**RM1.33** 

**RM1.49** 

### 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 lower-than-expected works. order book replenishment and lower-than-expected property sales.



OUTPERFORM Price:

**Target Price:** 

#### **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%

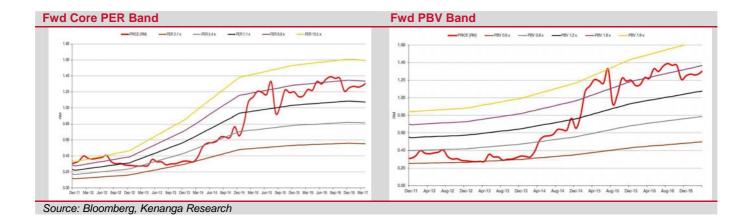
#### Summary Earnings Table

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
Net Profit (NP)	117.8	102.1	98.6
Core net profit	97.3	102.1	98.6
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			
Segment	<u>Stake</u>	Method	Value (RM m)
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
Sub Total			995.9
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			1124.2
No of FD shares			753.5
SOP/Share			1.49
Target Price			1.49
Implied Basic FY17 PER			9.7
Implied FD FY17 PER			11.0



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## Mitrajaya Holdings Bhd

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Income Statement						Financial Data & Ra	atios				
FY Dec (RM m)	2014A	2015A	2016E	2017E	2018E	FY Dec (RM m)	2014A	2015A	2016E	2017E	2018E
Revenue	520	891	964	1025	1000	Growth (%)					
EBITDA	86	149	191	165	163	Revenue	54%	71%	8%	6%	-2%
Depreciation	-10	-18	-18	-19	-19	EBITDA	59%	74%	29%	-14%	-1%
EBIT	76	130	163	147	145	EBIT	74%	71%	25%	-10%	-1%
Net Interest Exp	-4	-5	-12	-14	-16	Pre-tax Income	80%	72%	24%	-14%	-3%
Investing	0	0	0	0	0	Net Income	83%	63%	34%	-13%	-3%
Associate/JCE	0	0	0	0	0	Core Net Income	83%	63%	11%	5%	-3%
Exceptionals/FV	0	0	1	0	0						
PBT	72	125	155	133	129	Profitability (%)					
Taxation	-19	-37	-31	-31	-31	EBITDA Margin	16%	17%	20%	16%	16%
Minority Interest	0	0	2	0	0	EBIT Margin	15%	15%	17%	14%	14%
Net Profit	54	88	118	102	99	PBT Margin	14%	14%	16%	13%	13%
Core Net Profit	54	88	97	102	99	Net Margin	10%	10%	12%	10%	10%
	•		0.			Effective Tax Rate	-26%	-30%	-20%	-24%	-24%
Balance Sheet						ROE	14%	15%	14%	14%	15%
FY Dec (RM m)						ROA	8%	9%	8%	8%	8%
Fixed Assets	138	174	265	266	266		070	070	070	070	070
Intangibles	3	3	200	3	3						
Other FA	2	3	6	2	2	DuPont Analysis					
Inventories	94	131	192	188	230	Net margin (%)	10%	10%	12%	10%	10%
Receivables	183	392	506	512	500	Assets Turnover (x)	0.8	0.9	0.8	0.8	0.8
Other CA	196	274	186	220	231	Leverage Factor (x)	1.6	1.7	2.0	1.8	1.7
Cash	24	40	58	46	50	ROE (%)	14%	15%	19%	15%	13%
Total Assets	640	1017	1215	1238	1281	ROL (70)	1470	1370	1970	1370	1370
TOIAI ASSEIS	040	1017	1215	1230	1201	Leverage					
Dovoblas	105	337	325	247	241	•	0.16	0.16	0.21	0.22	0.20
Payables ST Borrowings	125 83	144	215	247	194	Debt/Asset (x) Debt/Equity (x)	0.16	0.18	0.21	0.22	0.20 0.33
	16		215	215	27		0.20	0.28	0.41		0.33
Other ST Liability	10	19 19	39	57	27 59	Net Debt/(Cash)			0.32	5	
LT Borrowings	19	19	39	57 1	59 1	Net Debt/Equity (x)	0.20	0.21	0.32	0.33	0.27
Other LT Liability	1	1	-2	1	1	Valuationa					
Minority Int.	-	-	-2 617	-	759	Valuations	0.4	10.1	14.0	15.0	110
Net Assets	394	497	017	689	129	Core EPS (sen)	8.1 1.0	13.1 2.5	14.6 5.0	15.3 5.0	14.8 5.0
Chara Carital	400	204	225	225	225	NDPS (sen)					
Share Capital	199	321	335	335	335	BV/share (RM)	0.52	0.66	0.82	0.92	1.01
Reserves	196	265	281	355	425	Core PER (x)	16.5	10.1	9.1	8.7	9.0
S. Equity	394	586	616	690	760	Net Div. Yield (%)	0.8%	1.9%	3.8%	3.8%	3.8%
Opphillow Ctots						PBV (x)	2.5	2.0	1.6	1.5	1.3
Cashflow Statement						EV/EBITDA (x)	10.3	5.8	4.5	10.3	5.8
FY Dec (RM m)	_	45	00	0.1	07						
Operating CF	7	15	36	31	87						
Investing CF	-4	-35	-32	-20	-19						
Financing CF	14	10	13	-23	-64						
Net change in Cash	17	-20	22	-12	4						
Free Cash Flow	3	-19	4	11	68						
Source: Kenanga Re	search										

Source: Kenanga Research 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		PER (x)		Est. Div. Yld.	Est. ROE	P/BV	Net I	Profit (RN	Mm)	1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
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		PER (x)		Est. Div. Yld.	Est. ROE	P/BV	Net	Profit (RI	Mm)	1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
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																



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#### 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 UNDERPERFORM	: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%. : 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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