

Mitrajaya Holdings Bhd

First Contract for the Year!

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News

- Yesterday, MITRA announced a contract award worth RM157.3m from Putrajaya Home Sdn Bhd for the construction and completion of 800 units of PPA1M apartments inclusive of two blocks of multi-level car parks and common facilities located in Precint 17, Putrajaya. The construction period would take up to 36 months, whereby completion is expected by 1Q19.

Comments

- This marks the first contract bagged by MITRA for FY16. Nonetheless, we are neutral on this contract as it is well within our estimates - making up 22.5% of our FY16 replenishment target of RM700m. We deem our assumptions to be conservative as compared to management's FY16 target of achieving an orderbook replenishment of RM1.0b. To recap, MITRA only secured RM386.0m worth of jobs back in FY15 vis-à-vis their initial target of RM1.0b, due to delays in awards of projects bidded.
- Assuming PBT margins of 7%, the contract could contribute c.RM2.8m to bottomline for the next three years.

Outlook

- This contract award will boost MITRA's outstanding orderbook to RM1.63b (previously RM1.48b) providing earnings visibility for at least two years. We reiterate our positive stance on MITRA, underpinned by government's spending on infrastructure projects and development of affordable housing projects under the 11MP.
- Its property division will be driven by its Wangsa 9 project (GDV: RM680m) and upcoming project in Puchong Prima (GDV: RM1.5b). While we expect some slowdown in the property segment, we feel this should not impact the group significantly. Both projects have strong selling points, being strategically located adjacent to LRT stations providing convenience and connectivity.

Forecast

- No changes to earnings.

Rating **Maintain OUTPERFORM**

Valuation

- Maintain OUTPERFORM with a target price of RM1.63 based on our SoP-based calculations. Our TP implies 11x Fwd. PER, which is inline with small-mid cap contractors' Fwd-PER range of 7-13x. The stock is currently trading at single-digit valuation offering a potential total upside of 41%, including dividend yield of 2.1%.

Risks to Our Call

- Lower-than-expected margins.
- Delay in construction works.
- Lower-than-expected orderbook replenishment.
- Lower-than-expected property sales.

OUTPERFORM ↔

Price: RM1.12

Target Price: RM1.63 ↔

Share Price Performance



KLCI	1,677.28
YTD KLCI chg	-0.9%
YTD stock price chg	-2.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	750.7
Issued shares	641.6
52-week range (H)	1.39
52-week range (L)	0.80
3-mth avg daily vol:	1,354,068
Free Float	54%
Beta	1.5

Major Shareholders

ENG PIOW TAN	40.5%
EMPLOYEES PROVIDENT	2.6%
KUMPULAN WANG PERSAR	2.5%

Summary Earnings Table

FY Dec (RM'm)	2014A	2015E	2016E
Turnover	520.2	856.5	1,086.1
EBIT	76.1	111.1	141.2
PBT	72.5	102.4	129.4
Net Profit (NP)	53.8	78.1	99.3
Core net profit	53.8	78.1	97.8
Consensus (NP)	n.a.	79.1	96.9
Earnings Revision	n.a.	n.a.	-1.3%
Basic EPS	8.1	11.8	14.7
FD EPS (sen)	7.1	10.3	12.9
EPS growth (%)	83%	45%	25%
DPS (sen)	1.0	2.5	2.5
NTA/Share (RM)	0.52	0.60	0.71
Basic PER (x)	14.5	10.0	7.9
FD PER (x)	16.5	11.3	9.1
BVPS (RM)	0.52	0.60	0.71
Net Gearing (x)	0.2	0.3	0.3
Dividend Yield (%)	0.9%	2.1%	2.1%

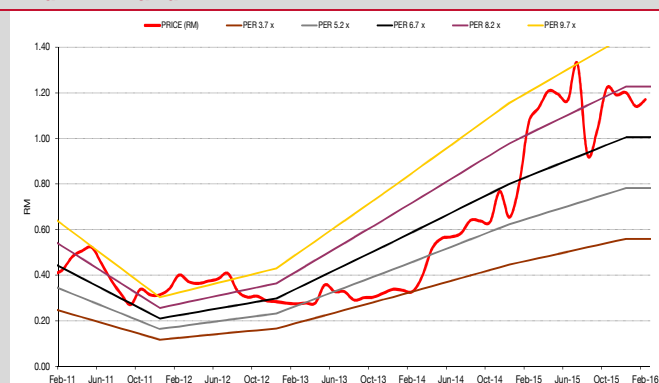
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Sum-of-parts valuation

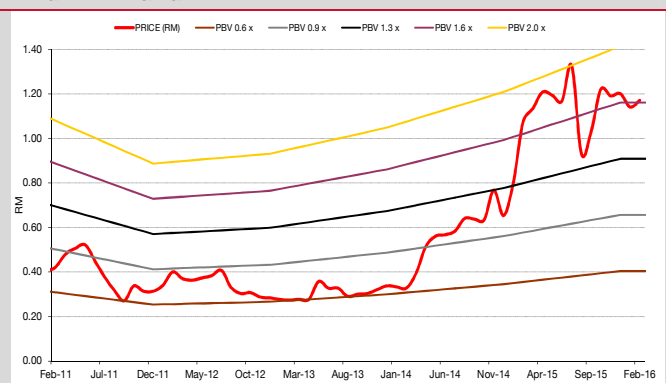
Segment	Stake	Method	Value (RMm)
Construction	100%	FY16 PE of 12x	748.6
Property Division (ex-South Africa)	100%	RNAV (60% discount)	322.3
South Africa	100%	RNAV (60% discount)	32.1
Sub Total			1,103.0
Proceed from warrants (C and D)			126.9
Proceeds from disposal of Optimax			5.1
Total			1,235.0
No of FD shares			756.9
SOP/share			1.63
Target Price			1.63
Implied Basic PE (x)			7.9
Implied FD PE (x)			9.1

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	250.5	338.4	520.2	856.5	1086.1	Growth					
EBITDA	38.9	53.7	85.6	121.5	151.5	Turnover (%)	-84%	35%	54%	65%	27%
Depreciation	-7.5	-10.0	-9.5	-10.4	-10.3	EBITDA (%)	-85%	38%	59%	42%	25%
EBIT	31.4	43.7	76.1	111.1	141.2	Op. Profit (%)	-88%	39%	74%	46%	27%
Net Interest Exp	-3.5	-3.4	-3.6	-8.7	-11.7	PBT (%)	-87%	44%	80%	41%	26%
Investing	0.0	0.0	0.0	0.0	0.0	Net Profit (%)	-89%	55%	83%	45%	27%
Associate/JCE	0.0	0.0	0.0	0.0	0.0	Core Net Income	-89%	55%	83%	45%	25%
Exceptionals/FV	0.0	0.0	0.0	0.0	1.5						
PBT	27.9	40.3	72.5	102.4	129.4	Profitability (%)					
Taxation	-9.0	-11.6	-19.2	-24.8	-30.6	EBITDA Margin	16%	16%	16%	14%	14%
Minority Interest	0.0	-0.7	-0.5	-0.5	-0.5	Op. Margin	13%	13%	15%	13%	13%
Net Profit	19.0	29.3	53.8	78.1	99.3	PBT Margin	11%	12%	14%	12%	12%
Core Net Profit	19.0	29.3	53.8	78.1	97.8	Net Margin	8%	9%	10%	9%	9%
						Effective Tax	-32%	-29%	-26%	-24%	-24%
						ROA	6%	8%	14%	17%	18%
						ROE	3%	5%	8%	9%	10%
Balance Sheet						DuPont Analysis					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	Net Margin (%)	7%	9%	10%	9%	9%
PPE	177.5	167.9	137.8	138.1	137.8	Assets Turn. (x)	0.5	0.6	0.8	1.0	1.1
Intangible Assets	3.1	3.2	3.2	3.2	3.2	Leverage Fac (x)	1.6	1.6	1.6	1.8	1.9
Other FA	3.2	2.9	1.9	1.9	1.9	ROE (%)	5%	8%	14%	17%	19%
Inventories	160.4	124.9	93.9	162.8	208.6						
Receivables	120.2	123.2	183.5	302.1	383.1	Leverage					
Other CA	76.7	118.8	195.5	196.2	250.7	Debt/Asset (x)	0.15	0.15	0.16	0.18	0.19
Cash	3.3	19.1	23.9	30.0	33.3	Debt/Equity (x)	0.24	0.23	0.26	0.33	0.36
Total Assets	544.3	560.0	639.9	834.4	1018.5	Net Cash/(Debt)	23	3	3	4	5
Payables	119.9	118.8	125.2	206.2	261.5	Net Debt/Eq. (x)	0.23	0.18	0.20	0.26	0.30
ST Borrowings	55.9	62.5	83.0	116.5	134.7						
Other ST Liability	8.2	7.1	16.3	23.6	28.5	Valuations					
LT Borrowings	24.6	19.1	19.0	32.7	58.1	Core EPS (sen)	2.9	4.4	8.1	11.8	14.7
Other LT Liability	1.4	1.6	1.1	1.1	1.1	NDPS (sen)	2.6	1.0	1.0	2.5	2.5
Minorities Int.	1.9	1.3	0.7	0.7	0.7	BV/share (RM)	0.44	0.46	0.52	0.60	0.71
Net Assets	332.4	349.7	394.4	453.5	533.8	Core PER (x)	41.0	26.5	14.5	10.0	7.9
Share Capital	198.8	198.8	198.8	198.8	198.8	Net Div. Yld (%)	2.2%	0.0%	0.9%	2.1%	2.1%
Reserves	133.6	150.9	195.7	254.7	335.1	PBV (x)	2.7	2.5	2.2	2.0	1.7
Equity	332.4	349.7	394.4	453.5	533.8	EV/EBITDA (x)	20.5	14.5	9.0	6.4	5.3
Cashflow Statement											
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E						
Operating CF	25.1	23.1	7.5	-3.2	-0.1						
Investing CF	-7.6	4.8	-4.5	-10.7	-10.0						
Financing CF	-26.4	-26.3	14.2	20.0	13.4						
Change In Cash	-8.8	1.6	17.2	6.1	3.3						
Free CF	17.5	28.0	3.0	-13.9	-10.1						

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE																
NAME	Price 23/2/16	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)		
EVERSENDI CORP BHD	0.73	564.9	16.9	12.9	8.7	2.7	4.7	0.6	33.4	43.9	64.8	31.4	47.6	0.92	Outperform	-4.58
GAMUDA BHD	4.52	10874.7	15.8	17.1	15.3	2.7	13.2	2.3	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	-3.00
IJM CORP BHD	3.44	12322.0	25.2	19.8	18.1	4.4	3.4	0.7	488.6	622.4	680.0	27.4	9.3	3.50	Market Perform	1.78
KIMLUN CORP BHD	1.51	453.8	13.4	6.9	6.6	2.6	14.9	1.0	33.8	65.5	68.7	93.8	4.8	2.05	Outperform	9.42
MUHIHBAH ENGINEERING (M) BHD	2.34	1097.2	13.5	12.7	11.8	2.1	8.2	1.0	81.5	86.4	92.9	5.9	7.5	2.79	Outperform	5.88
HOCK SENG LEE BERHAD	1.98	1088.0	14.1	15.1	12.6	2.0	10.3	1.6	76.9	72.2	86.4	-6.1	19.7	2.03	Market Perform	4.76
NAIM HOLDINGS BERHAD	2.59	613.7	6.2	18.7	12.9	1.5	2.5	0.5	98.3	32.9	47.6	-66.6	44.8	1.66	Under Perform	5.28
WCT HOLDINGS BHD	1.61	1932.6	15.7	49.2	22.1	3.1	1.9	1.0	122.9	39.3	87.4	-68.0	122.4	1.51	Market Perform	0.00
MMC CORP BHD	1.70	5176.6	43.6	20.6	16.4	0.0	2.7	0.6	118.8	251.6	316.6	111.8	25.8	2.72	Outperform	-13.27
MITRAJAYA HOLDINGS BHD	1.17	750.7	14.0	9.5	7.7	2.1	17.3	1.6	53.8	78.9	97.8	46.7	24.0	1.63	Outperform	-2.50
Average			17.8	18.2	13.2											
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 GROUP BHD	1.17	629.9	-9.0	377.9	16.8	2.4	0.1	0.6	-70.2	1.7	37.4	-102.4	2145.5	n.a.	Not Rated	-0.85
PROTASCO BHD	1.46	490.0	-10.2	6.2	6.0	6.8	n.a.	n.a.	-47.9	78.9	81.4	-264.9	3.2	2.25	Trading Buy	-9.32
PINTARAS JAYA BHD	3.24	527.4	10.2	11.9	8.8	5.1	n.a.	n.a.	51.9	44.5	60.0	-14.3	34.8	4.78	Trading Buy	-1.82
GABUNGAN AQRS BHD	0.85	331.9	6.3	-30.2	10.9	1.8	n.a.	n.a.	52.9	-11.0	30.5	-120.8	-377.3	n.a.	Not Rated	2.41
GADANG HOLDINGS BHD	2.16	507.8	8.6	6.8	6.3	2.5	17.2	1.2	58.8	74.7	80.2	27.0	7.4	2.00	Take Profit	1.89
AHMAD ZAKI RESOURCES BERHAD	0.59	284.4	22.4	n.a.	n.a.	n.a.	n.a.	n.a.	12.7	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	-7.09
TRC SYNERGY BHD	0.39	187.4	52.6	7.8	9.1	2.6	7.1	0.6	3.6	23.9	20.6	570.4	-13.8	n.a.	Not Rated	5.41
BINA PURI HOLDINGS BHD	0.42	97.8	15.9	12.2	7.0	4.8	n.a.	n.a.	6.1	8.0	14.0	30.4	75.0	n.a.	Not Rated	-2.33
Average			10.6	64.4	9.8											

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

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

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