Shariah Compliant

Malaysia

May 29, 2025 - 7:52 PM

ADD *(no change)*

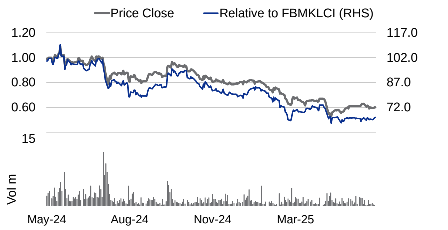
Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	RM0.60
Target price:	RM1.10
Previous target:	RM1.10
Up/downside:	83.5%
CGSI / Consensus:	0.1%
Reuters:	MUHI.KL
Bloomberg:	MUHI MK
Market cap:	US$103.6m
	RM437.6m
Average daily turnover:	US$0.12m
	RM0.53m
Current shares o/s	727.0m
Free float:	73.3%

**Source: Bloomberg*

Key financial forecasts

	Dec-25F	Dec-26F	Dec-27F
Net Profit (RMm)	66.55	68.64	74.10
Core EPS (RM)	0.09	0.09	0.10
Core EPS Growth	(13.8%)	3.1%	8.0%
FD Core P/E (x)	6.55	6.35	5.89
Recurring ROE	4.85%	4.84%	5.04%
P/BV (x)	0.31	0.30	0.29
DPS (RM)	0.027	0.028	0.031
Dividend Yield	4.58%	4.72%	5.10%



Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	1.7	-10.5	-39.4
Relative (%)	1.5	-7.0	-34.0

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

Muhibbah Engineering

Phnom Penh airport overhang removed

- 1Q25 results met expectations, but we expect a weaker 2H25F.
- Muhibbah received compensation for Phnom Penh International Airport and signed MSA to operate new Techo International Airport for 15 years.
- Reiterate Add and SOP-based TP of RM1.10.

1Q25 results met expectations; expect weaker 2H25F

- Muhibbah Engineering delivered a 1Q25 core net profit of RM20m (+238% yoy), which was within expectations, at 30% of our and Bloomberg consensus' full-year net profit forecasts. We expect 2H25F to be weaker, given that its Phnom Penh International Airport (PPIA) concession would likely be handed over to the government in Sep 2025F.
- The key positive in 1Q25 was strong associate profit of RM22m (+68% yoy), largely from its Cambodia airport concessions (PPIA and Sihanoukville). This was driven by higher passenger arrivals in 1Q25 for its PPIA and SIhanoukville airport concessions, collectively up 22% yoy to 1.4m. In 1Q25, passengers from China made up 29% of total passenger arrivals in Cambodia (vs. 24% in FY24 and 61% in FY19).
- 1Q25 pretax profit for its crane business eased slightly by 2% to RM19m, driven by its orderbook, which stood at RM650m as at May 25. Its construction division posted a 1Q25 profit before tax of RM6m (vs. RM9m in 1Q24). The division's orderbook stood at RM492m as of May 25.

Key overhang on Phnom Penh airport concession removed

- Muhibbah's 2024 annual report released at end-Apr 2025 said that the PPIA concession, a 20% associate of the group, has signed a settlement agreement with the Royal Government of Cambodia on 25 Mar 2025 for compensation for early termination of its PPIA investment. The settlement amounting to US$104m is higher than the US$63m settlement it received for Siam Reap International Airport.
- Muhibbah's Cambodian airport concession company also signed a management service agreement (MSA) with Cambodia Airport Investment Co. Ltd. to manage and operate the new Techo International Airport for a duration of 15 years.
- Until the MSA is effective, Muhibbah will continue to receive the usual associate earnings from its initial concession. We expect these payments to cease in early-Sep 2025F when the new Techno International Airport commences operations on 9 Sep 2025, as reported by Khmer Times, a local newspaper, in May 2025. No MSA terms have yet been disclosed.
- Muhibbah had also announced on 27 Mar 2025 that it has over a period of time acquired a 31% stake in Master-Pack Group (MPG, NR, CP: RM3.10) for RM62m (RM3.68/share) or 11x FY24F P/E (6x ex-cash). While we do not see any ready synergies with Muhibbah's existing business, we believe Muhibbah is being proactive in trying to stem the potential earnings loss from its PPIA concession.
- On 9 May 2025, Muhibbah announced that it had received a notice of arbitration from Trans Fame Offshore (Unlisted) for RM43.4m, in relation to a sub-contract project for hook-up and commissioning works and marine vessels for the Yetagun Acid Gas Removal unit project that was mutually terminated effective Jul 2020. Muhibbah said it will be contesting the claim and will file a counter claim. It believes it is still premature to ascertain if it needs to make a provision

Reiterate Add and TP of RM1.10

- Valuations are compelling at FY25F P/E of 7x (vs. the sector's 16x), Muhibbah is an attractive proxy for the recovery in tourist arrivals via its Cambodian airport concessions and more Petronas job flows, in our view. We reiterate Add and our SOP-based TP of RM1.10. 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.

Analyst(s)

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Figure 1: Sector comparison (Share prices as at 29 May 2025)

Company	Bloomberg TickerS	Rec.	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US$ m)	Core P/E (x) CY25F	Core P/E (x) CY26F	PEG (x)	P/BV (x) CY25F	P/BV (x) CY26F	Recurring ROE (%) CY25F	Recurring ROE (%) CY26F	Dividend Yield (%) CY25F	Dividend Yield (%) CY26F
Gamuda	GAM MK	Add	4.65	6.00	6,348	20.1	15.8	0.65	2.07	1.87	10.6%	12.4%	2.2%	2.2%
IJM Corp Bhd	IJM MK	Add	2.43	3.61	2,016	15.9	12.4	0.36	0.81	0.77	5.0%	6.3%	2.4%	2.4%
Sunway Construction Group Bhd	SCGB MK	Add	5.83	5.70	1,786	24.5	23.4	0.70	7.31	6.32	32.1%	29.0%	2.0%	2.1%
Muhibbah Engineering	MUHI MK	Add	0.60	1.10	104	6.6	6.4	-1.42	0.31	0.30	4.9%	4.8%	4.6%	4.7%
HSS Engineers	HSS MK	Add	0.61	1.50	73	6.1	4.9	0.09	1.00	0.87	17.4%	19.2%	5.4%	6.8%
YTL Corporation	YTL MK	Add	1.82	2.60	4,789	10.0	9.9	4.04	1.17	1.19	11.4%	12.0%	2.7%	2.7%
Malayan Cement Bhd	LMC MK	Add	5.09	7.10	1,625	10.4	10.2	0.94	0.97	0.91	9.4%	9.2%	2.4%	2.8%
Sunway Bhd	SWB MK	Add	4.74	5.80	6,985	25.3	24.3	5.76	1.86	1.77	7.5%	7.5%	1.8%	2.0%
Econpile Holdings Bhd	ECON MK	Add	0.29	0.46	97	33.4	12.2	na	1.17	1.15	3.4%	9.5%	4.3%	6.0%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.75	1.38	88	7.0	5.5	0.36	1.02	0.91	15.0%	17.4%	3.5%	4.5%
Construction sector						15.9	12.5	1.28	1.77	1.61	11.7%	12.7%	3.1%	3.6%

SHARE PRICES AS AT 29 MAY 2025
SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG ESTIMATES, COMPANY REPORTS

Figure 2: 1Q25 results comparison, yoy and qoq

	1QFY25 RMm	1QFY24 RMm	% change	4QFY24 RMm	% change
Revenue	320.0	327.0	-2%	561.8	-43%
Operating expense	-308.0	-306.5	0%	-529.0	-42%
EBIT	11.9	20.5	-42%	32.8	-64%
Interest income	3.1	2.0	57%	6.5	-52%
Finance cost	-5.0	-5.0	1%	-6.7	-25%
Share of associate results	22.6	13.4	68%	57.5	-61%
Profit before taxation	32.7	30.9	6%	90.1	-64%
Taxation	-4.5	-7.3	-39%	-16.4	-73%
Net income	28.2	23.6	19%	73.8	-62%
Minority interest	-12.0	-9.4	27%	-32.8	-63%
Atributed to shareholders	16.2	14.2	14%	41.0	-61%
Exceptional items	-3.8	8.3	-146%	-5.9	-35%
Core net profit	20.0	5.9	238%	46.9	-57%
Quarterly segmentals					
	1QFY25	**1QFY24**	**% change**	**4QFY24**	**% change**
Construction	5.5	8.7	-37%	81.4	-93%
Cranes	18.6	19.0	-2%	52.3	-64%
Concessions	22.1	12.0	84%	53.7	-59%
Eliminations	-13.6	-8.8	55%	-97.2	-86%
Profit before taxation	32.7	30.9	6%	90.1	-64%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Net Revenues	**1,944**	**1,307**	**1,320**	**1,405**
Gross Profit	**62**	**203**	**211**	**239**
Operating EBITDA	**67**	**107**	**110**	**129**
Depreciation And Amortisation	0	(78)	(79)	(80)
Operating EBIT	**67**	**28**	**30**	**49**
Financial Income/(Expense)	(5)	(5)	(6)	(7)
Pretax Income/(Loss) from Assoc.	119	113	116	120
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**181**	**136**	**140**	**161**
Exceptional Items	(5)	0	0	0
Pre-tax Profit	**175**	**136**	**140**	**161**
Taxation	(39)	(8)	(8)	(15)
Exceptional Income - post-tax				
Profit After Tax	**136**	**128**	**132**	**147**
Minority Interests	(63)	(61)	(63)	(73)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	**73**	**67**	**69**	**74**
Recurring Net Profit	77	67	69	74
Fully Diluted Recurring Net Profit	**77**	**67**	**69**	**74**
Normalised Net Profit	142	128	132	147
Fully Diluted Normalised Profit	**78**	**67**	**69**	**74**

Balance Sheet

(RMm)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Cash And Equivalents	570	558	623	677
Total Debtors	709	716	724	770
Inventories	254	363	365	383
Total Other Current Assets	9	9	9	9
Total Current Assets	**1,543**	**1,647**	**1,720**	**1,840**
Fixed Assets	1,075	1,029	981	932
Total Investments	827	938	1,053	1,171
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	162	162	162	162
Total Non-current Assets	**2,065**	**2,129**	**2,196**	**2,265**
Short-term Debt	249	274	299	324
Current Portion of Long-Term Debt				
Total Creditors	688	726	729	767
Other Current Liabilities	401	401	401	401
Total Current Liabilities	**1,338**	**1,401**	**1,429**	**1,492**
Total Long-term Debt	176	176	176	176
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	181	181	181	181
Total Non-current Liabilities	**357**	**357**	**357**	**357**
Total Provisions	0	0	0	0
Total Liabilities	**1,695**	**1,758**	**1,786**	**1,848**
Shareholders' Equity	**1,349**	**1,393**	**1,442**	**1,496**
Minority Interests	564	625	688	761
Total Equity	**1,913**	**2,019**	**2,130**	**2,256**

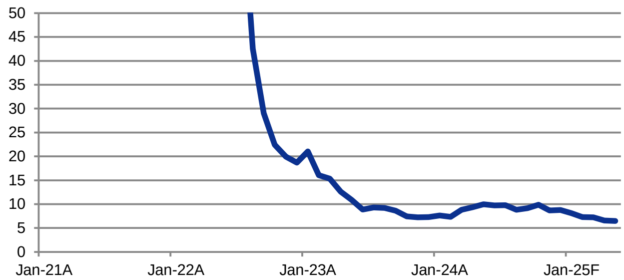
Cash Flow

(RMm)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	67.1	106.6	109.6	129.2
Cash Flow from Invt. & Assoc.	(118.6)	(112.7)	(116.1)	(119.6)
Change In Working Capital	15.5	(78.2)	(5.8)	(27.6)
(Incr)/Decr in Total Provisions	90.5	24.0	25.4	40.1
Other Non-Cash (Income)/Expense	89.9	88.7	90.7	92.8
Other Operating Cashflow	52.6	0.0	0.0	0.0
Net Interest (Paid)/Received	(5.2)	(5.4)	(6.2)	(7.0)
Tax Paid	(38.8)	(8.0)	(8.4)	(14.6)
Cashflow From Operations	**153.0**	**15.0**	**89.2**	**93.3**
Capex	(34.8)	(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	89.7	0.0	0.0	0.0
Cash Flow From Investing	**54.9**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	19.1	25.0	25.0	25.0
Proceeds From Issue Of Shares	1.6	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(7.6)	(22.0)	(20.0)	(20.6)
Preferred Dividends				
Other Financing Cashflow	(44.7)	0.0	0.0	0.0
Cash Flow From Financing	**(31.7)**	**3.0**	**5.0**	**4.4**
Total Cash Generated	176.3	(12.0)	64.2	67.7
Free Cashflow To Equity	**227.0**	**10.0**	**84.2**	**88.3**
Free Cashflow To Firm	**231.2**	**9.0**	**84.6**	**90.1**

Key Ratios

	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue Growth	54.9%	(32.8%)	1.0%	6.4%
Operating EBITDA Growth	(53.9%)	58.8%	2.8%	17.8%
Operating EBITDA Margin	3.5%	8.2%	8.3%	9.2%
Net Cash Per Share (RM)	0.20	0.15	0.20	0.24
BVPS (RM)	1.86	1.92	1.98	2.06
Gross Interest Cover	2.89	1.18	1.19	1.82
Effective Tax Rate	22.1%	5.9%	6.0%	9.0%
Net Dividend Payout Ratio	28.0%	30.0%	30.0%	30.0%
Accounts Receivables Days	127.8	199.0	199.0	194.0
Inventory Days	57.1	102.0	119.7	117.1
Accounts Payables Days	134.2	233.7	239.5	234.1
ROIC (%)	5.46%	2.52%	2.62%	4.39%
ROCE (%)	3.70%	1.95%	1.95%	2.55%
Return On Average Assets	4.16%	3.60%	3.59%	3.83%

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



Key Drivers

	Dec-24A	Dec-25F	Dec-26F	Dec-27F
New orders for construction	-	300.0	400.0	700.0
New orders for cranes	400.0	400.0	450.0	650.0

SOURCES: CGSI RESEARCH ESTIMATES, 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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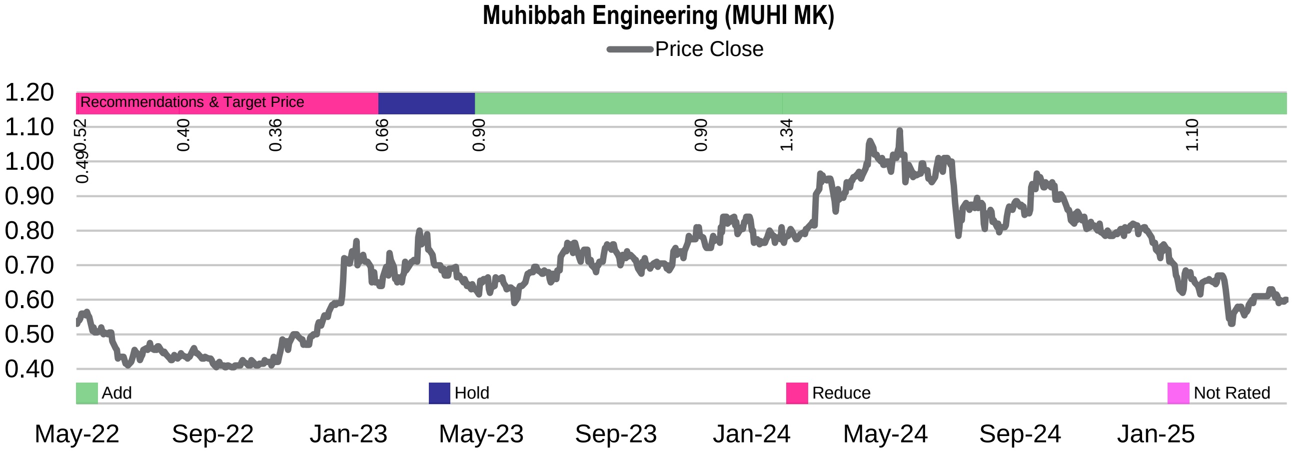
Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2025 551 companies under coverage for quarter ended on 31 March 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.0%	1.3%
Hold	20.9%	0.7%
Reduce	8.2%	0.4%

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.

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