

19 August 2016

Mitrajaya Holdings Bhd

Within Expectations

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1H16 CNP of RM46.9m was inline with our and consensus estimates at 45% and 48%, respectively. No dividends declared as expected. Thus, we make no changes to FY16-17E earnings. Maintain OUTPERFORM call with a higher SoP-derived TP of RM1.79 (previously RM1.77) after rolling forward valuation base year for its construction division to FY17.

Within expectations. 1H16 CNP of RM46.9m was in line with our and consensus forecasts representing 45% and 48% of estimates, respectively. No dividends were declared as expected.

Result Highlights. 1H16 CNP of RM46.9m was up 32% YoY underpinned by: (i) 11% increase in top line as a result of higher construction billings (+14%), (ii) improvement in construction EBIT margins of +1.4ppt driven by better cost controls, and (iii) lower effective tax rate (-2ppt). 2Q16 CNP of RM28.4m improved 54% QoQ underpinned by a 26% increase in revenue, improved margins from construction (+5.5ppt) and lower share option expense (-97%). The increase in revenue was attributed to higher construction billing (+36%) as a number of projects have already moved towards advanced billings stage.

Construction outlook. Currently, MITRA's outstanding order book stands at RM1.49b providing earnings visibility for another c.1.5 years. Year-to-date, MITRA has secured RM503m worth of contracts, making up 63% of our RM800m order book assumption with a remainder of RM297m to be achieved. We feel our replenishment target is achievable given the existing c.RM2.0b tender book in hand.

Property prospects. Within its property segment, MITRA's unbilled sales of c.RM160.0m from Wangsa 9 and 280 Park Homes provide visibility for another 1.5 years. Meanwhile, its South Africa division will see unbilled sales of Rand67m (RM20m) recognised progressively upon completion of the transfer of ownership by FY16.

No changes to earnings. We make no changes to our FY16 and FY17 earnings forecasts of RM105.7m and RM114.4m, respectively.

Upgrade in Target Price to RM1.79. Post-results, we maintain OUTPERFORM with a higher SoP-derived target price of RM1.79 (previously RM1.77) after rolling forward our valuation base year for its construction division to FY17E. Our TP implies 11.8x FY17 FD PER, which is in line with small-mid cap contractors' targeted Fwd. PER range of 9-13x.

Risks to our call include lower-than-expected margins, delay in construction works, lower-than-expected order book replenishment and lower-than-expected property sales.

OUTPERFORM ↔

Price: **RM1.41**
Target Price: **RM1.79** ↑

Share Price Performance



KLCI	1,694.87
YTD KLCI chg	0.1%
YTD stock price chg	17.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	942.8
Issued shares	668.7
52-week range (H)	1.47
52-week range (L)	0.80
3-mth avg daily vol:	1,859,199
Free Float	55%
Beta	1.3

Major Shareholders

ENG PIOW TAN	40.4%
EMPLOYEES PROVIDENT	2.6%
KUMPULAN WANG PERSAR	2.5%

Summary Earnings Table

FY Dec (RM'm)	2015A	2016E	2017E
Turnover	891.0	992.8	1,091.4
EBIT	130.1	151.7	162.7
PBT	124.8	139.9	149.2
Net Profit (NP)	87.7	107.2	114.4
Core net profit	87.7	105.7	114.4
Consensus (NP)	n.a.	98.6	111.5
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	13.1	15.8	17.1
FD EPS (sen)	11.6	14.0	15.2
EPS growth (%)	63%	21%	8%
DPS (sen)	2.5	4.2	4.2
NTA/Share (RM)	0.61	0.71	0.82
Basic PER (x)	10.7	8.9	8.2
FD PER (x)	12.1	10.1	9.3
BVPS (RM)	0.61	0.71	0.82
Net Gearing (x)	0.2	0.2	0.3
Dividend Yield (%)	1.8%	3.0%	3.0%



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Result Highlight

FYE: Dec (RM'm)	2Q16	1Q16	QoQ	2Q15	YoY	1H16	1H15	YoY
Revenue	245.6	195.5	26%	243.2	1%	441.0	397.7	11%
EBIT	40.1	25.4	58%	32.5	24%	65.5	51.2	28%
PBT	38.7	24.0	61%	31.2	24%	62.7	48.7	29%
Taxation	-10.0	-5.5	81%	-8.4	19%	-15.5	-12.9	20%
Net Profit (NP)	29.6	18.5	61%	23.1	28%	48.1	35.7	35%
Core Net Profit (CNP)	28.4	18.5	54%	23.1	23%	46.9	35.7	32%
Basic EPS (sen)	3.8	2.5	54%	3.1	23%	6.2	4.7	32%
EBIT margin (%)	16%	13%		13%		15%	13%	
PBT margin (%)	16%	12%		13%		14%	12%	
Effective tax rate (%)	26%	23%		27%		25%	27%	
NP margin (%)	12%	9%		9%		11%	9%	
CNP margin (%)	12%	9%		9%		11%	9%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	2Q16	1Q16	QoQ	2Q15	YoY	1H16	1H15	YoY
Revenue								
Construction	224.9	165.1	36%	212.6	6%	390.1	342.3	14.0%
Property	14.2	25.6	-44%	13.1	9%	39.9	30.7	30.1%
South Africa Investment	6.4	4.8	34%	9.9	-36%	11.1	17.1	-35.0%
Healthcare	-	-	n.m.	7.6	-100%	0.0	14.8	-100.0%
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
	245.6	195.5		243.2		441.0	404.8	
Segmental EBIT								
Construction	34.4	16.2	113%	25.9	33%	50.6	39.7	27.5%
Property	2.7	6.2	-57%	2.3	19%	8.9	5.9	52.4%
South Africa Investment	3.1	2.7	13%	4.0	-23%	5.8	6.5	-11.0%
Healthcare	-	-	n.m.	0.4	-100%	0.0	1.5	-100.0%
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
Others	4.6	-	n.m.	(0.2)	-2473%	4.6	-0.2	-2028%
Eliminations	(4.7)	0.3	-1859%	0.2	-3094%	-4.5	-1.0	337.5%
	40.1	25.4		32.5		65.5	52.3	
EBIT margin								
Construction	15.3%	9.8%	5.5	12.2%		13.0%	11.6%	
Property	18.9%	24.3%	-5.4	17.3%		22.4%	19.1%	
South Africa Investment	48.5%	57.4%	-8.9	40.6%		52.3%	38.2%	
Healthcare	n.m.	n.m.		4.7%		n.m.	10.0%	
Manufacturing & trading	n.m.	n.m.		n.m.		n.m.	n.m.	

Source: Company, Kenanga Research

Sum-of-parts valuation

Segment	Stake	Method	Value (RM m)
Construction	100%	FY17 PE of 12x	856.0
Property Division	100%	RNAV 60% discount	322.3
South Africa	100%	RNAV 60% discount	45.2
Sub Total			1223.5
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			1351.8
No of FD shares			753.5
SOP/Share			1.79
Target Price			1.79
Implied Basic FY17 PER			10.5
Implied FD FY17 PER			11.8

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE																
NAME	Price (18/8/16)	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)		
EVERSENDAI CORP BHD	0.46	352.1	7.4	6.8	6.5	0.1	5.5	0.4	47.5	51.5	54.2	8.4	5.2	0.70	Outperform	-40.52
GAMUDA BHD	4.85	11734.7	16.6	18.0	16.1	2.5	13.5	2.4	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	4.08
IJM CORP BHD	3.40	12244.7	24.3	19.1	17.3	2.1	6.8	1.3	499.9	634.2	700.8	26.9	10.5	3.66	Market Perform	1.48
KIMLUN CORP BHD	1.88	565.0	8.8	8.1	6.7	3.2	13.7	1.1	64.4	70.0	83.8	8.7	19.7	2.10	Outperform	36.23
MUHIHBAH ENGINEERING (M) BHD	2.22	1066.3	11.4	10.9	9.7	2.3	9.0	1.0	88.9	92.9	104.9	4.5	12.9	2.53	Outperform	0.45
HOCK SENG LEE BERHAD	1.77	972.6	12.8	13.7	10.9	1.5	9.9	1.4	76.2	70.9	89.2	-7.0	25.8	1.79	Market Perform	-6.35
NAIM HOLDINGS BERHAD	1.85	438.3	199.2	16.6	9.1	1.5	2.0	0.3	2.2	26.4	48.3	1100.0	83.0	1.83	Underperform	-24.80
WCT HOLDINGS BHD	1.61	2011.3	54.7	19.7	14.2	2.7	4.3	0.8	49.3	137.1	190.2	178.1	38.7	1.58	Market Perform	0.00
MMC CORP BHD	2.36	7186.3	60.5	28.6	22.7	0.0	2.7	0.8	118.8	251.6	316.6	111.8	25.8	2.67	Outperform	20.41
MITRAJAYA HOLDINGS BHD	1.41	942.8	12.1	10.1	9.3	3.0	19.7	2.0	87.7	105.7	114.4	20.5	8.2	1.79	Outperform	17.50
SUNWAY CONSTRUCTION GROUP	1.66	2146.2	16.9	16.1	14.3	2.2	24.6	4.0	127.2	133.5	149.6	5.0	12.1	1.81	Outperform	18.57
Average			38.6	15.2	12.4											
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	-442.5	19.4	11.4	2.8	2.9	0.6	-1.4	32.7	55.3	-2386.4	69.4	n.a.	Not Rated	-0.85
PROTASCO BHD	1.58	534.1	8.0	6.5	n.a.	n.a.	n.a.	n.a.	66.2	81.4	n.a.	22.9	n.a.	2.25	Trading Buy	-1.86
PINTARAS JAYA BHD	3.60	588.7	11.2	23.9	12.2	4.0	7.1	1.7	51.9	24.3	47.5	-53.2	95.3	4.20	Trading Buy	9.09
GABUNGAN AQRS BHD	1.11	433.4	-43.6	10.3	9.7	1.4	n.a.	n.a.	-9.9	42.0	44.4	-524.8	5.7	n.a.	Not Rated	33.73
GADANG HOLDINGS BHD	2.77	716.4	6.8	7.4	7.2	2.4	16.6	1.2	94.2	86.3	89.4	-8.4	3.7	2.44	Not Rated	30.66
AHMAD ZAKI RESOURCES BERHAD	0.67	320.6	14.1	n.a.	n.a.	n.a.	n.a.	n.a.	22.9	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	4.72
TRC SYNERGY BHD	0.46	221.0	7.2	11.4	6.6	2.2	5.0	0.6	30.7	19.4	33.3	-36.8	71.4	n.a.	Not Rated	24.32
BINA PURI HOLDINGS BHD	0.40	95.6	25.3	6.6	5.5	5.1	n.a.	n.a.	3.3	12.6	15.1	282.3	19.8	n.a.	Not Rated	-8.14
KERJAYA PROSPEK GROUP BHD	2.37	1201.5	79.3	13.5	11.2	2.1	15.2	2.1	16.1	94.7	114.1	488.4	20.4	2.62	Trading Buy	45.40
Average			-61.1	13.2	8.8											

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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