Mitrajaya Holdings (BUY←→; EPS←→)

INDUSTRY: OVERWEIGHT
EARNINGS EVALUATION

28 February 2017
Price Target: RM1.95 (←→)
Share price: RM1.25

Another record year

Results

- Mitrajaya reported 4QFY16 results with revenue coming in at RM252.1m (+0% QoQ, -1% YoY) and core earnings of RM25.2m (-6% QoQ, -1% YoY). This brought full year FY16 earnings to another record year at RM100.2m, increasing +14% YoY.
- Note that the numbers as stated above have been adjusted to remove the impact of a compulsory land acquisition in Johor for the RAPID project. Mitrajaya has received RM19.6m in partial payment (i.e. revenue) and corresponding profits of RM17.6m (i.e. gain on disposal).

Deviation

- FY16 core earnings made up 100% of our full year forecast (104% of consensus) which is within expectations.

Dividends

- Final dividend of 5 sen was declared (unchanged YoY).

Highlights

- **Construction continues to perform.** The construction division continues to deliver satisfactory performance with FY16 revenue and PBT growing by 10% and 11% YoY. Division EBIT margin experienced a slight YoY expansion from 12.9% to 13.4%.
- **A good year for job wins.** Mitrajaya managed to secure RM920m in new job wins for FY16 (FY15: RM469m). This brings its orderbook to RM1.5bn, translating to a cover ratio of 1.8x on FY16 construction revenue. In view of Mitrajaya's much higher revenue base currently, we feel that more job wins may be needed to sustain its earnings growth momentum as witnessed in the past.
- **Property doing well.** After stripping out the compulsory land acquisition, overall property revenue was rather flat YoY at +4% for FY16 but PBT increased by a larger magnitude of +66%. We reckon that the strong YoY jump was due to better margins following the recognition of Wangsa9. PBT for the South African segment grew decently by 9% YoY.

Risks

- Slower than expected orderbook replenishment.

Forecasts

- Our forecast is unchanged as the results were inline.

Rating

Maintain BUY, TP: RM1.95

- Despite its earnings growing at a CAGR of 58% over the last 3 years, Mitrajaya continues to deliver commendable results. We continue to envisage growth, albeit at a slower pace now with CAGR of 10% given its significantly higher earnings base.

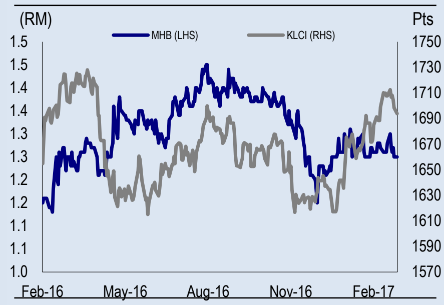
Valuation

- Our unchanged SOP based TP of RM1.95 implies FY17-18 P/E of 12x and 11x respectively.

Jeremy Goh, CFA
pwgoh@hlib.hongleong.com.my
(603) 2168 1138

KLCI	1,693.8
Expected share price return	56.0%
Expected dividend return	4.6%
Expected total return	60.6%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	669
Market cap (RM m)	837
3-mth avg. volume ('000)	920
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	-1.6	3.3	8.7
Relative	-2.9	-1.3	6.2

Major shareholders

Tan Eng Piow	40.6
Soon Aw Eng	2.1

Summary Earnings Table

FYE Dec (RM m)	FY15	FY16	FY17F	FY18F
Revenue	891	945	1,029	1,081
EBITDA	148	170	175	188
EBIT	130	145	157	170
Profit Before Tax	125	138	150	164
Core PATAMI	87	100	109	119
vs Consensus (%)		3	3	32
Core EPS (sen)	12.9	15.0	16.3	17.8
P/E (x)	9.7	8.3	7.7	7.0
Net DPS (sen)	5.0	5.0	5.7	6.2
Net DY (%)	4.0	4.0	4.6	5.0
BV per share	0.75	0.92	0.95	1.07
P/B (x)	1.7	1.4	1.3	1.2
ROE (%)	19.3	17.9	17.4	17.7
Net Gearing (%)	24.5	31.9	12.0	6.4

HLIB

Figure #1 Quarterly results comparison

FYE Dec (RM m)	4QFY15	3QFY16	4QFY16	QoQ	YoY	Comments
Revenue	254.9	251.4	252.1	*0.3*	*(1.1)*	Flattish as older jobs are in full swing while newer ones have yet to contribute.
EBIT	41.8	37.1	42.7	*15.1*	*2.2*	QoQ higher on margin expansion for both construction and property.
Finance cost	(0.6)	(2.6)	(2.1)	*(16.5)*	*240.1*	
Associates	0.1	0.0	(0.2)	*n.m.*	*n.m.*	
PBT	41.2	34.6	40.4	*16.7*	*(2.1)*	
PAT	25.3	27.6	26.1	*(5.3)*	*3.2*	
PATMI - core	25.3	26.9	25.2	*(6.3)*	*(0.6)*	
PATMI - reported	25.3	26.9	42.8	*59.2*	*69.0*	Includes RM17.6m land disposal gain.
EPS - core	3.8	4.0	3.8			
EBIT margin	16.4	14.8	16.9			
PBT margin	16.2	13.8	16.0			

HLIB

Figure #2 Cumulative results comparison

FYE Dec (RM m)	12MFY15	12MFY16	YoY (%)	Comments
Revenue	891.0	944.5	*6.0*	Mainly driven by construction.
EBIT	129.9	145.3	*11.9*	Slight margin expansion for construction.
Finance cost	(5.3)	(7.8)	*47.9*	
Associates & JVs	0.2	0.2	*(4.3)*	
PBT	124.8	137.7	*10.3*	
PAT	87.8	102.1	*16.3*	
PATMI - core	87.7	100.2	*14.3*	Made up 100% of full year forecast.
PATMI - reported	87.7	117.8	*34.4*	Includes RM17.6m land disposal gain.
EPS - core	13.1	15.0		
EBIT margin	14.6	15.4		
PBT margin	14.0	14.6		

HLIB

Figure #3 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

Disclaimer

1. As of 28 February 2017, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:
(a) -.

2. As of 28 February 2017, the analyst, Jeremy Goh, who prepared this report, has interest in the following securities covered in this report:
(a) -.

Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel 603 2168 1168 / 603 2710 1168
Fax 603 2161 3880

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.