Malaysia
November 28, 2024 - 6:29 PM

ADD *(no change)*

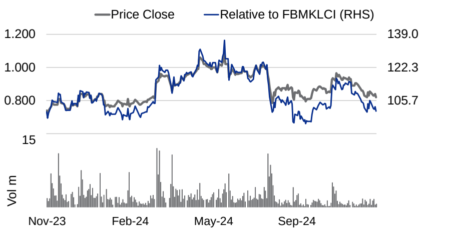
Consensus ratings*:	Buy 3	Hold 0	Sell 0

Current price:	RM0.82
Target price:	RM1.34
Previous target:	RM1.34
Up/downside:	63.4%
CGSI / Consensus:	5.5%
Reuters:	MUHI.KL
Bloomberg:	MUHI MK
Market cap:	US$134.9m
	RM599.2m
Average daily turnover:	US$0.23m
	RM1.00m
Current shares o/s	727.0m
Free float:	73.3%

**Source: Bloomberg*

Key financial forecasts

	Dec-24F	Dec-25F	Dec-26F
Net Profit (RMm)	53.42	67.49	68.07
Core EPS (RM)	0.073	0.093	0.094
Core EPS Growth	(81.3%)	26.3%	0.9%
FD Core P/E (x)	11.16	8.83	8.76
Normalised EPS (RM)	0.073	0.093	0.094
Normalised EPS Growth	(81.6%)	26.3%	0.9%
FD Normalised P/E (x)	11.16	8.83	8.76
Recurring ROE	4.06%	4.94%	4.84%
P/BV (x)	0.44	0.43	0.42
DPS (RM)	0.029	0.046	0.047
Dividend Yield	3.58%	5.66%	5.71%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.4	0.0	11.6
Relative (%)	-10.6	4.7	1.3

Major shareholders	% held
Mac Ngan Boon	21.0
FIL Ltd & Pandanus Partners L.P.	5.7

Analyst(s)

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Muhibbah Engineering

Strong associate earnings; awaiting new wins

- Muhibbah's 3Q24 results met expectations. The key highlight was strong earnings from its Cambodia airport concession.
- We believe Muhibbah needs to increase its orderbook for better earnings visibility. It is awaiting results of some large tenders.
- Reiterate Add and SOP-derived TP of RM1.34.

3Q24 results in line, supported by Cambodia airport concession

- Muhibbah delivered a 3Q24 core net profit of RM11.4m, bringing its 9M24 core net profit to RM36.9m. This is within expectations at 69% of our and Bloomberg consensus' full-year net profit forecasts. We expect better earnings delivery for 4Q24F as construction and cranes earnings pick up.
- For 3Q24, there was an unrealised forex loss of RM29.5m as the RM appreciated against the US$. This largely impacted its cranes division in 3Q24 which has US$ receivables given its global operations.
- 9M24 revenue increased by 69% to RM1.4bn, driven by higher revenue for construction and cranes.
- The key positive in 3Q24 was strong associate profit of RM31.6m (+122% yoy and +96% qoq), largely from its Cambodia airport concession (Phnom Penh and Silhanoukville). This is commendable, in our view, as the corresponding figure for 3Q23 included the Siem Reap airport concession that was surrendered back to the Cambodia government in Oct 23.
- 9M24 passenger arrivals for the Phnom Penh airport and Silhanoukville airport concession rose 19% yoy to 3.5m. For 3Q24, China passengers made up 23% of total passenger arrivals (vs. 18% in 3Q23, and 61% in FY19).
- 3Q24 pretax profit for its crane business, stripping out the effects of forex, jumped 113% qoq, but slipped 4% yoy, to RM30m. Its construction division in 3Q24 posted a loss before tax of RM33m due to the reversal of profit recognised from higher inflationary pressures (vs. RM8m pretax profit in 3Q23).

Needs to clinch more wins to ensure better earnings visibility

- Muhibbah's orderbook (construction and cranes) was RM1.4bn as at Nov 24, which is down from its Nov 23 peak of RM2.4bn.
- It has yet to win any material contracts this year but has submitted a large tender for an EPCC role for the Lang Lebah gas field. Given its prior experience with similar projects in Gansar, Bekok and Bindu in Terengganu, we see it as a frontrunner for this project.
- Muhibbah's value proposition is not in government infrastructure or the data centre space but more in marine-based construction and offshore platforms leveraging on its Petronas fabrication licence, in our view.
- Its crane business under Favelle Favco has also submitted a tender for the supply of tower cranes for the world's biggest construction project known as Neom in Saudi Arabia, with a potential award by early next year.

Reiterate Add and TP of RM1.34 based on SOP

- We like Muhibbah for its attractive valuation at FY25F P/E of 9x (vs. sector of 16x) and for being a proxy in the recovery in tourist arrivals via Cambodian airports, while its Petronas fabrication licence should enable it to clinch more Petronas jobs, in our view.
- Key downside risks are non-continuity in earnings delivery and higher raw material costs.
- Re-rating catalysts include better earnings delivery and stronger tourist arrivals in Cambodia.

Figure 1: Sector Comparison (Share prices as at 27 Nov)

Company	Bloomberg Ticker	Rec.	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US$ m)	P/E (x) CY24F	CY25F	2-year EPS CAGR	PEG (x)	P/BV (x) CY24F	CY25F	Recurring ROE (%) CY24F	CY25F	Dividend Yield (%) CY24F	CY25F
Gamuda	GAM MK	Add	9.03	10.00	5,735	24.5	19.4	23.3%	1.1	2.20	2.08	8.8%	10.8%	2.0%	2.2%
IJM Corp Bhd	IJM MK	Add	2.91	4.40	2,296	18.1	15.5	25.7%	0.7	0.97	0.92	5.3%	6.0%	1.0%	1.0%
Sunway Construction Group Bhd	SCGB MK	Add	4.36	6.00	1,265	29.5	17.5	52.6%	0.6	6.16	5.23	21.0%	32.4%	1.7%	2.9%
Muhibbah Engineering	MUHI MK	Add	0.82	1.34	135	11.2	8.8	-50.0%	-0.2	0.44	0.43	3.9%	4.9%	3.6%	5.7%
HSS Engineers	HSS MK	Add	1.06	1.48	121	20.7	10.7	59.2%	0.3	2.08	1.83	9.8%	18.2%	1.5%	3.1%
YTL Corporation	YTL MK	Add	2.11	3.00	5,243	11.1	11.2	14.8%	0.8	1.34	1.23	12.5%	11.3%	2.3%	2.4%
Malayan Cement Bhd	LMC MK	Add	4.77	7.00	1,436	12.8	11.5	33.4%	0.4	0.97	0.92	7.8%	8.1%	2.2%	2.5%
Sunway Bhd	SWB MK	Add	4.85	5.70	6,210	29.9	26.7	24.7%	1.2	1.93	2.01	6.5%	7.7%	1.8%	2.2%
Econpile Holdings Bhd	ECON MK	Add	0.42	0.56	132	na	24.7	na	na	1.63	1.60	-1.3%	6.5%	1.2%	3.0%
Construction sector						**20.1**	**16.2**	**23.0%**	**0.6**	**1.8**	**1.7**	**7.6%**	**10.8%**	**1.7%**	**2.5%**

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 2: 3QFY24 results comparisons yoy and qoq

	3QFY24 RMm	3QFY23 RMm	% change	2QFY24 RMm	% change
Revenue	423.4	287.0	47%	631.9	-33%
Operating expense	-447.6	-260.7	72%	-599.4	-25%
EBIT	-24.2	26.4	-192%	32.5	-174%
Interest income	4.1	1.7	144%	5.5	-26%
Finance cost	-4.9	-7.1	-30%	-6.6	-25%
Share of associate results	31.6	14.2	122%	16.1	96%
Profit before taxation	6.5	35.2	-82%	47.5	-86%
Taxation	0.5	-8.2	-106%	-15.6	-103%
Net income	7.0	27.0	-74%	32.0	-78%
Minority interest	-11.4	-20.9	-45%	-9.8	17%
Atributed to shareholders	-4.4	6.1	-172%	22.2	-120%
Exceptional items	-15.8	-1.6	903%	2.7	-695%
Core net profit	11.4	7.7	48%	19.5	-42%
Quarterly segmentals					
	3QFY24	3QFY23	% change	2QFY24	% change
Construction	-33.3	8.3	-502%	40.1	-183%
Cranes	2.7	19.9	-87%	13.9	-81%
Concessions	33.0	14.4	128%	16.9	95%
Eliminations	4.2	-7.5	-155%	-23.4	-118%
Profit before taxation	6.5	35.2	-81%	47.5	-86%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	**1,255.2**	**1,353.4**	**1,358.3**	**1,380.0**
Gross Profit	**259.0**	**230.1**	**268.9**	**276.0**
Operating EBITDA	**394.4**	**140.3**	**173.0**	**173.4**
Depreciation And Amortisation	(75.6)	(87.6)	(88.8)	(90.0)
Operating EBIT	**318.9**	**52.7**	**84.2**	**83.4**
Financial Income/(Expense)	(16.2)	(14.2)	(12.8)	(13.7)
Pretax Income/(Loss) from Assoc.	62.9	59.1	61.0	62.9
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**365.5**	**97.6**	**132.4**	**132.6**
Exceptional Items	(50.2)	0.0	0.0	0.0
Pre-tax Profit	**315.3**	**97.6**	**132.4**	**132.6**
Taxation	(30.2)	(10.0)	(18.6)	(18.1)
Exceptional Income - post-tax				
Profit After Tax	**285.2**	**87.6**	**113.8**	**114.5**
Minority Interests	(44.4)	(34.2)	(46.3)	(46.4)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**240.8**	**53.4**	**67.5**	**68.1**
Recurring Net Profit	286.2	53.4	67.5	68.1
Fully Diluted Recurring Net Profit	**286.2**	**53.4**	**67.5**	**68.1**
Normalised Net Profit	335.4	87.6	113.8	114.5
Fully Diluted Normalised Profit	**291.0**	**53.4**	**67.5**	**68.1**

Balance Sheet

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	394	423	525	620
Total Debtors	649	742	744	756
Inventories	333	369	358	363
Total Other Current Assets	10	10	10	10
Total Current Assets	**1,387**	**1,545**	**1,638**	**1,750**
Fixed Assets	1,113	1,057	999	941
Total Investments	807	865	925	987
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	157	157	157	157
Total Non-current Assets	**2,077**	**2,079**	**2,081**	**2,084**
Short-term Debt	353	378	403	428
Current Portion of Long-Term Debt				
Total Creditors	692	739	716	726
Other Current Liabilities	340	340	340	340
Total Current Liabilities	**1,386**	**1,457**	**1,460**	**1,495**
Total Long-term Debt	104	104	104	104
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	168	168	168	168
Total Non-current Liabilities	**272**	**272**	**272**	**272**
Total Provisions	0	0	0	0
Total Liabilities	**1,658**	**1,729**	**1,732**	**1,766**
Shareholders' Equity	1,291	1,344	1,390	1,424
Minority Interests	516	551	597	643
Total Equity	**1,807**	**1,894**	**1,987**	**2,068**

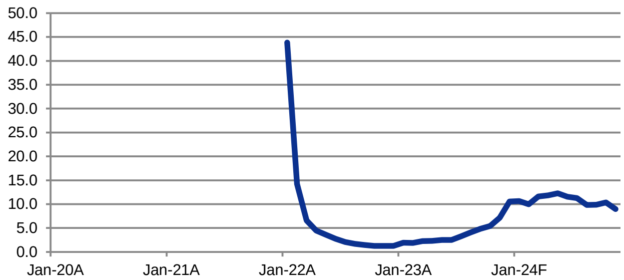
Cash Flow

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	394.4	140.3	173.0	173.4
Cash Flow from Invt. & Assoc.	(62.9)	(59.1)	(61.0)	(62.9)
Change In Working Capital	159.5	(81.9)	(13.8)	(7.1)
(Incr)/Decr in Total Provisions	(33.3)	25.8	24.7	26.0
Other Non-Cash (Income)/Expense	(14.8)	33.3	36.2	36.9
Other Operating Cashflow	52.9	0.0	0.0	0.0
Net Interest (Paid)/Received	(16.2)	(14.2)	(12.8)	(13.7)
Tax Paid	(30.2)	(10.0)	(18.6)	(18.1)
Cashflow From Operations	**449.5**	**34.1**	**127.8**	**134.5**
Capex	(14.4)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(20.3)	0.0	0.0	0.0
Cash Flow From Investing	**(34.7)**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	(32.4)	25.0	25.0	25.0
Proceeds From Issue Of Shares	0.3	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(14.7)	0.0	(21.4)	(33.7)
Preferred Dividends				
Other Financing Cashflow	(34.0)	0.0	0.0	0.0
Cash Flow From Financing	**(80.8)**	**25.0**	**3.6**	**(8.7)**
Total Cash Generated	334.0	29.1	101.4	95.8
Free Cashflow To Equity	**382.4**	**29.1**	**122.8**	**129.5**
Free Cashflow To Firm	**442.3**	**30.0**	**122.5**	**130.5**

Key Ratios

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	40.0%	7.8%	0.4%	1.6%
Operating EBITDA Growth	239%	(64%)	23%	0%
Operating EBITDA Margin	31.4%	10.4%	12.7%	12.6%
Net Cash Per Share (RM)	(0.09)	(0.08)	0.02	0.12
BVPS (RM)	1.78	1.85	1.91	1.96
Gross Interest Cover	11.61	2.04	3.40	3.21
Effective Tax Rate	9.6%	10.3%	14.0%	13.7%
Net Dividend Payout Ratio	NA	40.0%	50.0%	50.0%
Accounts Receivables Days	201.5	188.0	199.6	198.4
Inventory Days	114.9	114.5	121.9	119.2
Accounts Payables Days	233.2	233.1	243.7	238.4
ROIC (%)	23.8%	4.3%	6.7%	6.9%
ROCE (%)	14.8%	2.8%	3.9%	3.8%
Return On Average Assets	10.3%	2.9%	3.4%	3.4%

12-mth Fwd FD P/E (x) - Muhibbah Engineering



Key Drivers

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
New orders for construction	-	150.0	500.0	600.0
New orders for cranes	400.0	400.0	400.0	500.0

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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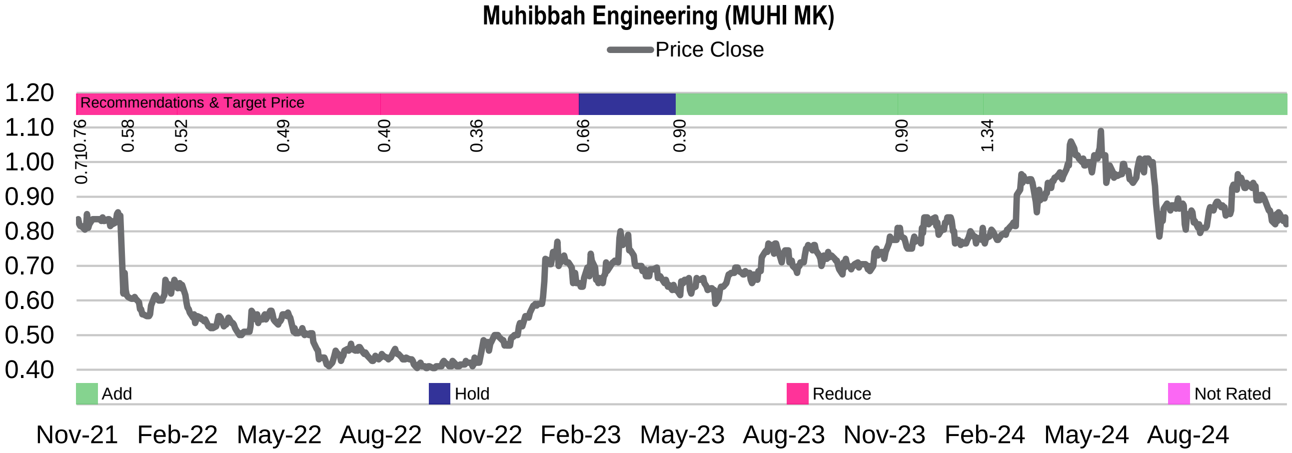
Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2024 588 companies under coverage for quarter ended on 30 September 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.0%	0.5%
Hold	23.5%	0.9%
Reduce	9.5%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.