

# Mitrajaya Holdings (BUY↔↔; EPS↔↔)

INDUSTRY: OVERWEIGHT

NEWSBREAK

6 November 2014

Price Target: RM1.52 (↔↔)

Share price: RM1.01

## Job wins surge to a new high

News

- **Building contract for MK22.** Mitrajaya was awarded a RM402m contract by UEM Sunrise to construct 2 building blocks for the MK22 condominiums in Mont Kiara. The contract is scheduled for completion in Aug 2017.

Comments

- **Positive surprise.** In our initiation report yesterday, we highlighted the possibility of Mitrajaya securing another contract by year end. The value of RM402m is however, larger than our initial expectations of RM200m.
- **Record high job wins.** YTD job wins amount to RM949m, marking another record high (FY13: RM501m) which surpasses our full year target of RM600m. This is the 5<sup>th</sup> consecutive year that Mitrajaya has managed to grow its orderbook replenishment (CAGR: 72%).
- **Sizable orderbook cover.** With this recent job win, we estimate its orderbook to stand at RM1.7bn, implying a superior cover of 7.8x on FY13 construction revenue. In comparison, contractors under our coverage only command an average cover ratio of 2.1x. Even in the absence of securing any new jobs or margin expansion, Mitrajaya's earnings growth is already anchored simply by running down its existing orderbook.
- **Strong take up.** Earlier this week, Mitrajaya launched the Wangsa 9 condo (GDV: RM650m). We expect strong take up given its location opposite Wangsa Walk Mall, close proximity to KL city centre (7km) and LRT connectivity with the Sri Rampai station just 150m away.

Risks

- Execution risk, rising material prices, project implementation delays, property sector slowdown and political risk.

Forecasts

- There is upside to our earnings forecast as our orderbook replenishment assumption has been surpassed by 58%. Maintain projections for now, pending a meet up with management next week.
- We currently forecast earnings to almost double this year (+92% YoY) and to deliver a 40% CAGR over 3 years.

Rating

**BUY, TP: RM1.52 (↔↔)**

- Mitrajaya is an under researched hidden gem which offers superior earnings growth at cheap valuations of 8.3x and 6.7x FY14-15 P/E and decent yields of 3-5%. It is our top small cap construction pick.

Valuation

- Our TP is based on 10x FY15 earnings, inline with our target valuation parameter used for small cap contractors.
- For an alternate valuation perspective, at current market capitalisation, investors buying Mitrajaya would be getting its land at 46% discount to market value and all its core business of construction, property development and Optimax (not to mention a golf course in South Africa) for free!

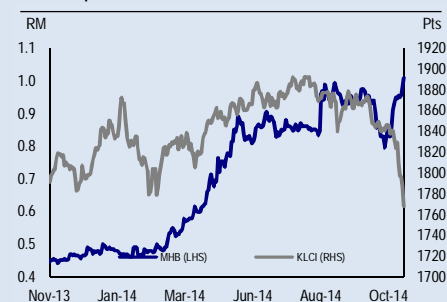
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KLCI	1839.3
Expected share price return	50.5%
Expected dividend return	3.7%
Expected total return	54.2%

### Share price



### Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	394
Market cap (RM m)	398
3-mth avg. volume ('000)	2,793
SC Syariah Compliant	Yes

Price Performance	1M	3M	12M
Absolute	7.4	16.1	122.0
Relative	7.5	18.5	118.1

### Major shareholders

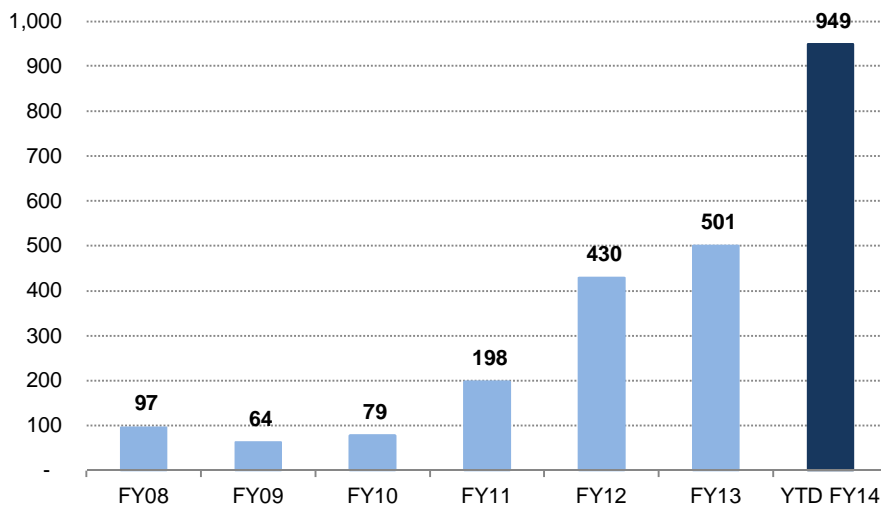
Tan Eng Piew	41.1%
Soon Aw Eng	2.1%
Hong Leong Asset Mgt	2.0%

### Summary Earnings Table

FYE Dec (RM m)	FY13	FY14F	FY15F	FY16F
Revenue	338	496	641	690
EBITDA	49	80	98	110
EBIT	39	70	87	99
Profit Before Tax	36	67	83	94
Core PATAMI	25	48	60	68
vs Consensus (%)	-	-	-	-
Core EPS (sen)	6.4	12.2	15.2	17.4
P/E (x)	15.9	8.3	6.7	5.8
Net DPS (sen)	2.0	3.7	4.6	5.2
Net DY (%)	2.0	3.6	4.5	5.2
BV per share	0.89	0.97	1.08	1.20
P/B (x)	1.1	1.0	0.9	0.8
ROE (%)	7.4	13.1	14.8	15.2
Net Gearing (%)	17.9	18.5	22.0	16.2

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Figure #1 Orderbook replenishment for Mitrajaya (RM m)



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Figure #2 Mitrajaya's orderbook balance (RM m)

Contract	Client	Value	Balance
Ampang LRT ext - stations 3, 4, 5, 8 & 9	Prasarana	146	120
Kelana LRT ext - stations 11 & 12	Prasarana	47	33
MACC Headquarters, Precint 7, Putrajaya	Putrajaya Holdings	428	419
Main building works for Housing Block 5, Symphony Hills, Cyberjaya	UEM Sunrise	227	273
Raffles American School, Nusajaya, Johor	Raffles	270	270
2 building blocks for MK22 condos, Mont Kiara	UEM Sunrise	402	402
Other jobs			175
<b>Orderbook balance as at end June 2014</b>			<b>1,692</b>

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## Financial Projections for Mitrajaya Holdings

## Balance Sheet

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Cash	3	19	18	22	56
Receivables	126	130	181	232	250
Inventories	160	125	191	253	270
PPE	41	38	38	38	37
Others	214	249	270	283	298
<b>Assets</b>	<b>544</b>	<b>560</b>	<b>698</b>	<b>828</b>	<b>910</b>
	-	-	-	-	-
Debts	80	82	89	116	132
Payables	126	124	217	279	296
Others	3	4	8	8	8
<b>Liabilities</b>	<b>210</b>	<b>209</b>	<b>314</b>	<b>402</b>	<b>436</b>
	-	-	-	-	-
Shareholder's equity	332	350	383	425	473
Minority interest	2	1	1	1	1
<b>Equity</b>	<b>334</b>	<b>351</b>	<b>384</b>	<b>426</b>	<b>474</b>

## Cash Flow Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Profit before taxation	28	36	67	83	94
Depreciation & amortisation	8	10	10	10	11
Changes in working capital	(144)	31	(47)	(51)	(18)
Taxation	(9)	(12)	(19)	(23)	(25)
Others	143	(43)	(1)	(17)	(17)
<b>CFO</b>	<b>25</b>	<b>23</b>	<b>10</b>	<b>2</b>	<b>45</b>
Net capex	(11)	(8)	(10)	(10)	(10)
Others	3	13	-	-	-
<b>CFI</b>	<b>(8)</b>	<b>5</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
Changes in borrowings	23	1	7	27	17
Issuance of shares	(0)	(0)	(0)	-	-
Dividends paid	(20)	(8)	(8)	(14)	(18)
Others	(30)	(19)	-	-	-
<b>CFF</b>	<b>(26)</b>	<b>(26)</b>	<b>(0)</b>	<b>12</b>	<b>(1)</b>
<b>Net cash flow</b>	<b>(9)</b>	<b>2</b>	<b>(1)</b>	<b>4</b>	<b>33</b>
Forex	(2)	(0)	-	-	-
Others	11	14	-	-	-
Beginning cash	4	3	19	18	22
Ending cash	3	19	18	22	56

## Income Statement

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
<b>Revenue</b>	<b>251</b>	<b>338</b>	<b>496</b>	<b>641</b>	<b>690</b>
EBITDA	39	49	80	98	110
EBIT	31	39	70	87	99
Finance cost	(3)	(3)	(4)	(4)	(5)
Associates & JV	(0)	-	-	-	-
<b>Profit before tax</b>	<b>28</b>	<b>36</b>	<b>67</b>	<b>83</b>	<b>94</b>
Tax	(9)	(12)	(19)	(23)	(25)
<b>Net profit</b>	<b>19</b>	<b>24</b>	<b>48</b>	<b>60</b>	<b>68</b>
Minority interest	(1)	1	-	-	-
<b>PATMI (core)</b>	<b>18</b>	<b>25</b>	<b>48</b>	<b>60</b>	<b>68</b>
Exceptionals	-	4	-	-	-
<b>PATMI (reported)</b>	<b>18</b>	<b>29</b>	<b>48</b>	<b>60</b>	<b>68</b>

## Valuation &amp; Ratios

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Core EPS (sen)	4.5	6.4	12.2	15.2	17.4
P/E (x)	22.2	15.9	8.3	6.7	5.8
EV/EBITDA (x)	11.7	9.2	5.7	4.6	4.1
DPS (sen)	2.0	2.0	3.7	4.6	5.2
Dividend yield	2.0%	2.0%	3.6%	4.5%	5.2%
BVPS (RM)	0.84	0.89	0.97	1.08	1.20
P/B (x)	1.2	1.1	1.0	0.9	0.8
EBITDA margin	15.5%	14.6%	16.1%	15.3%	15.9%
EBIT margin	12.5%	11.7%	14.2%	13.6%	14.3%
PBT margin	11.1%	10.7%	13.5%	13.0%	13.6%
Net margin	7.2%	7.4%	9.7%	9.3%	9.9%
ROE	5.4%	7.4%	13.1%	14.8%	15.2%
ROA	3.5%	4.5%	7.6%	7.8%	7.9%
Net gearing	23.2%	17.9%	18.5%	22.0%	16.2%

## Assumptions

FYE Dec (RM m)	FY12	FY13	FY14F	FY15F	FY16F
Contracts secured	430	501	600	500	500

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