

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

31 May 2018

Muhibbah Engineering (MUHI MK) : BUY

Mkt. Cap: US\$352m | 3m Avg. Daily Val: US\$0.92m

Last Traded Price (30 May 2018): RM2.92

Price Target 12-mth: RM3.42 (17% upside) (Prev RM3.42)

Analyst

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Another solid quarter

- 1Q18 performance met expectations
- Strong growth for Cambodian airport concession
- Least impacted by change in new government
- Maintain BUY and TP of RM3.42

Forecasts and Valuation

FY Dec (RMm)	2016A	2017A	2018F	2019F
Revenue	1,919	1,397	1,465	1,408
EBITDA	270	299	314	316
Pre-tax Profit	183	219	227	227
Net Profit	106	132	144	154
Net Pft (Pre Ex.)	106	132	144	154
Net Pft Gth (Pre-ex) (%)	22.7	24.7	9.1	7.3
EPS (sen)	21.9	27.3	29.8	32.0
EPS Pre Ex. (sen)	21.9	27.3	29.8	32.0
EPS Gth Pre Ex (%)	23	25	9	7
Diluted EPS (sen)	21.9	27.3	29.8	32.0
Net DPS (sen)	4.98	6.97	5.96	6.39
BV Per Share (sen)	203	217	240	266
PE (X)	13.3	10.7	9.8	9.1
PE Pre Ex. (X)	13.3	10.7	9.8	9.1
P/Cash Flow (X)	8.9	3.0	10.1	10.7
EV/EBITDA (X)	8.9	7.2	6.8	6.8
Net Div Yield (%)	1.7	2.4	2.0	2.2
P/Book Value (X)	1.4	1.3	1.2	1.1
Net Debt/Equity (X)	0.4	0.2	0.1	0.1
ROAE (%)	11.7	13.0	13.0	12.6

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Within expectations. 1Q18 recorded a headline net profit of RM36m (+23% y-o-y, -1% q-o-q). This was in line with our and consensus expectations.

Group pretax profit higher y-o-y. For 1Q18, its group pretax increased by 30% y-o-y to RM64m. In terms of the segmental breakdown, construction contributed RM22m, cranes RM9m, concessions RM43m and there was group elimination of RM11m. 1Q18 net profit for its crane manufacturing arm, Favelle Favco fell 57% to RM5m on the back of an 11% decline in 1Q18 revenue to RM112m. The poorer numbers were due to unrealised forex losses and lower sales. Its crane manufacturing orderbook as at 24 May 2018 stood at RM398m. The proposal to acquire four industrial automation companies is expected to be completed by 2Q18.

Jump in associate/JV earnings. 1Q18 associate earnings jumped 38% y-o-y to RM46m. The strong growth was largely from robust traffic volume growth for its Cambodian airport concessions. Total passenger volume for 1Q18 has increased by 26% to 2.976m. This is after 12M17 passenger volume showed a strong 25% y-o-y increase.

New order wins. There is no target for orderbook replenishment for FY18F but our forecast is RM1bn. YTD wins amount to RM239m, coming from two LRT 3 sound barrier contracts and one from the Government of Qatar, for the design, construction and erection of syncrolift and travel lift with ancillaries in Marsa Um Alhoul at Um Alhoul Special Economic Zone, Qatar.

Flash Note

It will continue to bid for contracts in Qatar where it believes the current embargo by Saudi Arabia and its allies may work to its benefit with less competition there from the other Middle East contractors. Besides the upcoming FIFA World Cup in 2022, the Um Alhoul Special Economic Zone has some 8,400 acres to be developed over the next 20 years. Its strategy in Qatar has been to bid for more strategic type of contracts which are backed by the government. Total construction orderbook now as at end-May 2018 amounted to RM1.6bn while its total outstanding orderbook including cranes stood at RM2.0bn.

Quarterly / Interim Income Statement (RMm)

FY Dec	1Q2017	4Q2017	1Q2018	% chg yoy	% chg qoq
Revenue	241	307	249	3.1	(18.7)
Other Oper. (Exp)/Inc	(219)	(304)	(228)	4.0	(25.1)
Operating Profit	22.5	2.34	21.2	(5.6)	805.3
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	33.3	53.2	46.0	37.9	(13.7)
Net Interest (Exp)/Inc	(6.9)	(2.2)	(3.7)	46.7	(67.0)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	48.9	53.4	63.5	29.9	19.0
Tax	(4.5)	(3.0)	(4.1)	(8.7)	36.0
Minority Interest	(15.1)	(13.8)	(23.2)	(54.1)	67.7
Net Profit	29.3	36.5	36.2	23.4	(0.9)
Net profit bef Except.	29.3	36.5	36.2	23.4	(0.9)
EBITDA	55.8	55.6	67.2	20.4	20.9
Margins (%)					
Opg Profit Margins	9.3	0.8	8.5		
Net Profit Margins	12.1	11.9	14.5		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Jun 17	2.71	3.60	BUY
2:	30 Aug 17	2.85	3.60	BUY
3:	09 Oct 17	2.84	3.60	BUY
4:	21 Nov 17	2.77	3.60	BUY
5:	30 Nov 17	2.80	3.60	BUY
6:	01 Mar 18	3.10	3.60	BUY
7:	14 May 18	3.02	3.42	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Tjen San CHONG

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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