

Mitrajaya Holdings (BUY↔; EPS↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

25 February 2015

Price Target: RM1.97 (↔)

Share price: RM1.67

4Q results: Finishing inline
Results

- 4QFY14 results came in with revenue of RM135.8m (+10% YoY, -7% QoQ) and PATMI of RM16.1m (+20% YoY, +23% QoQ).
- For the full year FY14, PATMI came in at RM53.7m, representing a 114% YoY growth on a core basis (i.e. after stripping out RM4.2m disposal gains on non-core assets recorded in 3Q last year).

Deviation

- Full year FY14 PATMI was within expectations (i.e. +4.6% above our forecast).

Dividends

- 5 sen first and final dividend was proposed in relation for the year FY14 (FY13: 2 sen), above our forecast of 3.9 sen.

Highlights

- Construction progressing well.** Construction revenue jumped 72% YoY, fuelled by contributions from key jobs such as the LRT stations, MACC Headquarters and Symphony Hills. Construction EBIT margin also expanded YoY from 6.7% to 10.3% as newer jobs, which command higher margins, took a larger contributing share.
- Orderbook at an all-time high.** New job wins hit a record high of RM1.1bn in FY14 (FY13: RM501m). Mitrajaya has also started the year well with RM230m in new job wins YTD, hitting 46% of our full year target. Its orderbook currently stands at RM1.9bn, implying a superior 5.1x cover on FY14 construction revenue.
- Softening property sales for 2nd Phase.** Mitrajaya launched Phase 2 (RM200m) of its Wangsa 9 Residence in Dec and has seen take up rate of only slightly above 10% (as of end Jan). Nonetheless, we are not entirely concerned by this as Phase 1 (RM200m) which was launched in Oct has hit 70-80% take up rate.

Risks

- Delays in construction execution and softening property market.

Forecasts

- No changes to estimates as the results were inline.
- We maintain our FY15 and FY16 PATMI forecast of RM77.7m and RM93.3m, translating to 45% and 20% YoY growth respectively.

Rating
BUY, TP: RM1.97 (↔)

- We continue to highlight Mitrajaya as our top small cap construction pick given its strong earnings visibility backed by its sizable orderbook.

Valuation

- Our TP is still based on an unchanged 10x P/E on FY15 earnings. The stock currently trades at 8.5x and 7.1x FY15-16 P/E with dividend yield of 3.5% and 4.3%.

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| | |
|-----------------------------|--------|
| KLCI | 1818.7 |
| Expected share price return | 18.0% |
| Expected dividend return | 3.5% |
| Expected total return | 21.5% |

Share price

Information

| | |
|--------------------------|--------|
| Bloomberg Ticker | MHB MK |
| Bursa Code | 9571 |
| Issued Shares (m) | 394 |
| Market cap (RM m) | 658 |
| 3-mth avg. volume ('000) | 3,172 |
| SC Shariah-compliant | Yes |

| Price Performance | 1M | 3M | 12M |
|-------------------|------|------|-------|
| Absolute | 57.5 | 46.5 | 234.0 |
| Relative | 56.2 | 48.1 | 236.8 |

Major shareholders

| | |
|-----------------------------|-------|
| Tan Eng Piew | 41.1% |
| Hong Leong Asset Management | 3.7% |
| Soon Aw Eng | 2.1% |

Summary Earnings Table

| FYE Dec (RM m) | FY13 | FY14 | FY15F | FY16F |
|-------------------|------|------|-------|-------|
| Revenue | 338 | 520 | 862 | 1,022 |
| EBITDA | 49 | 92 | 123 | 144 |
| EBIT | 39 | 76 | 112 | 133 |
| Profit Before Tax | 36 | 72 | 108 | 128 |
| Core PATMI | 25 | 54 | 78 | 93 |
| vs Consensus (%) | - | - | - | - |
| Core EPS (sen) | 6.4 | 13.6 | 19.7 | 23.7 |
| P/E (x) | 26.2 | 12.2 | 8.5 | 7.1 |
| Net DPS (sen) | 2.0 | 5.0 | 5.9 | 7.1 |
| Net DY (%) | 1.2 | 3.0 | 3.5 | 4.3 |
| BV per share | 0.89 | 1.00 | 1.12 | 1.28 |
| P/B (x) | 1.9 | 1.7 | 1.5 | 1.3 |
| ROE (%) | 7.4 | 14.4 | 18.6 | 19.8 |
| Net Gearing (%) | 17.9 | 19.0 | 16.8 | 20.2 |

HLIB

Figure #1 Quarterly results comparison

| FYE Dec (RM m) | 4QFY14 | 4QFY13 | 3QFY14 | YoY | QoQ | Comments |
|------------------|--------|--------|--------|------|-------|---|
| Revenue | 135.8 | 123.9 | 145.6 | 9.6 | (6.7) | Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo. |
| EBIT | 23.7 | 20.2 | 18.1 | 17.1 | 30.9 | |
| Finance cost | (1.0) | (0.8) | (1.1) | 21.1 | (9.7) | Higher finance cost due to higher ST debt for project financing. |
| Associates & JVs | - | - | - | | | |
| PBT | 22.7 | 19.4 | 17.0 | 17.0 | 33.5 | |
| PAT | 15.9 | 13.1 | 12.9 | 21.4 | 23.3 | |
| PATMI - core | 16.1 | 13.4 | 13.1 | 19.8 | 22.9 | |
| PATMI - reported | 16.1 | 13.4 | 13.1 | 19.8 | 22.9 | |
| EPS - core | 4.1 | 3.4 | 3.3 | | | |
| EBIT margin | 17.5 | 16.3 | 12.4 | | | Margins higher YoY and QoQ as newer projects with higher margins begin to contribute. |
| PBT margin | 16.7 | 15.7 | 11.7 | | | |
| Mitrajaya, HLIB | | | | | | |

Figure #2 Cumulative results comparison

| FYE Dec (RM m) | 12MFY13 | 12MFY14 | YoY (%) | Comments |
|------------------|---------|---------|---------|--|
| Revenue | 520.2 | 338.4 | 53.7 | Driven by projects such as LRT stations, MACC HQ and Symphony Hills condo. |
| EBIT | 76.0 | 39.5 | 92.6 | Driven by topline growth and margin expansion. |
| Finance cost | (3.6) | (3.4) | 5.9 | |
| Associates & JVs | - | - | | |
| PBT | 72.4 | 36.1 | 100.8 | |
| PAT | 53.1 | 24.4 | 117.5 | |
| PATMI - core | 53.7 | 25.1 | 114.2 | Within expectations at 105% of full year forecast |
| PATMI - reported | 53.7 | 29.3 | 83.3 | Gain on disposal of Rawang Hospital last year (RM4m). |
| EPS - core | 13.6 | 6.4 | | |
| EBIT margin | 14.6 | 11.7 | | Higher as newer and higher margin jobs kick in. |
| PBT margin | 13.9 | 10.7 | | Higher as newer and higher margin jobs kick in. |
| Mitrajaya, HLIB | | | | |

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Published & Printed by
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Equity rating definitions

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

Industry rating definitions

| | |
|--------------------|--|
| 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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