

17 April 2017

# Mitrajaya Holdings Bhd

## New Building Job!

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Last Friday, MITRA announced that they have secured a RM273.8m building contract dubbed 'A Centre of Excellence' from STF Resources S/B. We are **NEUTRAL** on the award given that it is within our FY17E replenishment target of RM800m. Maintain FY17-18E earnings forecasts. Reiterate our OP call with an unchanged SoP-derived TP of RM1.49.

**News.** Last Friday, MITRA announced that they have secured a RM273.8m building job known as 'A Centre of Excellence' from STF Resources S/B. The building job is located at Lot 44, Jalan Dato' Onn, Mukim Bandar Kuala Lumpur, Seksyen 51, WP Kuala Lumpur and is slated for completion by April 2019 (24 months from now).

**NEURAL on the award.** We are neutral on MITRA's first win of the year as it is well within our FY17E replenishment target of RM800m – making up 34% of our target with a remainder of RM527m to be achieved. Assuming PBT margins of 11%, we expect this building job to contribute c.RM11.3m to MITRA's bottom-line for the next two years.

**Company outlook.** Currently, MITRA's outstanding order-book stands at c.RM1.8b, providing earnings visibility for another c.1.5 years. For FY17, we had targeted a replenishment of RM800m, below management's target guidance of RM1.0b. For their property arm, sales for their ongoing Wangsa 9 residency project remain sluggish with phase 2 registering only c.45-50% take-up since launch in Nov 2014. That said, Wangsa 9 unbilled sales of c.RM150m will provide visibility for another 1.5 years. Meanwhile, its South Africa division will see unbilled sales of Rand22m (RM7.0m) recognised progressively upon completion of the transfer of ownership in FY17.

**Maintain FY17-18E earnings.** Post award, we maintain our FY17-18E earnings of RM102m and RM99m, respectively.

**Reiterate OP with unchanged TP of RM1.49.** Our SoP-derived TP implies 11.0x FY17E FD PER, which we believe is fair given that is in line with small-mid cap contractors' targeted Fwd. PER range of 9-13x. We note that MITRA's FY17-18E margin of c.10% is the same as our average peers' margins (KERJAYA, KIMLUN, HSL).

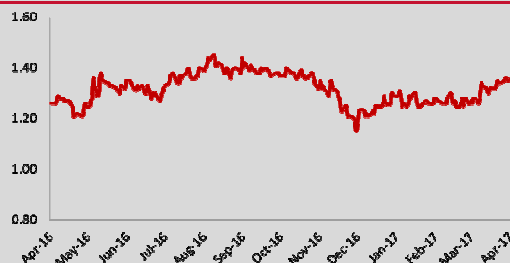
**Risks to our call** include lower-than-expected margins, delay in construction works, lower-than-expected order book replenishment and lower-than-expected property sales.

## OUTPERFORM ↔

Price: **RM1.33**

Target Price: **RM1.49** ↔

### Share Price Performance



KLCI	1,730.99
YTD KLCI chg	5.4%
YTD stock price chg	5.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	890.4
Issued shares	669.4
52-week range (H)	1.47
52-week range (L)	1.15
3-mth avg daily vol:	1,515,665
Free Float	55%
Beta	1.1

### Major Shareholders

Eng Piow Tan	40.6%
Aw Eng Soon	2.1%
Kenanga Unit Trust	1.9%

### Summary Earnings Table

FY Dec (RM'm)	2016A	2017E	2018E
Turnover	964.1	1,024.8	1,000.4
EBIT	162.9	146.6	144.6
PBT	155.3	133.1	129.1
<b>Net Profit (NP)</b>	<b>117.8</b>	<b>102.1</b>	<b>98.6</b>
<b>Core net profit</b>	<b>97.3</b>	<b>102.1</b>	<b>98.6</b>
Consensus (NP)	n.a.	62.9	78.5
Earnings Revision	0%	0%	0%
Basic EPS	14.6	15.3	14.8
FD EPS (sen)	12.9	13.6	13.1
EPS growth (%)	11%	5%	-3%
DPS (sen)	5.0	5.0	5.0
NTA/Share (RM)	0.76	1.08	1.10
Basic PER (x)	9.1	8.7	9.0
FD PER (x)	10.3	9.8	10.2
BVPS (RM)	0.76	1.08	1.10
Net Gearing (x)	0.2	0.1	0.2
Dividend Yield (%)	3.8%	3.8%	3.8%

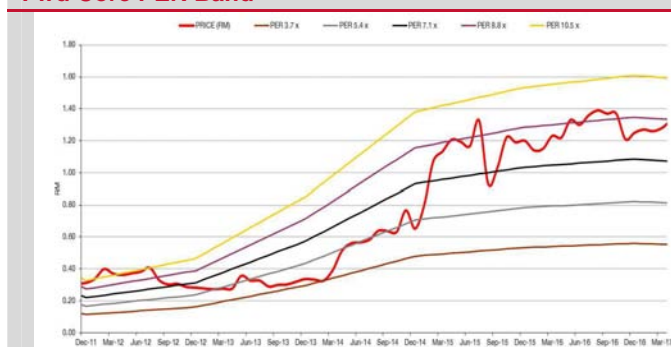
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### Sum-of-parts valuation

<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY17 PE of 12x	869.0
Property Division	100%	FY17 PE of 5x	81.7
South Africa	100%	RNAV 60% discount	45.2
<b>Sub Total</b>			<b>995.9</b>
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
<b>Total</b>			<b>1124.2</b>
No of FD shares			753.5
<b>SOP/Share</b>			<b>1.49</b>
<b>Target Price</b>			<b>1.49</b>
<b>Implied Basic FY17 PER</b>			<b>9.7</b>
<b>Implied FD FY17 PER</b>			<b>11.0</b>

Source: Kenanga Research

### Fwd Core PER Band



### Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Core earnings excludes one-offs including remeasurement gains, impairments/provisions/write-backs, translation FOREX, one-off disposals

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## Peer Comparison

## CORE COVERAGE

NAME	Price (14/4/17)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
EVERSENDAI CORP BHD	0.71	549.5	-3.9	15.1	13.1	0.0	3.6	0.6	-140.3	36.4	41.8	-125.9	14.8	0.42	Underperform	23.48
GAMUDA BHD	5.10	12390.5	19.6	17.3	16.6	2.4	9.8	1.7	626.1	709.5	741.7	13.3	4.5	5.45	Market Perform	6.69
IJM CORP BHD	3.48	12576.9	24.9	22.6	20.3	1.8	5.9	1.3	499.9	549.5	612.0	9.9	11.4	3.51	Market Perform	8.75
KIMLUN CORP BHD	2.22	688.8	8.3	9.6	8.7	2.6	12.1	1.2	82.2	70.7	78.3	-14.0	10.7	2.27	Market Perform	6.73
MUHIBBAH ENGINEERING (M) BHD	2.83	1359.3	15.3	13.3	12.7	1.4	11.2	1.5	87.7	101.5	106.2	15.7	4.6	2.74	Market Perform	26.91
HOCK SENG LEE BERHAD	1.66	912.2	16.2	12.9	11.0	1.6	9.3	1.2	56.4	70.7	83.1	25.4	17.5	1.42	Underperform	3.75
NAIM HOLDINGS BERHAD	1.58	374.4	-18.6	10.0	8.8	2.5	2.8	0.3	-20.1	37.5	42.6	-286.7	13.7	1.38	Underperform	-16.84
WCT HOLDINGS BHD	1.96	2658.1	38.7	22.3	19.9	0.0	5.0	1.1	84.8	146.9	165.3	73.2	12.5	1.58	Underperform	13.29
MITRAJAYA HOLDINGS BHD	1.33	890.4	10.3	9.8	10.2	3.8	16.1	1.6	97.3	102.1	98.6	4.9	-3.4	1.49	Outperform	5.56
SUNWAY CONSTRUCTION GROUP	1.84	2378.9	20.2	16.4	16.2	2.1	25.0	4.1	117.7	145.2	146.9	23.4	1.2	1.77	Market Perform	8.24
KERJAYA PROSPEK GROUP BHD	2.90	1490.3	16.4	13.0	11.2	2.4	15.5	2.0	100.0	125.9	146.3	25.9	16.2	3.10	Outperform	33.64
Average			13.4	14.8	13.5											

## NOT RATED/ON OUR RADAR

NAME	Price	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
MUDAJAYA	1.05	565.3	-2.1	14.7	10.7	2.4	3.3	0.5	-264.9	38.5	52.9	-114.5	37.5	n.a.	Not Rated	15.38
PROTASCO	1.08	458.1	8.4	6.2	6.2	6.5	17.0	1.1	44.4	59.8	60.1	34.8	0.5	1.52	Trading Buy	-4.42
PINTARAS JAYA	3.55	584.8	32.5	13.7	11.4	5.6	12.5	1.7	17.8	42.2	50.6	137.3	19.9	4.20	Trading Buy	0.85
GABUNGAN AQRS	1.22	476.3	21.1	12.4	8.8	0.0	1.1	0.1	22.6	38.5	54.2	70.4	40.9	n.a.	Not Rated	34.81
GADANG HOLDINGS	1.26	822.4	7.7	8.4	8.0	3.1	18.0	1.5	94.2	86.8	90.8	-7.9	4.6	2.44	Not Rated	20.00
AZRB	1.00	482.1	18.6	16.7	n.a.	2.0	n.a.	n.a.	26.0	29.0	n.a.	11.6	n.a.	n.a.	Not Rated	57.48
TRC SYNERGY	0.58	276.3	9.2	8.4	10.5	1.7	8.6	0.7	29.9	32.9	26.3	10.2	-20.1	n.a.	Not Rated	51.32
BINA PURI	0.44	114.7	100.6	7.0	7.0	n.a.	n.a.	n.a.	1.0	14.9	14.9	1328.6	0.0	n.a.	Not Rated	1.15
GKENT	4.05	1520.8	15.0	16.2	14.3	2.1	21.9	3.6	101.4	93.8	106.0	-7.5	13.0	2.80	Trading Buy	33.22
PESONA	0.70	462.9	22.7	12.9	9.4	2.2	23.4	3.0	20.0	35.3	48.5	76.2	37.4	0.485	Take Profit	14.88
Average			26.2	11.2	9.5											

Source: Kenanga Research

**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).

**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 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

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

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