

Mitrajaya Holdings Bhd

New Contract for FY18

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MITRA announced that they have bagged a new condominium construction job at Putrajaya worth RM132.5m from SPSETIA. We remain NEUTRAL on the win as construction works will only commence in August 2018 which is within our FY18E replenishment target of RM1.0b. No changes to our FY17-18E earnings. Maintain MP with lower SoP-derived Cum/Ex TP of RM0.95/RM0.84 (from RM1.10/0.95) after rebasing our construction valuations lower.

New contract for 2018. Yesterday, MITRA announced that they have bagged a new building job worth RM132.5m from Setia Putrajaya Sdn Bhd (a subsidiary of SPSETIA). The scope of work entails construction of a 35-storey condominium (363 units) with amenities and a 5-level car park (1 level underground) in Precinct 15, Putrajaya. We highlight that the contract will only commence construction from **2nd August 2018** and is slated for delivery in Feb 2021 (30 months).

Neutral on contract. Including this newly won job, YTD wins total up to RM920m (prior to this job: RM787m) bringing it above our FY17E replenishment target of RM800m. However, we note that the construction works for this job will only commence **from Aug 2018**, which we classify as part of the replenishment for our FY18E target of RM1.0b. Hence, we are NEUTRAL on the contract win. We make no changes to our FY17-18E replenishment assumptions of RM0.8b-RM1.0b.

Outlook. Currently, MITRA's outstanding order-book stands at c.RM1.9b, providing earnings visibility for another c.2.0 years. For their property arm, unbilled sales of RM233m (mostly from Wangsa 9 residency and Puchong Prima affordable homes) provide c.2.0 years earnings visibility to the group. We note that management plan to launch their Wangsa 9 Phase 3 by Nov 2017 (GDV of RM300m). Meanwhile, its South African division will see unbilled sales of Rand45m (RM14.8m) recognised progressively upon completion of the transfer of ownership in FY17 and early FY18.

Maintaining earnings. We make no changes to our FY17-18E earnings as the new contract is within our FY18E replenishment target of RM1.0b.

Maintaining MP with a lower TP. Post contract announcement, we maintain our MARKET PERFORM call but lowered our SoP-derived cum/ex TP to RM0.95/RM0.84 (from RM1.10/RM0.95) after rebasing our construction valuations lower to 10x FY18 PER (from 12x).

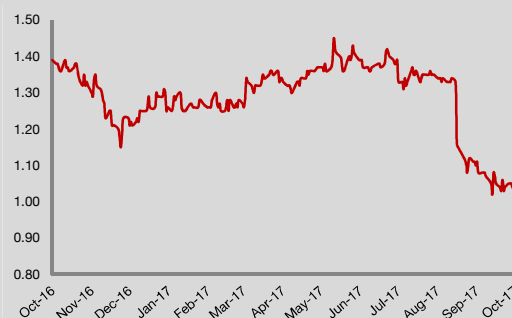
We choose to rebase our construction valuations lower given (i) their currently weaker FY18E construction PBT margins of 7.5% against small-mid cap peers' average of 9.0% as we do not expect any contributions from their RAPID projects post reported losses in 2Q17 results and (ii) we are anticipating a lower DPR of 20% from 40% given that they had recently just announced a cash call (rights issuance) leading us to believe that more cash would be conserved for their working capital purposes.

Our TP implies FY18E PER of 9x, which we find fair given that it is within our applied targeted PER for small-mid cap contractors of 8-13x.

MARKET PERFORM ↔

Cum/Ex-Price : RM0.91/RM0.80
Cum/Ex-Target Price : RM0.95/RM0.84 ↓

Share Price Performance



KLCI 1,743.99
YTD KLCI chg 6.2%
YTD stock price chg -27.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	626.9
Issued shares	688.9
52-week range (H)	1.46
52-week range (L)	0.90
3-mth avg daily vol:	1,688,789
Free Float	51%
Beta	0.8

Major Shareholders

Tan Eng Piow	40.9%
Employees Provident Fund	5.9%
CIMB-Principal Asset	2.2%

Summary Earnings Table

FYE Dec (RM m)	2016A	2017E	2018E
Turnover	964.1	1,110.6	1,054.7
EBIT	162.9	86.2	116.3
PBT	155.3	72.6	107.2
Net Profit (NP)	117.8	70.5	85.4
Core net profit	97.3	70.5	85.4
Consensus (NP)	n.a.	69.0	52.0
Earnings Revision	0%	0%	0%
*Core EPS (sen)	10.9	7.9	9.5
EPS growth (%)	11%	-28%	21%
DPS (sen)	5.0	2.0	2.0
NTA/Share (RM)	0.64	0.76	0.93
*Core PER (x)	7.4	10.2	8.4
BVPS (RM)	0.69	0.76	0.93
Net Gearing (x)	0.3	0.3	0.2
Dividend Yield (%)	6.3%	2.5%	2.5%

*post rights

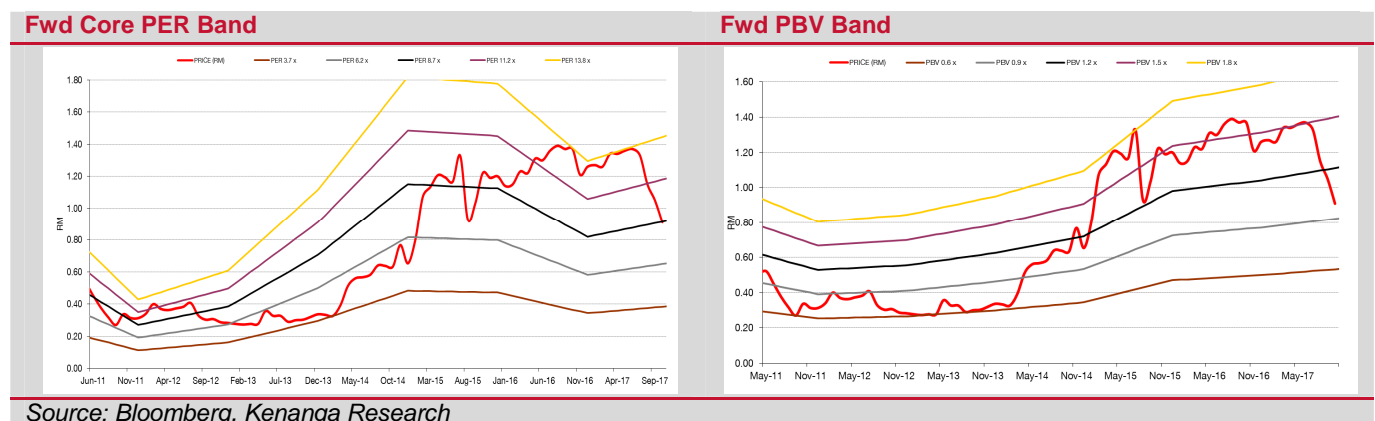
Sum-of-parts valuation			
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY18 PE of 10x	560.2
Property Division	100%	FY18 PE of 7x	143.4
South Africa	100%	RNAV 60% discount	46.7
Sub Total			750.2
Total			750.2
No of shares			896
SOP/Share			0.84
Target Price			0.84
FD FY18 EPS			9.5
Implied FD FY18 PER			9.0
Source: Kenanga Research			

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E	FY Dec (RM m)	2014A	2015A	2016A	2017E	2018E
Revenue	520	891	964	1111	1055	Growth (%)					
EBITDA	86	149	191	105	135	Revenue	54%	71%	8%	15%	-5%
Depreciation	-10	-18	-18	-19	-19	EBITDA	59%	74%	29%	-45%	29%
EBIT	76	130	163	86	116	EBIT	74%	71%	25%	-47%	35%
Net Interest Exp	-4	-5	-12	-14	-9	Pre-tax Income	80%	72%	24%	-53%	48%
Investing	0	0	0	0	0	Net Income	83%	63%	34%	-40%	21%
Associate/JCE	0	0	0	0	0	Core Net Income	83%	63%	11%	-28%	21%
Exceptionals/FV	0	0	1	0	0						
PBT	72	125	155	73	107	Profitability (%)					
Taxation	-19	-37	-31	-20	-25	EBITDA Margin	16%	17%	20%	9%	13%
Minority Interest	0	0	2	-18	-3	EBIT Margin	15%	15%	17%	8%	11%
Net Profit	54	88	118	71	85	PBT Margin	14%	14%	16%	7%	10%
Core Net Profit	54	88	97	71	85	Net Margin	10%	10%	12%	6%	8%
						Effective Tax Rate	-26%	-30%	-20%	-28%	-24%
						ROE	14%	15%	16%	10.3%	10%
						ROA	8%	9%	8%	6%	7%
						DuPont Analysis					
						Net margin (%)	10%	10%	12%	6%	8%
						Assets Turnover (x)	0.8	0.9	0.8	0.9	0.8
						Leverage Factor (x)	1.6	1.7	2.0	1.8	1.5
						ROE (%)	14%	15%	19%	10%	10%
						Leverage					
						Debt/Asset (x)	0.16	0.16	0.21	0.18	0.13
						Debt/Equity (x)	0.26	0.28	0.41	0.32	0.19
						Net Debt/(Cash)	3	3	3	15	5
						Net Debt/Equity (x)	0.20	0.21	0.32	0.30	0.16
						Valuations					
						Core EPS (sen)	6.0	9.8	10.9	7.9	9.5
						NDPS (sen)	0.9	2.1	5.0	2.0	2.0
						BV/share (RM)	0.44	0.55	0.69	0.76	0.93
						Core PER (x)	13.3	8.2	7.4	10.2	8.4
						Net Div. Yield (%)	1.1%	2.7%	6.3%	2.5%	2.5%
						PBV (x)	1.8	1.4	1.2	1.1	0.9
						EV/EBITDA (x)	6.2	3.5	2.7	5.5	4.2

Source: Kenanga Research
Core earnings excludes one-offs including remeasurement gains, impairments/provisions/write-backs, translation FOREX, one-off disposals



Source: Bloomberg, Kenanga Research

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Peer Comparison

CORE COVERAGE																
NAME	Price (19/10/17)	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)		
EVERSENDAI CORP BHD	0.90	701	-5.0	11.8	10.0	2%	6%	0.8	-140.3	58.9	70.0	-142%	19%	0.75	Underperform	56.5
GAMUDA BHD	5.13	12592	20.6	19.5	16.3	2%	10%	1.6	700.6	741.7	885.4	6%	19%	5.45	Market Perform	7.3
IJM CORP BHD	3.23	11719	21.7	19.9	17.8	2%	6%	1.2	539.1	585.8	656.1	9%	12%	3.48	Market Perform	0.9
KIMLUN CORP BHD	2.25	719	8.5	9.9	8.9	3%	12%	1.2	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	8.2
MUHIBBAH ENGINEERING (M) BHD	2.85	1369	16.8	14.5	13.9	2%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	27.8
HOCK SENG LEE BERHAD	1.53	841	14.9	17.0	12.2	1%	7%	1.1	56.5	49.4	69	-13%	40%	1.40	Market Perform	-4.4
WCT HOLDINGS BHD	1.62	2279	32.0	18.2	16.0	0%	5%	0.9	84.8	149	169.4	76%	14%	1.83	Market Perform	-5.8
MITRAJAYA HOLDINGS BHD	0.80	627	6.2	8.6	7.1	2%	12%	1.1	97.3	70.5	85.4	-28%	21%	0.84	Market Perform	-27.8
SUNWAY CONSTRUCTION GROUP	2.30	2972	25.3	20.5	17.2	2%	25%	5.1	117.7	145.2	173.1	23%	19%	2.29	Market Perform	35.3
KERJAYA PROSPEK GROUP BHD	3.79	2135	21.4	16.9	14.4	1%	15%	2.6	100	126.7	148.1	27%	17%	3.30	Underperform	74.7
Average			16.2	15.7	13.4											
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	1.25	739	-2.5	17.5	12.8	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	37.4
PROTASCO	1.11	471	9.1	8.0	7.8	5%	15%	1.2	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-1.8
PINTARAS JAYA	4.05	669	37.3	15.7	13.1	5%	12%	1.9	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	15.1
GABUNGAN AQRS	1.77	767	30.6	18.6	8.9	1%	12%	2.2	22.6	37.2	77.9	65%	109%	1.6	Not Rated	95.6
GADANG HOLDINGS	1.21	797	4.2	4.5	4.3	2%	29%	1.3	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	15.2
AZRB	1.12	595	19.9	9.4	7.4	n.a.	15%	1.4	27.2	57.4	73	111%	27%	1.35	Trading Buy	76.4
TRC SYNERGY	0.79	380	12.7	11.5	14.4	3%	8%	0.9	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	107.9
BINA PURI	0.37	97	87.0	5.8	5.8	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-16.1
GKENT	3.26	1836	18.1	19.6	17.3	3%	21%	4.0	101.4	93.8	106	-7%	13%	2.8	Trading Buy	60.9
PESONA	0.54	372	17.5	9.9	7.2	4%	22%	2.2	20	35.3	48.5	77%	37%	0.485	Take Profit	-11.6
JAKS	1.43	700	0.9	10.1	7.3	0%	12%	1.2	736	61.933	85.433	-92%	38%	1.54	Not Rated	40.2
Average			21.3	11.9	9.7											

Source: Bloomberg, 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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