

26 November 2015

Mitrajaya Holdings Bhd

3Q15 Within Our Expectation

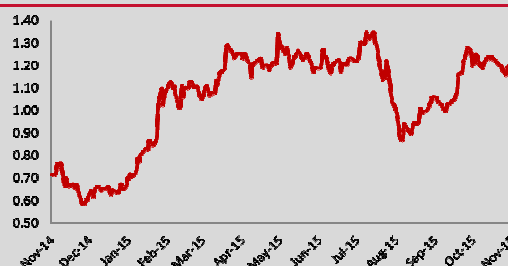
By the Kenanga Research Team | research@kenanga.com.my
OUTPERFORM ↔

Price: RM1.22

Target Price: RM1.63 ↔

Period	<ul style="list-style-type: none"> 3Q15/9M15
Actual vs. Expectations	<ul style="list-style-type: none"> 9M15 core net profit (CNP) of RM62.3m came in within our expectation at 79% of our full-year forecast but below consensus' expectation at only 67%. Aside from results, MITRA also made a separate announcement that it has secured a contract worth RM186.4m with its JV partner Syarikat Ismail Ibrahim Sdn Bhd for the civil, infrastructure works and interconnecting storm water drainage and utilities for RAPID project from PRPC Utilities and Facilities S/B (refer overleaf for details).
Dividends	<ul style="list-style-type: none"> None as expected.
Key Results Highlights	<ul style="list-style-type: none"> QoQ, 3Q15 revenue declined by 4.9% to RM231.3m, mainly due to reconciliation adjustment from Malaysian Accounting Standard (percentage completion method) against South African Accounting Standard (actual revenue recognition method) for the South African investment division. Despite the softer topline, CNP rose 11.8% to RM25.8m, mainly due to: (i) projects with better margin that secured since 2014 (EBIT margin added 2.9ppt to 15.1%), and (ii) lower effective tax rate (-3ppt to 24%). YoY, 9M15 revenue recorded significant jump of 65.5% to RM636.1m, mainly attributable to higher construction billings (+93.7%), although it was partially offset by reduction in property segment's revenue (-37.2%), on lower recognition from existing on-going Wangsa 9 Residency currently at initial construction stage. That said, CNP rose 65.6% to RM62.3m correspondingly, mainly supported by: (i) improvement in construction EBIT margin (+3.5ppt to 12.9%), and (ii) higher EBIT margin from South African investment division (+16.8ppt to 45.8%).
Outlook	<ul style="list-style-type: none"> We reaffirm our positive view that the construction division should be able to spearhead and sustain MITRA's earnings growth momentum in coming years, driven by government 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 RM1.39b provides visibility for at least two years. While its property division will be driven by its Wangsa 9 project (GDV: RM680m), we expect some slowdown in the property segment which is expected to remain lacklustre in FY16. However, we do not expect the group to be greatly affected, given that the property segment contributes <10% of 9M15 PBT, in contrast to its main earnings contributor, the construction segment (>80% of 9M15 PBT).
Change to Forecasts	<ul style="list-style-type: none"> Unchanged.
Rating	Maintain OUTPERFORM
Valuation	<ul style="list-style-type: none"> Maintain OUTPERFORM with an unchanged TP of RM1.63. Our TP implies 10.9x Fwd-PER, which is within the small-mid cap contractors' Fwd-PER range of 7-13x. We like this stock as it provides PBT margin of >10%, which is superior compared to small-mid cap peers' average PBT margin of 9.3%. Given that the stock is still trading at single-digit valuation, i.e. FY16E PER of 8.2x, it offers a potential total upside of 35.5%, including dividend yield of 2.1%.
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	1,684.42
YTD KLCI chg	-4.4%
YTD stock price chg	86.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	782.8
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.57
3-mth avg daily vol:	2,323,250
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	112.2	140.9
PBT	72.5	103.5	129.1
Net Profit (NP)	53.8	78.9	99.1
Core net profit	53.8	78.9	99.1
Consensus (NP)	n.a.	93.3	110.3
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	8.1	11.9	14.9
FD EPS (sen)	7.1	10.4	13.1
EPS growth (%)	83%	47%	26%
DPS (sen)	1.0	2.5	2.5
NTA/Share (RM)	0.52	0.60	0.71
Basic PER (x)	15.1	10.3	8.2
FD PER (x)	17.2	11.7	9.3
BVPS (RM)	0.52	0.60	0.71
Net Gearing (x)	0.2	0.3	0.3
Dividend Yield (%)	0.9%	2.1%	2.1%



26 November 2015

OTHER POINTS

Bags RM186.4m RAPID works. On a separate announcement yesterday, MITRA announced that together with their JV partner Syarikat Ismail Ibrahim Sdn Bhd (SII), they had secured a RAPID job amounting to RM186.4m from PRPC Utilites and Facilities Sdn. Bhd. The contract awarded is for (i) the procurement, construction and commission of civil and infrastructure works at Utilities Area 1 and (ii) Petchem Commons Area for interconnecting, storm water drainage and utilities for RAPID project. The civil and infrastructure work will take up to 32 months while the water drainage project will be completed in 22 months. As this contract is secured by the joint venture between SII and MITRA (49:51), effectively MITRA has replenished its orderbook by another RM95.1m.

Neutral on the contract as this it is within our FY15E orderbook replenishments assumption of RM700m. As of YTD, MITRA has secured c.RM386m worth of contracts, making up 55.2% of our FY15 new contracts assumption of RM700m. We understand that management remains positive in achieving their orderbook replenishment target of RM1.0b for FY15, whereby the remaining RM614m is expected to come from infrastructure works with contract sizes of between RM200m and RM300m. Assuming these contracts materialise by end FY15 and MITRA secures up to RM1.0b new contracts exceeding our FY15 assumptions of RM700m, this would lead to a potential upgrade in FY16E earnings as we might tweak our FY16 orderbook replenishment assumptions higher. Nonetheless, we are still maintaining our current assumptions of RM700m, as we believe that our target is achievable given MITRA's historical track record in securing over RM500m worth jobs per annum for the past three years.

Result Highlight								
FYE: Dec (RM'm)	3Q15	2Q15	QoQ	3Q14	YoY	9M15	9M14	YoY
Revenue	231.3	243.2	-4.9%	145.6	58.9%	636.1	384.4	65.5%
EBIT	35.8	32.5	10.4%	18.1	97.9%	88.1	52.3	68.4%
PBT	33.9	31.2	8.7%	17.0	99.4%	83.6	49.7	68.2%
Taxation	-8.0	-8.4	-4.5%	-4.1	97.1%	-21.2	-12.5	69.0%
Net Profit (NP)	25.8	23.1	11.8%	13.1	96.9%	62.3	37.6	65.6%
Core Net Profit (CNP)	25.8	23.1	11.8%	13.1	96.9%	62.3	37.6	65.6%
Basic EPS (sen)	4.1	5.8	-29.0%	2.2	83.8%	9.2	6.2	47.1%
EBIT margin (%)	15.5%	13.4%		12.4%		13.9%	13.6%	
PBT margin (%)	15%	13%		12%		13.1%	12.9%	
Effective tax rate (%)	24%	27%		24%		25.3%	25.2%	
NP margin (%)	11%	9%		9%		9.8%	9.8%	
CNP margin (%)	11%	9%		9%		9.8%	9.8%	

Source: Company, Kenanga Research

Segmental Breakdown								
FYE: Dec (RM'm)	3Q15	2Q15	QoQ	3Q14	YoY	9M15	9M14	YoY
Revenue								
Construction	209.3	212.6	-1.6%	111.7	87.4%	551.6	284.8	93.7%
Property	11.9	13.1	-8.8%	22.4	-46.8%	42.6	67.8	-37.2%
South Africa Investment	2.1	9.9	-78.4%	4.6	-52.9%	19.2	11.1	72.6%
Healthcare	6.6	7.6	-13.5%	6.9	-4.0%	21.4	20.4	4.7%
Segmental EBIT								
Construction	31.6	25.9	22.3%	8.1	291.7%	71.3	26.9	165.0%
Property	1.7	2.3	-23.0%	2.6	-34.0%	7.6	13.9	-45.5%
South Africa Investment	2.3	4.0	-43.6%	1.6	43.4%	8.8	3.2	172.0%
Healthcare	0.3	0.4	-19.3%	-0.3	-201.4%	1.8	0.3	444.0%
EBIT margin								
Construction	15.1%	12.2%		7.2%		12.9%	9.4%	
Property	14.6%	17.3%		11.8%		17.9%	20.6%	
South Africa Investment	105.8%	40.6%		34.8%		45.8%	29.0%	
Healthcare	4.4%	4.7%		-4.1%		8.3%	1.6%	

Source: Company, Kenanga Research

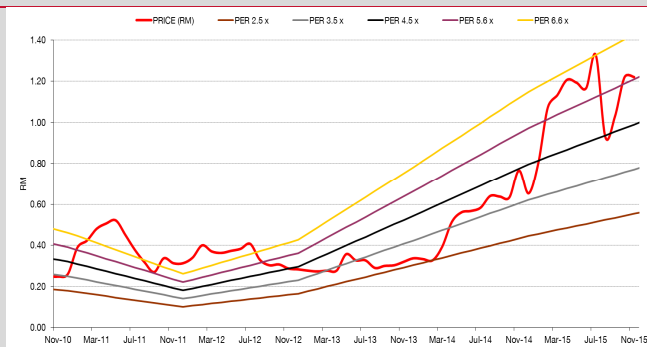
26 November 2015

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)			10.9
Implied FD PE (x)			12.4

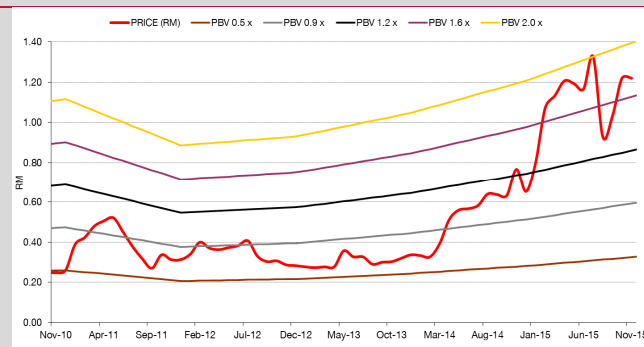
Source: Kenanga Research

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



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26 November 2015

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	251	338	520	879	1109	Growth (%)					
EBITDA	39	54	86	123	151	Revenue	-84%	35%	54%	69%	26%
Depreciation	-8	-10	-10	-10	-10	EBITDA	-85%	38%	59%	43%	23%
EBIT	31	44	76	112	141	EBIT	-88%	39%	74%	47%	26%
Net Interest Exp	-3	-3	-4	-9	-12	Pre-tax Income	-87%	44%	80%	43%	25%
Investing	0	0	0	0	0	Net Income	-89%	42%	83%	47%	26%
Associate/JCE	0	0	0	0	0	Core Net Income	-89%	42%	83%	47%	26%
Exceptionals/FV	0	0	0	0	0						
PBT	28	40	72	103	129	Profitability (%)					
Taxation	-9	-12	-19	-25	-31	EBITDA Margin	16%	16%	16%	14%	14%
Minority Interest	-1.7	-0.7	-0.5	-0.5	-0.5	EBIT Margin	13%	13%	15%	13%	13%
Net Profit	21	29	54	79	99	PBT Margin	11%	12%	14%	12%	12%
Core Net Profit	21	29	54	79	99	Net Margin	8%	9%	10%	9%	9%
		0%	0%	79	99	Effective Tax Rate	-32%	-29%	-26%	-24%	-24%
Balance Sheet						ROE	6%	8%	14%	17%	19%
FY Dec (RM m)						ROA	4%	5%	8%	9%	10%
Fixed Assets	177	168	138	138	138						
Intangibles	3	3	3	3	3	DuPont Analysis					
Other FA	3	3	2	2	2	Net margin (%)	7%	9%	10%	9%	9%
Inventories	160	125	94	168	214	Assets Turnover (x)	0.5	0.6	0.8	1.0	1.1
Receivables	120	123	183	310	391	Leverage Factor (x)	1.6	1.6	1.6	1.9	1.9
Other CA	77	119	196	197	252	ROE (%)	5%	8%	14%	17%	19%
Cash	3	19	24	23	25						
Total Assets	544	560	640	841	1025	Leverage					
						Debt/Asset (x)	0.15	0.15	0.16	0.18	0.19
Payables	120	119	125	212	267	Debt/Equity (x)	0.24	0.23	0.26	0.33	0.36
ST Borrowings	56	63	83	116	135	Net Debt/(Cash)	23	3	3	5	7
Other ST Liability	8	7	16	24	29	Net Debt/Equity (x)	0.23	0.18	0.20	0.28	0.31
LT Borrowings	25	19	19	33	58						
Other LT Liability	1	2	1	1	1	Valuations					
Minority Int.	2	1	1	1	1	Core EPS (sen)	3.1	4.4	8.1	11.9	14.9
Net Assets	332	350	394	454	534	NDPS (sen)	2.6	1.0	1.0	2.5	2.5
						BV/share (RM)	0.44	0.46	0.52	0.60	0.71
Share Capital	199	199	199	199	199	Core PER (x)	39.3	27.7	15.1	10.3	8.2
Reserves	134	151	196	256	336	Net Div. Yield (%)	2.2%	0.9%	0.9%	2.1%	2.1%
Shareholders Equity	332	350	394	454	534	PBV (x)	2.8	2.6	2.3	2.0	1.7
Cashflow Statement						EV/EBITDA (x)	21.4	15.1	9.4	6.7	5.6
FY Dec (RM m)											
Operating CF	25	23	7	-10	-1						
Investing CF	-8	5	-4	-11	-10						
Financing CF	-26	-26	14	20	13						
Net Change in Cash	-9	2	17	-1	2						
Free Cash Flow	18	28	3	-21	-11						

Source: Kenanga Research

26 November 2015

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	0.88	681.0	20.4	10.6	9.8	2.3	7.0	0.7	33.4	64.0	69.7	91.8	8.9	0.99	Outperform	12.82
GAMUDA BHD	4.56	10970.9	16.0	17.2	15.5	2.6	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-8.98
IJM CORP BHD	3.35	11968.8	24.5	19.2	17.6	4.5	3.4	0.6	488.6	622.4	680.0	27.4	9.3	3.50	Market Perform	1.98
KIMLUN CORP BHD	1.30	390.7	11.6	7.7	7.2	3.1	11.6	0.9	33.8	50.8	54.6	50.2	7.5	1.63	Outperform	9.24
MUHIBBAH ENGINEERING (M) BHD	2.20	1031.4	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	1.94	1066.1	13.9	13.3	11.8	2.1	11.4	1.5	76.9	80.2	90.1	4.3	12.4	1.79	Market Perform	14.12
NAIM HOLDINGS BERHAD	2.39	566.3	5.8	11.3	9.4	1.7	3.7	0.4	98.3	50.1	60.0	-49.1	19.8	1.81	Under Perform	-19.80
WCT HOLDINGS BHD	1.53	1826.7	14.9	46.5	21.7	3.3	1.9	0.9	122.9	39.3	84.2	-68.0	114.2	1.51	Market Perform	1.10
MMC CORP BHD	2.10	6394.6	19.8	19.1	19.6	0.0	4.2	0.8	322.4	334.7	325.6	3.8	-2.7	2.86	Outperform	-12.13
MITRAJAYA HOLDINGS BHD	1.22	782.8	14.5	9.9	7.8	2.0	20.5	2.0	53.8	78.9	99.8	46.7	26.5	1.63	Outperform	86.73
Average			15.4	16.7	13.2											
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	1.19	640.7	-9.1	-127.3	17.1	1.7	-0.5	0.6	-70.2	-5.0	37.4	-92.8	-843.8	n.a.	Not Rated	-17.93
PROTASCO	1.65	554.1	-11.6	n.a.	n.a.	n.a.	n.a.	n.a.	-47.9	n.a.	n.a.	n.a.	n.a.	2.25	Trading Buy	16.20
PINTARAS JAYA	3.42	556.7	10.7	12.7	9.6	4.4	n.a.	n.a.	51.9	44.0	58.0	-15.2	31.8	4.78	Trading Buy	-8.31
GABUNGAN AQRS	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	1.88	442.0	7.5	6.5	7.5	2.1	15.1	1.0	58.8	67.9	58.7	15.5	-13.5	2.00	Take Profit	39.26
AZRB	0.65	313.3	24.7	n.a.	n.a.	n.a.	n.a.	n.a.	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-3.70
TRC SYNERGY	0.40	192.2	53.9	8.3	9.3	3.0	6.9	0.6	3.6	23.2	20.6	550.8	-11.2	n.a.	Not Rated	5.26
BINA PURI	0.44	100.0	16.3	14.3	7.1	4.6	n.a.	n.a.	6.1	7.0	14.0	14.1	100.0	n.a.	Not Rated	-19.44
Average			10.6	-12.4	9.4											

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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