

28 February 2017

Mitrajaya Holdings Bhd

FY16 Within Expectations

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MITRA's FY16's CNP of RM97.3m was within our and consensus expectations, accounting for 97% and 100% of estimates, respectively. A 5.0 sen dividend was declared for FY16, above our 4.0 sen estimate. On a separate announcement, MITRA has entered into a 60:40 JV to acquire lands in Sepang and Nilai for RM181.2m. Maintain FY17E CNP and introduce FY18E CNP of RM99m. Maintain OP with an unchanged SoP derived TP of RM1.49.

FY16 inline. FY16's CNP of RM97.3m was within our and consensus expectations, accounting for 97% and 100% of estimates, respectively. A 5.0 sen dividend was declared for FY16, above our 4.0 sen estimates. We derive our CNP after stripping off RM17.6m gain on disposal of the forced land sale in Johor.

Land banking JV. On a separate announcement, MITRA has entered into a 60:40 JV with Gema Padu S/B to acquire 333.4 acres of land at (i) Kota Warisan, Sepang (41.7ac) and (ii) Emville, Nilai (291.7ac) for a purchase consideration of RM181.2m (*refer overleaf*).

Results highlight. FY16 CNP of RM97.3m increased 12% YoY on the back of: (i) higher billings from their construction division (+10%), and (ii) improved property EBIT margins (+13.1ppt) as construction on existing developments progressed into more advanced stages. Meanwhile, 4Q16 CNP of RM25.2m was flat QoQ on the back of flat billings after omitting the forced land sale of RM19.6m.

Company outlook. Currently, MITRA's outstanding order book stands at RM1.53b providing earnings visibility for another c.1.5 years. For FY17, we had targeted a replenishment of RM800m, below management's target guidance of RM1.0b. As for their property arm, sales for their ongoing Wangsa 9 residency project remain weak with phase 2 registering only c.45-50% take up since launch in Nov 2014. That said, Wangsa 9's unbilled sales of RM161m will provide visibility for another 1.5 years. Meanwhile, its South Africa division will see unbilled sales of Rand22m (RM7.0m) recognised progressively upon completion of the transfer of ownership in FY17E.

Maintain FY17E earnings. Post results, we maintain FY17E earnings of RM102m and introduce our FY18E earnings of RM99m.

Maintain OP with unchanged TP of RM1.49. Our TP implies 11.0x FY17E FD PER, which is in line with small-mid cap contractors' targeted Fwd. PER range of 9-13x.

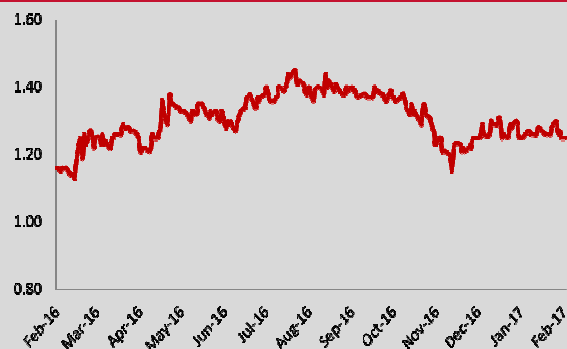
Risks to our call include lower-than-expected margins, delay in construction works, lower-than-expected order book replenishment and lower-than-expected property sales.

OUTPERFORM ↔

Price: **RM1.25**

Target Price: **RM1.49** ↔

Share Price Performance



KLCI	1,693.84
YTD KLCI chg	3.2%
YTD stock price chg	-0.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	836.5
Issued shares	669.2
52-week range (H)	1.47
52-week range (L)	1.12
3-mth avg daily vol:	919,550
Free Float	55%
Beta	1.1

Major Shareholders

Eng Piow Tan	40.6%
Aw Eng Soon	2.1%
Kenanga Unit Trust	1.9%

Summary Earnings Table

FY Dec (RM'm)	2016A	2017E	2018E
Turnover	964.1	1,024.8	1,000.4
EBIT	162.9	146.6	144.6
PBT	155.3	133.1	129.1
Net Profit (NP)	117.8	102.1	98.6
Core net profit	97.3	102.1	98.6
Consensus (NP)	96.6	105.5	90.0
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	14.6	15.3	14.8
FD EPS (sen)	12.9	13.6	13.1
EPS growth (%)	11%	5%	-3%
DPS (sen)	5.0	5.0	5.0
NTA/Share (RM)	0.76	0.84	0.93
Basic PER (x)	8.6	8.2	8.5
FD PER (x)	9.7	9.2	9.6
BVPS (RM)	0.76	0.84	0.93
Net Gearing (x)	0.1	0.0	0.2
Dividend Yield (%)	4.0%	4.0%	4.0%



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OTHER POINTS

Land banking JV. Yesterday, MITRA entered into a 60:40 JV with Gema Padu S/B (GPSB) to acquire 333.4 acres of land from wholly-owned subsidiaries of GPSB at (i) Kota Warisan, Sepang (41.7ac) and (ii) Emville, Nilai (291.7ac) for a purchase consideration of RM181.2m. We note that MITRA's effective purchase consideration of RM108.7m will be split into 3 portions whereby: (i) 37% will be financed through cash, (ii) 35% through infrastructure construction works at Emville, Nilai, and (iii) 28% through payment in kind – whereby MITRA will settle RM29.9m payment with their existing properties, i.e. Wangsa 9, Kiara 9 or 280 Park Homes. Post-acquisition in end FY17/early FY18, we expect MITRA's net gearing to increase to 0.42x from 0.36x (as of FY16). We are **long-term positive** on the land acquisition given its close vicinity to Xiamen University and KLIA/KLIA2 which is backed by strong demand for landed residential housing in that area. However, we understand that there are currently no development plans in place and earnings contribution from development of the lands would likely be felt from FY19 onwards. That said, we note that the acquisition price for the Kota Warisan land of RM52.9/sf is relatively decent in comparison to SUNSURI's purchase price of RM42/psf from SIME back in 2015.

Result Highlight

FYE: Dec (RM'm)	4Q16	3Q16	QoQ	4Q15	YoY	FY16	FY15	YoY
Revenue	271.7	251.4	8%	254.9	7%	964.1	883.9	9%
EBIT	60.3	37.1	63%	41.8	44%	162.9	128.8	27%
PBT	58.0	34.6	68%	41.2	41%	155.3	123.8	25%
Taxation	-14.2	-8.7	63%	-15.9	-10%	-38.4	-36.9	4%
Net Profit (NP)	42.8	26.9	59%	25.3	69%	117.8	86.8	36%
Core Net Profit (CNP)	25.2	25.2	0%	25.3	-1%	97.3	86.8	12%
Basic EPS (sen)	3.3	3.3	0%	3.4	-1%	12.9	11.5	12%
EBIT margin (%)	22%	15%		16%		17%	15%	
PBT margin (%)	21%	14%		16%		16%	14%	
Effective tax rate (%)	25%	25%		39%		25%	30%	
NP margin (%)	16%	11%		10%		12%	10%	
CNP margin (%)	9%	10%		10%		10%	10%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	4Q16	3Q16	QoQ	4Q15	YoY	FY16	FY15	YoY
Revenue								
Construction	224.7	228.8	-2%	214.6	5%	843.5	766.2	10%
Property	35.3	14.5	143%	12.6	180%	89.6	55.2	62%
South Africa Investment	11.7	8.1	44%	20.0	-42%	31.0	39.3	-21%
Healthcare	-	-	n.m.	7.7	-100%	0.0	29.0	-100%
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
	271.7	251.4		254.9		964.1	889.7	
Segmental EBIT								
Construction	32.8	29.9	10%	31.0	6%	113.3	102.3	11%
Property	22.6	3.0	651%	(4.4)	-609%	34.5	3.2	991%
South Africa Investment	5.4	3.9	38%	7.4	-27%	15.2	16.2	-7%
Healthcare	-	-	n.m.	1.1	-100%	0.0	2.9	-100%
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
Others	2.5	2.0	n.m.	8.0	-69%	9.1	7.8	17%
Eliminations	(3.0)	(1.7)	73%	(1.4)	117%	-9.2	-2.5	267%
	60.3	37.1		41.8		162.9	129.9	
EBIT margin								
Construction	14.6%	13.1%		14.5%		13.4%	13.4%	
Property	64.1%	20.8%		-35.2%		38.5%	5.7%	
South Africa Investment	46.4%	48.2%		37.0%		49.0%	41.3%	
Healthcare	n.m.	n.m.		14.8%		n.m.	10.0%	
Manufacturing & trading	n.m.	n.m.		n.m.		n.m.	n.m.	

Source: Company, Kenanga Research

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Sum-of-parts valuation			
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY17 PE of 12x	869.0
Property Division	100%	FY17 PE of 5x	81.7
South Africa	100%	RNAV 60% discount	45.2
Sub Total			995.9
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			1124.2
No of FD shares			753.5
SOP/Share			1.49
Target Price			1.49
Implied Basic FY17 PER			9.7
Implied FD FY17 PER			11.0

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE

NAME	Price (27/2/17) (RM)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
			Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
EVERSENDAI CORP BHD	0.64	495.3	10.4	9.8	9.6	0.0	5.1	0.5	47.5	50.6	51.7	6.5	2.2	0.60	Outperform	11.30
GAMUDA BHD	4.85	11764.9	18.7	16.5	15.8	2.5	9.8	1.6	626.1	709.5	741.7	13.3	4.5	4.85	Market Perform	1.46
IJM CORP BHD	3.36	12125.0	24.0	21.8	19.6	1.8	5.9	1.3	499.9	549.5	612.0	9.9	11.4	3.51	Market Perform	5.00
KIMLUN CORP BHD	2.16	670.2	7.9	7.7	7.6	3.2	14.4	1.1	82.2	83.8	85.9	1.9	2.5	2.51	Outperform	3.85
MUHIBBAH ENGINEERING (M) BHD	2.52	1210.4	13.0	12.9	11.4	1.7	9.3	1.2	88.9	89.5	101.5	0.7	13.4	2.48	Market Perform	13.00
HOCK SENG LEE BERHAD	1.68	923.2	16.4	13.1	11.1	1.5	9.3	1.2	56.4	70.7	83.1	25.4	17.5	1.42	Underperform	5.00
NAIM HOLDINGS BERHAD	1.62	383.8	-19.1	10.2	9.0	2.5	2.8	0.3	-20.1	37.5	42.6	-286.7	13.7	1.38	Underperform	-14.74
WCT HOLDINGS BHD	1.84	2309.1	36.3	21.0	18.6	0.0	5.0	1.0	84.8	146.9	165.3	73.2	12.5	1.58	Underperform	6.36
MITRAJAYA HOLDINGS BHD	1.25	836.5	9.7	9.2	9.6	4.0	16.1	1.5	97.3	102.1	98.6	4.9	-3.4	1.49	Outperform	-0.79
SUNWAY CONSTRUCTION GROUP	1.75	2262.6	19.2	15.6	15.4	2.2	25.0	3.9	117.7	145.2	146.9	23.4	1.2	1.77	Market Perform	2.94
KERJAYA PROSPEK GROUP BHD	2.50	1277.9	14.1	11.2	9.6	2.8	15.5	1.7	100.0	125.9	146.3	25.9	16.2	2.64	Outperform	15.21
Average			13.7	13.5	12.5											

NOT RATED/ON OUR RADAR

NAME	Price (RM)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
			Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
MUDAJAYA	0.85	454.9	-319.5	-10.4	11.9	5.3	-3.9	0.4	-1.4	-43.9	38.5	2974.2	-187.6	n.a.	Not Rated	-7.14
PROTASCO	1.17	496.3	11.0	9.1	8.2	5.9	12.6	1.1	44.4	53.9	59.8	21.5	10.9	1.52	Trading Buy	3.54
PINTARAS JAYA	3.44	563.4	31.5	13.3	11.1	5.7	12.5	1.7	17.8	42.2	50.6	137.3	19.9	4.20	Trading Buy	-2.27
GABUNGAN AQRS	1.04	406.0	17.9	10.5	7.5	0.0	1.1	0.1	22.6	38.5	54.2	70.4	40.9	n.a.	Not Rated	14.92
GADANG HOLDINGS	1.10	712.2	6.8	7.3	7.0	2.4	16.8	1.2	94.2	86.9	90.8	-7.7	4.4	2.44	Not Rated	4.76
AZRB	0.69	330.2	12.7	11.4	n.a.	2.9	n.a.	n.a.	26.0	29.0	n.a.	11.6	n.a.	n.a.	Not Rated	7.87
TRC SYNERGY	0.42	199.4	6.5	7.2	5.3	n.a.	n.a.	n.a.	30.7	27.6	37.4	-10.1	35.3	n.a.	Not Rated	9.21
BINA PURI	0.45	111.8	28.8	7.3	6.3	n.a.	n.a.	n.a.	3.3	13.0	15.0	294.4	15.4	n.a.	Not Rated	3.45
GKENT	2.95	1107.8	22.0	15.1	12.4	2.6	20.1	3.0	50.3	73.6	89.1	46.4	21.1	2.80	Trading Buy	-2.96
PESONA	0.67	436.1	21.7	12.3	9.0	2.3	23.5	2.9	20.0	35.3	48.5	76.2	37.4	0.485	Take Profit	9.92
Average			-28.8	7.5	9.2											

Source: Kenanga Research

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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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