

30 August 2019

# Mitrajaya Holdings Bhd

## Below Expectations

Adrian Ng | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my)

MITRA registered 1H19 CNL of RM18.8m, which came in below our/consensus expectations. The losses incurred were mainly due to its construction division, which saw lower-than-expected finalised contract sum, which resulted in lower revenue coupled with high fixed overheads. No dividends declared, as expected. Cut FY19-20E earnings by 91-69%. Maintain UP, with an unchanged TP of RM0.200 as we switch to Price-to-Book methodology.

**Below expectations.** MITRA registered 1Q19 CNL of RM18.8m, which came in below our/consensus expectations as losses were not anticipated this year. The losses incurred were mainly due to its construction division, which saw lower-than-expected finalised contract sum, which resulted in lower revenue coupled with high fixed overheads. No dividends declared, as expected.

**Results highlight.** YoY, 1H19 slipped into a CNL of RM18.8m compared to CNP of RM29.5m; this was due to: (i) the steep reduction in revenue (-30%) coupled with high fixed overheads from its construction division, and (ii) increase in interest cost (+22%). QoQ, while 2Q19 revenue fell 22%, with CNL widened by 239% (low base effect), as its construction overheads exceeded billings.

**Outlook.** MITRA's outstanding order-book currently stands RM815.8m with a year's visibility, and it is still actively tendering for projects in the local market. However, we opine that local job flows will be slow as we only expect mega projects to kick start earliest by year-end. As for its property development division, its unbilled sales stand at RM89.7m, also providing a year's visibility.

**Cut FY19-20E.** Post results, we cut our FY19-20E earnings by 91-69%, as we further lower our margin assumptions for its on-going construction jobs in view of higher fixed overheads.

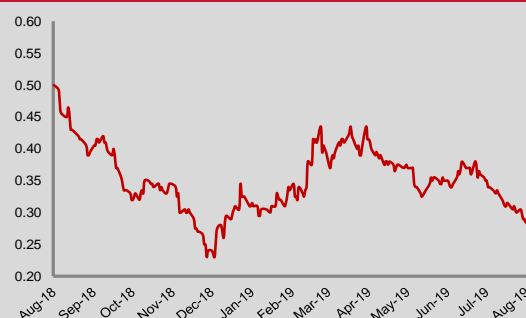
**Maintain UNDERPERFORM with an unchanged Target Price of RM0.200** as we switch from Sum-of-Parts to Price-to-Book in which we ascribe 0.22x to its FY20E BVPS which reflects the following considerations; (i) uncertainty in terms of order-book replenishment, (ii) declining margins, and (iii) six consecutive quarters of disappointment.

**Upside risks for our call are:** (i) higher-than-expected margins, (ii) better-than-expected billings from construction works and property segments, (iii) greater-than-expected contract wins.

## UNDERPERFORM ↔

Price : **RM0.280**  
Target Price : **RM0.200** ↔

### Share Price Performance



KLCI	1,595.18
YTD KLCI chg	-5.6%
YTD stock price chg	0.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK EQUITY
Market Cap (RM m)	249.1
Shares Outstanding	889.6
52-week range (H)	0.50
52-week range (L)	0.23
3-mth avg daily vol:	621,246
Free Float	54%
Beta	1.2

### Major Shareholders

Eng Piow Tan	41.8%
Amanah Saham Malaysia	2.3%
Amanah Saham Bumiputera	2.3%

### Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	838	716	646
EBIT	73	19	26
PBT	61	3	10
<b>Net Profit</b>	<b>45</b>	<b>2</b>	<b>7</b>
<b>Core PATAMI</b>	<b>45</b>	<b>2</b>	<b>7</b>
Consensus (NP)	N.A.	28	25
Earnings Revision	N.A.	-91%	-69%
Core EPS (sen)	5.0	0.3	0.8
Core EPS growth (%)	-62	-97	210
NDPS (sen)	1.5	0.0	0.0
NTA per Share (RM)	0.9	0.9	0.9
Price to NTA (x)	0.3	0.3	0.3
PER (x)	5.6	106.6	34.3
Debt-to-Equity ratio (x)	0.4	0.5	0.5
Return on Asset (%)	3	0	0
Return on Equity (%)	6	0	1
Net Div. Yield (%)	5	0	0

30 August 2019

<b>Results Highlight</b>								
	<b>2Q19</b>	<b>1Q19</b>	<b>QoQ</b>	<b>2Q18</b>	<b>YoY</b>	<b>1H19</b>	<b>1H18</b>	<b>YoY</b>
<b>FYE Dec (RM'm)</b>								
<b>Turnover</b>	<b>145.4</b>	<b>185.6</b>	<b>-22%</b>	<b>206.8</b>	<b>-30%</b>	<b>330.9</b>	<b>471.8</b>	<b>-30%</b>
<b>EBIT</b>	<b>-9.3</b>	<b>1.3</b>	<b>n.m.</b>	<b>17.2</b>	<b>n.m.</b>	<b>-8.1</b>	<b>43.9</b>	<b>n.m.</b>
Interest inc/(exp)	-4.0	-4.3	-7%	-3.6	10%	-8.2	-6.7	22%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Pretax profit</b>	<b>-13.3</b>	<b>-3.0</b>	<b>345%</b>	<b>13.6</b>	<b>n.m.</b>	<b>-16.3</b>	<b>37.2</b>	<b>n.m.</b>
Taxation	-2.0	-2.0	0%	-4.1	-51%	-4.0	-9.0	-56%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Profit after tax</b>	<b>-15.3</b>	<b>-5.0</b>	<b>207%</b>	<b>9.5</b>	<b>n.m.</b>	<b>-20.3</b>	<b>28.1</b>	<b>n.m.</b>
Minority interest	0.7	0.7	7%	0.8	-4%	1.4	1.4	6%
<b>PATAMI</b>	<b>-14.5</b>	<b>-4.3</b>	<b>239%</b>	<b>10.3</b>	<b>n.m.</b>	<b>-18.8</b>	<b>29.5</b>	<b>n.m.</b>
<b>Core PATAMI</b>	<b>-14.5</b>	<b>-4.3</b>	<b>239%</b>	<b>10.3</b>	<b>n.m.</b>	<b>-18.8</b>	<b>29.5</b>	<b>n.m.</b>
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	-6%	1%		8%		-2%	9%	
Pretax margin	-9%	-2%		7%		-5%	8%	
NP margin	-9%	-2%		7%		-5%	8%	
CNP margin	-10%	-2%		5%		-6%	6%	
EPS (sen)	-1.6	-0.5		1.5		-2.1	4.3	
Core EPS(sen)	-1.6	-0.5		1.5		-2.1	4.3	
BV/share (RM)	0.9	0.9		0.0		0.9	0.0	
Effective tax	-15%	-67%		30%		-24%	24%	

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
	<b>2Q19</b>	<b>1Q19</b>	<b>QoQ</b>	<b>2Q18</b>	<b>YoY</b>	<b>1H19</b>	<b>1H18</b>	<b>YoY</b>
<b>External Revenue</b>								
Construction	119.8	147.8	-19%	177.6	-33%	267.6	402.9	-34%
Property development	23.9	33.9	-30%	26.9	-11%	57.8	64.4	-10%
South Africa	1.5	3.8	-60%	2.1	-28%	5.3	4.3	23%
<b>Pre-tax Segmentation</b>								
Construction	-14.6	-11.0	33%	6.1	-339%	-25.6	15.6	n.m.
Property development	10.5	7.8	36%	16.2	-35%	18.3	29.7	-38%
South Africa	0.7	-0.1	n.m.	-0.1	n.m.	0.6	0.3	71%

Source: Company, Kenanga Research

30 August 2019

### Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
<b>STOCKS UNDER COVERAGE</b>																	
GAMUDA BHD	3.55	8,778.5	Y	07/2019	-20.8%	0.3%	-17.1%	-13.9%	10.7	12.9	15.0	1.2	1.1	8.7%	3.4%	3.75	MP
GEORGE KENT (MALAYSIA) BHD	1.04	560.2	Y	01/2020	14.4%	-0.2%	-23.1%	38.3%	7.4	9.7	7.0	1.2	1.1	11.9%	3.5%	1.15	MP
HOCK SENG LEE BERHAD	1.35	741.8	Y	12/2019	18.7%	15.6%	23.0%	18.0%	13.8	11.2	9.5	1.0	0.9	8.2%	1.8%	1.40	MP
IJM CORP BHD	2.22	8,057.4	Y	03/2020	22.8%	2.0%	11.0%	2.2%	19.3	17.4	17.0	0.8	0.8	4.7%	2.2%	1.80	UP
KERJAYA PROSPEK GROUP BHD	1.41	1,738.4	Y	12/2019	28.3%	-4.4%	11.5%	1.9%	12.7	11.3	11.1	1.8	1.6	14.9%	2.1%	1.20	UP
KIMLUN CORP BHD	1.26	428.1	Y	12/2019	6.0%	-5.2%	-1.2%	2.5%	6.7	6.8	6.6	0.6	0.6	9.0%	3.4%	1.35	MP
MITRAJAYA HOLDINGS BHD	0.280	249.1	Y	12/2019	-14.7%	-9.7%	-94.7%	210.5%	5.6	106.6	34.3	0.3	0.3	0.3%	0.0%	0.200	UP
MUHIBBAH ENGINEERING (M) BHD	2.47	1,193.9	Y	12/2019	-5.8%	3.8%	-2.5%	4.7%	7.3	7.5	7.2	1.1	1.0	13.4%	2.9%	3.20	OP
SUNWAY CONSTRUCTION GROUP BHD	2.00	2,578.7	Y	12/2019	-6.1%	27.1%	-12.2%	27.7%	18.5	21.1	16.5	4.3	3.9	19.4%	2.7%	1.45	UP
WCT HOLDINGS BHD	1.00	1,409.9	Y	12/2019	6.4%	14.1%	-13.8%	19.3%	11.0	12.8	10.7	0.4	0.4	3.4%	0.0%	0.815	UP
<b>Simple Average</b>					<b>4.9%</b>	<b>4.3%</b>	<b>-11.9%</b>	<b>31.1%</b>	<b>11.3</b>	<b>21.7</b>	<b>13.5</b>	<b>1.3</b>	<b>1.2</b>	<b>9.4%</b>	<b>2.2%</b>		
<b>CONSENSUS ESTIMATES</b>																	
AHMAD ZAKI RESOURCES BERHAD	0.380	227.3	Y	12/2019	N.A.	N.A.	N.A.	N.A.	15.5	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	SELL
BINA PURI HOLDINGS BHD	0.120	45.7	Y	06/2019	N.A.	N.A.	N.A.	N.A.	88.0	N.A.	N.A.	0.2	N.A.	N.A.	N.A.	N.A.	SELL
GABUNGAN AQRS BHD	1.21	597.0	Y	12/2019	19.3%	37.9%	15.5%	36.2%	9.8	8.4	0.0	1.2	1.2	15.1%	4.8%	1.80	BUY
GADANG HOLDINGS BHD	0.695	506.0	Y	05/2020	7.4%	11.6%	45.5%	12.3%	11.6	8.0	0.0	0.6	N.A.	9.5%	2.2%	0.783	SELL
JAKS RESOURCES BHD	0.755	485.6	Y	12/2019	68.9%	-47.0%	655.6%	-21.2%	32.1	4.2	0.0	0.5	0.5	13.6%	0.0%	0.875	BUY
MUDAJAYA GROUP BHD	0.275	162.2	Y	12/2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.1	N.A.	N.A.	N.A.	N.A.	SELL
PINTARAS JAYA BHD	2.98	494.3	Y	06/2020	-3.5%	4.5%	31.1%	4.3%	18.9	14.4	0.1	1.6	1.5	10.7%	6.0%	2.86	NEUTRAL
PESONA METRO HOLDINGS	0.220	152.9	Y	12/2019	12.1%	9.5%	165.4%	13.7%	18.5	7.0	0.0	0.8	N.A.	11.7%	4.5%	0.310	BUY
PROTASCO BHD	0.260	126.6	Y	12/2019	-4.5%	3.4%	381.8%	6.0%	N.A.	10.0	0.0	0.4	0.4	3.8%	4.6%	0.225	SELL
TRC SYNERGY BHD	0.500	240.2	Y	12/2019	15.8%	23.6%	70.8%	29.9%	11.5	6.7	0.0	0.6	0.6	8.5%	6.4%	0.750	BUY

Source: Bloomberg, Kenanga Research

30 August 2019

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

