

Mitrajaya Holdings Bhd

9M17 Within Expectations

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9M17 CNP of RM53.3m is within our/consensus expectations accounting for 76%/80% of full-year estimates. No dividends declared as expected. Maintaining our FY17-18E earnings forecast. We strongly believe the sell-down of MITRA's shares (-39% YTD) is unwarranted given their growth prospects and stellar execution track record. Hence, we reiterate our OUTPERFORM call with an unchanged SoP-derived TP of RM1.09/0.94.

Inline. 9M17 CNP of RM53.3m is within our/consensus expectations accounting for 76%/80% of full-year estimates. No dividends declared as expected.

Results highlight. 3Q17 CNP of RM21.2m improved 61% **QoQ** mainly due to; (i) better construction PBT margins (+3ppt) as losses from their RAPID project narrowed from c.RM13m in 2Q17 to c.RM1m in 3Q17, and (ii) lower effective tax rate of 24% (-23ppt).

9M17 CNP was down 26% **YoY** despite the higher revenue (+29%) due to weaker construction PBT margin of 4% (-8ppt) as; (i) they incurred losses for their RAPID project, and (ii) costs for construction materials and labour increased.

Outlook. YTD, MITRA has surpassed our RM800m replenishment target for the year, registering RM920m of new contracts. Outstanding construction order-book stands at RM1.7b providing visibility for 1.5-2.0 years. Meanwhile, its property unbilled sales stands at RM200.0m whereby the bulk is from Wangsa 9 Phase 1 and 2. Given that Wangsa 9 Phase 1 and 2 is due for delivery in FY18, we believe they would be ripe for advance billings stage in FY18. Also, Wangsa 9 Phase 3 (GDV RM300; last phase) will be launched in Jan 2018 and construction of the foundation is currently underway (at c.80%). Since Wangsa 9 Phase 3 construction is already in progress, we note that billings from this project can be recognised immediately once the project is launched.

Maintain earnings. We make no changes to our FY17-18E earnings estimates driven by FY17-18E replenishment target of RM0.8-1.0b. While YTD contracts is win at RM920m, we hold our FY17E replenishment target of RM800m unchanged given that one of the newly secured contract (worth RM132.5m) will only start construction in Aug 2018 and profit contributions would only come in from FY18.

Valuations. Post results, we reiterate our OUTPERFORM call with an unchanged SoP-derived cum/ex TP of RM1.09/RM0.94. We strongly believe the sell-down of MITRA resulting in a plunge of 39% YTD caused by two waves of unfortunate news has been overdone. Going forward, its prospects are brighter as we expect; (i) less earnings risks from its RAPID project as most losses had been recognised in 2Q17 and (ii) the proposed rights issue to pare down debts at its construction subsidiary level would set MITRA towards a stronger footing for further order-book growth.

In addition, we highlight that MITRA is currently trading at 6.3x FY18E PER* which is at attractive levels vs. small-mid cap peers which are trading at Fwd PER levels of 9.1x-14.9x.

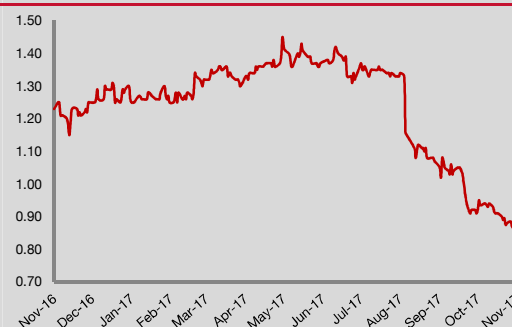
All in, we remain confident on MITRA's management due to their: (i) stellar historical track record which had not failed expectations since coverage initiation in FY15 with an exception due to the recent let-down in 2Q17 due to unexpected losses from RAPID, (ii) strong FY18E earnings growth trajectory of 40%, and (iii) relatively better dividend yield of 2.9% which is the highest amongst peers' average of 1.9%.

OUTPERFORM ↔

Cum/Ex-Price : RM0.77/RM0.70

Cum/Ex-Target Price : RM1.09/RM0.94 ↔

Share Price Performance



KLCI	1,714.42
YTD KLCI chg	4.4%
YTD stock price chg	-38.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK Equity
Market Cap (RM m)	530.4
Issued shares	688.9
52-week range (H)	1.46
52-week range (L)	0.76
3-mth avg daily vol:	1,787,405
Free Float	51%
Beta	0.9

Major Shareholders

Eng Piow Tan	40.9%
Employees Provident Fund	6.1%
CIMB-Principal Asset	2.2%

Summary Earnings Table

FYE Dec (RM m)	2016A	2017E	2018E
Turnover	964.1	1,109.1	1,110.1
EBIT	162.9	85.8	137.4
PBT	155.3	72.3	128.3
Net Profit (NP)	117.8	70.3	98.3
Core net profit	97.3	70.3	98.3
Consensus (NP)	n.a.	77.0	79.0
Earnings Revision	n.a.	0%	0%
EPS (sen)*	10.9	7.8	11.0
EPS growth (%)	11%	-28%	40%
DPS (sen)	5.0	2.0	2.0
NTA/Share (RM)	0.64	0.76	0.94
PER (x)*	6.4	8.9	6.3
BVPS (RM)	0.69	0.76	0.94
Net Gearing (x)	0.32	0.30	0.16
Dividend Yield (%)	7.2%	2.9%	2.9%

*ex-all basis

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Results Highlight

FYE: Dec (RM'm)	3Q17	2Q17	QoQ	3Q16	YoY	9M17	9M16	YoY
Revenue	299.0	304.5	-2%	251.4	19%	894.9	692.5	29%
EBIT	30.1	15.2	98%	37.1	-19%	85.4	102.6	-17%
PBT	27.4	12.7	115%	34.6	-21%	77.8	97.3	-20%
Taxation	-6.6	-6.0	10%	-8.7	-24%	-21.2	-24.2	-12%
Net Profit (NP)	21.2	13.2	61%	26.9	-21%	63.2	75.0	-16%
Core Net Profit (CNP)	21.2	13.2	61%	25.2	-16%	53.3	72.1	-26%
FD EPS (sen)	3.1	1.9	61%	3.7	-16%	7.7	10.5	-26%
EBIT margin (%)	10%	5%		15%		10%	15%	
PBT margin (%)	9%	4%		14%		9%	14%	
Effective tax rate (%)	24%	47%		25%		27%	25%	
NP margin (%)	7%	4%		11%		7%	11%	
CNP margin (%)	7%	4%		10%		6%	10%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE: Dec (RM'm)	3Q17	2Q17	QoQ	3Q16	YoY	9M17	9M16	YoY
Revenue								
Construction	250.2	264.1	-5%	228.8	9%	760.1	618.8	23%
Property	37.0	34.9	6%	14.5	155%	114.0	54.4	110%
South Africa Investment	11.7	5.3	121%	8.1	44%	20.6	19.3	7%
	298.9	304.3		251.4		894.6	692.5	
Segmental EBIT								
Construction	12.3	4.5	172%	29.9	-59%	38.6	80.5	-52%
Property	14.8	8.3	77%	3.0	391%	39.2	11.9	228%
South Africa Investment	3.1	2.3	37%	3.9	-21%	7.1	9.7	-27%
Others	0.8	0.9	-7%	2.0	-57%	2.7	6.6	-59%
Eliminations	(0.9)	(0.8)	12%	(1.7)	-48%	-2.2	-6.2	-65%
	30.1	15.2		37.1		85.4	102.6	
Segmental PBT								
Construction	9.8	2.2	347%	27.6	-64%	31.7	75.2	-58%
Property	13.6	7.3	87%	1.0	1258%	35.9	5.5	555%
South Africa Investment	3.1	2.3	36%	3.9	-21%	7.1	9.7	-27%
Others	0.5	0.6	-27%	2.0	-76%	2.1	6.6	-69%
Eliminations	0.3	0.2	32%	0.0	1780%	0.9	-0.1	-1235%
	27.4	12.6		34.5		77.6	96.9	
EBIT margin								
Construction	5%	2%		13%		5%	13%	
Property	40%	24%		21%		34%	22%	
South Africa Investment	27%	43%		48%		35%	51%	
Total	10%	5%		15%		10%	15%	
PBT margin								
Construction	4%	1%		12%		4%	12%	
Property	37%	21%		7%		31%	10%	
South Africa Investment	27%	43%		48%		35%	50%	
Total	9%	4%		14%		9%	14%	

Source: Company, Kenanga Research

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Sum-of-parts valuation			
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RM m)</u>
Construction	100%	FY18 PE of 10x	570.5
Property Division	100%	FY18 PE of 7x	225.9
South Africa	100%	RNAV 60% discount	46.7
Sub Total			843.1
Total			843.1
No of shares			896
SOP/Share			0.94
Target Price			0.94
FD FY18 EPS			11.1
Implied FD FY18 PER			9
Source: Kenanga Research			

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Peer Comparison

CORE COVERAGE																
NAME	Price (28/11/17)	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	0.96	750	-5.3	11.3	10.4	2%	7%	0.8	-140.3	65.9	78.4	-147%	19%	0.80	Underperform	67.0
GAMUDA BHD	4.62	11343	18.6	17.6	14.7	3%	10%	1.4	700.6	741.7	885.4	6%	19%	5.45	Market Perform	-3.3
IJM CORP BHD	3.07	11139	20.6	21.2	19.2	2%	5%	1.1	539.1	523.9	578.6	-3%	10%	3.45	Outperform	-4.1
KIMLUN CORP BHD	2.30	737	8.7	10.1	9.1	3%	12%	1.2	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	10.6
MUHIBBAH ENGINEERING (M) BHD	2.82	1355	16.7	14.4	13.8	2%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	26.5
HOCK SENG LEE BERHAD	1.50	824	14.6	16.7	12.0	1%	7%	1.1	56.5	49.4	69	-13%	40%	1.40	Market Perform	-6.3
WCT HOLDINGS BHD	1.54	2166	30.2	17.3	15.2	0%	5%	0.9	84.8	149	169.4	76%	14%	1.83	Outperform	-10.4
MITRAJAYA HOLDINGS BHD^	0.70	530	6.4	8.9	6.3	3%	12%	0.9	97.3	70.3	98.3	-28%	40%	0.94	Outperform	-38.9
SUNWAY CONSTRUCTION GROUP	2.35	3037	25.8	21.0	17.5	2%	25%	5.2	117.7	145.2	173.1	23%	19%	2.29	Market Perform	38.2
KERJAYA PROSPEK GROUP BHD	4.04	2277	22.8	18.0	14.9	1%	16%	2.8	100	127.3	152.9	27%	20%	3.40	Underperform	86.2
GEORGE KENT (MALAYSIA) BHD	3.30	1859	18.4	14.7	13.2	2%	26%	3.8	101.3	126.1	141	24%	12%	3.65	Outperform	62.8
Average			16.1	15.6	13.3											
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	1.03	609	-2.1	14.4	10.5	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	13.2
PROTASCO	1.08	458	8.8	7.8	7.6	5%	15%	1.2	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-4.4
PINTARAS JAYA	3.80	627	35.0	14.8	12.3	5%	12%	1.8	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	8.0
GABUNGAN AQRS	1.95	860	33.7	20.5	9.8	1%	12%	2.4	22.6	37.2	77.9	65%	109%	1.6	Not Rated	115.5
GADANG HOLDINGS	1.10	724	3.8	4.1	3.9	2%	27%	1.1	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	4.8
AZRB	1.05	558	18.7	8.8	7.0	n.a.	15%	1.3	27.2	57.4	73	111%	27%	1.35	Trading Buy	65.4
TRC SYNERGY	0.66	315	10.5	9.6	12.0	3%	8%	0.7	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	72.4
BINA PURI	0.35	92	82.3	5.5	5.5	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-20.7
PESONA	0.48	330	15.5	8.8	6.4	5%	25%	2.2	20	35.3	48.5	77%	37%	0.485	Take Profit	-21.5
JAKS	1.43	705	0.9	10.1	7.3	0%	12%	1.2	736	61.933	85.433	-92%	38%	1.54	Not Rated	40.2
Average			20.7	10.4	8.2											

^Ex-all basis

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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