

Mitrajaya Holdings (BUY↔; EPS↑)

INDUSTRY: OVERWEIGHT
EARNINGS EVALUATION
26 February 2016
Price Target: RM1.98 (↑)
Share price: RM1.15

Sprinting past the finish line

Results

- Mitrajaya posted another commendable set of results in 4QFY15 with revenue of RM255m (+88% YoY, +10% QoQ) and earnings of RM25m (+57% YoY, -2% QoQ).

Deviation

- FY15 earnings were above expectations, surpassing our forecast by 9% and consensus by 10%. This could have been even stronger if not for RM12m in ESOS expense booked in 4Q.

Dividends

- A final dividend of 5 sen was declared (FY14: 3.3 sen), translating to a 4.3% yield.

Highlights

- Construction the top performer.** The construction division saw the best of both worlds with topline growth and margin expansion. FY15 revenue more than doubled (+107% YoY) while EBIT margin expanded from 10.3% to 13.3%.
- Strong start for job wins.** Mitrajaya announced that it has been awarded a RM293m contract involving a complex building for the PJ Midtown development. This would bring YTD job wins to RM450m, almost matching the full year sum for FY15 (RM469m). Its orderbook currently stands at RM1.8bn, translating to a healthy cover ratio of 2.4x on FY15 construction revenue.
- Domestic property suffering but...** The domestic property division saw revenue dropping by 44% and PBT falling into the red for FY15 (-RM4m loss vs RM18m profit last year). This was due to slower sales for completed developments and low recognition for Wangsa 9.
- ...South Africa helped to buffer.** Property revenue from South Africa jumped 75% while PBT doubled to RM16m. New launches this month have seen strong take up of 80%.

Risks

- Weak property sentiment in Malaysia may result to prolonged losses for its domestic property division.

Forecasts

- Despite only being in the month of Feb, YTD job wins have made up 90% of our full year forecast. Consequently, we raise our job wins target for FY16 from RM500m to RM750m. Our FY16-17 earnings are lifted by 5% and 6% respectively.

Rating

Maintain BUY, TP: RM1.98

- Mitrajaya remains our top pick amongst the small cap contractors as the pipeline for its new job wins remains robust. Valuations are inexpensive at FY16-17 P/E of 7.3x and 6.8x respectively.

Valuation

- Following our earnings upgrade, our SOP based TP is raised from RM1.95 to RM1.98, implying FY16-17 P/E of 12.6x and 11.7x respectively.

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KLCI	1,658.2
Expected share price return	72.2%
Expected dividend return	4.9%
Expected total return	77.0%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	642
Market cap (RM m)	738
3-mth avg. volume ('000)	1,314
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	5.5	-5.7	4.5
Relative	3.4	-4.2	14.5

Major shareholders

Tan Eng Piow	40.5%
EPF	2.6%

Summary Earnings Table

FYE Dec (RM m)	FY14	FY15	FY16F	FY17F
Revenue	520	891	975	1,046
EBITDA	86	148	151	161
EBIT	76	130	140	150
Profit Before Tax	72	125	136	147
Core PATAMI	54	88	101	109
vs Consensus (%)			4	7
Core EPS (sen)	8.4	13.7	15.7	16.9
P/E (x)	13.7	8.4	7.3	6.8
Net DPS (sen)	3.3	5.0	5.6	5.9
Net DY (%)	2.9	4.3	4.9	5.2
BV per share	0.61	0.78	0.80	0.91
P/B (x)	1.9	1.5	1.4	1.3
ROE (%)	14.5	19.6	19.9	19.9
Net Gearing (%)	19.8	27.4	16.7	9.1

HLIB

Figure #1 Quarterly results comparison

FYE Dec (RM m)	4QFY15	4QFY14	3QFY15	YoY	QoQ	Comments
Revenue	254.9	135.8	231.3	87.8	10.2	Strong growth fuelled by the execution of its sizable construction orderbook which managed to offset the decline in property revenue.
EBIT	41.8	23.7	35.8	76.2	16.5	Flow down from topline growth.
Finance cost	(0.6)	(1.0)	(2.1)	(36.5)	(69.5)	
Associates & JVs	0.1	-	0.1	<i>n.m.</i>	(44.1)	
PBT	41.2	22.7	33.9	81.4	21.5	
PAT	25.3	15.9	25.9	58.9	(2.1)	
PATMI - core	25.3	16.1	25.8	57.3	(1.8)	Earnings would have been even stronger if not for RM12m in ESOS expense.
PATMI - reported	25.3	16.1	25.8	57.3	(1.8)	
EPS - core	4.0	2.5	4.0	57.3	(1.8)	
EBIT margin	16.4	17.5	15.5			
PBT margin	16.2	16.7	14.7			

Company, HLIB

Figure #2 Cumulative results comparison

FYE Dec (RM m)	12MFY15	12MFY14	YoY (%)	Comments
Revenue	891.0	520.2	71.3	Primarily driven by construction division which more than doubled.
EBIT	129.9	76.0	70.8	Flow down from topline growth.
Finance cost	(5.3)	(3.6)	47.3	
Associates & JVs	0.2	-	<i>n.m.</i>	
PBT	124.8	72.4	72.3	
PAT	87.8	53.1	65.2	
PATMI - core	87.7	53.7	63.1	Made up 109% of our full year forecast.
PATMI - reported	87.7	53.7	63.1	
EPS - core	13.7	8.4	63.1	
EBIT margin	14.6	14.6		Construction margins expand but offset by property losses.
PBT margin	14.0	13.9		Construction margins expand but offset by property losses.

Company, HLIB

Figure #3 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid CY16 earnings	90	12	1,086	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			1,587	
Fully diluted share base (mil)			801	
Target price (RM/ share)			1.98	

HLIB estimates

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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.
SELL	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
NOT RATED	No research coverage and report is intended purely for informational purposes.

Industry rating definitions

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.