Mitrajaya Holdings Bhd

FY17 Within Expectations

OUTPERFORM ↔

Cum/Ex-Price : RM0.915/RM0.810
Cum/Ex-Target Price : RM1.20/RM1.03 ↔

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FY17 CNP of RM70.6m is within our/consensus expectations, accounting for 100%/103% of full-year estimates. A 2.0 sen final dividend declared for FY17 in line with our estimate. Maintain our FY18E CNP while introducing FY19E CNP of RM109m. Reiterate OUTPERFORM with an unchanged SoP-derived TP of RM1.20/1.03.

Within expectations. FY17 CNP of RM70.6m is within our/consensus expectations, accounting for 100%/103% of full-year estimates. A 2.0 sen final dividend was declared for FY17, in line with our 2.0 sen estimate.

Results highlight. FY17 CNP was down 27% **YoY** despite the higher revenue (+21%) due to weaker construction PBT margin of 4% (-8ppt) as; (i) they incurred losses on their RAPID project, and (ii) increased costs for construction materials, i.e. steel and labour. 4Q17 CNP of RM17.3m declined 19% **QoQ** mainly due to weaker revenue (-10%) from their construction, property and South Africa division. We highlight that construction revenue declined by 6% due to major jobs, i.e. MK22 and SPRM having major construction stages completed in 3Q17.

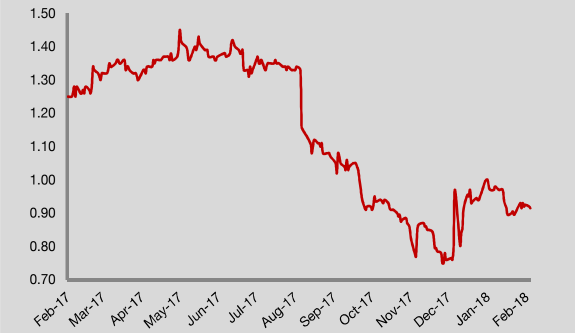
Strong order-book replenishment visibility. Moving forward, we believe MITRA is backed by a strong flow of contracts possibly from: (i) Bank Negara Malaysia (BNM) – given MITRA's close working relationship with BNM which recently acquired a tract of land (22.5ha) from the government for RM2.0b to develop education and training facilities, (ii) OSK's "Ryan and Miho" (GDV of RM756m) condominium project at Section 13 given that MITRA is currently working on OSK's PJ Midtown project (RM293m contract value) which is within the vicinity, (iii) LRT3 station sub-packages, (iv) Rapid infrastructure jobs, and (v) ECRL/HSR project as they favour non-urban viaduct packages over urban viaducts packages, i.e. MRT/LRT3. On the back of the potential contract flows and a stronger balance sheet post rights issuance, we are positive and hence targeted **FY18E replenishment target of RM1.2b.** Currently, outstanding construction order-book stands at RM1.7b providing visibility for 1.5-2.0 years while its property unbilled sales stands at RM180.0m.

Maintain FY18E numbers and introduce FY19E earnings. Post results, there are no changes to FY18E CNP of RM105m while we introduce FY19E CNP of RM109m. Our FY19E CNP is backed by FY19E replenishment target of RM1.2b.

Valuations. Reiterate OUTPERFORM with an unchanged SoP-derived cum/ex TP of RM1.20/RM1.03. We believe our valuation is fair as it implies FY18E PER of 9.0x, in line with our applied target of 8-13x for small-to-mid cap contractors. We like to highlight that MITRA is our 1Q18 top pick and it is currently trading at highly compelling PER* of 6.9x FY18E vs. small-to-mid cap peers which are currently trading at Fwd. PER of 8.4-13.5x.

Key downside risks for our call are: (i) lower-than-expected margins, and (ii) delays in construction works.

Share Price Performance



KLCI	1,871.46
YTD KLCI chg	4.2%
YTD stock price chg	-5.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	630.3
Issued shares	688.9
52-week range (H)	1.46
52-week range (L)	0.74
3-mth avg daily vol:	1,567,857
Free Float	51%
Beta	1.2

Major Shareholders

Eng Piow Tan	40.9%
Employees Provident Fund	6.3%
Aw Eng Soon	2.0%

Summary Earnings Table

FYE Dec (RM m)	2017A	2018E	2019E
Turnover	1,164.2	1,168.4	1,196.2
EBIT	112.5	145.9	152.5
PBT	102.1	137.0	143.5
Net Profit (NP)	**80.5**	**104.9**	**109.1**
Core net profit	**70.6**	**104.9**	**109.1**
Consensus (NP)	68.5	58.7	46.5
Earnings Revision	0%	0%	0%
*Core EPS (sen)	7.9	11.7	12.2
EPS growth (%)	-27%	49%	4%
*DPS (sen)	2.0	2.0	3.0
*NTA/Share (RM)	0.76	0.95	1.15
*Core PER (x)	10.3	6.9	6.6
*BVPS (RM)	0.76	0.95	1.15
*Net Gearing (x)	0.44	0.17	(0.02)
Dividend Yield (%)	2.5%	2.5%	3.7%

**post rights (to be completed in April-18)*

Results Highlight

FYE: Dec (RM'm)	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
Revenue	269.3	299.0	-10%	271.7	-1%	1,164.2	964.1	21%
EBIT	**27.0**	**30.1**	**-10%**	**60.3**	**-55%**	**112.5**	**162.9**	**-31%**
PBT	24.3	27.4	-11%	58.0	-58%	102.1	155.3	-34%
Taxation	-7.9	-6.6	20%	-14.2	-44%	-29.1	-38.4	-24%
Net Profit (NP)	17.3	21.2	-19%	42.8	-60%	80.5	117.8	-32%
Core Net Profit (CNP)	**17.3**	**21.2**	**-19%**	**25.2**	**-31%**	**70.6**	**97.3**	**-27%**
FD EPS (sen)	2.5	3.1	-19%	3.7	-31%	10.2	14.1	-27%
EBIT margin (%)	10%	10%		22%		10%	17%	
PBT margin (%)	9%	9%		21%		9%	16%	
Effective tax rate (%)	33%	24%		25%		29%	25%	
NP margin (%)	6%	7%		16%		7%	12%	
CNP margin (%)	6%	7%		9%		6%	10%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
Revenue								
Construction	234.2	250.2	-6%	224.7	4%	994.2	843.5	18%
Property	30.9	37.0	-16%	35.3	-12%	144.9	89.6	62%
South Africa Investment	4.1	11.7	-65%	11.7	-65%	24.7	31.0	-20%
	269.2	**298.9**		**271.7**		**1,163.8**	**964.1**	
Segmental EBIT								
Construction	13.8	12.3	12%	32.8	-58%	52.4	113.3	-54%
Property	13.1	14.8	-11%	22.6	-42%	52.2	34.5	51%
South Africa Investment	1.7	3.1	-47%	5.4	-70%	8.8	15.2	-42%
Others	0.1	0.8	-92%	2.5	-97%	2.8	9.1	-69%
Eliminations	(1.5)	(0.9)	68%	(3.0)	-49%	-3.7	-9.2	-60%
	27.0	**30.1**		**60.3**		**112.5**	**162.9**	
Segmental PBT								
Construction	11.1	9.8	13%	31.0	-64%	42.8	106.2	-60%
Property	12.4	13.6	-9%	21.1	-41%	48.3	26.6	82%
South Africa Investment	1.6	3.1	-47%	5.4	-70%	8.8	15.1	-42%
Others	-0.5	0.5	-206%	2.5	-120%	1.6	9.0	-83%
Eliminations	-0.6	0.3	-302%	-1.8	-69%	0.3	-1.9	-115%
	24.1	**27.4**		**58.2**		**101.7**	**155.1**	
EBIT margin								
Construction	6%	5%		15%		5%	13%	
Property	42%	40%		64%		36%	39%	
South Africa Investment	40%	27%		46%		36%	49%	
Total	**10%**	**10%**		**22%**		**10%**	**17%**	
PBT margin								
Construction	5%	4%		14%		4%	13%	
Property	40%	37%		60%		33%	30%	
South Africa Investment	40%	27%		46%		35%	49%	
Total	**9%**	**9%**		**21%**		**9%**	**16%**	

Source: Company, Kenanga Research

Sum-of-parts valuation

Segment	Stake	Method	Value (RM m)
Construction	100%	FY18 PE of 10x	639.8
Property Division	100%	FY18 PE of 7x	226.9
South Africa	100%	RNAV 60% discount	46.7
Sub Total			**913.3**
Total			**913.3**
No of shares			896
Ex-all SOP/Share			**1.03**
***Ex-all Target Price**			**1.03**
FD FY18 EPS			**11.7**
Implied FD FY18 PER			**9.0**

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE

NAME	Price (27/2/18)	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			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	0.870	679	10.2	9.4	9.7	163%	8%	0.7	68.7	78.4	76.7	14%	-2%	0.740	Underperform	0.6
GAMUDA BHD	5.00	12285	0.2	19.0	15.9	2%	10%	1.6	700.6	741.7	885.9	6%	19%	5.45	Outperform	0.8
IJM CORP BHD	2.90	10522	19.5	22.7	20.4	96%	5%	1.1	539.1	462.9	511.9	-14%	11%	3.35	Outperform	-4.9
KIMLUN CORP BHD	2.15	689	10.8	8.4	7.6	104%	13%	1.1	70.0	81.6	90.3	17%	11%	2.30	Market Perform	-3.2
MUHIBBAH ENGINEERING (M) BHD	3.11	1494	17.0	11.7	11.0	2%	13%	1.5	87.7	127.4	136.5	45%	7%	3.55	Outperform	9.5
HOCK SENG LEE BERHAD	1.64	901	19.3	13.0	11.5	95%	9%	1.1	46.6	69.1	77.9	48%	13%	1.40	Underperform	14.7
WCT HOLDINGS BHD	1.60	2251	25.0	19.5	17.0	111%	5%	0.9	114.4	146.9	168.3	28%	15%	1.90	Outperform	-1.2
MITRAJAYA HOLDINGS BHD^	0.808	630	10.2	6.9	6.6	142%	15%	0.9	70.6	104.9	109.1	49%	4%	0.90	Outperform	-5.7
SUNWAY CONSTRUCTION GROUP	2.40	3101	23.1	17.6	16.1	25%	26%	4.6	134.0	176.0	192.8	31%	10%	2.30	Market Perform	-4.4
KERJAYA PROSPEK GROUP BHD	1.66	2062	16.6	13.5	12.4	49%	38%	2.3	124.5	152.9	166.1	23%	9%	1.55	Underperform	-10.0
GEORGE KENT (MALAYSIA) BHD	4.37	2461	24.3	19.5	17.5	2%	26%	5.1	101.3	126.1	141.0	24%	12%	3.65	Market Perform	24.5
Average			16.0	14.7	13.2											

NOT RATED/ON OUR RADAR

NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			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	0.89	522	-1.8	12.4	9.0	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	-4.8
PROTASCO	1.05	445	8.6	7.6	7.4	6%	14%	1.1	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	0.0
PINTARAS JAYA	3.44	568	31.7	13.4	11.1	6%	13%	1.7	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	-7.5
GABUNGAN AQRS	1.93	890	34.9	21.2	10.1	2%	10%	2.1	22.6	37.2	77.9	65%	109%	1.6	Not Rated	0.0
GADANG HOLDINGS	1.07	706	3.7	4.0	3.8	3%	27%	1.1	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	-3.6
AZRB	0.83	441	14.8	7.0	5.5	n.a.	15%	1.0	27.2	57.4	73	111%	27%	1.35	Trading Buy	-13.1
TRC SYNERGY	0.74	356	11.9	10.8	13.5	3%	8%	0.8	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	17.5
BINA PURI	0.34	91	81.1	5.4	5.4	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	0.0
PESONA	0.41	285	13.4	7.6	5.5	6%	22%	1.7	20	35.3	48.5	77%	37%	0.485	Take Profit	-8.9
JAKS	1.72	851	1.0	12.2	8.8	0%	12%	1.4	736	61.933	85.433	-92%	38%	1.54	Not Rated	15.4
Average			19.9	10.2	8.0											

^Ex-all basis

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

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

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