

28 February 2020

## Mitrajaya Holdings Bhd

### Losses Masked by Deferred Tax

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MITRA's FY19 CNL of RM47.9m (versus FY18 CNP of RM44.9m) was narrower-than-expected compared with our net loss estimate of RM84m (but worse than consensus' loss of RM37m). The reported bottom-line was essentially lifted by a positive tax charge of RM11.8m arising from the recognition of deferred tax asset. Going forward, we expect the Group to remain in the red. Maintain UNDERPERFORM with an unchanged TP of RM0.11 based on PBV multiple of 0.17x.

**Skewed by tax item.** FY19 CNL of RM47.9m (versus FY18 CNP of RM44.9m) was narrower-than-expected compared with our net loss estimate of RM84m (but worse than consensus' loss of RM37m). The reported bottom-line was essentially lifted by a positive tax charge of RM11.8m, after recognising deferred tax asset on unabsorbed tax loss and capital allowance amounting to RM21.7m. No dividend was declared as expected.

**Results' highlight.** The full-year performance was hit by the construction segment, which posted pretax loss of RM98.4m versus FY18 pretax profit of RM12.0m, mainly attributable to cost overruns, higher finance cost and depreciation charges. In addition, the property development division contributed lower pretax profit of RM31.3m (-34%) as FY18 benefitted from a compensation sum from compulsory land acquisition (of RM10.3m). QoQ, stripping out the tax impact, 4QFY19 saw pretax loss of RM22.2m (versus 3QFY19 pretax loss of RM27.8m and 4QFY18 pretax profit of RM14.5m). This comes as the construction segment remained in the red with quarterly pretax loss of RM33.0m (versus 3QFY19 pretax loss of RM34.8m and 4QFY18 pretax profit of RM0.9m).

**Outlook.** Outstanding construction order-book currently stands at RM714m while unbilled property sales are estimated at RM63.8m. Still, we expect its bottom-line to remain under pressure going forward amid the challenging construction and property markets.

**Still in the red.** Post results, we are keeping our FY20E net loss at RM104m and introduce net loss forecast of RM80m for FY21.

**Maintain UNDERPERFORM with an unchanged Target Price of RM0.11.** This is derived from a P/BV multiple of 0.17x (-1.5SD below its historical mean to reflect the challenging outlook) on its FY20E BV per share of RM0.68.

**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 : RM0.255  
Target Price : RM0.11 ↔

### Share Price Performance



KLCI 1,505.59  
YTD KLCI chg -5.2%  
YTD stock price chg -10.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MHB MK EQUITY
Market Cap (RM m)	224.7
Shares Outstanding	881.0
52-week range (H)	0.45
52-week range (L)	0.25
3-mth avg daily vol:	1,688,017
Free Float	36%
Beta	1.1

### Major Shareholders

Tan Eng Piow	42.2%
Amanah Saham Bumiputera	3.0%
Amanah Saham Malaysia	3.0%

### Summary Earnings Table

FYE Dec (RM m)	2019A	2020E	2021E
Turnover	601	572	273
EBIT	-51	-86	-63
PBT	-66	-102	-78
<b>Net Profit</b>	<b>-48</b>	<b>-104</b>	<b>-80</b>
<b>Core PATAMI</b>	<b>-48</b>	<b>-104</b>	<b>-80</b>
Consensus (NP)	N.A.	2	59
Earnings Revision	N.A.	N.A.	N.A.
Core EPS (sen)	-5.4	-11.6	-9.0
Core EPS growth (%)	-209	24	-23
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	0.9	0.7	0.6
Price to NTA (x)	0.3	0.4	0.4
PER (x)	N.A.	N.A.	N.A.
Debt-to-Equity ratio (x)	0.3	0.6	0.7
Return on Asset (%)	-4%	-8%	-8%
Return on Equity (%)	-6%	-17%	-15%
Net Div. Yield (%)	0%	0%	0%

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<b>Results Highlight</b>								
	<b>4Q19</b>	<b>3Q19</b>	<b>QoQ</b>	<b>4Q18</b>	<b>YoY</b>	<b>FY19</b>	<b>FY18</b>	<b>YoY</b>
<b>FYE Dec (RM m)</b>								
<b>Turnover</b>	<b>154.6</b>	<b>115.3</b>	<b>34%</b>	<b>162.6</b>	<b>-5%</b>	<b>600.9</b>	<b>838.4</b>	<b>-28%</b>
<b>EBIT</b>	<b>(18.9)</b>	<b>(24.3)</b>	<b>-22%</b>	<b>18.5</b>	<b>n.m.</b>	<b>(51.3)</b>	<b>75.0</b>	<b>n.m.</b>
Interest exp	(3.3)	(3.5)	-5%	(4.0)	-17%	(15.1)	(14.5)	4%
<b>Pretax profit</b>	<b>(22.2)</b>	<b>(27.8)</b>	<b>-20%</b>	<b>14.5</b>	<b>n.m.</b>	<b>(66.4)</b>	<b>60.5</b>	<b>n.m.</b>
Taxation	17.6	(1.8)	n.m.	(4.7)	n.m.	11.8	(18.1)	n.m.
<b>Profit after tax</b>	<b>(4.6)</b>	<b>(29.6)</b>	<b>-84%</b>	<b>9.7</b>	<b>n.m.</b>	<b>(54.5)</b>	<b>42.4</b>	<b>n.m.</b>
Minority interest	3.9	1.3	202%	0.6	589%	6.6	2.5	171%
<b>PATAMI</b>	<b>(0.7)</b>	<b>(28.3)</b>	<b>-97%</b>	<b>10.3</b>	<b>n.m.</b>	<b>(47.9)</b>	<b>44.9</b>	<b>n.m.</b>
<b>Core PATAMI</b>	<b>(0.7)</b>	<b>(28.3)</b>	<b>-97%</b>	<b>10.3</b>	<b>n.m.</b>	<b>(47.9)</b>	<b>44.9</b>	<b>n.m.</b>
DPS (sen)	0.0	0.0		1.5		0.0	1.5	
EBIT margin	n.m.	n.m.		11.4%		n.m.	8.9%	
Pretax margin	n.m.	n.m.		8.9%		n.m.	7.2%	
EPS (sen)	(0.08)	(3.18)		1.16		(5.38)	5.22	
Effective tax	n.m.	n.m.		32.7%		n.m.	29.8%	

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.			
<b>STOCKS UNDER COVERAGE</b>																	
GAMUDA BHD	3.61	9,071.2	Y	07/2020	33.5%	9.7%	-25.2%	-19.3%	11.1	14.8	18.4	1.1	1.1	7.3%	3.3%	4.70	OP
GEORGE KENT (MALAYSIA) BHD	0.860	458.8	Y	01/2020	-22.2%	10.1%	-43.0%	18.0%	6.1	10.7	9.1	1.0	0.9	9.0%	4.7%	0.970	MP
HOCK SENG LEE BERHAD	1.28	703.4	Y	12/2020	21.8%	16.2%	18.2%	21.5%	15.8	10.8	9.0	0.9	0.8	8.8%	1.9%	1.77	OP
IJM CORP BHD	1.99	7,222.6	Y	03/2020	4.9%	8.6%	-32.6%	13.9%	17.3	25.6	22.5	0.7	0.7	2.8%	1.5%	2.15	MP
KERJAYA PROSPEK GROUP BHD	1.27	1,563.7	Y	12/2020	33.7%	18.8%	12.6%	20.6%	10.4	9.3	7.7	1.6	1.4	16.4%	N.A.	1.50	OP
KIMLUN CORP BHD	1.09	370.4	Y	12/2019	-9.3%	-1.5%	11.5%	-4.0%	6.1	5.4	5.7	0.5	0.5	9.7%	4.3%	1.60	OP
MITRAJAYA HOLDINGS BHD	0.255	224.7	Y	12/2019	-4.8%	-52.3%	-46.2%	-130.0%	N.A.	N.A.	N.A.	0.3	0.4	-17.0%	0.0%	0.110	UP
MUHIBBAH ENGINEERING (M) BHD	1.66	802.5	Y	12/2019	9.9%	-3.4%	-21.4%	28.5%	5.5	7.0	5.5	0.7	0.7	9.8%	3.1%	2.35	OP
SUNWAY CONSTRUCTION GROUP BHD	1.86	2,398.2	Y	12/2020	42.9%	3.9%	30.4%	4.0%	18.6	14.3	13.8	4.0	3.7	26.6%	3.9%	2.15	OP
WCT HOLDINGS BHD	0.685	961.4	Y	12/2020	0.8%	-0.2%	-29.6%	4.5%	7.7	11.0	10.5	0.3	0.3	2.7%	0.0%	0.750	MP
<b>Simple Average</b>					<b>11.1%</b>	<b>1.0%</b>	<b>-12.5%</b>	<b>-4.2%</b>	<b>10.6</b>	<b>12.1</b>	<b>11.3</b>	<b>1.1</b>	<b>1.0</b>	<b>7.9%</b>	<b>2.5%</b>		
<b>CONSENSUS ESTIMATES</b>																	
AHMAD ZAKI RESOURCES BERHAD	0.325	193.8	Y	06/2020	N.A.	N.A.	N.A.	N.A.	13.2	N.A.	N.A.	0.4	N.A.	N.A.	N.A.	N.A.	SELL
BINA PURI HOLDINGS BHD	0.080	30.5	Y	06/2020	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.1	N.A.	N.A.	N.A.	N.A.	SELL
GABUNGAN AQRS BHD	1.05	518.1	Y	12/2019	-9.3%	58.2%	-17.7%	53.5%	8.5	10.3	0.0	1.0	1.1	11.3%	4.0%	1.62	BUY
GADANG HOLDINGS BHD	0.595	433.2	Y	05/2020	3.8%	0.1%	33.9%	14.2%	9.8	7.3	0.0	0.5	0.5	7.6%	1.3%	0.687	NEUTRAL
JAKS RESOURCES BHD	1.39	905.1	Y	12/2019	80.6%	-50.3%	683.9%	-42.4%	59.0	7.5	0.0	0.9	0.9	15.0%	0.0%	1.20	NEUTRAL
MUDAJAYA GROUP BHD	0.455	268.4	N	12/2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.8	N.A.	N.A.	N.A.	N.A.	SELL
PINTARAS JAYA BHD	3.02	500.9	Y	06/2020	41.6%	2.6%	107.5%	3.3%	19.2	9.2	0.1	1.5	1.4	16.4%	6.6%	3.88	NEUTRAL
PESONA METRO HOLDINGS	0.200	139.0	Y	12/2020	7.1%	-9.7%	111.7%	-10.7%	12.6	5.9	0.0	0.7	N.A.	11.4%	5.0%	0.290	BUY
PROTASCO BHD	0.355	172.2	Y	12/2020	3.4%	11.7%	97.8%	2.5%	28.7	14.5	0.0	0.5	0.5	3.6%	3.9%	0.315	NEUTRAL
TRC SYNERGY BHD	0.390	187.4	Y	12/2020	12.1%	4.6%	55.9%	27.2%	9.5	6.1	0.0	0.5	N.A.	9.6%	5.1%	0.500	NEUTRAL

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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