

Mitrajaya Holdings (BUY↔↔; EPS↔↔)

INDUSTRY: OVERWEIGHT

NEWSBREAK

24 February 2016

Price Target: RM1.95 (↔↔)

Share price: RM1.17

Lands first contract for the year

News

- **Wins public apartment contract.** Mitrajaya announced that it has been awarded a RM157.3m contract from Putrajaya Holdings to build 800 units of public apartments at Precinct 17, Putrajaya under the "Civil Servants Housing Scheme". The job is scheduled for completion in Feb 2019 (i.e. in 3 years' time).

Comments

- **First job win this year.** This contract represents Mitrajaya's first job win for the year. Management previously guided that it has tendered for several affordable housing jobs in Putrajaya. Mitrajaya also has a relatively good working track record with Putrajaya Holdings and has to date, secured over RM1bn worth of jobs from the latter.
- **Orderbook remains healthy.** Including this recent job win coupled with an estimated burn rate of RM240m in 4QFY15, we estimate Mitrajaya's orderbook to currently stand at RM1.5bn. This translates to a healthy 4x cover ratio on FY14 construction revenue. Despite FY15 being a rather soft year for job wins at RM469m (FY14: RM1.1bn), we reckon that the momentum could pick up this year.

Risks

- Lower than expected orderbook replenishment could slow down its earnings growth potential that has been robust over the last 3 years.

Forecasts

- No changes to our forecast as YTD job wins of RM157.3m are within our full year replenishment target of RM500m.
- 4QFY15 results are due this Thursday (25 Feb).

Rating

Maintain BUY, TP: RM1.95

- 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 9.4x and 7.8x FY15-16 P/E.

Valuation

- Our SOP based TP of RM1.95 implies FY15-16 P/E of 15.6x and 13x respectively.

Jeremy Goh, CFA
pwgoh@hlib.hongleong.com.my

(603) 2168 1138

KLCI	1677.3
Expected share price return	66.7%
Expected dividend return	4.5%
Expected total return	71.2%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	642
Market cap (RM m)	751
3-mth avg. volume ('000)	1,356
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	7.3	-8.6	3.8
Relative	4.0	-8.9	12.0

Major shareholders

Tan Eng Piow	40.5%
Employees Provident Fund	2.62%
Hong Leong Asset Management	2.52%

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 (%)		(14)	(13)	0
Core EPS (sen)	8.4	12.5	15.0	16.0
P/E (x)	14.0	9.4	7.8	7.3
Net DPS (sen)	5.0	4.4	5.3	5.6
Net DY (%)	4.3	3.7	4.6	4.8
BV per share	0.61	0.70	0.79	0.90
P/B (x)	1.9	1.7	1.5	1.3
ROE (%)	14.5	19.1	20.2	18.9
Net Gearing (%)	19.8	16.9	15.5	8.2

HLIB

Figure #1 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
SOP Value			1,561	
Fully diluted share base (mil)			801	
Target price (RM/ share)			1.95	

HLIB estimates

Financial Projections for Mitrajaya Holdings**Balance Sheet**

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Cash	19	24	25	18	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
Assets	560	640	817	936	1,018
	-	-	-	-	-
Debts	82	102	100	97	95
Payables	124	136	264	323	341
Others	4	6	6	6	6
Liabilities	209	245	370	426	442
	-	-	-	-	-
Shareholder's equity	350	394	447	509	575
Minority interest	1	1	1	1	1
Equity	351	395	447	509	576

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)
CFO	23	7	33	35	76
Net capex	(8)	(11)	(10)	(10)	(10)
Others	13	6	-	-	-
CFI	5	(4)	(10)	(10)	(10)
Changes in borrowings	1	20	(2)	(3)	(3)
Issuance of shares	(0)	(0)	-	-	-
Dividends paid	(8)	(8)	(32)	(28)	(34)
Others	(19)	2	-	-	-
CFF	(26)	14	(34)	(31)	(37)
Net cash flow	2	17	1	(6)	29
Forex	(0)	(0)	-	-	-
Others	14	(12)	-	-	-
Beginning cash	3	19	24	25	18
Ending cash	19	24	25	18	48

Income Statement

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Revenue	338	520	764	931	984
EBITDA	49	86	122	145	153
EBIT	39	76	112	134	142
Finance cost	(3)	(4)	(4)	(4)	(4)
Associates & JV	-	-	-	-	-
Profit before tax	36	72	108	130	138
Tax	(12)	(19)	(28)	(34)	(36)
Net profit	24	53	80	96	102
Minority interest	1	0	-	-	-
PATMI (core)	25	54	80	96	102
Exceptionals	4	-	-	1	-
PATMI (reported)	29	54	80	98	102

Valuation & Ratios

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Core EPS (sen)	3.9	8.4	12.5	15.0	16.0
P/E (x)	29.9	14.0	9.4	7.8	7.3
EV/EBITDA (x)	17.3	10.0	7.0	5.9	5.6
DPS (sen)	1.2	5.0	4.4	5.3	5.6
Dividend yield	1.1%	4.3%	3.7%	4.6%	4.8%
BVPS (RM)	0.55	0.61	0.70	0.79	0.90
P/B (x)	2.1	1.9	1.7	1.5	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%	15.5%	8.2%

Assumptions

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

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 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur
 Tel 603 2168 1168 / 603 2710 1168
 Fax 603 2161 3880

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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.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.