

Mitrajaya Holdings Bhd

2Q15 Results In-Line

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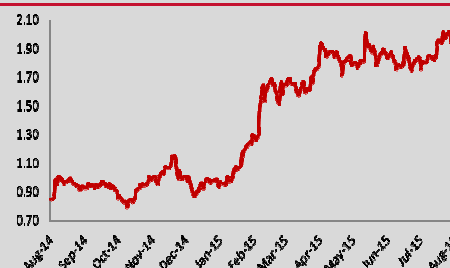
OUTPERFORM ↔

Price: RM1.76

Target Price: RM2.35 ↔

Period	▪ 2Q15/1H15
Actual vs. Expectations	▪ 1H15 core net profit (CNP) of RM36.5m came in within our expectation at 46% but below consensus's expectation at 36%.
Dividends	▪ None as expected.
Key Results Highlights	<ul style="list-style-type: none"> ▪ QoQ, 2Q15 revenue (RM243.2m) and CNP (RM23.1m) jumped by 50.5% and 72.4%, respectively, mainly due to: (i) higher progressive recognition from construction projects secured since 2014 (EBIT margin +1.5% to 12.2%), and (ii) higher contribution from South Africa investment (EBIT margin +5.6% to 40.6%). ▪ YoY, 1H15 CNP rose 48.9% to RM36.5m, mainly attributable to increase in revenue by 69.5% due to higher construction billings. That said, the improvement in earnings is also well supported by the (i) improvement in construction EBIT margin (+0.7% to 11.6%), and (ii) higher EBIT margin from South Africa investment division (+13.1% to 38.2%). Note that construction segment contributes to c.74% of the group's EBIT in 1H15, grew by 110.7% to RM39.7m.
Outlook	<ul style="list-style-type: none"> ▪ We reaffirm our positive view on the group's construction division that the construction division should be able to sustain at least for the next three years, driven by government's spending on infrastructure projects and development of affordable housing projects for the next five years under 11MP. Furthermore, the group's current outstanding orderbook of RM1.75b should also be sustained by the implementation of affordable housing by private developers. ▪ While its property division will be driven by its Wangsa 9 and Puchong Prima project, we expect the property segment to continue to grow, supported by its existing project, Wangsa 9 (GDV: RM680m) as well as upcoming project in Puchong Prima (GDV: RM1.5b). ▪ We also expect stable earnings from South Africa land sales. Going forward, management expects this division to contribute more, at RM10.0-RM15.0m per annum driven by higher value land sales as well as plan to sell residential houses there. Additionally, the division's unbilled sales of ZAR98.6m are expected to be recognised progressively by end-2015.
Change to Forecasts	▪ FY15-16E CNP estimates remain unchanged at RM78.9m-99.8m, respectively.
Rating	Maintain OUTPERFORM
Valuation	▪ Maintain OUTPERFORM with Target Price of RM2.35. Our TP implies 9.4x PER, which is relatively cheaper than that of small-mid cap contractors' Fwd-PER range of 10-14x. Given that the stock is still trading at single-digit valuation, i.e. FY16 PER of 7.0x, this offers potential total upside of 36.4%, including dividend yield of 2.6%.
Risks to Our Call	<ul style="list-style-type: none"> ▪ Lower-than-expected margins ▪ Delay in construction works ▪ Lower-than-expected orderbook replenishment ▪ Lower-than-expected property sales

Share Price Performance



KLCI	1,636.71
YTD KLCI chg	-7.1%
YTD stock price chg	79.6%

Stock Information

Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	729.6
Issued shares	414.5
52-week range (H)	2.08
52-week range (L)	0.79
3-mth avg daily vol:	2,151,465
Free Float	55%
Beta	1.6

Major Shareholders

ENG PIOW TAN	39.8%
EMPLOYEES PROVIDENT	2.7%
KUMPULAN WANG PERSAR	2.6%

Summary Earnings Table

FY Dec (RM'm)	2014A	2015E	2016E
Turnover	520.2	878.6	1,109.4
EBIT	76.1	109.8	137.6
PBT	72.5	104.4	132.3
Net Profit (NP)	53.8	78.9	99.8
Core net profit	53.8	78.9	99.8
Consensus (NP)	n.a.	101.6	118.6
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	13.5	19.9	25.1
*FD1 EPS (sen)	12.1	17.7	22.4
**FD2 EPS (sen)	10.2	15.0	19.0
EPS growth (%)	83.5%	46.8%	26.5%
DPS (sen)	2.0	4.8	5.6
NTA/Share (RM)	0.75	0.87	1.01
Basic PER (x)	13.0	8.9	7.0
*FD1 PER (x)	14.6	9.9	7.9
**FD2 PER (x)	17.2	11.7	9.3
BVPS (RM)	0.75	0.87	1.01
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	1.1	2.7	3.2

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Result Highlight

FYE: Dec (RM'm)	2Q15	1Q15	QoQ	2Q14	YoY	1H15	1H14	YoY
Revenue	243.2	161.6	50.5%	134.7	80.5%	404.8	238.9	69.5%
EBIT	32.5	19.8	-61.7%	19.1	70.0%	52.3	34.2	52.8%
PBT	31.2	18.5	68.7%	18.4	70.0%	49.7	32.7	52.0%
Taxation	-8.4	-4.7	79.2%	-5.0	67.3%	-13.1	-8.4	55.4%
Net Profit (NP)	23.1	13.4	72.4%	13.6	70.1%	36.5	24.5	48.9%
Core Net Profit (CNP)	23.1	13.4	72.4%	13.6	70.1%	36.5	24.5	48.9%
Basic EPS (sen)	5.8	3.4	69.1%	3.5	66.7%	9.2	6.2	47.1%
EBIT margin (%)	0.4%	1.5%		0.6%		12.9%	14.3%	
PBT margin (%)	13%	11%		13.6%		12.3%	13.7%	
Effective tax rate (%)	27%	25%		27.4%		26.4%	25.8%	
NP margin (%)	9%	8%		10.1%		9.0%	10.3%	
CNP margin (%)	9%	8%		10.1%		9.0%	10.3%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	2Q15	1Q15	QoQ	2Q14	YoY	1H15	1H14	YoY
Revenue								
Construction	212.6	129.7	63.9%	101.8	108.9%	342.3	173.1	97.8%
Property	13.1	17.6	-25.4%	24.4	-46.3%	30.7	45.4	-32.5%
South Africa Investment	9.9	7.2	37.8%	1.6	538.3%	17.1	6.6	159.1%
Healthcare	7.6	7.1	7.3%	7.0	9.6%	14.8	13.5	9.2%
Manufacturing & trading	0.0	0.0	n.m.	0.0	n.m.	0.0	0.3	n.m.
Segmental EBIT								
Construction	25.9	13.8	86.9%	11.6	122.5%	39.7	18.8	110.7%
Property	2.3	3.6	-36.8%	5.9	-61.8%	5.9	11.3	-48.1%
South Africa Investment	4.0	2.5	60.1%	0.1	5576.0%	6.5	1.7	295.0%
Healthcare	0.4	1.1	-68.2%	0.4	-9.8%	1.5	0.6	143.0%
Manufacturing & trading	0.0	0.0	n.m.	(0.0)	n.m.	0.0	0.0	n.m.
EBIT margin								
Construction	12.2%	10.7%		11.4%		11.6%	10.9%	
Property	17.3%	20.4%		24.4%		19.1%	24.9%	
South Africa Investment	40.6%	35.0%		4.6%		38.2%	25.1%	
Healthcare	4.7%	15.8%		5.7%		10.0%	4.5%	
Manufacturing & trading	n.m.	n.m.		n.m.		n.m.	n.m.	

Source: Company, Kenanga Research

Sum-of-parts valuation

Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	748.6
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	32.1
Healthcare (Optimax)	51%	Book Value	2.5
Sub Total			1,105.5
Proceed from warrants (C and D)			130.6
Total			1,236.1
No of FD shares			524.9
SOP/share			2.35
Target Price			2.35
Implied Basic PE (x)			9.4
Implied FD PE (x)			10.5

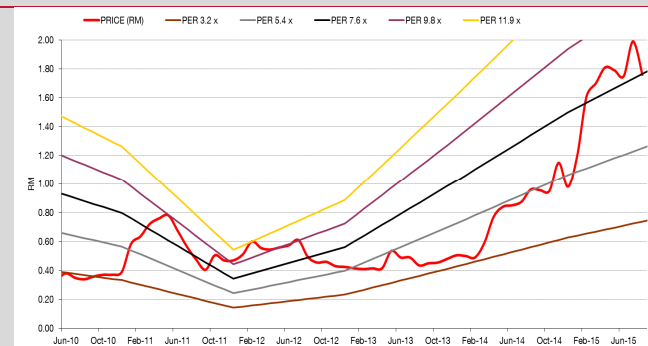
Source: Kenanga Research

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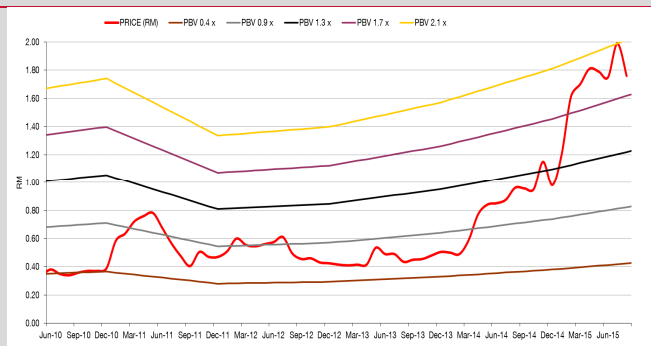
Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	250.5	338.4	520.2	878.6	1,109.4	Growth					
EBITDA	38.9	53.7	85.6	118.8	147.1	Turnover (%)	-84%	35%	54%	69%	26%
Depreciation	7.5	10.0	9.5	9.0	9.5	EBITDA (%)	-85%	38%	59%	39%	24%
Operating Profit	31.4	43.7	76.1	109.8	137.6	Operating Profit (%)	-88%	39%	74%	44%	25%
Other Income	4.8	8.5	5.1	0.0	0.0	PBT (%)	-87%	45%	80%	44%	27%
Interest Exp	-3.5	-3.4	-3.6	-5.3	-5.3	Net Profit (%)	-89%	64%	83%	47%	26%
Associate	-0.1	0.0	0.0	0.0	0.0						
Exceptional Items	0.0	1.0	2.0	3.0	4.0	Profitability (%)					
PBT	27.8	40.3	72.5	104.4	132.3	EBITDA Margin	16%	16%	16%	14%	13%
Taxation	-9.0	-11.6	-19.3	-26.1	-33.1	Operating Margin	13%	13%	15%	12%	12%
Minority Interest	1.0	-0.7	-0.6	-0.6	-0.6	PBT Margin	11%	12%	14%	12%	12%
Net Profit	17.9	29.3	53.8	78.9	99.8	Net Margin	7%	9%	10%	9%	9%
Core Net Profit	17.9	29.3	53.8	78.9	99.8	Effective Tax Rate	32%	29%	27%	25%	25%
						ROA	3%	5%	8%	11%	13%
						ROE	5%	8%	14%	17%	19%
Balance Sheet						DuPont Analysis					
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E	Net Margin (%)	7%	9%	10%	9%	9%
PPE	41.0	37.7	41.4	39.5	40.5	Assets Turnover (x)	0.5	0.6	0.8	1.3	1.4
Intangible Assets	3.1	3.2	3.2	3.2	3.2	Leverage Factor (x)	1.6	1.6	1.6	1.5	1.5
Other FA	139.6	133.1	98.4	115.8	107.1	ROE (%)	5%	8%	14%	17%	19%
Inventories	160.4	124.9	93.9	126.4	115.1						
Receivables	120.2	123.2	183.5	201.8	282.6	Leverage					
Other CA	80.1	137.9	219.4	206.8	244.9	Debt/Asset (x)	0.1	0.1	0.2	0.1	0.1
Cash	3.3	19.1	23.9	51.3	72.4	Debt/Equity (x)	0.2	0.2	0.3	0.2	0.2
Total Assets	544.3	560.0	639.9	693.5	793.3	Net Cash/(Debt)	1.0	0.8	0.8	0.4	0.3
Payables	119.9	118.8	125.2	122.0	123.6	Net Debt/Equity (x)	0.2	0.2	0.2	0.1	0.0
ST Borrowings	55.9	62.5	83.0	72.7	77.9						
Other ST Liability	8.2	7.1	16.3	11.7	14.0	Valuations					
LT Borrowings	24.6	19.1	19.0	19.1	19.1	Basic EPS (sen)	4.5	7.4	13.5	19.9	25.1
Other LT Liability	1.4	1.6	1.1	1.3	1.2	FD1 EPS (sen)	4.0	6.6	12.1	17.7	22.4
Minorities Int.	1.9	1.3	0.7	1.0	0.9	FD2 EPS (sen)	3.4	5.6	10.2	15.0	19.0
Net Assets	334.3	350.9	395.2	455.5	532.8	DPS (sen)	5.0	2.0	2.0	4.8	5.6
						NTA (RM)	0.64	0.67	0.75	0.87	1.01
Share Capital	198.8	198.8	198.8	198.8	198.8	Basic PER (x)	39.0	23.9	13.0	8.9	7.0
Reserves	134.4	151.8	196.7	256.7	334.2	FD1 PER (x)	43.7	26.7	14.6	9.9	7.9
Equity	334.3	350.9	395.2	455.5	532.8	FD2 PER (x)	51.5	31.5	17.2	11.7	9.3
						Div. Yield (%)	2.8	1.1	1.1	2.7	3.2
						BVPS (RM)	0.64	0.67	0.75	0.87	1.01
						P/NTA (x)	2.8	2.6	2.3	2.0	1.7
						EV/EBITDA (x)	18.5	13.0	8.1	5.6	4.4
Cashflow Statement											
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E						
Operating CF	25.1	23.1	7.5	18.6	16.4						
Investing CF	(7.6)	4.8	(4.5)	(2.4)	(0.7)						
Financing CF	(26.4)	(26.3)	14.2	(12.8)	(8.3)						
Change In Cash	(8.8)	1.6	17.2	3.3	7.4						
Free CF	17.5	28.0	3.0	16.2	15.7						

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Peer Comparison

CORE COVERAGE																
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)		
EVERSENDAI CORP BHD	0.87	673.3	20.2	8.9	8.1	2.3	8.2	0.7	33.4	75.5	83.3	126.2	10.4	1.08	Outperform	11.54
GAMUDA BHD	4.38	10537.9	14.8	15.3	15.2	2.7	14.3	2.2	712.3	687.2	694.3	-3.5	1.0	5.05	Market Perform	-12.57
IJM CORP BHD	6.50	11610.1	23.8	16.0	15.1	2.3	7.9	1.3	488.6	726.1	769.7	48.6	6.0	7.00	Market Perform	-1.07
KIMLUN CORP BHD	1.18	354.7	10.5	7.7	7.1	3.4	10.6	0.8	33.8	46.2	49.9	36.6	8.0	1.66	Outperform	-0.84
MUHIKBAH ENGINEERING (M) BHD	2.04	954.7	11.7	11.1	10.7	2.5	8.2	0.9	81.5	86.4	89.5	5.9	3.6	2.88	Outperform	9.09
HOCK SENG LEE BERHAD	1.76	967.2	12.6	10.4	9.5	2.3	13.1	1.4	76.9	93.3	101.9	21.3	9.2	2.18	Outperform	3.53
NAIM HOLDINGS BERHAD	2.17	514.2	5.2	7.3	6.3	1.8	5.2	0.4	98.3	70.5	81.3	-28.3	15.3	2.72	Market Perform	-27.18
WCT HOLDINGS BHD	1.29	1548.6	9.7	10.5	9.7	5.0	6.7	0.7	160.2	147.1	160.1	-8.2	8.8	1.95	Outperform	-15.60
MMC CORP BHD	1.86	5663.8	17.6	17.4	16.1	0.0	4.1	0.7	322.4	325.6	352.6	1.0	8.3	3.33	Outperform	-22.18
MITRAJAYA HOLDINGS BHD	1.76	729.6	13.6	9.2	7.3	2.7	21.9	2.0	53.8	78.9	99.8	46.7	26.5	2.35	Outperform	79.59
Average			14.0	11.4	10.5											
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	1.02	549.2	-7.8	16.4	11.4	2.9	3.1	0.5	-70.2	33.6	48.1	-147.8	43.3	n.a.	Not Rated	-29.66
PROTASCO	1.70	568.4	-11.9	7.9	7.3	6.5	16.7	1.3	-47.9	72.4	78.2	-251.3	8.0	2.25	Trading Buy	19.72
PINTARAS JAYA	3.60	585.9	10.8	11.3	11.5	4.2	n.a.	n.a.	54.2	51.9	51.1	-4.3	-1.5	4.78	Trading Buy	-3.49
GABUNGAN AQRS	0.93	361.5	6.8	5.2	5.2	4.8	n.a.	n.a.	52.9	69.3	69.8	31.1	0.7	n.a.	Not Rated	-25.26
GADANG HOLDINGS	1.39	302.3	5.1	4.9	4.7	2.9	14.0	0.7	58.8	62.0	64.6	5.4	4.2	2.00	Take Profit	2.96
AZRB	0.60	289.2	22.8	11.2	8.3	1.7	n.a.	n.a.	12.7	25.9	34.9	103.8	34.7	n.a.	Not Rated	-11.11
TRC SYNERGY	0.32	151.4	42.5	7.1	5.5	3.5	6.2	0.4	3.6	21.4	27.3	498.9	27.9	n.a.	Not Rated	-17.11
BINA PURI	0.45	97.9	16.0	10.2	4.8	8.9	n.a.	n.a.	6.1	9.6	20.4	56.5	112.5	n.a.	Not Rated	-16.67
Average			10.5	9.3	7.3											

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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Published and printed by:

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