

# Stock Digest

## Results Note – Mitrajaya Holdings Bhd

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## Still On The Ascend

### Results Highlights

- Mitrajaya's 1Q2016 net profit gained 37.8% Y.o.Y to RM18.5 mln on higher contribution across all its three main segments; the construction segment growth was driven by the completion of the LRT stations for the Ampang & Kelana Jaya extension lines and the business operation complex in Shah Alam, while the improvement in both its local property sales and South Africa property segment also contributed to the higher earnings. Revenue for the quarter rose 21.0% Y.o.Y to RM195.5 mln. However, the reported earnings and revenue only accounted to 19.2% and 20.1% of our full year estimated net profit and revenue of RM95.9 mln and 972.5 mln respectively.
- Segment wise, the construction segment's pretax profit increased 15.4% Y.o.Y to RM15.0 mln, mainly on higher billings on projects secured over the past two years which are at their tail end. Its domestic property development segment's pretax profit jumped 83.4% Y.o.Y to RM5.8 mln, on recognition of progressive work from the Wangsa 9 Residency project, coupled with higher sales. The South Africa property segment's pretax profit climbed 8.6% Y.o.Y to RM2.7 mln, on higher progressive recognition from its ongoing developments.
- Meanwhile, the group continues to maintain a healthy balance sheet with a decent net gearing at 0.3x, implying room to increase its financial leverage for business expansion.

### Financial Highlights

FY Dec (RM mln)	2013A	2014A	2015A	2016F	2017F
Revenue	338.4	520.2	890.7	972.5	1033.1
EBITDA	53.2	85.0	147.9	157.9	172.9
Net Profit	28.0	53.8	86.8	95.9	106.2
Revenue Growth (%)	35.1	53.7	71.2	9.2	6.2
EBITDA Growth (%)	37.9	59.7	73.9	6.8	9.5
Net Profit Growth (%)	56.1	92.1	61.5	10.4	10.8
EPS (sen)	4.4	8.4	13.5	14.9	16.5
Diluted EPS (sen) #	N/A	N/A	N/A	14.8	0.0
P/E (x)	30.5	15.9	9.9	8.9	8.1
Diluted P/E (x) #	N/A	N/A	N/A	9.9	9.0
Dividend Yield (%)	0.9	2.3	3.8	3.8	4.1
P/BV (x)	2.45	2.17	1.71	N/A	N/A
ROE (%)	8.0	13.6	17.3	N/A	N/A

# Based on enlarged share capital of 748.4 mln outstanding shares (After adjusting for warrants-C & D conversion in 2015)

Source: Company Data, MSSB Research

## BUY

Share Price: RM1.33  
Target Price: RM1.70

### Key Statistics

Stock Information: Engaged in construction, property development and overseas investment.

Sector: Infrastructure construction.

Sector: Civil Engineering and Property Development

Industry: Construction

Listing: Main Market

Stock Code: 9571

Share Issued (mln): 643.6

Market Capital (RM mln): 856.0

Par Value (RM): 0.50

Major Shareholders:

Tan Eng Piow	40.4%
Employees Provident Fund	2.6%
Kumpulan Wang Persaraan	2.5%

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## Prospects

Although Mitrajaya had only secured a total of RM468.5 mln worth of new construction contracts (which was below our targeted orderbook of RM700.0 mln) in 2015, the group has already bagged a total of RM450.3 mln worth of construction contracts in 1Q2016, accounting to 64.3% of our targeted orderbook replenishment of RM700.0 mln for the year. This brings its outstanding construction orderbook to approximately RM1.64 bln (an exceptionally high construction cover ratio of 2.0x against 2015's construction revenue) to provide earnings visibility over the next two years. With the group's established track record and the recent completion of the LRT Ampang Line extension, we believe that Mitrajaya is in a prime position to secure part of the LRT Line 3 works. We also note that the group is tendering close to RM4.00 bln worth of new contracts, coupled with additional RM500.0 mln tenders that are under preparation.

There will be minimal impact on the general construction sector despite the revised Budget 2016, given that most of the large scale infrastructure projects will proceed as planned. We also think that Mitrajaya remains well positioned to capitalise on the affordable housing projects such as the PR1MA and PPA1M projects, having been involved in the former.

We note that the group has recently launched a new project, Rumah SelangorKu, an affordable property development project at Puchong Prima to cater for middle-lower income group. The aforementioned project comprises of two high rise apartments, totaling 408 units and carries a GDV of approximately RM70.0 mln that is expected to be completed in 2018. Mitrajaya's unbilled domestic property sales of approximately RM150.0 mln will provide earnings visibility over the next 2-3 years. On its South Africa property segment, 80% of the properties on offer were booked on the day of launching, implying strong demand and moving forward, the aforementioned segment's earnings growth to be underpinned by an unbilled sales of Rand 75.0 mln.

## Valuation And Recommendation

Although the reported earnings were lower vs. our forecast, we think that the earnings should recover in the upcoming quarters, given that its first quarter results are historically softer, while three-of-the ten major projects secured recently has yet to reach critical recognition stages. Hence, we leave our earnings forecast unchanged and we maintain our **BUY** recommendation on Mitrajaya with an unchanged target price RM1.70. Our target price is derived from ascribing a target PER of 9.0x to its 2017 (fully diluted) construction EPS of 9.4 sen, while the value of its property development units, both local and overseas, are valued at 0.8x their respective book values.

Risks to our forecast and target price include inability to replenish its construction orderbook, particularly if there are delays in the implementation of upcoming government-sponsored projects such as the PR1MA, PPA1M and the new LRT route that could dent Mitrajaya's construction orderbook replenishment prospects. Further

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tightening of credit facilities from financial services providers will continue to negatively affect the general property market and the sale of its properties.

Quarterly Performance					
FY Dec (RM mln)	1Q2016	1Q2015	% Change Y.o.Y	4Q2015	% Change Q.o.Q
Revenue	195.5	161.6	21.0%	254.9	-23.3%
EBITDA	31.7	22.4	41.8%	48.1	-34.1%
Depreciation & Amotization	6.5	2.7	137.3%	6.4	0.9%
Net Interest Income/ (Expense)	-1.2	-1.1	8.7%	-0.6	115.4%
Profit before Tax	24.0	18.5	29.7%	41.2	-41.8%
Net Profit	18.5	13.4	37.8%	25.3	-27.2%
Basic EPS (Sen)	2.9	2.1	37.8%	3.9	-27.2%

Source: Company Data, MSSB Research

Income Statement					
FYE Dec (RM mln)	2013A	2014A	2015A	2016F	2017F
Revenue	338.4	520.2	890.7	972.5	1033.1
EBITDA	53.2	85.0	147.9	157.9	172.9
Depreciation & Amortisation	-10.0	-9.5	-18.3	-20.7	-22.0
Net Interest Expense	-2.9	-3.0	-4.5	-4.5	-4.6
Pre-tax Profit	40.3	72.5	124.9	132.4	146.1
Effective Tax Rate	28.9%	26.5%	30.4%	27.0%	27.0%
Net Profit	28.0	53.8	86.8	95.9	106.2
EBITDA Margin	15.7%	16.3%	16.6%	16.2%	16.7%
PreTax Margin	11.9%	13.9%	14.0%	13.6%	14.1%
Net Margin	8.3%	10.3%	9.8%	9.9%	10.3%

Source: Company Data, MSSB Research

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