

Mitrajaya Holdings (BUY↔; EPS↔)

 INDUSTRY: OVERWEIGHT
 NEWSBREAK

16 April 2015

Price Target: RM1.97 (↔)

Share price: RM1.86

Disposal of Optimax

News

- Proposes to dispose Optimax. Mitrajaya has proposed to dispose its 51% stake in Optimax Eye Specialist Centre for RM5.1m.

Comments

- Background.** Optimax is the largest standalone eye specialist in Malaysia with 8 centres nationwide and has handled over 90k cases. While Optimax provides a wide range of eye related treatments, laser surgery or Lasik is its main contributor. Mitrajaya acquired a 51% stake in Optimax back in 2001 as part of its diversification plans. Optimax was mostly loss making from FY08 to FY12 but managed to return to the black in FY13 and FY14.
- Fair valuation.** In FY14, Optimax posted PBT of RM0.8m. Assuming a standard 25% effective tax rate, its PATMI would be RM0.6m. At Mitrajaya's proposed disposal price of RM5.1m for its 51% stake, this would translate to a trailing FY14 P/E of 16.9x. We deem this valuation as fair as our channel checks reveal that the "mid-teens" P/E multiple is the "going rate" for smaller unlisted healthcare / medical related businesses.
- Mildly positive.** Optimax has never been a significant contributor to Mitrajaya's profits. In FY14, it made up 5% of revenue and 1% of PBT. As such, its disposal will have an insignificant impact to earnings. We are slightly positive by this move as it allows Mitrajaya to remain focus on its core business of construction and property development.

Risks

- Execution risk on its construction jobs and slow sales for its property developments.

Forecasts

- Our forecasts are unchanged as Optimax's contributions are very marginal.

Rating
BUY, TP: RM1.97 (Under Review)

- Mitrajaya's share price has appreciated 69% since our TP upgrade from RM1.52 to RM1.97 in late Jan. With the sharp share price rise in the past 2.5 months, there now appears to be minimal upside (6%) to our existing TP.
- While our TP of RM1.97 is currently under review, we highlight a potential upside bias driven by potentially stronger than expected FY15 earnings and orderbook replenishment. Moreover, current P/E valuation of 9.7x for FY15 and 7.9x for FY16 remained undemanding, especially in view of the expected strong earnings growth ahead.

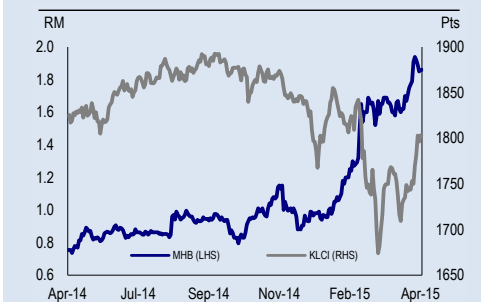
Valuation

- Our TP is based on 10x FY15 earnings, inline with our target valuation parameter used for small cap contractors.

Low Yee Huap, CFA
yhlow@hlib.hongleong.com.my

(603) 2168 1138

KLCI	1,840.1
Expected share price return	5.9%
Expected dividend return	3.2%
Expected total return	9.1%

Share price

Information

Bloomberg Ticker	MHB MK
Bursa Code	9571
Issued Shares (m)	397
Market cap (RM m)	739
3-mth avg. volume ('000)	3,451
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	12.0	90.8	175.6
Relative	8.4	80.8	176.3

Major shareholders

Tan Eng Piow	40.7%
Hong Leong Asset Management	3.1%
Aw Eng Soon	2.1%

Summary Earnings Table

FYE Dec (RM m)	FY13	FY14	FY15F	FY16F
Revenue	338	520	862	1,022
EBITDA	49	92	123	144
EBIT	39	76	112	133
Profit Before Tax	36	72	108	128
Core PATAMI	25	54	78	93
vs Consensus (%)	-	-	-	-
Core EPS (sen)	6.4	13.6	19.7	23.7
P/E (x)	29.2	13.6	9.4	7.9
Net DPS (sen)	2.0	5.0	5.9	7.1
Net DY (%)	1.1	2.7	3.2	3.8
BV per share	0.89	1.00	1.12	1.28
P/B (x)	2.1	1.9	1.7	1.5
ROE (%)	7.4	14.4	18.6	19.8
Net Gearing (%)	17.9	19.0	16.8	20.2

HLIB

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 16 April 2015, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 16 April 2015, the analyst, Low Yee Huap, who prepared this report, has interest in the following securities covered in this report:

(a) -.

Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur
 Tel 603 2168 1168 / 603 2710 1168
 Fax 603 2161 3880

Equity rating definitions

BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
SELL	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
NOT RATED	No research coverage and report is intended purely for informational purposes.

Industry rating definitions

OVERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.
NEUTRAL	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.