga.com.my](mailto:research@kenanga.com.my)

- News**
- Last Friday, MITRA announced that it has secured a RM52.2m main infrastructure contract at Pahang Technology Park in Gambang, Pahang from the East Coast Economic Region Development Council (ECERDC) Package 1B – 1<sup>st</sup> Level Infraworks.
  - The infrastructure work spanning 78 weeks is expected to be completed by April 2017, covering arterial road, drainage, sewerage, water supply system, external electrical, external telecommunication and landscaping.

- Comments**
- We are NEUTRAL on this contract as it is within our FY15E orderbook replenishments assumption of RM700m. As of YTD, MITRA has secured c.RM282.2m worth of contracts, making up 40.3% of our FY15 new contracts assumption of RM700m. Going forward, we are still expecting more job flows in coming months, given that MITRA's tenderbook is mostly focused in Putrajaya where the group has excellent track records for the past ten years. However, we do not rule out that replenishment could come in slower than expected due to timing differences. Nonetheless, we still believe that our target is still achievable, as the group has a historical track record of securing over RM500m jobs per annum for the past three years.
  - Moreover, our assumption is conservative as compared to management's target, which is still optimistic on achieving a target of RM1.0b by end-FY15, supported by its tenderbook of RM2.0b. Hence, we are keeping our orderbook replenishment assumptions for now, pending further updates from management.
  - Assuming 5% PBT margin, this contract will contribute RM1.2m (1.2% of FY16E earnings) per annum to MITRA's net profit until FY17.

- Outlook**
- We reaffirm our positive view that the construction division should be able to sustain at least for the next three years, driven by government's spending on infrastructure projects and development of affordable housing projects for the next five years under 11MP. Furthermore, the group's current outstanding orderbook of RM1.55b provides visibility for at least two years.
  - While its property division will be driven by its Wangsa 9 project (GDV: RM680m) and upcoming project in Puchong Prima (GDV: RM1.5b) by end-2015, we expect some slowdown in the property segment, given the current drag in property sales. However, we believe this should not impact the group significantly, given that both projects' attractive locations which are adjacent to LRT stations, hence providing convenience and connectivity, are strong selling points.

- Forecast**
- No change to our FY15-16E earnings estimates.

**Rating** **Maintain OUTPERFORM**

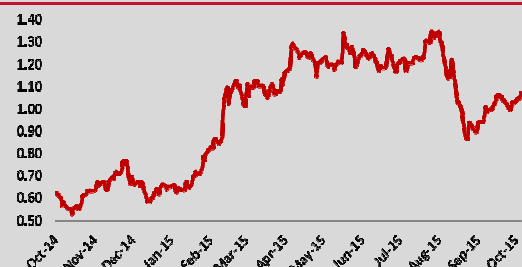
- Valuation**
- Maintain OUTPERFORM with unchanged Target Price of RM1.63. Our TP implies 7.3x Fwd-PER, which falls at the lower end of the small-mid cap contractors' Fwd-PER range of 7-13x. Given that the stock is still trading at single-digit valuation, i.e. FY16E PER of 5.2x, it offers a potential total upside of 42.5%, including dividend yield of 2.2%.

- Risks to Our Call**
- Lower-than-expected margins
  - Delay in construction works
  - Lower-than-expected orderbook replenishment
  - Lower-than-expected property sales

## OUTPERFORM ↔

**Price:** RM1.16  
**Target Price:** RM1.63 ↔

### Share Price Performance



KLCI 1,706.54  
YTD KLCI chg -3.1%  
YTD stock price chg 77.6%

### Stock Information

Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	744.2
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.53
3-mth avg daily vol:	2,905,533
Free Float	55%
Beta	1.5

### Major Shareholders

ENG PIOW TAN	39.8%
EMPLOYEES PROVIDENT	2.7%
KUMPULAN WANG PERSAR	2.6%

### Summary Earnings Table

FY Dec (RM'm)	2014A	2015E	2016E
Turnover	520.2	878.6	1,109.4
EBIT	76.1	109.8	137.6
PBT	72.5	104.4	132.3
<b>Net Profit (NP)</b>	<b>53.8</b>	<b>78.9</b>	<b>99.8</b>
<b>Core net profit</b>	<b>53.8</b>	<b>78.9</b>	<b>99.8</b>
Consensus (NP)	n.a.	93.3	110.3
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	11.9	17.5	22.2
FD EPS (sen)	7.1	10.4	13.2
EPS growth (%)	83%	47%	26%
DPS (sen)	1.0	2.5	3.0
NTA/Share (RM)	0.52	0.60	0.70
Basic PER (x)	9.7	6.6	5.2
FD PER (x)	16.3	11.1	8.8
BVPS (RM)	0.52	0.60	0.70
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	0.9	2.2	2.5

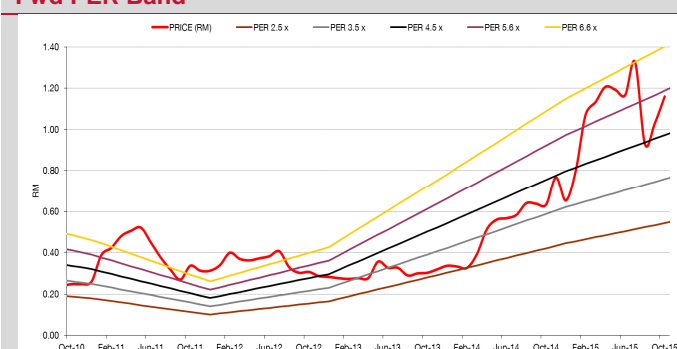
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### Sum-of-parts valuation

Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	748.6
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	32.1
Healthcare (Optimax)	51%	Book Value	2.5
<b>Sub Total</b>			<b>1,105.5</b>
Proceed from warrants (C and D)			126.9
<b>Total</b>			<b>1,232.5</b>
No of FD shares			756.9
<b>SOP/share</b>			<b>1.63</b>
<b>Target Price</b>			<b>1.63</b>
<b>Implied Basic PE (x)</b>			<b>7.3</b>
<b>Implied FD PE (x)</b>			<b>12.3</b>

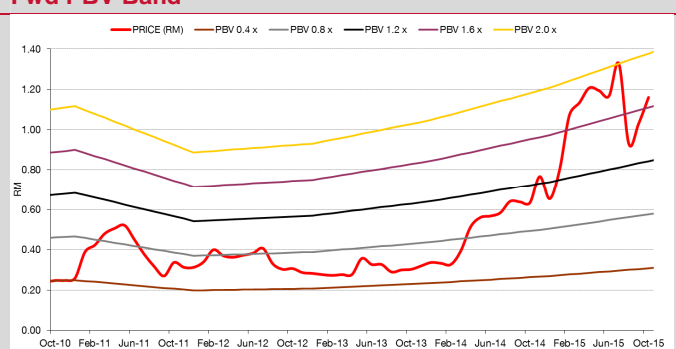
Source: Kenanga Research

### Fwd PER Band



Source: Bloomberg, Kenanga Research

### Fwd PBV Band



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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	250.5	338.4	520.2	878.6	1,109.4	<b>Growth</b>					
EBITDA	38.9	53.7	85.6	118.8	147.1	Turnover (%)	-84%	35%	54%	69%	26%
Depreciation	7.5	10.0	9.5	9.0	9.5	EBITDA (%)	-85%	38%	59%	39%	24%
Operating Profit	31.4	43.7	76.1	109.8	137.6	Operating Profit (%)	-88%	39%	74%	44%	25%
Other Income	4.8	8.5	5.1	0.0	0.0	PBT (%)	-87%	45%	80%	44%	27%
Interest Exp	-3.5	-3.4	-3.6	-5.3	-5.3	Net Profit (%)	-89%	64%	83%	47%	26%
Associate	-0.1	0.0	0.0	0.0	0.0						
Exceptional Items	0.0	1.0	2.0	3.0	4.0	<b>Profitability (%)</b>					
PBT	27.8	40.3	72.5	104.4	132.3	EBITDA Margin	16%	16%	16%	14%	13%
Taxation	-9.0	-11.6	-19.3	-26.1	-33.1	Operating Margin	13%	13%	15%	12%	12%
Minority Interest	1.0	-0.7	-0.6	-0.6	-0.6	PBT Margin	11%	12%	14%	12%	12%
Net Profit	17.9	29.3	53.8	78.9	99.8	Net Margin	7%	9%	10%	9%	9%
Core Net Profit	17.9	29.3	53.8	78.9	99.8	Effective Tax Rate	32%	29%	27%	25%	25%
						ROA	3%	5%	8%	11%	13%
						ROE	5%	8%	14%	17%	19%
<b>Balance Sheet</b>											
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E	<b>DuPont Analysis</b>					
PPE	41.0	37.7	41.4	39.5	40.5	Net Margin (%)	7%	9%	10%	9%	9%
Intangible Assets	3.1	3.2	3.2	3.2	3.2	Assets Turnover (x)	0.5	0.6	0.8	1.3	1.4
Other FA	139.6	133.1	98.4	115.8	107.1	Leverage Factor (x)	1.6	1.6	1.6	1.5	1.5
Inventories	160.4	124.9	93.9	126.4	115.1	ROE (%)	5%	8%	14%	17%	19%
Receivables	120.2	123.2	183.5	201.8	282.6						
Other CA	80.1	137.9	219.4	206.8	244.9	<b>Leverage</b>					
Cash	3.3	19.1	23.9	51.3	72.4	Debt/Asset (x)	0.1	0.1	0.2	0.1	0.1
Total Assets	544.3	560.0	639.9	693.5	793.3	Debt/Equity (x)	0.2	0.2	0.3	0.2	0.2
Payables	119.9	118.8	125.2	122.0	123.6	Net Cash/(Debt)	1.0	0.8	0.8	0.4	0.3
ST Borrowings	55.9	62.5	83.0	72.7	77.9	Net Debt/Equity (x)	0.2	0.2	0.2	0.1	0.0
Other ST Liability	8.2	7.1	16.3	11.7	14.0						
LT Borrowings	24.6	19.1	19.0	19.1	19.1	<b>Valuations</b>					
Other LT Liability	1.4	1.6	1.1	1.3	1.2	Basic EPS (sen)	4.0	6.5	11.9	17.5	22.2
Minorities Int.	1.9	1.3	0.7	1.0	0.9	FD EPS (sen)	2.4	3.9	7.1	10.4	13.2
<b>Net Assets</b>	<b>334.3</b>	<b>350.9</b>	<b>395.2</b>	<b>455.5</b>	<b>532.8</b>	DPS (sen)	2.6	1.0	1.0	2.5	3.0
						NTA (RM)	0.44	0.46	0.52	0.60	0.70
Share Capital	198.8	198.8	198.8	198.8	198.8	Basic PER (x)	29.1	17.8	9.7	6.6	5.2
Reserves	134.4	151.8	196.7	256.7	334.2	FD PER (x)	49.0	30.0	16.3	11.1	8.8
<b>Equity</b>	<b>334.3</b>	<b>350.9</b>	<b>395.2</b>	<b>455.5</b>	<b>532.8</b>	Div. Yield (%)	2.2	0.9	0.9	2.2	2.5
						P/NTA (x)	2.6	2.5	2.2	1.9	1.6
<b>Cashflow Statement</b>						EV/EBITDA (x)	12.5	8.7	5.4	3.7	2.8
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E						
Operating CF	25.1	23.1	7.5	18.6	16.4						
Investing CF	(7.6)	4.8	(4.5)	(2.4)	(0.7)						
Financing CF	(26.4)	(26.3)	14.2	(12.8)	(8.3)						
Change In Cash	(8.8)	1.6	17.2	3.3	7.4						
Free CF	17.5	28.0	3.0	16.2	15.7						

Source: Kenanga Research

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### Peer Comparison

CORE COVERAGE																
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)		
EVERSENDAI CORP BHD	0.82	634.6	19.0	9.9	9.1	2.4	7.0	0.7	33.4	64.0	69.7	91.8	8.9	0.99	Outperform	5.13
GAMUDA BHD	4.68	11259.6	16.4	17.7	15.9	2.6	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-6.59
IJM CORP BHD	3.36	12004.0	24.6	17.5	16.3	4.5	3.7	0.7	488.6	685.0	736.0	40.2	7.4	3.48	Market Perform	2.28
KIMLUN CORP BHD	1.32	396.7	11.7	7.8	7.3	3.0	11.6	0.9	33.8	50.8	54.6	50.2	7.5	1.63	Outperform	10.92
MUHIBBAH ENGINEERING (M) BHD	2.21	1035.6	12.7	12.0	11.6	2.3	8.2	1.0	81.5	86.4	89.5	5.9	3.6	2.72	Outperform	18.18
HOCK SENG LEE BERHAD	1.79	983.6	12.8	12.3	10.9	2.2	11.4	1.4	76.9	80.2	90.1	4.3	12.4	1.79	Market Perform	5.29
NAIM HOLDINGS BERHAD	2.21	523.6	5.3	10.5	8.7	1.8	3.7	0.4	98.3	50.1	60.0	-49.1	19.8	1.81	Under Perform	-25.84
WCT HOLDINGS BHD	1.50	1774.4	14.4	11.9	10.9	3.3	1.1	0.1	122.9	149.1	162.1	21.3	8.7	1.81	Outperform	-0.88
MMC CORP BHD	2.30	7003.6	21.7	21.5	19.9	0.0	4.1	0.9	322.4	325.6	352.6	1.0	8.3	2.91	Outperform	-3.77
MITRAJAYA HOLDINGS BHD	1.16	744.2	16.3	11.1	8.8	2.2	17.0	1.9	53.8	78.9	99.8	46.7	26.5	1.63	Outperform	77.55
<b>Average</b>			15.2	13.0	11.8											
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 GROUP BHD	1.10	592.2	-8.4	-117.7	15.8	1.8	-0.5	0.5	-70.2	-5.0	37.4	-92.8	-843.8	n.a.	Not Rated	-24.14
PROTASCO BHD	1.76	590.6	-12.3	8.2	7.6	6.8	16.6	1.4	-47.9	72.4	78.2	-251.2	8.0	2.25	Trading Buy	23.94
PINTARAS JAYA BHD	3.65	594.1	11.4	11.6	8.8	4.1	n.a.	n.a.	51.9	51.1	67.4	-1.5	31.9	4.78	Trading Buy	-2.14
GABUNGAN AQRS BHD	0.87	339.8	6.4	11.7	6.2	2.2	n.a.	n.a.	52.9	29.1	54.9	-45.0	88.7	n.a.	Not Rated	-29.70
GADANG HOLDINGS BHD	1.42	333.9	5.7	5.4	5.2	2.8	13.0	0.7	58.8	62.0	64.6	5.4	4.2	2.00	Take Profit	5.19
AHMAD ZAKI RESOURCES BERHAD	0.67	323.0	25.4	12.5	9.3	1.5	n.a.	n.a.	12.7	25.9	34.9	103.8	34.7	n.a.	Not Rated	-0.74
TRC SYNERGY BHD	0.38	182.6	51.2	7.9	8.9	3.2	6.9	0.5	3.6	23.2	20.6	550.8	-11.2	n.a.	Not Rated	0.00
BINA PURI HOLDINGS BHD	0.46	100.1	16.3	14.3	8.1	4.3	n.a.	n.a.	6.1	7.0	12.4	14.1	77.1	n.a.	Not Rated	-14.81
<b>Average</b>			12.0	-5.8	8.7											

Source: Kenanga Research

**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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