

HLIB Research

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HOLD (Maintain)

Target Price: **RM0.53**
Previously: **RM0.53**
Current Price: **RM0.50**

Capital upside	6.0%
Dividend yield	4.6%
Expected total return	10.6%

Sector coverage: Construction

Company description: Mitra is primarily involved in construction and property development.

Share price


Historical return (%)	1M	3M	12M
Absolute	7.5	-20.0	-57.2
Relative	7.9	-13.5	-56.7

Stock information

Bloomberg ticker	MHB MK
Bursa code	9571
Issued shares (m)	896
Market capitalisation (RM m)	448
3-mth average volume ('000)	779
SC Shariah compliant	Yes

Major shareholders

Tan Eng Piew	41.5%
EPF	5.8%
Aw Eng Soon	1.6%

Earnings summary

FYE (Dec)	FY17	FY18f	FY19f
PATMI - core (RM m)	66.4	68.1	66.7
EPS - core (sen)	7.4	7.6	7.4
P/E (x)	6.7	6.5	6.6

Mitrajaya Holdings

Challenging near term prospects

Mitra has only managed to secure 1 new contract worth RM103m YTD. Its order book now stands at c.RM1.5bn, translating to 1.5x cover on FY17 construction revenue. Going forward we expect competition for private sector jobs will intensify as other contractors start bidding more aggressively within this space due to reduction in government spending on public infrastructure. For property division, its unbilled sales of RM176m (1.2x cover ratio) should provide buffer over the next 2 years. Maintain forecast. Maintain HOLD with unchanged TP of RM0.53. TP is pegged to 7x mid-FY19 earnings. Domestic construction industry landscape is expected to remain challenging and we do not expect a significant improvement in near term. Nonetheless, Mitra's reasonable order book balance and unbilled sales enable it to ride through this short term turbulence.

Limited job win YTD. Mitra has only managed to secure 1 new contract worth RM103m YTD. Its order book now stands at c.RM1.5bn, translating to 1.5x cover on FY17 construction revenue. Mitra has bid for RM3bn worth of jobs comprising mostly building works (RM2.9bn) and the balance infrastructure project. Management is targeting to secure another RM900m worth of jobs for FY18. However, we maintain our order book replenishment assumption of RM250m given the limited job wins YTD and the slowing in contract flows following the change in government.

Cautious on job flows. Following the change in government post GE14, we have turned cautious on the overall macro job flow outlook for the construction sector. HSR and MRT3 have been shelved while terms of the ECRL are being renegotiated and LRT3 has been downsized due to review of mega projects. As a result, about RM105bn worth of local content of mega projects will be removed over the next 2 years based on our estimation. Although Mitra is less involved with public infrastructure jobs relative to private sector jobs in the past, we reckon competition for private sector jobs will intensify going forward as other contractors start bidding more aggressively within this space.

Property. Mitra is not spared from the weak property market as its Phase 3 Wangsa Residency development only managed to achieve 5% of take up rate since its soft launch in February 2018 and the mere 41% take up rate for its 280 Park Homes development. In efforts to boost take up rates, management is actively tapping the overseas market and undertaking creative strategy such as rent-to-own scheme for its 280 Park Homes development. Nonetheless, we draw comfort in its overall unbilled sales of RM176m which implies a healthy cover of 1.2x on FY17 property revenue.

Forecast. Maintained as the meeting yielded no major surprises.

Maintain HOLD, TP: RM0.53. Maintain HOLD with unchanged TP of RM0.53. TP is pegged to 7x mid-FY19 earnings. The domestic construction industry landscape is expected to remain challenging and we do not expect a significant improvement in near term. Nonetheless, Mitra's reasonable order book balance and unbilled sales enable it to ride through this short term turbulence.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY16	FY17	FY18f	FY19f	FY20f
Cash	77.8	25.8	80.8	138.1	168.5
Receivables	596.9	614.5	504.1	468.6	472.5
Inventories	192.3	178.1	150.4	131.2	132.4
PPE	121.2	116.3	100.7	79.9	57.9
Others	248.7	459.5	482.4	506.7	532.3
Assets	1,236.9	1,394.2	1,318.5	1,324.4	1,363.6
Debits	254.9	323.5	253.5	243.5	233.5
Payables	346.9	309.7	240.7	209.9	211.8
Others	17.9	7.6	7.6	7.6	7.6
Liabilities	619.7	640.9	501.8	461.0	453.0
Shareholder's equity	618.6	687.7	816.7	863.3	910.6
Minority interest	(1.4)	65.7	-	-	-
Equity	617.1	753.3	816.7	863.3	910.6

Cash Flow Statement

FYE Dec	FY16	FY17	FY18f	FY19f	FY20f
Profit before taxation	124.9	142.5	88.0	94.6	92.6
Depreciation & amortisation	18.1	24.7	29.3	30.5	30.8
Changes in working capital	(115.0)	(166.3)	(40.7)	69.1	24.0
Taxation	(37.9)	(40.4)	(29.1)	(26.5)	(25.9)
Others	25.3	83.5	(3.9)	(91.1)	(23.8)
CFO	15.3	44.0	43.5	76.7	97.7
Net capex	(51.5)	(34.6)	(23.7)	(15.0)	(10.0)
Others	16.8	5.8	(73.5)	-	-
CFI	(34.8)	(28.8)	(97.2)	(15.0)	(10.0)
Changes in borrowings	60.5	92.5	68.6	(70.0)	(10.0)
Issuance of shares	-	13.8	46.3	81.3	-
Dividends paid	(21.4)	(33.4)	(34.1)	(17.9)	(20.4)
Others	(28.6)	(59.6)	(49.3)	-	-
CFF	10.4	13.1	31.5	(6.6)	(30.4)
Net cash flow	(9.0)	28.3	(22.2)	55.1	57.2
Forex	(0.7)	4.7	0.7	-	-
Others	27.1	3.5	(30.5)	-	-
Beginning cash	23.9	41.3	77.8	25.8	80.8
Ending cash	41.3	77.8	25.8	80.8	138.1

Income Statement

FYE Dec	FY16	FY17	FY18f	FY19f	FY20f
Revenue	946.6	1,148.3	876.1	777.4	783.9
EBITDA	174.8	127.7	133.8	130.9	131.6
EBIT	150.1	98.4	103.3	100.0	99.5
Finance cost	(7.8)	(10.7)	(8.7)	(7.5)	(7.2)
Associates & JV	0.2	0.3	-	-	1.0
Profit before tax	142.5	88.0	94.6	92.6	93.4
Tax	(40.4)	(29.1)	(26.5)	(25.9)	(25.9)
Net profit	103.6	58.9	68.1	66.7	67.5
Minority interest	(2.6)	7.5	-	-	-
PATMI (core)	101.1	66.4	68.1	66.7	67.5
Exceptionals	17.6	14.0	-	-	-
PATMI (reported)	118.7	80.4	68.1	66.7	67.5

Valuation & Ratios

FYE Dec	FY16	FY17	FY18f	FY19f	FY20f
Core EPS (sen)	11.3	7.4	7.6	7.4	7.5
P/E (x)	4.4	6.7	6.5	6.6	6.6
EV/EBITDA (x)	4.9	6.7	6.4	6.6	6.5
DPS (sen)	3.8	2.0	2.3	2.2	2.3
Dividend yield	7.7%	4.0%	4.6%	4.5%	4.6%
BVPS (RM)	0.69	0.77	0.91	0.96	1.02
P/B (x)	0.7	0.6	0.5	0.5	0.5
EBITDA margin	18.5%	11.1%	15.3%	16.8%	16.8%
EBIT margin	15.9%	8.6%	11.8%	12.9%	12.7%
PBT margin	15.1%	7.7%	10.8%	11.9%	11.9%
Net margin	10.7%	5.8%	7.8%	8.6%	8.6%
ROE	18.1%	10.2%	9.1%	7.9%	7.6%
ROA	9.0%	5.0%	5.0%	5.0%	5.0%
Netgearing	28.6%	43.3%	21.1%	12.2%	7.1%

Assumptions

FYE Dec	FY16	FY17	FY18f	FY19f	FY20f
Contracts secured	920	944	250	500	750

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +15% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.