

10 February 2016

Mitrajaya Holdings Bhd

Finally Disposed off Optimax

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News

- Last Friday, MITRA announced that it has entered into an agreement with Optimax Healthcare Services Sdn Bhd to divest its 51% stake (1.3m ordinary shares of RM1.00) in Optimax for a total cash consideration of RM5.1m.
- The proceeds from the proposed divestment will be allocated for working capital purposes and repayment of debts which is expected to be completed by 2Q16.

Comments

- We were not surprised with the proposed Optimax divestment as management had disclosed such intention since April 2015. We are positive with the divestment which could allow the group to focus on their core business i.e. construction.
- To recap, Optimax had always been a non-core business to MITRA, expected to only contributes c.1.1% to its FY15E net profit. The divestment of Optimax will provide MITRA a small gain of RM1.49m in FY16.
- Post divestment, we are expecting its net gearing to inch down to 0.28x (previously 0.29x as of 9M15). While the net gearing is slightly higher than the peers' average of 0.22x, it is still within a comfortable level.

Outlook

- YTD, MITRA has yet to secure any contracts out of their RM1.0b target orderbook for FY16. Nonetheless, the group's current outstanding orderbook of RM1.48b will provide visibility for at least two years.
- Its property division will be driven by its Wangsa 9 project (GDV: RM680m) and upcoming project in Puchong Prima (GDV: RM1.5b). While we expect some slowdown in the property segment, we feel that this should not impact the group significantly. Both projects have strong selling points, being strategically located adjacent to LRT stations providing convenience and connectivity.

Forecast

- We reduced our FY16E Core Net Profit by 1.3% to RM97.8m, after excluding Optimax's earnings contribution from our estimates. However, our FY16E Net Profit remains unchanged due to the one-off disposal gains of RM1.49m.

Rating

Maintain OUTPERFORM

Valuation

- Post divestment, we maintain OUTPERFORM and a Target Price of RM1.63 after including the disposal proceeds of RM5.1m and excluding Optimax from our SoP-based calculations. Our TP implies 11x Fwd. PER, which is inline with small-mid cap contractors' Fwd-PER range of 7-13x. Furthermore, the stock is currently trading at single-digit valuation offering a potential total upside of 48%, including dividend yield of 2.2%.

Risks to Our Call

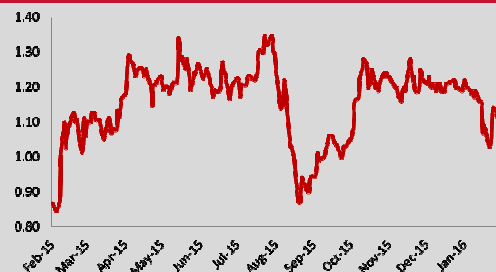
- Lower-than-expected margins.
- Delay in construction works.
- Lower-than-expected orderbook replenishment.
- Lower-than-expected property sales.

OUTPERFORM ↔

Price: RM1.12

Target Price: RM1.63 ↔

Share Price Performance



KLCI	1,662.46
YTD KLCI chg	-1.8%
YTD stock price chg	-6.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	718.6
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.80
3-mth avg daily vol:	1,288,171
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	856.5	1,086.1
EBIT	76.1	111.1	141.2
PBT	72.5	102.4	129.4
Net Profit (NP)	53.8	78.1	99.3
Core net profit	53.8	78.1	97.8
Consensus (NP)	n.a.	79.5	97.9
Earnings Revision	n.a.	n.a.	-1.3%
Basic EPS	8.1	11.8	14.7
FD EPS (sen)	7.1	10.3	12.9
EPS growth (%)	83%	45%	25%
DPS (sen)	1.0	2.5	2.5
NTA/Share (RM)	0.52	0.60	0.71
Basic PER (x)	13.8	9.5	7.6
FD PER (x)	15.8	10.9	8.7
BVPS (RM)	0.52	0.60	0.71
Net Gearing (x)	0.2	0.3	0.3
Dividend Yield (%)	0.9%	2.2%	2.2%



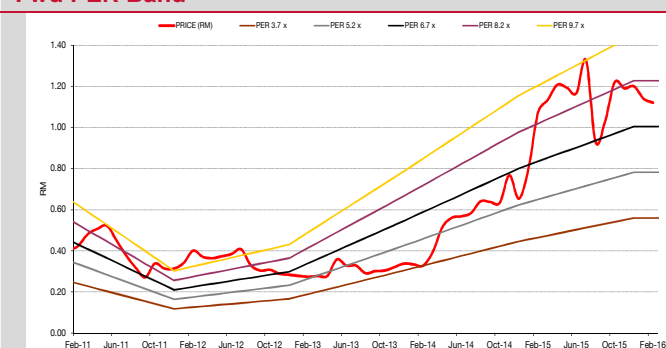
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Sum-of-parts valuation

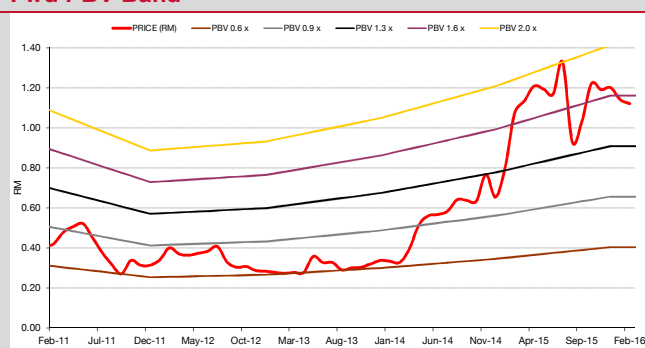
Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	748.6
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	32.1
Sub Total			1,103.0
Proceed from warrants (C and D)			126.9
Proceeds from disposal of Optimax			5.1
Total			1,235.0
No of FD shares			756.9
SOP/share			1.63
Target Price			1.63
Implied Basic PE (x)			7.6
Implied FD PE (x)			8.7

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, 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	856.5	1086.1	Growth					
EBITDA	38.9	53.7	85.6	121.5	151.5	Turnover (%)	-84%	35%	54%	65%	27%
Depreciation	-7.5	-10.0	-9.5	-10.4	-10.3	EBITDA (%)	-85%	38%	59%	42%	25%
EBIT	31.4	43.7	76.1	111.1	141.2	Operating Profit (%)	-88%	39%	74%	46%	27%
Net Interest Exp	-3.5	-3.4	-3.6	-8.7	-11.7	PBT (%)	-87%	44%	80%	41%	26%
Investing	0.0	0.0	0.0	0.0	0.0	Net Profit (%)	-89%	55%	83%	45%	27%
Associate/JCE	0.0	0.0	0.0	0.0	0.0	Core Net Income	-89%	55%	83%	45%	25%
Exceptionals/FV	0.0	0.0	0.0	0.0	1.5						
PBT	27.9	40.3	72.5	102.4	129.4	Profitability (%)					
Taxation	-9.0	-11.6	-19.2	-24.8	-30.6	EBITDA Margin	16%	16%	16%	14%	14%
Minority Interest	0.0	-0.7	-0.5	-0.5	-0.5	Operating Margin	13%	13%	15%	13%	13%
Net Profit	19.0	29.3	53.8	78.1	99.3	PBT Margin	11%	12%	14%	12%	12%
Core Net Profit	19.0	29.3	53.8	78.1	97.8	Net Margin	8%	9%	10%	9%	9%
						Effective Tax Rate	-32%	-29%	-26%	-24%	-24%
						ROA	6%	8%	14%	17%	18%
						ROE	3%	5%	8%	9%	10%
Balance Sheet						DuPont Analysis					
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E	Net Margin (%)	7%	9%	10%	9%	9%
PPE	177.5	167.9	137.8	138.1	137.8	Assets Turnover (x)	0.5	0.6	0.8	1.0	1.1
Intangible Assets	3.1	3.2	3.2	3.2	3.2	Leverage Factor (x)	1.6	1.6	1.6	1.8	1.9
Other FA	3.2	2.9	1.9	1.9	1.9	ROE (%)	5%	8%	14%	17%	19%
Inventories	160.4	124.9	93.9	162.8	208.6						
Receivables	120.2	123.2	183.5	302.1	383.1	Leverage					
Other CA	76.7	118.8	195.5	196.2	250.7	Debt/Asset (x)	0.15	0.15	0.16	0.18	0.19
Cash	3.3	19.1	23.9	30.0	33.3	Debt/Equity (x)	0.24	0.23	0.26	0.33	0.36
Total Assets	544.3	560.0	639.9	834.4	1018.5	Net Cash/(Debt)	23	3	3	4	5
Payables	119.9	118.8	125.2	206.2	261.5	Net Debt/Equity (x)	0.23	0.18	0.20	0.26	0.30
ST Borrowings	55.9	62.5	83.0	116.5	134.7						
Other ST Liability	8.2	7.1	16.3	23.6	28.5	Valuations					
LT Borrowings	24.6	19.1	19.0	32.7	58.1	Core EPS (sen)	2.9	4.4	8.1	11.8	14.7
Other LT Liability	1.4	1.6	1.1	1.1	1.1	NDPS (sen)	2.6	1.0	1.0	2.5	2.5
Minorities Int.	1.9	1.3	0.7	0.7	0.7	BV/share (RM)	0.44	0.46	0.52	0.60	0.71
Net Assets	332.4	349.7	394.4	453.5	533.8	Core PER (x)	39.2	25.4	13.8	9.5	7.6
Share Capital	198.8	198.8	198.8	198.8	198.8	Net Div. Yield (%)	2.2%	0.0%	0.9%	2.2%	2.2%
Reserves	133.6	150.9	195.7	254.7	335.1	PBV (x)	2.6	2.4	2.1	1.9	1.6
Equity	332.4	349.7	394.4	453.5	533.8	EV/EBITDA (x)	19.7	13.9	8.6	6.1	5.1
Cashflow Statement											
FY Dec (RM m)	2012A	2013A	2014E	2015E	2016E						
Operating CF	25.1	23.1	7.5	-3.2	-0.1						
Investing CF	-7.6	4.8	-4.5	-10.7	-10.0						
Financing CF	-26.4	-26.3	14.2	20.0	13.4						
Change In Cash	-8.8	1.6	17.2	6.1	3.3						
Free CF	17.5	28.0	3.0	-13.9	-10.1						
Source: 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)		
EVERSENDI CORP BHD	0.69	530.1	15.9	12.1	8.2	2.9	4.7	0.6	33.4	43.9	64.8	31.4	47.6	0.92	Outperform	-10.46
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	-2.15
IJM CORP BHD	3.42	12239.7	25.1	19.7	18.0	4.4	3.4	0.7	488.6	622.4	680.0	27.4	9.3	3.50	Market Perform	1.18
KIMLUN CORP BHD	1.49	447.8	13.2	6.8	6.5	2.7	14.9	1.0	33.8	65.5	68.7	93.8	4.8	2.05	Outperform	7.97
MUHIHBAH ENGINEERING (M) BHD	2.32	1087.8	13.3	12.6	11.7	2.2	8.2	1.0	81.5	86.4	92.9	5.9	7.5	2.79	Outperform	4.98
HOCK SENG LEE BERHAD	1.95	1071.6	13.9	14.8	12.4	2.1	10.3	1.5	76.9	72.2	86.4	-6.1	19.7	2.03	Market Perform	3.17
NAIM HOLDINGS BERHAD	2.54	601.8	6.1	18.3	12.6	1.6	2.5	0.5	98.3	32.9	47.6	-66.6	44.8	1.66	Under Perform	3.25
WCT HOLDINGS BHD	1.64	1956.3	15.9	49.8	22.4	3.0	1.9	1.0	122.9	39.3	87.4	-68.0	122.4	1.51	Market Perform	1.86
MMC CORP BHD	1.72	5237.5	16.2	15.6	16.1	0.0	4.2	0.7	322.4	334.7	325.6	3.8	-2.7	2.86	Outperform	-12.24
MITRAJAYA HOLDINGS BHD	1.12	718.6	13.4	9.1	7.3	2.2	17.3	1.6	53.8	78.9	97.8	46.7	24.0	1.63	Outperform	-6.67
Average			14.9	17.6	13.1											
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	1.20	646.1	-9.2	387.6	17.3	1.8	0.2	0.6	-70.2	1.7	37.4	-102.4	2145.5	n.a.	Not Rated	1.69
PROTASCO BHD	1.42	477.0	-10.0	6.0	5.9	7.0	n.a.	n.a.	-47.9	78.9	81.4	-264.9	3.2	2.25	Trading Buy	-11.80
PINTARAS JAYA BHD	3.46	563.2	10.9	12.7	9.4	4.8	n.a.	n.a.	51.9	44.5	60.0	-14.3	34.8	4.78	Trading Buy	4.85
GABUNGAN AQRS BHD	0.85	330.0	6.2	-30.0	10.8	2.2	n.a.	n.a.	52.9	-11.0	30.5	-120.8	-377.3	n.a.	Not Rated	1.81
GADANG HOLDINGS BHD	2.17	510.2	8.7	6.8	6.4	2.5	17.2	1.2	58.8	74.7	80.2	27.0	7.4	2.00	Take Profit	2.36
AHMAD ZAKI RESOURCES BERHAD	0.57	274.8	21.6	n.a.	n.a.	n.a.	n.a.	n.a.	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-10.24
TRC SYNERGY BHD	0.38	180.2	50.5	7.5	8.7	2.7	7.1	0.5	3.6	23.9	20.6	570.4	-13.8	n.a.	Not Rated	1.35
BINA PURI HOLDINGS BHD	0.42	96.6	15.8	12.1	6.9	4.8	n.a.	n.a.	6.1	8.0	14.0	30.4	75.0	n.a.	Not Rated	-3.49
Average			10.4	66.1	9.9											

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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