

Mitrajaya Holdings Bhd

A Superb Year Ahead

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First contract win for the year - PPA1M apartment construction worth RM103.1m. While we are neutral on the win, we raised our FY18E replenishment target higher to RM1.2b (from RM1.0b) as we are positive on MITRA's contract replenishment outlook and stronger balance sheet post rights issuance in 1Q18. Upgrade FY18E CNP by 7% while FY17E CNP is unchanged. Reiterate OP with higher SoP-derived cum/ex TP of RM1.20/RM1.03.

First FY18 contract win. Yesterday, MITRA announced that they have bagged a PPA1M job from Putrajaya Home S/B worth RM103.1m slated for completion on 14 January 2021. The scope of work entails construction of 404 units of PPA1M apartments inclusive of 1 block of multi-level parking, 1 surau and common facilities in Precinct 17, Putrajaya.

Neutral. We remain neutral with this win as it is within our FY18E replenishment target of RM1.0b. Assuming PBT margins of 8%, we expect this PPA1M job to contribute c.RM2.0m/annum to MITRA's bottom-line for the next three years. To recap, MITRA clinched RM1.02b of contract wins in FY17 – slightly above our FY17 replenishment target of RM800m. That said, we highlight that one of the contracts (worth RM132.5m) secured in FY17 will only commence in Aug 2018 when profit contributions will start kicking in.

Strong order-book replenishment visibility. Moving forward, we believe MITRA is backed by a strong flow of contracts possibly from: (i) Bank Negara Malaysia (BNM) – given MITRA's close working relationship with BNM which recently acquired a tract of land (22.5ha) from the government for RM2.0b to develop education and training facilities, (ii) OSK's "Ryan and Miho" (GDV of RM756m) condominium project at Section 13 given that MITRA is currently working on OSK's PJ Midtown project (RM293m contract value) which is within the vicinity, (iii) LRT3 station sub-packages, and (iv) Rapid infrastructure jobs.

ECRL and HSR? Building jobs aside, we also believe MITRA could be a potential contender in mega rail projects i.e. ECRL and HSR given that these projects are non-urban infrastructure jobs that fit into MITRA's operating space. Unlike the MRT3 (urban job) which has higher risks of delays/cost overruns due to traffic conditions, the ECRL and HSR are greenfield projects that MITRA favours. On the back of the potential contract flows and a stronger balance sheet post rights issuance, we are positive over MITRA's outlook and hence we **upgrade our FY18E replenishment target to RM1.2b (from RM1.0b)**. Currently, outstanding construction order-book stands at RM1.8b providing visibility for 1.5-2.0 years while its property unbilled sales stands at RM200.0m.

Upgrade FY18E earnings. Post adjustment to our FY18E replenishment target, we upgrade our FY18E CNP by 7% to RM105m while making no changes to FY17E earnings.

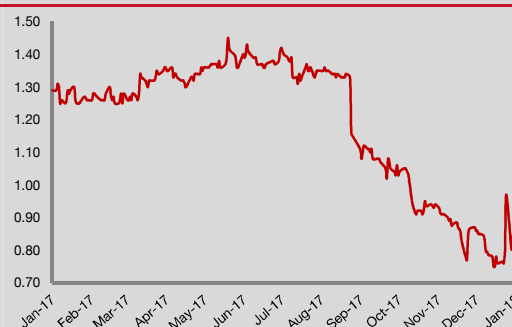
Valuations. We reiterate our OUTPERFORM call with a higher SoP-derived cum/ex TP of RM1.20/RM1.03 (from RM1.09/RM0.94) post adjustment to earnings. We believe our valuation is fair as it implies FY18E PER of 9.0x, in line with our applied target of 8-13x for small-to-mid cap contractors. We like to highlight that MITRA is currently trading at highly compelling levels of 7.1x FY18E PER* vs. small-to-mid cap peers which are currently trading at Fwd. PER levels of 9.1-15.2x. **Risks** associated with our call include: (i) lower-than-expected contract margins, and (ii) lower-than-expected job wins.

OUTPERFORM ↔

Cum/Ex-Price : RM0.95/RM0.84

Cum/Ex-Target Price : RM1.20/RM1.03 ↑

Share Price Performance



KLCI	1,826.95
YTD KLCI chg	1.7%
YTD stock price chg	-2.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	654.4
Issued shares	688.9
52-week range (H)	1.46
52-week range (L)	0.74
3-mth avg daily vol:	1,405,389
Free Float	51%
Beta	1.2

Major Shareholders

Tan Eng Piow	40.9%
Employees Provident Fund	6.1%
CIMB Group Holdings	2.3%

Summary Earnings Table

FYE Dec (RM m)	2016A	2017E	2018E
Turnover	964.1	1,109.1	1,168.4
EBIT	162.9	85.8	145.9
PBT	155.3	72.3	136.8
Net Profit (NP)	117.8	70.3	104.8
Core net profit	97.3	70.3	104.8
Consensus (NP)	n.a.	68.7	56.4
Earnings Revision	0%	0%	7%
*Core EPS (sen)	10.9	7.8	11.7
EPS growth (%)	11%	-28%	49%
*DPS (sen)	5.0	2.0	2.0
*NTA/Share (RM)	0.64	0.76	0.95
*Core PER (x)	7.7	10.6	7.1
*BVPS (RM)	0.69	0.76	0.95
*Net Gearing (x)	0.32	0.30	0.17
Dividend Yield (%)	6.0%	2.4%	2.4%

*post rights (to be completed in March/April-18)

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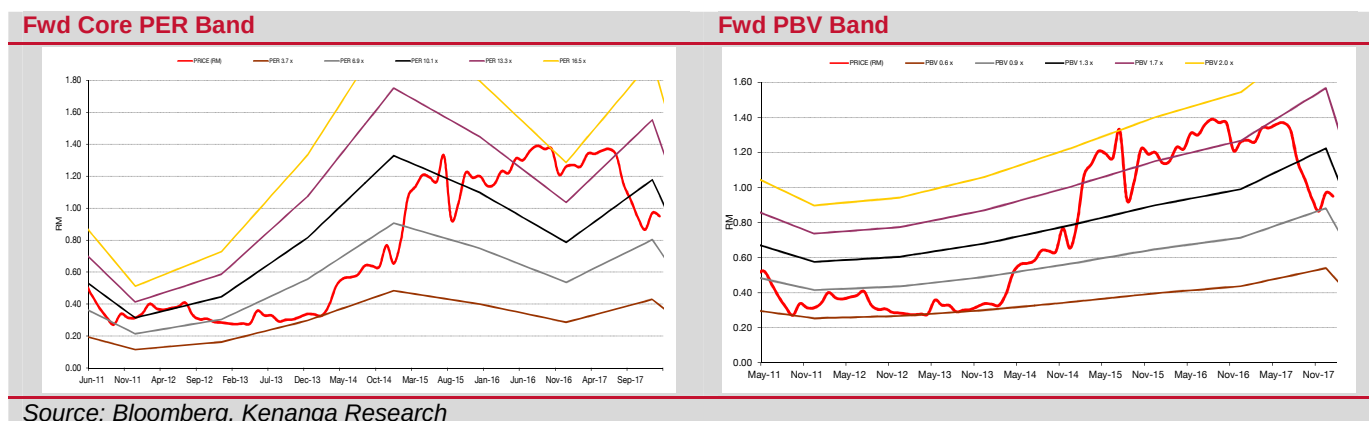
Sum-of-parts valuation			
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY18 PE of 10x	639.8
Property Division	100%	FY18 PE of 7x	226.9
South Africa	100%	RNAV 60% discount	46.7
Sub Total			913.3
Total			913.3
No of shares			896
Ex-all SOP/Share			1.03
*Ex-all Target Price			1.03
FD FY18 EPS			11.7
Implied FD FY18 PER			9.0
Source: Kenanga Research			

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E	FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Revenue	520	891	964	1109	1168	Growth (%)					
EBITDA	86	149	188	104	165	Revenue	54%	71%	8%	15%	5%
Depreciation	-10	-18	-18	-19	-19	EBITDA	59%	74%	27%	-45%	58%
EBIT	76	130	163	86	146	EBIT	74%	71%	25%	-47%	70%
Net Interest Exp	-4	-5	-12	-14	-9	Pre-tax Income	80%	72%	24%	-53%	89%
Investing	0	0	0	0	0	Net Income	83%	63%	34%	-40%	49%
Associate/JCE	0	0	0	0	0	Core Net Income	83%	63%	11%	-28%	49%
Exceptionals/FV	0	0	1	0	0						
PBT	72	125	155	72	137	Profitability (%)					
Taxation	-19	-37	-31	-20	-33	EBITDA Margin	16%	17%	20%	9%	14%
Minority Interest	0	0	2	-18	-1	EBIT Margin	15%	15%	17%	8%	12%
Net Profit	54	88	118	70	105	PBT Margin	14%	14%	16%	7%	12%
Core Net Profit	54	88	97	70	105	Net Margin	10%	10%	12%	6%	9%
						Effective Tax Rate	-26%	-30%	-20%	-28%	-24%
						ROE	14%	15%	16%	14%	15%
						ROA	8%	9%	8%	6%	8%
						DuPont Analysis					
						Net margin (%)	10%	10%	12%	6%	9%
						Assets Turnover (x)	0.8	0.9	0.8	0.9	0.9
						Leverage Factor (x)	1.6	1.7	2.0	1.8	1.6
						ROE (%)	14%	15%	19%	10%	12%
						Leverage					
						Debt/Asset (x)	0.16	0.16	0.21	0.18	0.12
						Debt/Equity (x)	0.26	0.28	0.41	0.32	0.19
						Net Debt/(Cash)	3	3	3	12	11
						Net Debt/Equity (x)	0.20	0.21	0.32	0.30	0.17
						Valuations					
						Core EPS (sen)	6.0	9.8	10.9	7.8	11.7
						NDPS (sen)	0.9	2.1	5.0	2.0	2.0
						BV/share (RM)	0.44	0.55	0.69	0.76	0.95
						Core PER (x)	13.9	8.5	7.7	10.6	7.1
						Net Div. Yield (%)	1.1%	2.5%	6.0%	2.4%	2.4%
						PBV (x)	1.9	1.5	1.2	1.1	0.9
						EV/EBITDA (x)	6.2	3.5	2.9	5.7	3.7

Source: Kenanga Research
Core earnings excludes one-offs including remeasurement gains, impairments/provisions/write-backs, translation FOREX, one-off disposals



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Peer Comparison

CORE COVERAGE																
NAME	Price (09/01/17)	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	0.87	679	-4.8	10.2	9.5	2%	7%	0.7	-140.3	65.9	78.4	-147%	19%	0.80	Underperform	0.6
GAMUDA BHD	5.00	12278	0.2	19.0	15.9	2%	10%	1.6	700.6	741.7	885.9	6%	19%	5.45	Outperform	0.8
IJM CORP BHD	3.03	10994	20.3	20.9	18.9	2%	5%	1.1	539.1	523.9	578.6	-3%	10%	3.45	Outperform	-0.7
KIMLUN CORP BHD	2.30	737	8.7	11.2	9.1	2%	11%	1.2	81.9	63.9	78.3	-22%	23%	2.27	Market Perform	3.6
MUHIHBAH ENGINEERING (M) BHD	3.23	1551	17.7	12.2	11.4	2%	13%	1.5	87.7	127.4	136.5	45%	7%	3.55	Outperform	13.7
HOCK SENG LEE BERHAD	1.47	808	14.3	16.3	11.8	1%	7%	1.1	56.5	49.4	69	-13%	40%	1.40	Market Perform	2.8
WCT HOLDINGS BHD	1.78	2504	34.9	20.0	17.6	0%	5%	1.0	84.8	149	169.4	76%	14%	1.95	Outperform	9.9
MITRAJAYA HOLDINGS BHD^	0.84	654	7.7	10.6	7.1	2%	14%	1.1	97.3	70.3	104.8	-28%	49%	1.03	Outperform	-2.1
SUNWAY CONSTRUCTION GROUP	2.60	3360	28.6	23.2	19.4	2%	25%	5.8	117.7	145.2	173.1	23%	19%	2.29	Market Perform	3.6
KERJAYA PROSPEK GROUP BHD	4.12	2326	23.3	18.3	15.2	1%	16%	2.8	100	127.3	152.9	27%	20%	3.40	Underperform	1.5
GEORGE KENT (MALAYSIA) BHD	3.72	2095	20.7	16.6	14.9	2%	26%	4.3	101.3	126.1	141	24%	12%	3.65	Market Perform	6.0
Average			15.6	16.2	13.7											
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	0.91	535	-1.8	12.7	9.2	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	-2.7
PROTASCO	1.10	467	9.0	7.9	7.7	5%	15%	1.2	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	4.8
PINTARAS JAYA	3.78	624	34.8	14.7	12.2	5%	12%	1.8	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	1.6
GABUNGAN AQRS	2.10	948	36.3	22.0	10.5	1%	12%	2.6	22.6	37.2	77.9	65%	109%	1.6	Not Rated	8.8
GADANG HOLDINGS	1.15	758	4.0	4.3	4.1	2%	27%	1.2	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	3.6
AZRB	1.03	547	18.3	8.7	6.8	n.a.	15%	1.3	27.2	57.4	73	111%	27%	1.35	Trading Buy	7.9
TRC SYNERGY	0.73	351	11.7	10.7	13.3	3%	8%	0.8	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	15.9
BINA PURI	0.37	97	87.0	5.8	5.8	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	7.4
PESONA	0.51	354	16.7	9.5	6.9	5%	25%	2.3	20	35.3	48.5	77%	37%	0.485	Take Profit	13.3
JAKS	1.65	813	1.0	11.7	8.5	0%	12%	1.4	736	61.933	85.433	-92%	38%	1.54	Not Rated	10.7
Average			21.7	10.8	8.5											
^Ex-all basis																

Source: Bloomberg, 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%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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