

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

NEWSBREAK

28 December 2016

Price Target: RM1.95 (↔)

Share price: RM1.25

Good end to the year

News

- **Bags WCE contract.** Mitrajaya announced that it has been awarded a RM183.4m contract for the West Coast Expressway (WCE) from the SKVE interchange to the KESAS interchange. The job was awarded by the highway's concessionaire, West Coast Expressway SB and is scheduled for completion within 30 months.

Comments

- **Ending the year strong.** With this job in the bag, Mitrajaya's YTD job wins currently stands at RM920m, which has almost doubled from year's sum of RM469m. This is also close to management's full year guidance of RM1bn. We estimate its orderbook balance to now stand at RM1.7bn, translating to a cover ratio of 2.2x on FY15 construction revenue.
- **Ara D'sara job next?** It was recently reported in *The Edge* that Mitrajaya is in the running for a RM400m condo job in Ara Damansara. Mitrajaya is said to have submitted the most competitive bid for the job. Should this materialise, the contract would boost Mitrajaya's orderbook by +24% to RM2bn.

Risks

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

Forecasts

- Mitrajaya's YTD job wins of RM920m has surpassed our full year assumption of RM800m. Nonetheless, we are taking a conservative stance and keep our forecast unchanged for now. We have assumed new job wins of RM1bn p.a. for FY17-18.

Rating

Maintain BUY, TP: RM1.95

- Despite its earnings growing at a CAGR of 69% over the last 3 years, Mitrajaya continues to deliver commendable results. Valuations are undemanding with FY16-17 P/E of 8.4x and 7.7x on back of 3-year projected earnings CAGR of 11%.

Valuation

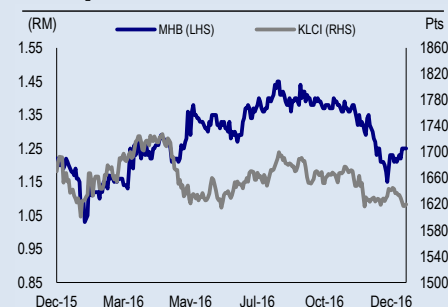
- Our SOP based TP of RM1.95 implies FY16-17 P/E of 13.2x and 12x respectively

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KLCI	1,619.7
Expected share price return	56.0%
Expected dividend return	4.2%
Expected total return	60.2%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	669
Market cap (RM m)	836
3-mth avg. volume ('000)	670
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	0.0	-10.1	2.5
Relative	0.6	-7.6	5.7

Major shareholders

Tan Eng Piow	40.6%
Aw Eng Soon	2.1%
Employees Provident Fund	1.8%

Summary Earnings Table

FYE Dec (RM m)	FY15	FY16E	FY17F	FY18F
Revenue	891	953	1,029	1,081
EBITDA	148	162	175	188
EBIT	130	143	157	170
Profit Before Tax	125	137	150	164
Core PATAMI	87	99	109	119
vs Consensus (%)		26	48	0
Core EPS (sen)	12.9	14.8	16.3	17.8
P/E (x)	9.7	8.4	7.7	7.0
Net DPS (sen)	4.8	5.3	5.7	6.2
Net DY (%)	3.8	4.2	4.6	5.0
BV per share	0.75	0.84	0.95	1.07
P/B (x)	1.7	1.5	1.3	1.2
ROE (%)	19.3	18.6	18.2	17.7
Net Gearing (%)	24.5	16.7	12.0	6.4

HLIB

Figure #1 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid-CY17 earnings	104	10	1,041	10x P/E target
Net land value	638	50%	319	50% discount to market value less debt
Cash from warrants conversion			109	Full exercise of Warrants C&D
SOP Value			1,469	
Fully diluted share base (mil)			753	
Target price (RM/ share)			1.95	

HLIB estimates

Financial Projections for Mitrajaya Holdings**Balance Sheet**

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Cash	24	40	59	74	102
Receivables	204	488	365	409	429
Inventories	94	131	166	179	188
PPE	41	75	76	73	70
Others	277	286	304	323	344
Assets	640	1,021	970	1,058	1,133
Debt	102	162	153	150	148
Payables	136	343	239	258	258
Others	6	13	13	13	13
Liabilities	245	519	405	421	419
Shareholder's equity	394	501	564	635	713
Minority interest	1	1	1	1	1
Equity	395	502	566	636	714

Cash Flow Statement

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Profit before taxation	72	125	137	150	164
Depreciation & amortisation	10	18	19	19	18
Changes in working capital	(30)	(115)	(17)	(37)	(29)
Taxation	(19)	(38)	(38)	(41)	(45)
Others	(25)	25	(21)	(22)	(25)
CFO	7	15	81	68	83
Net capex	(11)	(52)	(20)	(15)	(15)
Others	5	17	-	-	-
CFI	(6)	(35)	(20)	(15)	(15)
Changes in borrowings	20	60	(10)	(2)	(2)
Issuance of shares	(0)	-	-	-	-
Dividends paid	(8)	(21)	(32)	(35)	(38)
Others	2	(29)	-	-	-
CFF	14	10	(42)	(38)	(41)
Net cash flow	16	16	19	15	28
Forex	(0)	(1)	-	-	-
Others	(11)	1	-	-	-
Beginning cash	19	24	40	59	74
Ending cash	24	40	59	74	102

Income Statement

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Revenue	520	891	953	1,029	1,081
EBITDA	86	148	162	175	188
EBIT	76	130	143	157	170
Finance cost	(4)	(5)	(6)	(6)	(6)
Associates & JV	-	0	-	-	-
Profit before tax	72	125	137	150	164
Tax	(19)	(38)	(38)	(41)	(45)
Net profit	53	87	99	109	119
Minority interest	0	(0)	-	-	-
PATMI (core)	54	87	99	109	119
Exceptionals	-	-	1	-	-
PATMI (reported)	54	87	101	109	119

Valuation & Ratios

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Core EPS (sen)	8.0	12.9	14.8	16.3	17.8
P/E (x)	15.6	9.7	8.4	7.7	7.0
EV/EBITDA (x)	12.1	7.0	6.4	5.9	5.5
DPS (sen)	3.2	4.8	5.3	5.7	6.2
Dividend yield	2.6%	3.8%	4.2%	4.6%	5.0%
BVPS (RM)	0.59	0.75	0.84	0.95	1.07
P/B (x)	2.1	1.7	1.5	1.3	1.2
EBITDA margin	16.5%	16.6%	17.0%	17.0%	17.4%
EBIT margin	14.6%	14.6%	15.0%	15.2%	15.8%
PBT margin	13.9%	14.0%	14.4%	14.6%	15.2%
Net margin	10.3%	9.7%	10.4%	10.6%	11.0%
ROE	14.5%	19.3%	18.6%	18.2%	17.7%
ROA	9.0%	10.4%	10.0%	10.8%	10.9%
Net gearing	19.8%	24.5%	16.7%	12.0%	6.4%

Assumptions

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F	FY18F
Contracts secured	1,136	469	800	1,000	1,000

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Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
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Equity rating definitions

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.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
SELL	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
NOT RATED	No research coverage and report is intended purely for informational purposes.

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.