

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

NEWSBREAK

12 October 2015

Price Target: RM1.95 (↔)

Share price: RM1.16

Wins smallish job

News

- **Smallish infra works contract.** Mitrajaya has been awarded a RM52.2m job involving infra works at the Pahang Technology Park in Gambang.
- **Scope of works.** The scope of works involves arterial roads, drainage, sewerage, water supply system, electrical, telecommunication and landscaping which will be scheduled for completion by April 2017 (circa 1.5 years from now).

Comments

- **Orderbook cover remains very healthy.** With this recent smallish job win, we estimate Mitrajaya's orderbook to stand at RM1.8bn. This implies a very healthy orderbook cover ratio of 4.9x, way above its peers average of 2.7x.
- **Job wins moderating this year but...** Following a strong showing in new job wins for the past 3 years (RM430-1,136m), we sense a moderation taking place this year with YTD numbers at RM283m. This forms 57% of our full year orderbook replenishment target of RM500m.
- **...still eyeing for more.** During our previous meet up with management, it shared that it is bidding for building works in the Klang Valley (RM1.5bn) and Putrajaya (RM780m) as well as infra jobs in the Klang Valley (RM200m). It is also preparing another RM300m worth of tenders. Overall, management remained upbeat to further add on to its orderbook by year end.

Risks

- Execution risk on its construction jobs and slow sales for its property developments.

Forecasts

- Our forecast is unchanged as YTD job wins are still within our orderbook replenishment assumption for FY15.

Rating

Maintain BUY, TP: RM1.95

- Mitrajaya remains our top pick amongst the small cap contractors as it offers a compelling case of robust growth prospects (3 year CAGR: 24%) at inexpensive valuations of 9.1x and 7.6x FY15-16 P/E

Valuation

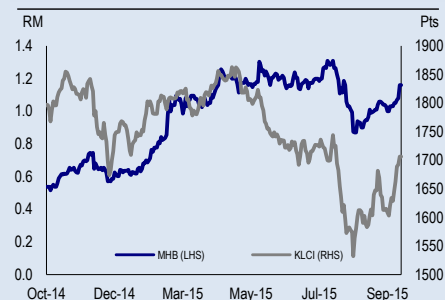
- Our SOP based TP of RM1.95 implies FY15-16 P/E of 15.6x and 13x respectively.

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KLCI	1706.5
Expected share price return	68.1%
Expected dividend return	3.8%
Expected total return	71.9%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	642
Market cap (RM m)	744
3-mth avg. volume ('000)	3,027
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	16.6	-3.9	102.4
Relative	9.6	-3.4	114.5

Major shareholders

Tan Eng Piow	40.4%
Employees Provident Fund	2.6%
KWAP	2.5%

Summary Earnings Table

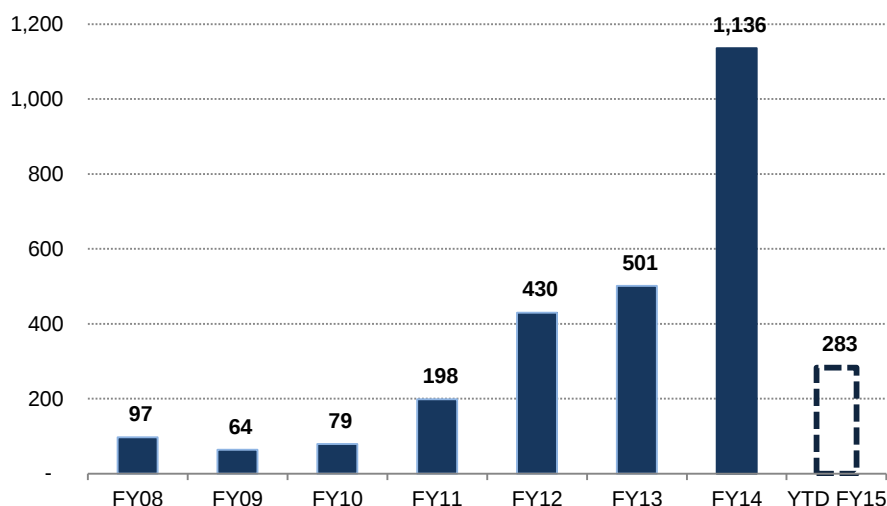
FYE Dec (RM m)	FY14	FY15F	FY16F	FY17F
Revenue	520	764	931	984
EBITDA	86	122	145	153
EBIT	76	112	134	142
Profit Before Tax	72	108	130	138
Core PATAMI	54	80	96	102
vs Consensus (%)		(21)	(19)	0
Core EPS (sen)	8.4	12.5	15.0	16.0
P/E (x)	13.8	9.3	7.7	7.3
Net DPS (sen)	5.0	4.4	5.3	5.6
Net DY (%)	4.3	3.8	4.5	4.8
BV per share	0.61	0.70	0.79	0.90
P/B (x)	1.9	1.7	1.5	1.3
ROE (%)	14.5	19.1	20.2	18.9
Net Gearing (%)	19.8	16.9	15.4	8.1

HLIB

Figure #1 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid CY16 earnings	88	12	1,060	12x P/E target
Net land value	739	50%	370	50% discount to market value less debt
Cash from warrants conversion			131	Full exercise of Warrants C&D
SOP Value			1,561	
Fully diluted share base (mil)			801	
Target price (RM/ share)			1.95	

HLIB estimates

Figure #2 Annual orderbook replenishment (RM m)

HLIB estimates

Figure #3 Peer comparison

Stock	Mkt Cap (RM m)	Price (RM)	Target (RM)	Rating	FYE	P/E		P/B		ROE (T1)	Yield (T1)
						CY15	CY16	T1	T2		
Gamuda	11,260	4.68	5.01	BUY	July	16.1	16.0	1.7	1.6	10.7%	2.5%
IJM	12,004	3.36	3.92	BUY	Mar	21.5	18.1	1.4	1.3	6.8%	1.9%
WCT	1,774	1.50	1.23	SELL	Dec	24.9	14.3	0.8	0.8	3.2%	1.6%
MRCB	2,072	1.16	1.36	BUY	Dec	26.6	17.5	1.0	1.0	3.9%	0.9%
Edgenta	3,010	3.70	4.21	BUY	Dec	12.9	11.8	2.4	2.1	19.2%	3.9%
SunCon	1,564	1.21	1.25	HOLD	Dec	13.6	12.5	4.0	3.3	30.8%	2.6%
Mudajaya	592	1.10	0.99	HOLD	Dec	392.5	12.5	0.5	0.5	0.1%	0.1%
Eversendai	635	0.82	1.10	BUY	Dec	12.2	7.8	0.7	0.6	5.5%	1.6%
Kimlun	397	1.32	1.40	HOLD	Dec	7.8	7.6	0.9	0.8	12.1%	2.6%
Hock Seng Lee	984	1.79	1.75	HOLD	Dec	12.7	12.3	1.5	1.4	12.3%	1.6%
Mitrajaya	744	1.16	1.95	BUY	Dec	9.3	7.7	1.7	1.5	19.1%	3.8%

HLIB estimates

Note: T1 refers to most immediate forecast year, T2 refers to the year after T1

Financial Projections for Mitrajaya Holdings

Balance Sheet

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Cash	19	24	25	19	48
Receivables	130	204	271	326	343
Inventories	125	94	169	208	220
PPE	38	41	41	40	39
Others	249	277	312	343	367
Assets	560	640	817	936	1,018
	-	-	-	-	-
Debts	82	102	100	97	95
Payables	124	136	264	323	341
Others	4	6	6	6	6
Liabilities	209	245	370	426	442
	-	-	-	-	-
Shareholder's equity	350	394	447	509	576
Minority interest	1	1	1	1	1
Equity	351	395	447	510	577

Cash Flow Statement

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Profit before taxation	36	72	108	130	138
Depreciation & amortisation	10	10	10	11	11
Changes in working capital	31	(23)	(15)	(35)	(11)
Taxation	(12)	(19)	(28)	(34)	(36)
Others	(43)	(32)	(43)	(37)	(26)
CFO	23	7	33	35	76
Net capex	(8)	(11)	(10)	(10)	(10)
Others	13	6	-	-	-
CFI	5	(4)	(10)	(10)	(10)
Changes in borrowings	1	20	(2)	(3)	(3)
Issuance of shares	(0)	(0)	-	-	-
Dividends paid	(8)	(8)	(32)	(28)	(34)
Others	(19)	2	-	-	-
CFF	(26)	14	(34)	(31)	(36)
Net cash flow	2	17	1	(6)	29
Forex	(0)	(0)	-	-	-
Others	14	(12)	-	-	-
Beginning cash	3	19	24	25	19
Ending cash	19	24	25	19	48

Income Statement

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Revenue	338	520	764	931	984
EBITDA	49	86	122	145	153
EBIT	39	76	112	134	142
Finance cost	(3)	(4)	(4)	(4)	(4)
Associates & JV	-	-	-	-	-
Profit before tax	36	72	108	130	138
Tax	(12)	(19)	(28)	(34)	(36)
Net profit	24	53	80	96	102
Minority interest	1	0	-	-	-
PATMI (core)	25	54	80	96	102
Exceptionals	4	-	-	-	-
PATMI (reported)	29	54	80	96	102

Valuation & Ratios

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Core EPS (sen)	3.9	8.4	12.5	15.0	16.0
P/E (x)	29.7	13.8	9.3	7.7	7.3
EV/EBITDA (x)	17.2	9.9	7.0	5.9	5.6
DPS (sen)	1.2	5.0	4.4	5.3	5.6
Dividend yield	1.1%	4.3%	3.8%	4.5%	4.8%
BVPS (RM)	0.55	0.61	0.70	0.79	0.90
P/B (x)	2.1	1.9	1.7	1.5	1.3
EBITDA margin	14.6%	16.5%	16.0%	15.6%	15.5%
EBIT margin	11.7%	14.6%	14.7%	14.4%	14.4%
PBT margin	10.7%	13.9%	14.2%	14.0%	14.1%
Net margin	7.4%	10.3%	10.5%	10.4%	10.4%
ROE	7.4%	14.5%	19.1%	20.2%	18.9%
ROA	4.5%	9.0%	11.0%	11.0%	10.5%
Net gearing	17.9%	19.8%	16.9%	15.4%	8.1%

Assumptions

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F	FY17F
Contracts secured	501	1,136	500	500	500

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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.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
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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.