Mitrajaya Holdings Bhd

Prospects Remain Intact

OUTPERFORM ↔

Price: RM1.19
Target Price: RM1.63 ↔

By the Kenanga Research Team l research@kenanga.com.my

Recently, we visited MITRA and met up with its management and came away feeling NEUTRAL as there are no major updates from the group. Having said that, we think that the group's prospects remain attractive at this juncture, due to strong outstanding orderbook of RM1.6b with two years of earnings visibility coupled with a sizeable tenderbook of RM4.1b. Post meeting, we maintain our OUTPERFORM recommendation with unchanged TP 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 5.4x, it offers a potential total upside of 38.9%, including dividend yield of 2.1%.

Outstanding orderbook worth RM1.6b. The outstanding orderbook of RM1.6b is contributed by six large projects which is expected to last for next two years i.e. FY16 and FY17 *(refer overleaf).*

Targeting to secure RM1.0b for FY15 and FY16. YTD, MITRA has secured c.RM291m worth of contracts, making up 41.6% of our FY15 new contracts assumption of RM700m. While our FY15E and FY16E target of RM700m each is relatively conservative as compared to management's unchanged target of RM1.0b, they remain optimistic in meeting their target by end 2015 or early 2016. We understand that the remaining RM700m will come from infrastructure works with contract sizes of between RM200m and RM300m. Assuming these contracts materialise by FY15 and MITRA secures up to RM1.0b new contracts, this could offer potential upward revision in our earnings estimates by 6% for FY16.

Sizeable tenderbook of RM4.1b. To date, MITRA has submitted tenderbook amounted to RM4.1b, mainly for building works (RM3.0b) and infrastructure project (RM1.1b). The project types include affordable housing project, LRT3 project (connecting Bandar Utama to Shah Alam and Klang), and infrastructure projects (SUKE, DASH and Pan Borneo Highway). While we were surprised by MITRA's move to venture into Sarawak Pan Borneo Highway project, management guided that they have set up their first subsidiary branch in Kuching, Sarawak as an entry point to touch base with Sarawak construction projects.

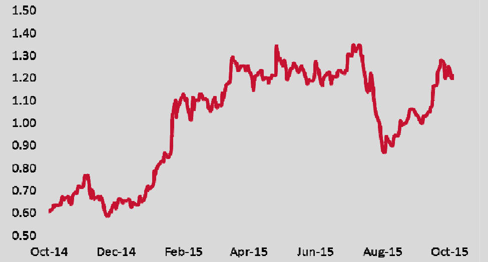
Property market likely to remain uninspiring in FY16. Property sales for MITRA's current projects, 280 Park Homes in Puchong Prima and Wangsa 9 residency softened in FY15, no thanks to the tighter lending policy and hike in property prices. YTD, total unbilled sales is RM198.3m and it is expected to last for the next three years. In view of the current unexciting property market, Phase 3 of Wangsa 9 Residency is targeted to be launched after 1H16. While we believe the property market's outlook is expected to remain lacklustre in FY16, we do not expect the group to be greatly affected, given that its property segment contributed a mere 7.9% of 1H15 PBT, in contrast to its main earnings contributor, construction segment (76% of 1H15 PBT).

Blue Valley Golf and Country Estate in South Africa growth is on track. Among its overseas property launched (Extension 72, 74 and 75), 70% of its launches were sold while the remaining is expected to be fully sold by 2016. The management expects its overseas property division to generate annual profit of RM15m, which is in line with our expectation.

Dividend likely to be maintained at 3.3 sen per share (pre bonus issue: 5.0 sen per share). Historically, the Group has been paying dividend of 1.3 sen per share (pre bonus issue: 2.0 sen per share). Since FY14, MITRA increased its dividend payout to 3.3 sen per share (2.7% dividend yield) which is likely to be maintained for now, which is slightly higher than our forecast of 2.5 sen per share (2.1% dividend yield).

Maintain OUTPERFORM with unchanged TP 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. We like this stock as it provides PBT margin >10%, which is superior compared to small-mid cap peers' average PBT margin of 7.5%. Given that the stock is still trading at single-digit valuation, i.e. FY16E PER of 5.4x, it offers a potential total upside of 38.9%, including dividend yield of 2.1%.

Share Price Performance



KLCI	1,686.51
YTD KLCI chg	-4.2%
YTD stock price chg	82.1%

Stock Information

Shariah Compliant	Y
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	763.5
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.57
3-mth avg daily vol:	3,083,492
Free Float	54%
Beta	1.6

Major Shareholders

ENG PIOW TAN	40.5%
EMPLOYEES PROVIDENT	2.6%
KUMPULAN WANG PERSAR	2.5%

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)	10.0	6.8	5.4
FD PER (x)	16.7	11.4	9.0
BVPS (RM)	0.52	0.60	0.70
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	0.9	2.1	2.5

OTHER POINTS

Outstanding orderbook worth RM1.6b. The outstanding orderbook of RM1.6b is contributed by six large projects and it is expected to last for next two years i.e. FY16 and FY17. Details of the outstanding orderbook are as follows:

Table 1: Outstanding orderbook

Contract	RM'm	Expected Completion Date
2 building blocks of MK22 Condos, Mont Kiara	372	2 Aug 17
MACC Buildings at Precinct 7, Putrajaya	351	3 Mar 17
Raffles American School, Nusajaya, Johor	229	18 Jul 16
3 blocks of Public Apartment (PPA1M)	222	8 Feb 18
2 blocks of condominium, Symphony Hills, Cyberjaya	177	11 Aug 16
Building project	140	31 Mar 16
Infrastructure works for Pahang Technology Park, Gambang	52	18 Apr 17
Kelana Jaya (KLJ) and Ampang (AMG) Line Extension Projects (6 stations)	48	2015
Others	11	2015
Total	**1,602**	

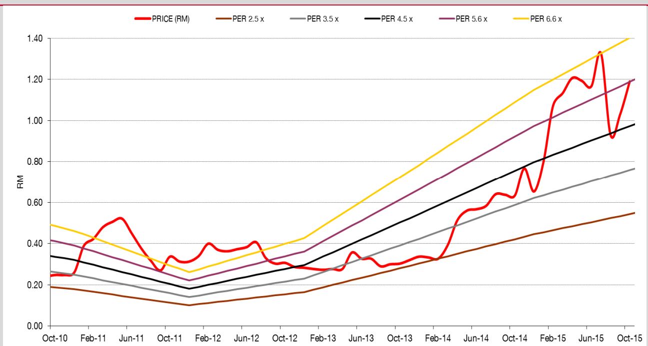
Source: Company

Sum-of-parts valuation

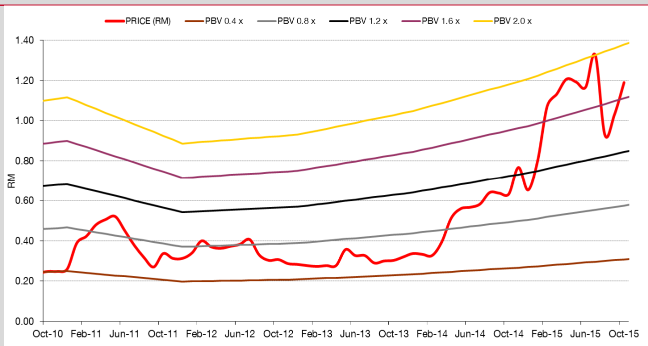
Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	748.6
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	32.1
Healthcare (Optimax)	51%	Book Value	2.5
Sub Total			**1,105.5**
Proceed from warrants (C and D)			126.9
Total			**1,232.5**
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



Fwd PBV Band



Source: Bloomberg, Kenanga Research

Peer Comparison

CORE COVERAGE

NAME	Price (RM)	Mkt Cap (RMm)	PER (x) Actual	PER (x) 1 Yr Fwd	PER (x) 2 Yr Fwd	Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm) Actual	Net Profit (RMm) 1 Yr Fwd	Net Profit (RMm) 2 Yr Fwd	1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
EVERSENDAI CORP BHD	0.79	611.4	18.3	9.5	8.8	2.5	7.0	0.7	33.4	64.0	69.7	91.8	8.9	0.99	Outperform	1.28
GAMUDA BHD	4.55	10946.9	15.9	17.2	15.4	2.6	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-9.18
IJM CORP BHD	3.33	11897.1	24.3	17.4	16.2	4.5	3.7	0.6	488.6	685.0	736.0	40.2	7.4	3.48	Market Perform	1.37
KIMLUN CORP BHD	1.31	393.7	11.6	7.8	7.2	3.1	11.6	0.9	33.8	50.8	54.6	50.2	7.5	1.63	Outperform	10.08
MUHIBBAH ENGINEERING (M) BHD	2.20	1030.9	12.6	11.9	11.5	2.3	8.2	1.0	81.5	86.4	89.5	5.9	3.6	2.72	Outperform	17.65
HOCK SENG LEE BERHAD	1.86	1022.1	13.3	12.7	11.3	2.2	11.4	1.5	76.9	80.2	90.1	4.3	12.4	1.79	Market Perform	9.41
NAIM HOLDINGS BERHAD	2.34	554.4	5.6	11.1	9.2	1.7	3.7	0.4	98.3	50.1	60.0	-49.1	19.8	1.81	Under Perform	-21.48
WCT HOLDINGS BHD	1.38	1647.8	13.4	11.1	10.2	3.6	1.0	0.1	122.9	149.1	162.1	21.3	8.7	1.81	Outperform	-8.81
MMC CORP BHD	2.20	6699.1	20.8	20.6	19.0	0.0	4.1	0.8	322.4	325.6	352.6	1.0	8.3	2.87	Outperform	-7.95
MITRAJAYA HOLDINGS BHD	1.19	763.5	14.2	9.7	7.7	2.1	20.5	2.0	53.8	78.9	99.8	46.7	26.5	1.63	Outperform	82.14
Average			*15.0*	*12.9*	*11.6*											

NOT RATED/ON OUR RADAR

NAME	Price (RM)	Mkt Cap (RMm)	PER (x) Actual	PER (x) 1 Yr Fwd	PER (x) 2 Yr Fwd	Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm) Actual	Net Profit (RMm) 1 Yr Fwd	Net Profit (RMm) 2 Yr Fwd	1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
MUDAJAYA GROUP BHD	1.20	646.1	-9.2	-128.4	17.3	1.7	-0.5	0.6	-70.2	-5.0	37.4	-92.8	-843.8	n.a.	Not Rated	-17.24
PROTASCO BHD	1.74	584.2	-12.2	7.4	7.2	5.7	18.1	1.3	-47.9	78.9	81.4	-264.9	3.2	2.25	Trading Buy	22.54
PINTARAS JAYA BHD	3.61	587.6	11.3	11.5	8.7	4.2	n.a.	n.a.	51.9	51.1	67.4	-1.5	31.9	4.78	Trading Buy	-3.22
GABUNGAN AQRS BHD	0.84	328.0	6.2	11.3	6.0	2.3	n.a.	n.a.	52.9	29.1	54.9	-45.0	88.7	n.a.	Not Rated	-32.13
GADANG HOLDINGS BHD	1.54	362.1	6.2	4.9	5.3	2.6	15.0	0.7	58.8	73.6	68.0	25.2	-7.6	2.00	Take Profit	14.07
AHMAD ZAKI RESOURCES BERHAD	0.64	308.5	24.3	n.a.	n.a.	n.a.	n.a.	n.a.	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-5.19
TRC SYNERGY BHD	0.39	185.0	51.9	8.0	9.0	3.1	6.9	0.6	3.6	23.2	20.6	550.8	-11.2	n.a.	Not Rated	1.32
BINA PURI HOLDINGS BHD	0.47	101.2	16.5	14.5	7.4	4.3	n.a.	n.a.	6.1	7.0	13.7	14.1	95.7	n.a.	Not Rated	-13.89
Average			*10.1*	*-10.1*	*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'sExpected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:A particular sector'sExpected Total Return is LESS than 3% (an approximation tothe 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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