

28 November 2019

Mitrajaya Holdings Bhd

Deeper in the Red

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MITRA reported 9MFY19 CNL of RM47.2m, which is way below expectations compared with our full-year net profit estimate of RM2m and consensus' 13.7m. The construction segment was hit mainly by lower finalised contract sums. No dividend was declared. We have slashed our FY19-20E earnings to net loss of RM84m in FY19 and RM104m in FY20. Maintain Underperform with a lower TP of RM0.11 (from RM0.20) based on the adjusted Price-to-Book valuation methodology.

Way below expectations. MITRA reported 9MFY19 CNL of RM47.2m, which came in way below our/consensus expectations of full-year net profit of RM2m/RM13.7m. The poor result was essentially dragged by the construction business, which was hit by lower finalised contract sums upon account finalisation with clients. No dividend was declared as expected.

Results' highlight. YoY, 9MFY19 slipped into a CNL of RM47.2m compared to CNP of RM34.6m. While the property division contributed lower pretax profit of RM19.8m (versus RM35.4m in 9MFY18), the construction segment was hit with a pretax loss of RM65.4m (versus a pretax profit of RM11.1m previously). QoQ, the Group's net loss doubled from RM14.5m in 2QFY19 to RM28.3m in 3QFY19. This was mainly attributable to the construction division which reported a pretax loss of RM34.8m in 3QFY19 compared with a pretax loss of RM19.7m in 2QFY19.

Outlook. Outstanding construction order-book currently stands at RM853m as replenishment of jobs has been slow with contract wins of RM430m since 2018. Hence, we reckon MITRA will be facing challenging times ahead.

Slashed FY19-20E earnings. Post results, we have adjusted our forecasts to a net loss of RM84m (from a net profit of RM2m) for FY19 and RM104m (from a net profit of RM7m) for FY20 as we expect the construction segment to remain in the red.

Maintain UNDERPERFORM with a lower Target Price of RM0.11 (from RM0.20). With no earnings clarity in sight, we have applied a P/BV multiple of 0.17x (-1.5SD below its historical mean, to reflect the challenging outlook) after imputing expected forward losses on its latest BV per share to derive our revised TP of RM0.11.

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 : **RM0.275**
Target Price : **RM0.11** ↓

Share Price Performance



KLCI 1,587.18
YTD KLCI chg -6.1%
YTD stock price chg -1.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK EQUITY
Market Cap (RM m)	244.5
Shares Outstanding	889.1
52-week range (H)	0.45
52-week range (L)	0.23
3-mth avg daily vol:	1,217,629
Free Float	37%
Beta	1.2

Major Shareholders

Eng Piow Tan	41.8%
Amanah Saham Bumiputera	3.0%
Amanah Saham Malaysia	3.0%

Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	838	566	522
EBIT	73	-62	-86
PBT	61	-78	-102
Net Profit	45	-84	-104
Core PATAMI	45	-84	-104
Consensus (NP)	N.A.	13.7	63.0
Earnings Revision	N.A.	N.M.	N.M.
Core EPS (sen)	5.0	-9.4	-11.6
Core EPS growth (%)	-62%	-204%	24%
NDPS (sen)	1.5	0.0	0.0
NTA per Share (RM)	0.9	0.8	0.7
Price to NTA (x)	0.3	0.4	0.4
PER (x)	5.5	N.A.	N.A.
Debt-to-Equity ratio (x)	0.4	0.5	0.6
Return on Asset (%)	3	-6	-8
Return on Equity (%)	6	-12	-17
Net Div. Yield (%)	5	0	0

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Results Highlight								
	3Q19	2Q19	QoQ	3Q18	YoY	9MFY19	9MFY18	YoY
FYE Dec (RM'm)								
Turnover	115.3	145.4	-21%	204.0	-43%	446.3	675.8	-34%
EBIT	(24.3)	(9.3)	160%	12.6	n.m.	(32.4)	56.5	n.m.
Interest inc/(exp)	(3.5)	(4.0)	-12%	(3.8)	-7%	(11.7)	(10.5)	12%
Pretax profit	(27.8)	(13.3)	109%	8.8	n.m.	(44.1)	46.0	n.m.
Taxation	(1.8)	(2.0)	-9%	(4.3)	-58%	(5.8)	(13.3)	-57%
Profit after tax	(29.6)	(15.3)	94%	4.5	n.m.	(49.9)	32.7	n.m.
Minority interest	1.3	0.7	73%	0.5	149%	2.7	1.9	45%
PATAMI	(28.3)	(14.5)	95%	5.1	n.m.	(47.2)	34.6	n.m.
Core PATAMI	(28.3)	(14.5)	95%	5.1	n.m.	(47.2)	34.6	n.m.
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	n.m.	n.m.		6%		n.m.	8%	
Pretax margin	n.m.	n.m.		4%		n.m.	7%	
EPS (sen)	-3.2	-1.6		0.6		-5.3	3.9	
Effective tax	n.m.	n.m.		49%		n.m.	29%	

Source: Company, Kenanga Research

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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.			
STOCKS UNDER COVERAGE																	
GAMUDA BHD	3.72	9,203.2	Y	07/2020	-26.4%	-10.2%	-17.3%	-9.8%	13.0	15.7	17.4	1.2	1.2	7.5%	3.2%	3.75	MP
GEORGE KENT (MALAYSIA) BHD	0.980	527.3	Y	01/2020	14.4%	-0.2%	-23.1%	38.3%	7.0	9.1	6.6	1.1	1.0	11.9%	3.7%	1.15	OP
HOCK SENG LEE BERHAD	1.33	730.9	Y	12/2019	18.7%	15.6%	23.0%	18.0%	13.6	11.1	9.4	0.9	0.9	8.2%	1.8%	1.40	MP
IJM CORP BHD	2.14	7,767.0	Y	03/2020	15.0%	4.9%	-20.5%	20.1%	18.6	23.4	19.5	0.8	0.8	3.3%	1.7%	2.35	OP
KERJAYA PROSPEK GROUP BHD	1.29	1,590.4	Y	12/2019	28.3%	-4.4%	11.5%	1.9%	11.6	10.4	10.2	1.6	1.5	14.9%	2.3%	1.50	MP
KIMLUN CORP BHD	1.27	431.5	Y	12/2019	6.0%	-5.2%	-1.2%	2.5%	6.8	6.8	6.7	0.6	0.6	9.0%	3.4%	1.35	MP
MITRAJAYA HOLDINGS BHD	0.275	244.5	Y	12/2019	-32.5%	-7.8%	-288.2%	-80.7%	5.5	N.A.	N.A.	0.3	0.4	-11.3%	0.0%	0.110	UP
MUHIBBAH ENGINEERING (M) BHD	2.33	1,126.3	Y	12/2019	-5.8%	3.8%	-2.5%	4.7%	6.9	7.1	6.8	1.0	0.9	13.4%	3.0%	3.20	OP
SUNWAY CONSTRUCTION GROUP BHD	1.92	2,475.6	Y	12/2019	-6.1%	27.1%	-12.2%	27.7%	17.8	20.3	15.9	4.1	3.8	19.4%	2.9%	1.45	UP
WCT HOLDINGS BHD	0.845	1,191.4	Y	12/2019	6.4%	14.1%	-13.8%	19.3%	9.3	10.8	9.0	0.4	0.4	3.4%	0.0%	0.815	UP
Simple Average					1.8%	3.8%	-34.4%	4.2%	11.0	12.7	11.3	1.2	1.1	8.0%	2.2%		
CONSENSUS ESTIMATES																	
AHMAD ZAKI RESOURCES BERHAD	0.375	224.3	Y	06/2020	N.A.	N.A.	N.A.	N.A.	15.3	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	SELL
BINA PURI HOLDINGS BHD	0.100	42.5	Y	06/2019	N.A.	N.A.	N.A.	N.A.	81.8	N.A.	N.A.	0.2	N.A.	N.A.	N.A.	N.A.	SELL
GABUNGAN AQRs BHD	1.23	606.9	Y	12/2019	2.4%	50.7%	2.3%	43.5%	9.9	9.7	0.0	1.2	1.3	12.0%	3.7%	1.74	BUY
GADANG HOLDINGS BHD	0.690	502.4	Y	05/2020	1.9%	9.9%	30.0%	10.7%	11.4	8.8	0.0	0.6	0.6	7.5%	1.9%	0.710	NEUTRAL
JAKS RESOURCES BHD	1.17	752.4	Y	12/2019	80.6%	-50.3%	683.9%	-42.4%	49.0	6.3	0.0	0.8	0.8	15.0%	0.0%	1.10	NEUTRAL
MUDAJAYA GROUP BHD	0.305	179.9	Y	12/2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.2	N.A.	N.A.	N.A.	N.A.	SELL
PINTARAS JAYA BHD	3.20	530.8	Y	06/2020	30.2%	4.5%	100.2%	4.7%	20.3	10.2	0.1	1.7	1.6	15.3%	6.5%	3.84	NEUTRAL
PESONA METRO HOLDINGS	0.220	152.9	Y	12/2019	12.1%	9.5%	166.6%	13.6%	18.5	6.9	0.0	0.8	N.A.	11.7%	4.5%	0.310	BUY
PROTASCO BHD	0.305	147.9	Y	12/2019	-6.3%	0.9%	394.3%	22.1%	N.A.	12.1	0.0	0.4	0.5	3.8%	3.9%	0.270	NEUTRAL
TRC SYNERGY BHD	0.455	218.6	Y	12/2019	11.2%	13.4%	27.1%	16.6%	10.5	8.3	0.0	0.5	N.A.	6.3%	4.0%	0.600	BUY

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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