

Mitrajaya Holdings (UNDER REVIEW; EPS ↔)
INDUSTRY: OVERWEIGHT
NEWSBREAK
8 September 2017
Price Target: UNDER REVIEW (↔)
Share price: RM1.10
Puts 2 more in the bag
News

- **Bags 2 new jobs.** Mitrajaya announced that it has won two contracts to build higher learning institution in KL and affordable homes under Rumah Selangorku scheme for a total amount of RM377m. The two jobs are scheduled to be completed within 3 years (i.e. August 2020).

Comments

- **More jobs pour in.** These contracts are Mitrajaya's 3rd and 4th job wins for the year. This brings YTD job wins to RM811m, close to the level it achieved for the full year FY16 of RM920m. We estimate that this would bring its orderbook balance to RM1.8bn, implying a cover of 2.1x on FY16 construction revenue.
- **Concerns remain on ongoing jobs at RAPID.** While we are positive on these recent job wins, we continue to be concerned in the short term on its cost overruns for its ongoing projects at RAPID. To recap, 1H construction EBIT contracted from 12.9% to 5.2% owing to this cost overrun. We understand that Mitrajaya is currently recording losses on its RAPID jobs. It is estimated that the RAPID jobs make up c.10% of its orderbook.

Risks

- Continued losses for its RAPID projects would be the key risk. Management is in the midst of evaluating its cost structure for these jobs.

Forecasts

- As YTD job wins of RM811m are still within our full year assumption of RM1bn, we leave our earnings forecast unchanged.

Rating
UNDER REVIEW

- We put our rating on Mitrajaya UNDER REVIEW pending our meeting with management next week where we hope to obtain further clarity on the potential earnings drag from its RAPID jobs.

Valuation

- Our previous SOP based TP of RM1.51 implies FY17-18 P/E of 15.6x and 13.2x respectively.

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KLCI	1754.9
Expected share price return	37.3%
Expected dividend return	3.5%
Expected total return	40.8%

Share price

Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	689
Market cap (RM m)	758
3-mth avg. volume ('000)	1,529
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	-19.1	-23.1	-21.4
Relative	-19.2	-23.0	-25.5

Major shareholders

Tan Eng Piow	40.9%
EPF	5.6%

Summary Earnings Table

FYE Dec (RM m)	FY16	FY17E	FY18F	FY19F
Revenue	947	983	1,105	1,146
EBITDA	175	127	145	157
EBIT	150	102	119	132
Profit Before Tax	143	92	108	121
Core PATAMI	101	67	79	88
vs Consensus (%)	-	-	-	-
Core EPS (sen)	14.7	9.7	11.5	12.8
P/E (x)	7.5	11.3	9.6	8.6
Net DPS (sen)	4.9	3.9	4.0	4.5
Net DY (%)	4.5	3.5	3.6	4.1
BV per share	0.90	0.99	1.07	1.15
P/B (x)	1.2	1.1	1.0	1.0
ROE (%)	18.1	10.3	11.2	11.6
Net Gearing (%)	28.6	21.2	20.3	18.6

HLIB

Figure #1 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid-FY18 earnings	73	10	731	10x P/E target
Net land value	638	50%	319	50% discount to market value less debt
Cash from warrants conversion			93	Full exercise of Warrants D
SOP Value			1,143	
Fully diluted share base (mil)			755	
Target price (RM/ share)			1.51	

HLIB estimates

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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.
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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.