

Mitrajaya Holdings Bhd

Finally Disposed off Optimax

By the Kenanga Research Team I research@kenanga.com.my; Adrian Ng I adrian.ng@kenanga.com.my

News

- Last Friday, MITRA announced that it has entered into an agreement with Optimax Healthcare Services Sdn Bhd to divest its 51% stake (1.3m ordinary shares of RM1.00) in Optimax for a total cash consideration of
- The proceeds from the proposed divestment will be allocated for working capital purposes and repayment of debts which is expected to be completed by 2Q16.

Comments

- We were not surprised with the proposed Optimax divestment as management had disclosed such intention since April 2015. We are positive with the divestment which could allow the group to focus on their core business i.e. construction.
- To recap, Optimax had always been a non-core business to MITRA, expected to only contributes c.1.1% to its FY15E net profit. The divestment of Optimax will provide MITRA a small gain of RM1.49m in FY16.
- Post divestment, we are expecting its net gearing to inch down to 0.28x (previously 0.29x as of 9M15). While the net gearing is slightly higher than the peers' average of 0.22x, it is still within a comfortable level.

Outlook

- YTD, MITRA has yet to secure any contracts out of their RM1.0b target orderbook for FY16. Nonetheless, the group's current outstanding orderbook of RM1.48b will provide visibility for at least two years.
- Its property division will be driven by its Wangsa 9 project (GDV: RM680m) and upcoming project in Puchong Prima (GDV: RM1.5b). While we expect some slowdown in the property segment, we feel that this should not impact the group significantly. Both projects have strong selling points, being strategically adjacent to LRT stations convenience and connectivity.

Forecast

We reduced our FY16E Core Net Profit by 1.3% to RM97.8m, after excluding Optimax's earnings contribution from our estimates. However, our FY16E Net Profit remains unchanged due to the one-off disposal gains of RM1.49m.

Rating Valuation

Maintain OUTPERFORM

Post divestment, we maintain OUTPERFORM and a Target Price of RM1.63 after including the disposal proceeds of RM5.1m and excluding Optimax from our SoP-based calculations. Our TP implies 11x Fwd. PER, which is inline with small-mid cap contractors' Fwd-PER range of 7-13x. Furthermore, the stock is currently trading at single-digit valuation offering a potential total upside of 48%, 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:

Target Price: RM1.63



KLCI	1,662.46
YTD KLCI chg	-1.8%
YTD stock price chg	-6.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	718.6
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.80
3-mth avg daily vol:	1,288,171
Free Float	55%
Beta	1.5

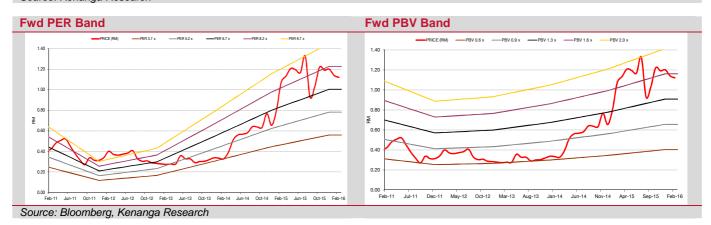
Major Shareholders

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	856.5	1,086.1
EBIT	76.1	111.1	141.2
PBT	72.5	102.4	129.4
Net Profit (NP)	53.8	78.1	99.3
Core net profit	53.8	78.1	97.8
Consensus (NP)	n.a.	79.5	97.9
Earnings Revision	n.a.	n.a.	-1.3%
Basic EPS	8.1	11.8	14.7
FD EPS (sen)	7.1	10.3	12.9
EPS growth (%)	83%	45%	25%
DPS (sen)	1.0	2.5	2.5
NTA/Share (RM)	0.52	0.60	0.71
Basic PER (x)	13.8	9.5	7.6
FD PER (x)	15.8	10.9	8.7
BVPS (RM)	0.52	0.60	0.71
Net Gearing (x)	0.2	0.3	0.3
Dividend Yield (%)	0.9%	2.2%	2.2%

<u>Segment</u>	<u>Stake</u>	<u>Method</u>	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
Sub Total			1,103.0
Proceed from warrants (C and D)			126.9
Proceeds from disposal of Optimax			5.1
Total			1,235.0
No of FD shares			756.9
SOP/share			1.63
Target Price			1.63
Implied Basic PE (x)			7.6
Implied FD PE (x)			8.7



This section is intentionally left blank.

Income Statemen	t					Financial Data & Ra	tios				
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	856.5	1086.1	Growth					
EBITDA	38.9	53.7	85.6	121.5	151.5	Turnover (%)	-84%	35%	54%	65%	27%
Depreciation	-7.5	-10.0	-9.5	-10.4	-10.3	EBITDA (%)	-85%	38%	59%	42%	25%
EBIT	31.4	43.7	76.1	111.1	141.2	Operating Profit (%)	-88%	39%	74%	46%	27%
Net Interest Exp	-3.5	-3.4	-3.6	-8.7	-11.7	PBT (%)	-87%	44%	80%	41%	26%
Investing	0.0	0.0	0.0	0.0	0.0	Net Profit (%)	-89%	55%	83%	45%	27%
Associate/JCE	0.0	0.0	0.0	0.0	0.0	Core Net Income	-89%	55%	83%	45%	25%
Exceptionals/FV	0.0	0.0	0.0	0.0	1.5						
PBT	27.9	40.3	72.5	102.4	129.4	Profitability (%)					
Taxation	-9.0	-11.6	-19.2	-24.8	-30.6	EBITDA Margin	16%	16%	16%	14%	14%
Minority Interest	0.0	-0.7	-0.5	-0.5	-0.5	Operating Margin	13%	13%	15%	13%	13%
Net Profit	19.0	29.3	53.8	78.1	99.3	PBT Margin	11%	12%	14%	12%	12%
Core Net Profit	19.0	29.3	53.8	78.1	97.8	Net Margin	8%	9%	10%	9%	9%
						Effective Tax Rate	-32%	-29%	-26%	-24%	-24%
Balance Sheet						ROA	6%	8%	14%	17%	18%
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E	ROE	3%	5%	8%	9%	10%
PPE	177.5	167.9	137.8	138.1	137.8		0,0	0,0	0,0	0,0	.0,0
Intangible Assets	3.1	3.2	3.2	3.2	3.2	DuPont Analysis					
Other FA	3.2	2.9	1.9	1.9	1.9	Net Margin (%)	7%	9%	10%	9%	9%
Inventories	160.4	124.9	93.9	162.8	208.6	Assets Turnover (x)	0.5	0.6	0.8	1.0	1.1
Receivables	120.2	123.2	183.5	302.1	383.1	Leverage Factor (x)	1.6	1.6	1.6	1.8	1.9
Other CA	76.7	118.8	195.5	196.2	250.7	ROE (%)	5%	8%	14%	17%	19%
Cash	3.3	19.1	23.9	30.0	33.3	NOL (70)	370	070	1 7 70	17 70	1370
Total Assets	544.3	560.0	639.9	834.4	1018.5	Leverage					
Payables	119.9	118.8	125.2	206.2	261.5	Debt/Asset (x)	0.15	0.15	0.16	0.18	0.19
ST Borrowings	55.9	62.5	83.0	116.5	134.7	Debt/Equity (x)	0.13	0.13	0.16	0.18	0.19
Other ST Liability	8.2	7.1	16.3	23.6	28.5		23	3	3	0.55	5
•				32.7		Net Cash/(Debt)					
LT Borrowings	24.6	19.1	19.0		58.1	Net Debt/Equity (x)	0.23	0.18	0.20	0.26	0.30
Other LT Liability Minorities Int.	1.4	1.6	1.1	1.1	1.1	Valuations					
	1.9	1.3	0.7	0.7	0.7		0.0	4.4	0.4	44.0	447
Net Assets	332.4	349.7	394.4	453.5	533.8	Core EPS (sen)	2.9	4.4	8.1	11.8	14.7
01011-1	400.0	400.0	400.0	400.0	400.0	NDPS (sen)	2.6	1.0	1.0	2.5	2.5
Share Capital	198.8	198.8	198.8	198.8	198.8	BV/share (RM)	0.44	0.46	0.52	0.60	0.71
Reserves	133.6	150.9	195.7	254.7	335.1	Core PER (x)	39.2	25.4	13.8	9.5	7.6
Equity	332.4	349.7	394.4	453.5	533.8	Net Div. Yield (%)	2.2%	0.0%	0.9%	2.2%	2.2%
						PBV (x)	2.6	2.4	2.1	1.9	1.6
Cashflow Stateme						EV/EBITDA (x)	19.7	13.9	8.6	6.1	5.1
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E						
Operating CF	25.1	23.1	7.5	-3.2	-0.1						
Investing CF	-7.6	4.8	-4.5	-10.7	-10.0						
Financing CF	-26.4	-26.3	14.2	20.0	13.4						
Change In Cash	-8.8	1.6	17.2	6.1	3.3						
Free CF	17.5	28.0	3.0	-13.9	-10.1						

Peer Comparison

NAME	NAME	Price	Mkt Cap	(,,				t. 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	0.69	530.1	15.9	12.1	8.2	2.9	4.7	0.6	33.4	43.9	64.8	31.4	47.6	0.92	Outperform	-10.46	
GAMUDA BHD	4.56	10970.9	16.0	17.2	15.5	2.6	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-2.15	
IJM CORP BHD	3.42	12239.7	25.1	19.7	18.0	4.4	3.4	0.7	488.6	622.4	680.0	27.4	9.3	3.50	Market Perform	1.18	
KIMLUN CORP BHD	1.49	447.8	13.2	6.8	6.5	2.7	14.9	1.0	33.8	65.5	68.7	93.8	4.8	2.05	Outperform	7.97	
MUHIBBAH ENGINEERING (M) BHD	2.32	1087.8	13.3	12.6	11.7	2.2	8.2	1.0	81.5	86.4	92.9	5.9	7.5	2.79	Outperform	4.98	
HOCK SENG LEE BERHAD	1.95	1071.6	13.9	14.8	12.4	2.1	10.3	1.5	76.9	72.2	86.4	-6.1	19.7	2.03	Market Perform	3.17	
NAIM HOLDINGS BERHAD	2.54	601.8	6.1	18.3	12.6	1.6	2.5	0.5	98.3	32.9	47.6	-66.6	44.8	1.66	Under Perform	3.25	
WCT HOLDINGS BHD	1.64	1956.3	15.9	49.8	22.4	3.0	1.9	1.0	122.9	39.3	87.4	-68.0	122.4	1.51	Market Perform	1.86	
MMC CORP BHD	1.72	5237.5	16.2	15.6	16.1	0.0	4.2	0.7	322.4	334.7	325.6	3.8	-2.7	2.86	Outperform	-12.24	
MITRAJAYA HOLDINGS BHD	1.12	718.6	13.4	9.1	7.3	2.2	17.3	1.6	53.8	78.9	97.8	46.7	24.0	1.63	Outperform	-6.67	
Average			14.9	17.6	13.1												

NOT RATED/ON OUR RADAR

NAME	Price Mkt Cap		ı	PER (x)		Est. Div. Yld.	Est. ROE	P/BV	Net i	Profit (RI	Mm)	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	1.20	646.1	-9.2	387.6	17.3	1.8	0.2	0.6	-70.2	1.7	37.4	-102.4	2145.5	n.a.	Not Rated	1.69
PROTASCO BHD	1.42	477.0	-10.0	6.0	5.9	7.0	n.a.	n.a.	-47.9	78.9	81.4	-264.9	3.2	2.25	Trading Buy	-11.80
PINTARAS JAYA BHD	3.46	563.2	10.9	12.7	9.4	4.8	n.a.	n.a.	51.9	44.5	60.0	-14.3	34.8	4.78	Trading Buy	4.85
GABUNGAN AQRS BHD	0.85	330.0	6.2	-30.0	10.8	2.2	n.a.	n.a.	52.9	-11.0	30.5	-120.8	-377.3	n.a.	Not Rated	1.81
GADANG HOLDINGS BHD	2.17	510.2	8.7	6.8	6.4	2.5	17.2	1.2	58.8	74.7	80.2	27.0	7.4	2.00	Take Profit	2.36
AHMAD ZAKI RESOURCES BERHAD	0.57	274.8	21.6	n.a.	n.a.	n.a.	n.a.	n.a.	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-10.24
TRC SYNERGY BHD	0.38	180.2	50.5	7.5	8.7	2.7	7.1	0.5	3.6	23.9	20.6	570.4	-13.8	n.a.	Not Rated	1.35
BINA PURI HOLDINGS BHD	0.42	96.6	15.8	12.1	6.9	4.8	n.a.	n.a.	6.1	8.0	14.0	30.4	75.0	n.a.	Not Rated	-3.49
Average			10.4	66.1	9.9											

Source: Kenanga Research



PP7004/02/2013(031762) Page 4 of 5

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).

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

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

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my

Chan Ken Yew Head of Research

