

Mitrajaya Holdings Bhd

On Track to Deliver High Double-digit Profit Growth

By Iqbal Zainal | mdiqbal@kenanga.com.my

INVESTMENT MERIT

- **Share price climbed 14% since our first report last month.** So far, Mitrajaya's stock price has gone up by 14% since our initial report on the stock about a month ago (6th May 2014; "*Earnings Reached Inflection Point*"). We believe the share price rally is not over yet. We deem at this current price, it is still "too cheap" for a high-double digit growth stock like Mitrajaya. The group's net profit is estimated to grow 52% and 31% in FY14E and FY15E and it is only trading at a low 6.6x fwd-PER15 as compared to its peers of 8-10x.
- **1Q14 earnings within our expectation.** Last week, Mitrajaya announced its 1Q14 earnings results. The group's 1Q14 net profit of RM10.9m came in within our estimates, accounting for 29% of our FY14 full-year net profit forecast. YoY, the group's 1Q14 net profit rose significantly by 57% driven by strong revenue recognition in both construction and property divisions. Over the past one year, Mitrajaya has secured more than RM700m jobs, which boosted its running orderbook to RM1.1b. QoQ, net profit declined by 19% due to slower billings in both construction and property divisions following festive season in 1Q14. Interestingly, construction division registered 10% PBT margins in 1Q14, higher than that of previous quarter of 9%.
- **Our FY14-FY15 forecasts considered conservative.** We maintain our earnings forecasts for now as the results came in within our expectations. Note that our forecasts are rather conservative as: (i) we only assume 8% PBT construction margins in our FY14-FY15 forecasts, versus the segment's reported margin of 10% in 1Q14 and (ii) we only forecast 20% PBT property margins in FY14-FY15 versus 1Q14's delivered PBT margin of 24%. Hence, if Mitrajaya could sustain the same PBT margins achieved in 1Q14 for the coming quarters, our core net profit growth forecast of 52%-31% in FY14-FY15 would be conservative.
- **Earnings outlook remains bright.** With the RM1.1b outstanding orderbook and RM1.75b tenderbook, we believe earnings outlook for the group's construction division remains bright in the foreseeable future. Meanwhile, the key catalyst for its property division will still be the launch of its new property project comprising 3-blocks of luxury condominiums in Wangsa Maju by end-2014. Despite the property cooling measures, we believe this project could achieve healthy take-up rates due to the strategic location (i.e adjacent to LRT and Wangsa Walk Mall).
- **Maintain TRADING BUY with unchanged FV of RM1.13.** We reckon that this under-researched stock is one of the small-cap stocks with good growth prospect worth considering given its visible earnings growth prospects. At current price, Mitrajaya appears to be very cheap as it is only trading at Fwd-PER15 of 6.6x against its small-cap peers average Fwd-PER of 8x-10x. Benchmarked at 9x fwd-PER on FY15 earnings, Mitrajaya is fairly valued at RM1.13. **Maintain TRADING BUY, as the stock still offers another 35% potential upside.**

	Rating	Fair Value
Last Price		RM0.845
Kenanga	Trading Buy	RM1.13
Consensus	N.A.	N.A.

Stock Information

Stock Name	MITRAJAYA HOLDINGS BHD
CAT Code	9571
Industry	Engineering&Construction
Industry Sub-sector	Building-Heavy Construct
YTD stock price chg	67.33%
Market Cap (RM m)	333.03
Issued shares (m)	394.12
52-week range (Hi)	0.935
52-week range (Low)	0.425
3-mth avg daily vol:	5320648
Free Float	37%
Beta	1.36
Altman's Z-score	2.02

Major Shareholders

ENG PIOW TAN	41.02%
KHIDMAS CAPITAL SDN	4.71%
BOON HOCK TAN	4.59%

Financials

FYE Dec (RM'm)	2013A	2014E	2015E
Revenue	338.4	500.9	676
EBIT	43.7	56.4	72.9
Net Profit (NP)	25.1	38.3	49.9
EPS (sen)	6.4	9.7	12.7
BV/Share (RM)	0.9	0.9	1
PER	13.2	8.7	6.7
Price/BV (x)	0.9	0.9	0.8
Net Gearing (x)	0.2	0.2	0.2
NDPS (sen)	2.0	3.0	4.0
Dividend Yield (%)	2.4%	3.6%	4.7%

Quarterly Financial Data	3Q13	4Q13	1Q14
Revenue	70.2	123.9	104.2
PBT	10.5	19.4	14.4
Net Profit (NP)	8.6	13.4	10.9
EPS (sen)	2.2	3.4	2.8
EPS Growth (QoQ)	96.2%	56.9%	-18.7%
Revenue Growth (QoQ)	-10.1%	76.6%	-15.9%
PBT Margin	15.0%	15.7%	13.8%

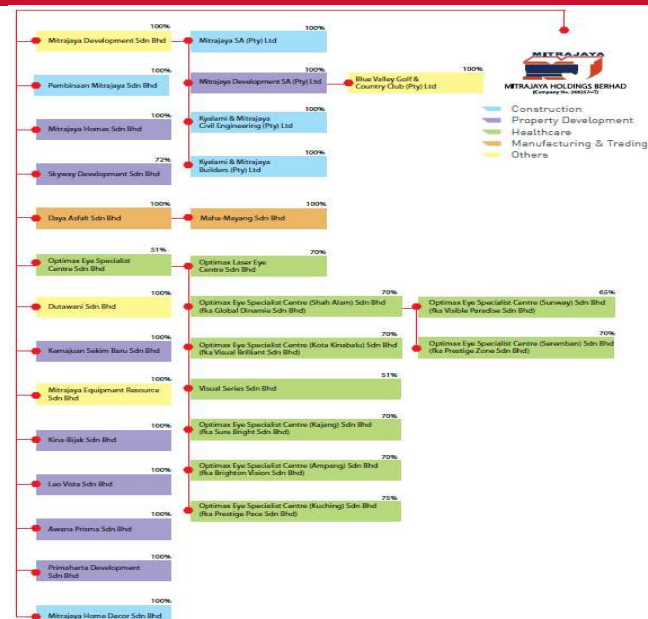
Peers Comparisons	PER (FY14)	Div. Yld (%)	Mkt Cap (RM'm)
Naim	9.1	1.9	935.9
Kimlun	9.0	2.6	480.9
Eversendai	10.2	2.5	770.0
Gadang	8.7	3.0	330.4
Average	9.3	2.5	-
Mitrajaya	8.7	3.6	333.0
FBMKLCI	16.7	6.0	-

About the stock:

Key Support & Resistance level

Resistance	:	RM0.87 (R1)	RM1.00 (R2)	RM1.20 (R3)
Support	:	RM0.74 (S1)	RM0.67 (S2)	RM0.62 (S3)
Outlook	:	Bullish		

CORPORATE STRUCTURE



- Incorporated since 1985, Mitrajaya is primarily involved in construction and civil engineering related fields. Mitrajaya has completed few major national projects such as: Kuala Lumpur International Airport (KLIA), KL's Light Rail Transit System, the CyberJaya Flagship Zone and numerous other projects. In addition, Mitrajaya is also involved in other businesses including property development, manufacturing as well as healthcare.

- **Construction division.** Construction segment is the biggest contributor to Mitrajaya's revenue and pre-tax profits, accounts for 64% and 33% of its total revenue and pre-tax profits in FY13.
- **Property.** Second major contributor in Mitrajaya's earnings. The division accounted for 24% and 42% of its total revenue and pre-tax earnings in FY13. It has total undeveloped landbank of approximately 260 acres.
- **Healthcare.** Mitrajaya also has 51% stake in Optimax Eye Specialist Sdn Bhd since 2001. This division, in FY13, contributed RM21m and RM0.6m respectively to the Group's revenue and pre-tax earnings.
- **Overseas operation in South Africa.** Mitrajaya also has overseas operation which it owns the clubhouse, 18-hole golf course & admin office building in the 300-hectare Blue Valley Golf and Country Estate in South Africa since 1998. It also has about 152 acres of

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KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my



Chan Ken Yew
Head of Research