

**Mitrajaya Holdings (BUY↔; EPS↔)**

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

25 February 2015

Price Target: RM1.97 (↔)

Share price: RM1.67

**4Q results: Finishing inline**

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Results    | <ul style="list-style-type: none"> <li>4QFY14 results came in with revenue of RM135.8m (+10% YoY, -7% QoQ) and PATMI of RM16.1m (+20% YoY, +23% QoQ).</li> <li>For the full year FY14, PATMI came in at RM53.7m, representing a 114% YoY growth on a core basis (i.e. after stripping out RM4.2m disposal gains on non-core assets recorded in 3Q last year).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Deviation  | <ul style="list-style-type: none"> <li>Full year FY14 PATMI was within expectations (i.e. +4.6% above our forecast).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Dividends  | <ul style="list-style-type: none"> <li>5 sen first and final dividend was proposed in relation for the year FY14 (FY13: 2 sen), above our forecast of 3.9 sen.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Highlights | <ul style="list-style-type: none"> <li><b>Construction progressing well.</b> Construction revenue jumped 72% YoY, fuelled by contributions from key jobs such as the LRT stations, MACC Headquarters and Symphony Hills. Construction EBIT margin also expanded YoY from 6.7% to 10.3% as newer jobs, which command higher margins, took a larger contributing share.</li> <li><b>Orderbook at an all-time high.</b> New job wins hit a record high of RM1.1bn in FY14 (FY13: RM501m). Mitrajaya has also started the year well with RM230m in new job wins YTD, hitting 46% of our full year target. Its orderbook currently stands at RM1.9bn, implying a superior 5.1x cover on FY14 construction revenue.</li> <li><b>Softening property sales for 2<sup>nd</sup> Phase.</b> Mitrajaya launched Phase 2 (RM200m) of its Wangsa 9 Residence in Dec and has seen take up rate of only slightly above 10% (as of end Jan). Nonetheless, we are not entirely concerned by this as Phase 1 (RM200m) which was launched in Oct has hit 70-80% take up rate.</li> </ul> |
| Risks      | <ul style="list-style-type: none"> <li>Delays in construction execution and softening property market.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Forecasts  | <ul style="list-style-type: none"> <li>No changes to estimates as the results were inline.</li> <li>We maintain our FY15 and FY16 PATMI forecast of RM77.7m and RM93.3m, translating to 45% and 20% YoY growth respectively.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Rating     | <b>BUY, TP: RM1.97 (↔)</b> <ul style="list-style-type: none"> <li>We continue to highlight Mitrajaya as our top small cap construction pick given its strong earnings visibility backed by its sizable orderbook.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Valuation  | <ul style="list-style-type: none"> <li>Our TP is still based on an unchanged 10x P/E on FY15 earnings. The stock currently trades at 8.5x and 7.1x FY15-16 P/E with dividend yield of 3.5% and 4.3%.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

Low Yee Huap, CFA

[yhlow@hlib.hongleong.com.my](mailto:yhlow@hlib.hongleong.com.my)

(603) 2168 1138

|                             |        |
|-----------------------------|--------|
| KLCI                        | 1818.7 |
| Expected share price return | 18.0%  |
| Expected dividend return    | 3.5%   |
| Expected total return       | 21.5%  |

**Share price**

**Information**

|                          |        |
|--------------------------|--------|
| Bloomberg Ticker         | MHB MK |
| Bursa Code               | 9571   |
| Issued Shares (m)        | 394    |
| Market cap (RM m)        | 658    |
| 3-mth avg. volume ('000) | 3,172  |
| SC Shariah-compliant     | Yes    |

| Price Performance | 1M   | 3M   | 12M   |
|-------------------|------|------|-------|
| Absolute          | 57.5 | 46.5 | 234.0 |
| Relative          | 56.2 | 48.1 | 236.8 |

**Major shareholders**

|                             |       |
|-----------------------------|-------|
| Tan Eng Piow                | 41.1% |
| Hong Leong Asset Management | 3.7%  |
| Soon Aw Eng                 | 2.1%  |

**Summary Earnings Table**

| FYE Dec (RM m)    | FY13 | FY14 | FY15F | FY16F |
|-------------------|------|------|-------|-------|
| Revenue           | 338  | 520  | 862   | 1,022 |
| EBITDA            | 49   | 92   | 123   | 144   |
| EBIT              | 39   | 76   | 112   | 133   |
| Profit Before Tax | 36   | 72   | 108   | 128   |
| Core PATMI        | 25   | 54   | 78    | 93    |
| vs Consensus (%)  | -    | -    | -     | -     |
| Core EPS (sen)    | 6.4  | 13.6 | 19.7  | 23.7  |
| P/E (x)           | 26.2 | 12.2 | 8.5   | 7.1   |
| Net DPS (sen)     | 2.0  | 5.0  | 5.9   | 7.1   |
| Net DY (%)        | 1.2  | 3.0  | 3.5   | 4.3   |
| BV per share      | 0.89 | 1.00 | 1.12  | 1.28  |
| P/B (x)           | 1.9  | 1.7  | 1.5   | 1.3   |
| ROE (%)           | 7.4  | 14.4 | 18.6  | 19.8  |
| Net Gearing (%)   | 17.9 | 19.0 | 16.8  | 20.2  |

HLIB

**Figure #1** Quarterly results comparison

| FYE Dec (RM m)   | 4QFY14 | 4QFY13 | 3QFY14 | YoY  | QoQ   | Comments                                                                              |
|------------------|--------|--------|--------|------|-------|---------------------------------------------------------------------------------------|
| Revenue          | 135.8  | 123.9  | 145.6  | 9.6  | (6.7) | Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo.            |
| EBIT             | 23.7   | 20.2   | 18.1   | 17.1 | 30.9  |                                                                                       |
| Finance cost     | (1.0)  | (0.8)  | (1.1)  | 21.1 | (9.7) | Higher finance cost due to higher ST debt for project financing.                      |
| Associates & JVs | -      | -      | -      |      |       |                                                                                       |
| PBT              | 22.7   | 19.4   | 17.0   | 17.0 | 33.5  |                                                                                       |
| PAT              | 15.9   | 13.1   | 12.9   | 21.4 | 23.3  |                                                                                       |
| PATMI - core     | 16.1   | 13.4   | 13.1   | 19.8 | 22.9  |                                                                                       |
| PATMI - reported | 16.1   | 13.4   | 13.1   | 19.8 | 22.9  |                                                                                       |
| EPS - core       | 4.1    | 3.4    | 3.3    |      |       |                                                                                       |
| EBIT margin      | 17.5   | 16.3   | 12.4   |      |       | Margins higher YoY and QoQ as newer projects with higher margins begin to contribute. |
| PBT margin       | 16.7   | 15.7   | 11.7   |      |       |                                                                                       |

Mitrajaya, HLIB

**Figure #2** Cumulative results comparison

| FYE Dec (RM m)   | 12MFY13 | 12MFY14 | YoY (%) | Comments                                                                   |
|------------------|---------|---------|---------|----------------------------------------------------------------------------|
| Revenue          | 520.2   | 338.4   | 53.7    | Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo. |
| EBIT             | 76.0    | 39.5    | 92.6    | Driven by topline growth and margin expansion.                             |
| Finance cost     | (3.6)   | (3.4)   | 5.9     |                                                                            |
| Associates & JVs | -       | -       |         |                                                                            |
| PBT              | 72.4    | 36.1    | 100.8   |                                                                            |
| PAT              | 53.1    | 24.4    | 117.5   |                                                                            |
| PATMI - core     | 53.7    | 25.1    | 114.2   | Within expectations at 105% of full year forecast                          |
| PATMI - reported | 53.7    | 29.3    | 83.3    | Gain on disposal of Rawang Hospital last year (RM4m).                      |
| EPS - core       | 13.6    | 6.4     |         |                                                                            |
| EBIT margin      | 14.6    | 11.7    |         | Higher as newer and higher margin jobs kick in.                            |
| PBT margin       | 13.9    | 10.7    |         | Higher as newer and higher margin jobs kick in.                            |

Mitrajaya, HLIB

## Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 25 February 2015, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 25 February 2015, the analyst, Low Yee Huap, 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

|                     |                                                                                                                                                              |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>BUY</b>          | Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.             |
| <b>TRADING BUY</b>  | Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity. |
| <b>HOLD</b>         | Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.          |
| <b>TRADING SELL</b> | Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity. |
| <b>SELL</b>         | Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.                                     |
| <b>NOT RATED</b>    | No research coverage and report is intended purely for informational purposes.                                                                               |

## Industry rating definitions

|                    |                                                                                                                              |
|--------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>OVERWEIGHT</b>  | The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.    |
| <b>NEUTRAL</b>     | The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months. |
| <b>UNDERWEIGHT</b> | The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.    |