13 April 2016 | Small Cap Highlight

Mitrajaya Holdings Berhad

Sizeable orderbook with visible replenishment

Non-rated

Fair Value (FV): RM1.56

INVESTMENT HIGHLIGHTS

- **Outstanding orderbook of RM1.81b**
- **Tenderbook of RM2.7b**
- **Pre-qualified for Pan Borneo package worth over RM1.2b**
- **South Africa investment bearing fruit**
- **Fair value of RM1.56 based on FY16F PER of 11x**

Outstanding orderbook of RM1.81b. Its current orderbook stands at RM1.81b that will last for about two years (*refer to table*). The top three projects are: MACC Buildings at Precint 7, Putrajaya (RM308m), 2 building blocks of MK22 condos, Mont Kiara (RM334m) and PJ Midtown building and external works (RM293m). The projects can last until 2018 while the management actively seeks to replenish its orderbook by bidding for new projects.

Potential orderbook replenishment from affordable housing, LRT, MRT and highway projects. Mitrajaya is tendering for projects worth RM2.7b, mainly from buildings at RM2.2b (75% from government-related bodies, 25% private jobs) and infrastructure at RM500m. We understand that the company will be bidding for more infrastructure works going forward and the current tenderbook for this segment is largely made up of jobs given out by Rapid. With the slew of projects such as MRT Sungai Buloh-Serdang-Putrajaya line and LRT extension 3 that connects Bandar Utama to Shah Alam and Klang, we expect small and medium-sized construction players like Mitrajaya to potentially benefit from sub-contracts.

Pre-qualified for the Pan Borneo highway in Sarawak. Mitrajaya will be in the running for a slice of the mega project through the consortium APPL Engineering-Mitrajaya-Emax Synergy. There are 12 other pre-qualified consortia and 8 more packages to be dished out. The next award is expected in June. Note that Mitrajaya's current tender book of RM2.7b has yet to include the Pan Borneo tender. Based on the previous two packages awarded (at RM1.46b and RM1.7b), we expect each package to be worth between RM1.2b and RM1.8b. Based on Mitrajaya's 30%, it could conservatively add RM90m p.a. to its topline over 4 years if the JV were to clinch one of the remaining packages.

RETURN STATS	
Price (12 Apr 2016)	RM1.26
Fair Value	RM1.56
Expected Share Price Return	23.8%
Expected Dividend Yield	4.0%
Expected Total Return	**+27.8%**

STOCK INFO	
KLCI	1,715.00
Bursa / Bloomberg	9571 MHB MK
Board / Sector	Construction
Syariah Compliant	Yes
Issued shares (m)	641.86
Par Value (RM)	0.50
Market cap. (RM'm)	808.75
Price over NA	1.61x
52-wk price Range	RM0.80- RM1.38
Beta (against KLCI)	1.49
3-mth Avg Daily Vol	1.67m
3-mth Avg Daily Value	RM1.99m
Major Shareholders (%)	
Tan Eng Piow	40.44
Employees Provident Fund	2.62
Kumpulan Wang Persaraan	2.51
Aw Eng Soon	1.94

Reaping fruits from South Africa investment. Mitrajaya is the developer of Blue Valley Golf and Country Estate, a 741.3-acre business and residential property development situated around an 18-hole golf course that is ~42km away from Johannesburg. The group has sold 1,100 parcels of residential plot and has another 139 acres or 18.7% of undeveloped land. In 2014, it started to develop houses, which yield higher margins, instead of just selling residential lots. It targets to build 140 houses over the next three years. On top of that, it has another 26.84 acres allocated for the development of a neighbourhood mall, office building, medical centre and high-end serviced apartments. In FY15, the segment made RM39.28m in revenue and RM16.09m in PBT, which are higher by 75%yoy and 106%yoy respectively. The overseas development project contributed 12.9% to the group's FY15 PBT with a margin of 41%. We expect this division to contribute a similar quantum in FY16.

We value the stock at RM1.56 based on FY16F PER of 11x on EPS forecast of 14.15sen. The valuation of 11x is in line with the average PER of small-mid cap construction players. This is also supported by the stable PBT margin the company has displayed over the past few years, which were in the teens, as well as the buoyancy of the construction sector.

INVESTMENT STATISTICS

FYE Dec	FY12	FY13	FY14	FY15	FY16F
Revenue (RM'm)	250.54	338.44	520.21	891.05	918.00
Pretax Profit (RM'm)	27.84	40.30	72.48	124.83	129.74
Net Profit (RM'm)	18.88	28.65	53.29	87.78	90.82
EPS (sen)	4.54	7.43	13.64	13.66	14.15
EPS growth (%)	NA	64%	84%	0.14%	4%
PER (x)	27.73	16.95	9.24	9.22	8.90
Net Dividend (sen)	-	-	2.00	5.00	5.00
Net Dividend (%)	-	-	1.59	3.97	3.97

Source: Company, MIDFR

OUTSTANDING ORDERBOOK

Contract	Client	Original Contract Sum (RM 'm)	Outstanding Orderbook (RM 'm)	Expected Completion Date
MACC Buildings at Precint 7, Putrajaya	Putrajaya Holdings	428	308	3-Jun-17
2 Blocks of Condominium, Symphony Hills, Cyberjaya	UEM Sunrise	277	94	11-Aug-16
Raffles American School, Nusajaya, Johor	Raffles	270	133	18-Jul-16
2 Building blocks of MK22 condos, Mont Kiara	UEM Sunrise	402	334	2-Aug-17
Building Projects	Bank Negara Malaysia	187	38	31-Mar-16
3 Blocks of public apartment (PPA1M)	Putrajaya Homes	230	196	8-Feb-18
Infrastructure works for Pahang Technology Park, Gambang	East Coast Economic Region Development Council	52	52	18-Apr-18
Civil and infrastructure works for Rapid Project (51% JV with SIISB)	PRPC Utilities and Facilities	186	186	19-Jul-18
Apartment "Perumahan Penjawat Awam 1 Malaysia"	Putrajaya Homes	157	157	22-Feb-19
Building and external works	PJ Midtown	293	293	31-May-18
Kelana Jaya and Ampang Line extension projects			19	2016
		TOTAL	**1,810**	

Source: Company

DAILY PRICE CHART

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Source: MIDFR, Company

DISCLOSURES AND DISCLAIMER

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.