

12 October 2015

Mitrajaya Holdings Bhd

Bagged RM52m Infrastructure Contract

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News

- Last Friday, MITRA announced that it has secured a RM52.2m main infrastructure contract at Pahang Technology Park in Gambang, Pahang from the East Coast Economic Region Development Council (ECERDC) Package 1B – 1st Level Infraworks.
- The infrastructure work spanning 78 weeks is expected to be completed by April 2017, covering arterial road, drainage, sewerage, water supply system, external electrical, external telecommunication and landscaping.

Comments

- We are NEUTRAL on this contract as it is within our FY15E orderbook replenishments assumption of RM700m. As of YTD, MITRA has secured c.RM282.2m worth of contracts, making up 40.3% of our FY15 new contracts assumption of RM700m. Going forward, we are still expecting more job flows in coming months, given that MITRA's tenderbook is mostly focused in Putrajaya where the group has excellent track records for the past ten years. However, we do not rule out that replenishment could come in slower than expected due to timing differences. Nonetheless, we still believe that our target is still achievable, as the group has a historical track record of securing over RM500m jobs per annum for the past three years.
- Moreover, our assumption is conservative as compared to management's target, which is still optimistic on achieving a target of RM1.0b by end-FY15, supported by its tenderbook of RM2.0b. Hence, we are keeping our orderbook replenishment assumptions for now, pending further updates from management.
- Assuming 5% PBT margin, this contract will contribute RM1.2m (1.2% of FY16E earnings) per annum to MITRA's net profit until FY17.

Outlook

- We reaffirm our positive view 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 RM1.55b provides visibility for at least two years.
- While its property division will be driven by its Wangsa 9 project (GDV: RM680m) and upcoming project in Puchong Prima (GDV: RM1.5b) by end-2015, we expect some slowdown in the property segment, given the current drag in property sales. However, we believe this should not impact the group significantly, given that both projects' attractive locations which are adjacent to LRT stations, hence providing convenience and connectivity, are strong selling points.

Forecast

- No change to our FY15-16E earnings estimates.

Rating

Maintain OUTPERFORM

Valuation

- Maintain OUTPERFORM with unchanged Target Price of RM1.63. Our TP implies 7.3x Fwd-PER, which falls at the lower end of the small-mid cap contractors' Fwd-PER range of 7-13x. Given that the stock is still trading at single-digit valuation, i.e. FY16E PER of 5.2x, it offers a potential total upside of 42.5%, including dividend yield of 2.2%.

Risks to Our Call

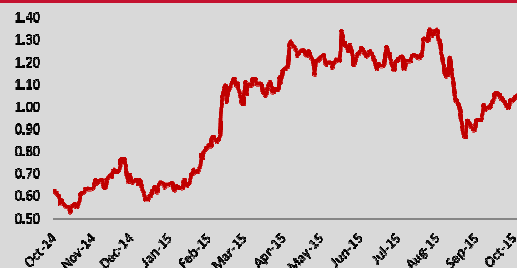
- Lower-than-expected margins
- Delay in construction works
- Lower-than-expected orderbook replenishment
- Lower-than-expected property sales

OUTPERFORM ↔

Price: **RM1.16**

Target Price: **RM1.63** ↔

Share Price Performance



KLCI	1,706.54
YTD KLCI chg	-3.1%
YTD stock price chg	77.6%

Stock Information

Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	744.2
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.53
3-mth avg daily vol:	2,905,533
Free Float	55%
Beta	1.5

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.	93.3	110.3
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	11.9	17.5	22.2
FD EPS (sen)	7.1	10.4	13.2
EPS growth (%)	83%	47%	26%
DPS (sen)	1.0	2.5	3.0
NTA/Share (RM)	0.52	0.60	0.70
Basic PER (x)	9.7	6.6	5.2
FD PER (x)	16.3	11.1	8.8
BVPS (RM)	0.52	0.60	0.70
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	0.9	2.2	2.5



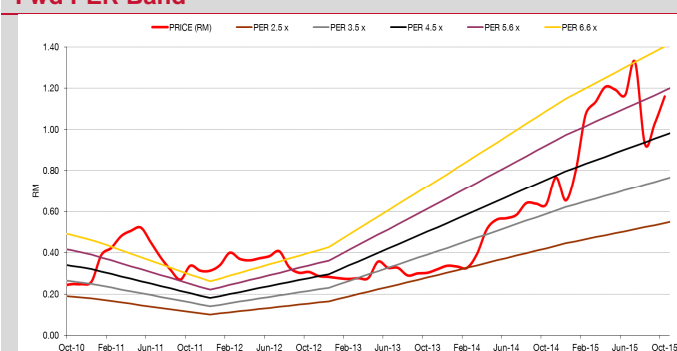
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Sum-of-parts valuation

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)			126.9
Total			1,232.5
No of FD shares			756.9
SOP/share			1.63
Target Price			1.63
Implied Basic PE (x)			7.3
Implied FD PE (x)			12.3

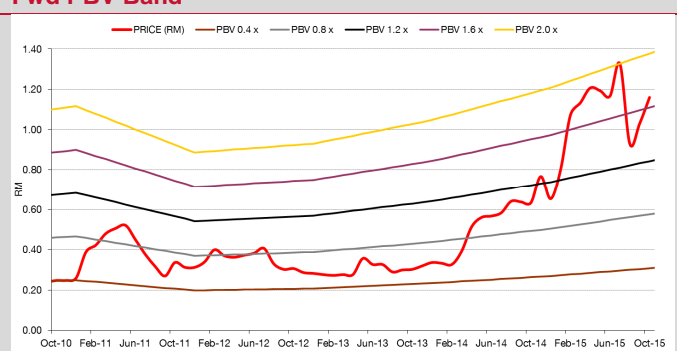
Source: Kenanga Research

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



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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	0.82	634.6	19.0	9.9	9.1	2.4	7.0	0.7	33.4	64.0	69.7	91.8	8.9	0.99	Outperform	5.13
GAMUDA BHD	4.68	11259.6	16.4	17.7	15.9	2.6	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-6.59
IJM CORP BHD	3.36	12004.0	24.6	17.5	16.3	4.5	3.7	0.7	488.6	685.0	736.0	40.2	7.4	3.48	Market Perform	2.28
KIMLUN CORP BHD	1.32	396.7	11.7	7.8	7.3	3.0	11.6	0.9	33.8	50.8	54.6	50.2	7.5	1.63	Outperform	10.92
MUHIBBAH ENGINEERING (M) BHD	2.21	1035.6	12.7	12.0	11.6	2.3	8.2	1.0	81.5	86.4	89.5	5.9	3.6	2.72	Outperform	18.18
HOCK SENG LEE BERHAD	1.79	983.6	12.8	12.3	10.9	2.2	11.4	1.4	76.9	80.2	90.1	4.3	12.4	1.79	Market Perform	5.29
NAIM HOLDINGS BERHAD	2.21	523.6	5.3	10.5	8.7	1.8	3.7	0.4	98.3	50.1	60.0	-49.1	19.8	1.81	Under Perform	-25.84
WCT HOLDINGS BHD	1.50	1774.4	14.4	11.9	10.9	3.3	1.1	0.1	122.9	149.1	162.1	21.3	8.7	1.81	Outperform	-0.88
MMC CORP BHD	2.30	7003.6	21.7	21.5	19.9	0.0	4.1	0.9	322.4	325.6	352.6	1.0	8.3	2.91	Outperform	-3.77
MITRAJAYA HOLDINGS BHD	1.16	744.2	16.3	11.1	8.8	2.2	17.0	1.9	53.8	78.9	99.8	46.7	26.5	1.63	Outperform	77.55
Average			15.2	13.0	11.8											
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 GROUP BHD	1.10	592.2	-8.4	-117.7	15.8	1.8	-0.5	0.5	-70.2	-5.0	37.4	-92.8	-843.8	n.a.	Not Rated	-24.14
PROTASCO BHD	1.76	590.6	-12.3	8.2	7.6	6.8	16.6	1.4	-47.9	72.4	78.2	-251.2	8.0	2.25	Trading Buy	23.94
PINTARAS JAYA BHD	3.65	594.1	11.4	11.6	8.8	4.1	n.a.	n.a.	51.9	51.1	67.4	-1.5	31.9	4.78	Trading Buy	-2.14
GABUNGAN AQRS BHD	0.87	339.8	6.4	11.7	6.2	2.2	n.a.	n.a.	52.9	29.1	54.9	-45.0	88.7	n.a.	Not Rated	-29.70
GADANG HOLDINGS BHD	1.42	333.9	5.7	5.4	5.2	2.8	13.0	0.7	58.8	62.0	64.6	5.4	4.2	2.00	Take Profit	5.19
AHMAD ZAKI RESOURCES BERHAD	0.67	323.0	25.4	12.5	9.3	1.5	n.a.	n.a.	12.7	25.9	34.9	103.8	34.7	n.a.	Not Rated	-0.74
TRC SYNERGY BHD	0.38	182.6	51.2	7.9	8.9	3.2	6.9	0.5	3.6	23.2	20.6	550.8	-11.2	n.a.	Not Rated	0.00
BINA PURI HOLDINGS BHD	0.46	100.1	16.3	14.3	8.1	4.3	n.a.	n.a.	6.1	7.0	12.4	14.1	77.1	n.a.	Not Rated	-14.81
Average			12.0	-5.8	8.7											

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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