

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT
NEWSBREAK
12 May 2017
Price Target: RM1.95 (↔)
Share price: RM1.37

Contract for education institution

News

- **Secures building contract.** Mitrajaya announced that it has won a contract to build a higher learning institution in KL for RM160m. The job is scheduled to be completed within 2 years (i.e. May 2019).

Comments

- **Job wins adding on nicely.** This contract is Mitrajaya's 2nd job win for the year. Recall that last month, Mitrajaya secured a RM274m BNM related job for "A Centre of Excellence" building in KL. Overall, this brings YTD job wins to RM434m (FY16: RM920m).
- **Orderbook level remains healthy.** Mitrajaya's orderbook stood at RM1.5bn as of end FY16. Assuming a burn rate of RM220m in 1Q17, coupled with YTD job wins of RM434m, this would place its current orderbook level at RM1.7bn. This translates to a healthy cover ratio of 2x on FY16 construction revenue.
- **Gunning for more.** Management is gunning for RM1bn in new job wins for FY17 (43% achieved), inline with our target. This will largely comprise of building related jobs and some infra works as well.

Risks

- Lower than expected orderbook replenishment could slow down its earnings growth potential that has been robust over the last 3 years.

Forecasts

- As YTD job wins of RM434m are still within our full year assumption of RM1bn, we leave our earnings forecast unchanged.

Rating

Maintain BUY, TP: RM1.95

- Despite its earnings growing at a CAGR of 69% over the last 3 years, Mitrajaya continues to deliver commendable results. Valuations are undemanding with FY16-17 P/E of 8.4x and 7.7x on back of 2-year projected earnings CAGR of 10%.

Valuation

- Our SOP based TP of RM1.95 implies FY16-17 P/E of 13.2x and 12x respectively

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KLCI	1775.4
Expected share price return	42.3%
Expected dividend return	4.2%
Expected total return	46.5%

Share price



Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	669
Market cap (RM m)	917
3-mth avg. volume ('000)	1,736
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	2.2	7.9	0.7
Relative	0.4	3.2	-6.4

Major shareholders

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

Summary Earnings Table

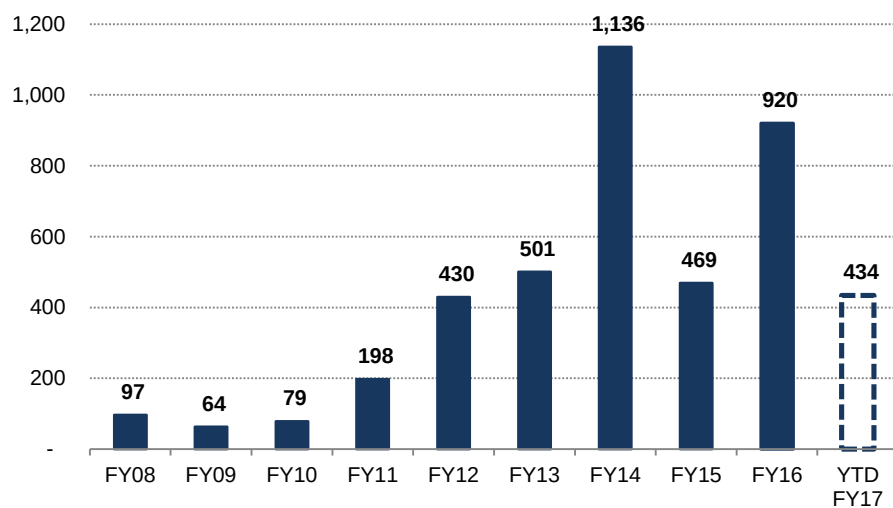
FYE Dec (RM m)	FY15	FY16	FY17F	FY18F
Revenue	891	945	1,029	1,081
EBITDA	148	170	175	188
EBIT	130	145	157	170
Profit Before Tax	125	138	150	164
Core PATAMI	87	100	109	119
vs Consensus (%)			3	32
Core EPS (sen)	12.9	15.0	16.3	17.8
P/E (x)	10.6	9.1	8.4	7.7
Net DPS (sen)	5.0	5.0	5.7	6.2
Net DY (%)	3.6	3.6	4.2	4.6
BV per share	0.75	0.92	0.95	1.07
P/B (x)	1.8	1.5	1.4	1.3
ROE (%)	19.3	17.9	17.4	17.7
Net Gearing (%)	24.5	31.9	12.0	6.4

HLIB

Figure #1 SOP based valuation for Mitrajaya

Sum of Parts (SOP)	Amount (RM m)	PE (x) / Discount	Value (RM m)	Basis
Mid-CY17 earnings	104	10	1,041	10x P/E target
Net land value	638	50%	319	50% discount to market value less debt
Cash from warrants conversion			109	Full exercise of Warrants C&D
SOP Value			1,469	
Fully diluted share base (mil)			753	
Target price (RM/ share)			1.95	

HLIB estimates

Figure #2 Annual orderbook replenishment (RM m)

HLIB estimates

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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.
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NOT RATED	No research coverage and report is intended purely for informational purposes.

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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.
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