

29 May 2017

Mitrajaya Holdings Bhd

1Q17 Broadly within

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MITRA's 1Q17's CNP of RM18.9m is deemed broadly within our (19%) and consensus expectations (18%) as we note that the first quarter is typically a seasonally slower quarter for MITRA and we expect construction billings to pick up in the remaining part of the year. No dividends declared as expected. No changes to our FY17-18E earnings. Post results, downgrade to MP with unchanged SoP-derived TP to RM1.49.

1Q17 broadly inline. We deem 1Q17's CNP of RM18.9m to be broadly within our (19%) and consensus expectations (18%) as we note that the first quarter is typically a seasonally slower quarter for MITRA and we expect construction billings to pick up in the remaining part of the year. No dividends declared as expected. We derive our CNP after stripping off RM9.9m gains on disposal of its Johor land.

Results highlight. 1Q17 CNP of RM18.9m increased marginally by +2% YoY on the back of increased construction revenue on higher billings (+49%) but with slightly weaker EBIT margins (-1ppt). 1Q17 CNP was down 25% QoQ despite the increased revenue contribution from its construction segment (+9%) due to weaker EBIT margins (-6ppt) which we believe were due to higher recognition of lower margins projects secured in FY16. Balance sheet wise, we highlighted that MITRA's net gearing has grown to high levels of 0.38x (vs 1Q16 net gearing of 0.26x).

Company outlook. Currently, MITRA's outstanding order-book stands at c.RM1.73b, providing earnings visibility for another c.1.5-2.0 years. Jobs secured YTD at RM434m, which accounts for 54% of our RM800m target with a remainder RM366m to be achieved. We note that our replenishment RM800m is slightly more conservative against management's target guidance of RM1.0b. For their property arm, unbilled sales stood at RM204m (mostly from Wangsa 9 residency) and expected to provide c.2.0 year visibility to the group. Meanwhile, its South Africa division will see unbilled sales of Rand24m (RM7.3m) recognised progressively upon completion of the transfer of ownership in FY17.

Maintain FY17-18E earnings. No changes to our FY17-18E earnings of RM102m and RM99m, respectively.

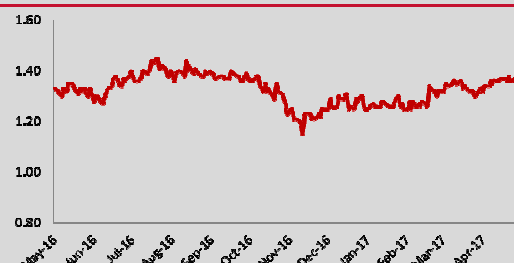
Downgrade to MP with an unchanged TP of RM1.49. Post results, we maintain MITRA's SoP-derived TP of RM1.49 after rolling forward valuation base year for its construction and property segmental earnings. Note that we had also upgraded our property SoP valuations to 7x (from 5x) in line with the recent rate of small-mid caps property counters which are currently trading at an average 7.1x FY18E PER. Given that MITRA's share price has caught up with our valuations and risk-reward ratio no longer as compelling with no new catalyst ahead, we downgrade MITRA's rating to MP (from OP). Our SoP-derived TP implies 11.4x FY18E FD PER, which we believe is fair given that it is in line with small-mid cap contractors' targeted Fwd. PER range of 9-13x and that MITRA's FY17-18E margin of c.10% is also on par with our average peers' margins (KERJAYA, KIMLUN, HSL).

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.

MARKET PERFORM

Price: **RM1.41**
Target Price: **RM1.49**

Share Price Performance



KLCI	1,772.30
YTD KLCI chg	8.0%
YTD stock price chg	11.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	943.9
Issued shares	669.4
52-week range (H)	1.47
52-week range (L)	1.15
3-mth avg daily vol:	1,923,189
Free Float	55%
Beta	1.0

Major Shareholders

Eng Piow Tan	40.6%
Employees Provident Fund	2.7%
Aw Eng Soon	2.1%

Summary Earnings Table

FY Dec (RM'm)	2016A	2017E	2018E
Turnover	964.1	1,024.8	1,000.4
EBIT	162.9	146.6	144.6
PBT	155.3	133.1	129.1
Net Profit (NP)	117.8	102.1	98.6
Core net profit	97.3	102.1	98.6
Consensus (NP)	n.a.	105.0	78.0
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	14.6	15.3	14.8
FD EPS (sen)	12.9	13.6	13.1
EPS growth (%)	11%	5%	-3%
DPS (sen)	5.0	5.0	5.0
NTA/Share (RM)	0.76	0.92	1.01
Basic PER (x)	9.7	9.2	9.5
FD PER (x)	10.9	10.4	10.8
BVPS (RM)	0.82	0.92	1.01
Net Gearing (x)	0.3	0.3	0.3
Dividend Yield (%)	3.5%	3.5%	3.5%

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Result Highlight

FYE: Dec (RM'm)	1Q17	4Q16	QoQ	1Q16	YoY	1Q17	1Q16	YoY
Revenue	291.4	271.7	7%	195.5	49%	291.4	195.5	49%
EBIT	40.1	60.3	-33%	25.4	58%	40.1	25.4	58%
PBT	37.7	58.0	-35%	24.0	57%	37.7	24.0	57%
Taxation	-8.6	-14.2	-40%	-5.5	55%	-8.6	-5.5	55%
Net Profit (NP)	28.7	42.8	-33%	18.5	56%	28.7	18.5	56%
Core Net Profit (CNP)	18.9	25.2	-25%	18.5	2%	18.9	18.5	2%
Basic EPS (sen)	2.5	3.3	-25%	2.5	2%	2.5	2.5	2%
EBIT margin (%)	14%	22%		13%		14%	13%	
PBT margin (%)	13%	21%		12%		13%	12%	
Effective tax rate (%)	23%	25%		23%		23%	23%	
NP margin (%)	10%	16%		9%		10%	9%	
CNP margin (%)	6%	9%		9%		6%	9%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	1Q17	4Q16	QoQ	1Q16	YoY	1Q17	1Q16	YoY
Revenue								
Construction	245.8	224.7	9%	165.1	49%	245.8	165.1	49%
Property	42.0	35.3	19%	25.6	64%	42.0	25.6	64%
South Africa Investment	3.6	11.7	-69%	4.8	-24%	3.6	4.8	-24%
Healthcare	-	-	n.m.	-	n.a.	0.0	0.0	n.a.
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
	291.4	271.7		195.5		291.4	195.5	
Segmental EBIT								
Construction	21.8	32.8	-33%	16.2	35%	21.8	16.2	35%
Property	16.0	22.6	-29%	6.2	157%	16.0	6.2	157%
South Africa Investment	1.7	5.4	-68%	2.7	-37%	1.7	2.7	-37%
Healthcare	-	-	n.m.	-	n.a.	0.0	0.0	n.a.
Manufacturing & trading	-	-	n.m.	-	n.m.	0.0	0.0	n.m.
Others	1.0	2.5	n.m.	-	n.a.	1.0	0.0	n.a.
Eliminations	(0.5)	(3.0)	-85%	0.3	-271%	-0.5	0.3	-271%
	40.1	60.3		25.4		40.1	25.4	
EBIT margin								
Construction	9%	15%		10%		9%	10%	
Property	38%	64%		24%		38%	24%	
South Africa Investment	47%	46%		57%		47%	57%	
Healthcare	n.m.	n.m.		n.m.		n.m.	n.m.	
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%	FY18 PE of 12x	844.7
Property Division	100%	FY18 PE of 7x	91.0
South Africa	100%	RNAV 60% discount	45.2
Sub Total			981.0
Proceeds from Warrant C and D			123.2
Proceeds from disposal of Optimax			5.1
Total			1109.3
No of FD shares			746
SOP/Share			1.49
Target Price			1.49
FD FY18 EPS			0.13
Implied FD FY18 PER			11.4

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE																
NAME	Price (26/5/17)	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	0.97	746.8	-5.3	12.7	11.1	0.0	5.9	0.7	-140.3	58.9	67.1	-142.0	13.9	0.80	Underperform	67.83
GAMUDA BHD	5.37	13091.8	20.7	18.2	17.4	2.2	9.8	1.8	626.1	709.5	741.7	13.3	4.5	5.45	Market Perform	12.34
IJM CORP BHD	3.50	12662.3	25.2	22.9	20.6	1.7	5.8	1.3	499.9	549.5	612.0	9.9	11.4	3.51	Market Perform	9.37
KIMLUN CORP BHD	2.25	698.1	8.4	9.7	8.8	2.6	12.1	1.2	82.2	70.7	78.3	-14.0	10.7	2.27	Market Perform	8.17
MUHIHBAH ENGINEERING (M) BHD	2.83	1359.3	15.3	13.3	12.7	1.4	11.2	1.5	87.7	101.5	106.2	15.7	4.6	2.74	Market Perform	26.91
HOCK SENG LEE BERHAD	1.65	906.7	16.1	14.8	12.2	1.3	8.2	1.2	56.4	61.4	74.3	8.9	21.0	1.50	Underperform	3.12
NAIM HOLDINGS BERHAD	1.35	319.9	-15.9	8.5	7.5	3.0	2.8	0.2	-20.1	37.5	42.6	-286.7	13.7	1.38	Underperform	-28.95
WCT HOLDINGS BHD	2.11	2928.0	41.7	24.1	21.4	0.0	5.0	1.2	84.8	146.9	165.3	73.2	12.5	1.83	Underperform	21.97
MITRAJAYA HOLDINGS BHD	1.41	943.9	10.9	10.4	10.8	3.5	16.1	1.7	97.3	102.1	98.6	4.9	-3.4	1.49	Market Perform	11.90
SUNWAY CONSTRUCTION GROUP BH	2.10	2715.1	23.1	18.7	18.5	1.9	25.0	4.7	117.7	145.2	146.9	23.4	1.2	2.00	Market Perform	23.53
KERJAYA PROSPEK GROUP BHD	3.14	1617.8	17.7	14.1	12.1	2.2	15.5	2.2	100.0	125.9	146.3	25.9	16.2	3.10	Market Perform	44.70
Average			14.3	15.2	13.9											
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	1.52	818.4	-3.1	21.3	15.5	1.6	3.3	0.7	-264.9	38.5	52.9	-114.5	37.5	n.a.	Not Rated	67.03
PROTASCO	0.98	413.6	7.6	5.6	5.6	7.2	17.0	1.0	44.4	59.8	60.1	34.8	0.5	1.36	Trading Buy	-13.72
PINTARAS JAYA	3.87	637.5	35.4	14.9	12.5	5.2	12.5	1.9	17.8	42.2	50.6	137.3	19.9	4.20	Trading Buy	9.94
GABUNGAN AQRS	1.41	550.4	24.4	18.5	9.3	0.0	7.6	1.4	22.6	29.8	58.9	32.0	97.7	1.51	Trading Buy	55.80
GADANG HOLDINGS	1.27	831.1	7.8	8.5	8.1	3.1	18.0	1.5	94.2	86.8	90.8	-7.9	4.6	2.44	Not Rated	20.95
AZRB	1.11	590.0	20.6	18.5	n.a.	1.8	n.a.	n.a.	26.0	29.0	n.a.	11.6	n.a.	n.a.	Not Rated	74.80
TRC SYNERGY	0.68	326.7	10.9	9.9	12.4	1.5	8.6	0.9	29.9	32.9	26.3	10.2	-20.1	n.a.	Not Rated	78.95
BINA PURI	0.42	109.5	96.0	6.7	6.7	n.a.	n.a.	n.a.	1.0	14.9	14.9	1328.6	0.0	n.a.	Not Rated	-3.45
GEORGE KENT	3.97	1490.8	14.7	15.9	14.1	2.1	21.9	3.5	101.4	93.8	106.0	-7.5	13.0	2.80	Trading Buy	30.59
PESONA	0.67	447.0	21.9	12.4	9.0	2.2	23.4	2.9	20.0	35.3	48.5	76.2	37.4	0.485	Take Profit	10.74
Average			26.1	13.1	10.3											

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

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

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