CIMB Securities

29 Aug 2025

Muhibbah Engineering

1H25 results in line; near-term drag from order flows

Hold (from Buy)

Price
RM0.54

Target Price
RM0.60 (from RM1.10)

Market Data

Bloomberg Code	MUHI MK
No. of shares (m)	732.9
Market cap (RMm)	391.1
52-week high/low (RM)	0.97 / 0.51
Avg daily turnover (RMm)	1.0
KLCI (pts)	1,587.1

Source: Bloomberg, CIMB Securities

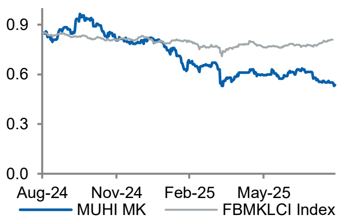
Major Shareholder (%)

Mac family & associates	(29.0%)
Free Float	71.0

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	(10.1)	(21.9)	(38.9)
Rel Market (%)	(10.1)	(22.0)	(38.9)



Source: Bloomberg, CIMB Securities

Muhibbah's 1H25 results met expectations; 2Q25 core profits surged 55% QoQ to RM27m, driven by an RM17m gain on vessel disposals and an RM8m reversal in net impairments related to the disposals. However, we have cut our FY25–27F new contract win projections by 20–40% to RM300–800m to reflect its dwindling construction order book (RM417m as of 26 Aug 2025; -54% vs. RM2.2bn in Feb 2024). On a brighter note, Muhibbah's balance sheet position remains solid with a net gearing ratio (including bills payable) of only 16% as of 30 Jun 2025. Downgrade to Hold owing to the company's uncertain job replenishment prospects.

Financial highlights

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue (RMm)	1,255.2	1,939.8	1,364.4	1,374.9	1,630.5
Core net profit (RMm)	17.0	76.5	67.0	64.3	74.7
Core EPS (Sen)	2.3	10.1	8.9	8.5	9.9
EPS growth (%)	nm	329.7	(12.1)	(4.0)	16.2
DPS (Sen)	0.0	3.0	2.0	2.0	3.5
Core PE (x)	nm	nm	6.1	6.4	5.5
Div yield (%)	0.0	5.6	3.7	3.7	6.5
ROE (%)	1.3	5.8	4.9	4.5	5.0
Net Gearing (%)	7.1	Net Cash	5.1	8.9	9.3
PBV(x)	0.3	0.3	0.3	0.3	0.3

Source: Company, CIMB Securities

1H25 results in line

Despite a small increase in top line (+2% QoQ), Muhibbah Engineering (Muhibbah)'s 2Q25 core profits surged 55% QoQ to RM27m owing to an RM17m gain on disposal of vessels and an RM8m reversal in net impairments previously assigned to the valuation of the disposed vessels. Excluding the positive impact from vessel disposal gains and reversal in net impairments related to them, we estimate that Muhibbah's 2Q25 core earnings would have slipped 46% QoQ to about RM9m. YoY, Muhibbah's revenue fell 32% to RM647m in 1H25 following the completion of certain construction projects. As expected, the group did not declare any dividends in 2Q25 or 1H25.

Dwindling construction order book

To replenish its order book, Muhibbah has submitted bids worth RM5bn (local to overseas split: 77:23), with oil and gas–related tenders accounting for 55% of that total. Nevertheless, the group has yet to secure a major construction win YTD amid lingering uncertainties over the outlook for oil and gas–related capex, which has been clouded by external and domestic headwinds. Additionally, the group has yet to make any major inroads in securing crane supply orders in the Middle East. As a result, Muhibbah's total outstanding order book has narrowed to RM1bn as of 26 Aug 2025, representing a 54% YoY decline vs. RM2.2bn in Feb 2024. Notably, Muhibbah's Aug 2025 construction order book has fallen by a steep 69% to RM417m compared with RM1.4bn in Feb 2024.

Cambodia Airport's 1H25 traffic growth in line; TIA still awaiting take-off

For 1H25, Muhibbah's 21%-owned Cambodia Airport registered a 19% YoY increase in passenger air traffic to 2.8m, accounting for half of our FY25F forecast of 5.5m. While Cambodia Airport's passenger growth is tracking within expectations, it is unclear at this juncture if the new Techo International Airport (TIA) — which will be managed by Cambodia Airports under a 15-year service agreement — can take off by its scheduled operational date of 9 Sep 2025. Nevertheless, we gather that Cambodia Airport has received the full US$140m (about RM590m) it is entitled to as compensation for its investments in Phnom Penh International Airport, which will be replaced by TIA as the gateway to Phnom Penh. We

Analyst

Mak Hoy Ken
03 21710509
hoyken.mak@cimb.com

have not factored in any contributions from the TIA management contract into our earnings model pending more updates on its valuation parameters and actual commencement date.

Downgrade to Hold

While Muhibbah's 1H25 results tracked within expectations, we downgrade the stock to Hold and cut our FY26F and FY27F core net profit forecasts for the group by 12% and 15% to RM64m and RM75m, respectively. This is underpinned by a 20–40% reduction in our FY25–27F new order book assumptions to RM300–800m and a lower construction P/E of 12x (vs. 13x previously) to reflect the group's depleting order flows. This led to a 45% reduction in our target price (TP) for Muhibbah as we assign a steeper discount of 60% to its SOTP value (from 40%). Our revised TP also incorporates (i) the updated market value for 64%-owned Favelle Favco (FFB MK; RM1.64; Non Rated), and (ii) housekeeping changes for audited FY24 figures. While valuations are undemanding at FY25–27F P/Es of 5–6x and P/BV of 0.3x (-1 s.d.; +0.2x), we believe this is fair given the group's uncertain job replenishment prospects (order book cover: 0.4x FY24 construction revenue). Key rerating catalyst: unlocking long-term value from the Kuantan Maritime Hub land bank. Key risk factor: slowing order flows.

Exhibit 1: Financial results

YE 31 Dec (RM m)	1H24	1H25	% YoY	1Q25	2Q25	% QoQ
Turnover	**958.9**	**647.5**	***(32.5)***	**320.0**	**327.5**	***2.4***
Net operating cost/income	(918.8)	(596.1)		(302.9)	(293.2)	
EBIT	**40.1**	**51.4**	***28.1***	**17.0**	**34.4**	***101.9***
Interest income	7.5	6.7		3.1	3.6	
Interest cost	(11.6)	(18.1)		(8.7)	(9.3)	
Pre-associates/JV profit	36.0	40.0		11.4	28.6	
Associates/JVs	29.6	53.3	***80.1***	22.6	30.6	***35.3***
Pre-exceptionals profit	65.6	93.3	1.8	34.1	59.3	1.4
Exceptionals	12.9	(11.6)		(1.4)	(10.3)	
Pretax Profit	**78.5**	**81.7**	***4.1***	**32.7**	**49.0**	***50.0***
Taxation	(22.9)	(13.6)		(4.5)	(9.1)	
Minorities	(19.2)	(27.1)		(12.0)	(15.1)	
Net Profit	**36.4**	**41.0**	***12.5***	**16.2**	**24.8**	***53.3***
Core Net Profit	**23.5**	**52.6**	***123.8***	**17.6**	**35.0**	***99.7***
Core EPS (sen)	3.1	6.9		2.3	4.6	
Gross DPS (sen)	0.0	0.0		0.0	0.0	
BV/share (RM)	1.85	1.86		1.87	1.86	
EBIT margin (%)	4.2	7.9		5.3	10.5	
Pretax margin (%)	8.2	12.6		10.2	15.0	
Effective tax (%)	29.1	16.6		13.7	18.5	
Breakdown (RM m)						
Turnover						
Construction	517.8	236.4	*(54.3)*	140.7	95.7	*(32.0)*
Cranes	387.7	411.1	*6.0*	179.2	231.8	*29.3*
Marine ship repair & shipbuilding	53.5	0.0	*nm*	0.0	0.0	*nm*
Concessions	0.0	0.0	*n/m*	0.0	0.0	*n/m*
Manufacturing & trading	0.0	0.0	*n/m*	0.0	0.0	*n/m*
Total	**958.9**	**647.5**	***(32.5)***	**320.0**	**327.5**	***2.4***
Pre-tax profit						
Construction	48.8	19.3	*(60.3)*	5.5	13.8	*150.6*
Cranes	32.9	39.1	*18.7*	18.6	20.4	*9.5*
Marine ship repair & shipbuilding	(32.1)	(26.7)	*n/m*	(13.6)	(13.1)	*n/m*
Concessions	28.9	50.0	*72.8*	22.1	27.8	*25.8*
Manufacturing & trading	0.0	0.0	*n/m*	0.0	0.0	*n/m*
Total	**78.5**	**81.7**	***4.1***	**32.7**	**49.0**	***50.0***
Pre-tax margin (%)						
Construction	9.4	8.2		3.9	14.4	
Cranes	8.5	9.5		10.4	8.8	
Marine ship repair & shipbuilding	n/m	n/m		n/m	n/m	
Concessions	n/m	n/m		n/m	n/m	
Manufacturing & trading	n/m	n/m		n/m	n/m	
Total	**8.2**	**12.6**		**10.2**	**15.0**	

Source: Company, CIMB Securities

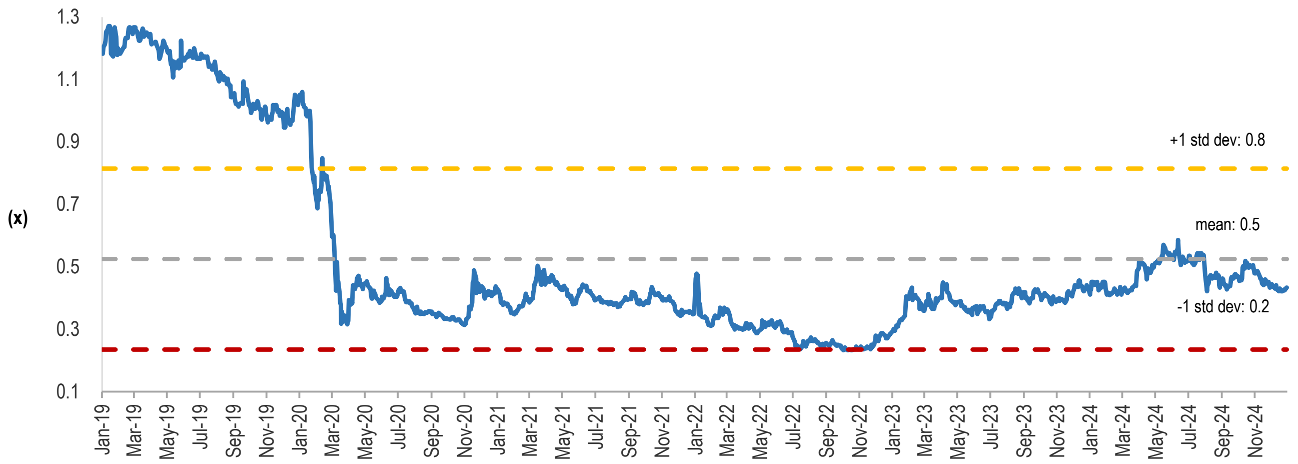
Exhibit 2: SOTP model

Division	Value (RM) mn	per share	Stake (%)	(% of NAV)	Method
Construction	180.8	0.24	various	16.0	12x FY26F construction profits
Marine shipbuilding & repair	241.6	0.32	100.0	21.4	FY24 net book value
Cranes (Favelle Favco)	250.8	0.33	64.5	22.2	Market Value
Concessions: SCA	753.2	0.99	21.0	66.6	DCF @ 7%
Roadcare	23.9	0.03	21.0	2.1	DCF @ 6.5%
Kuantan Marine Hub	65.3	0.09	100.0	5.8	Market value @ RM3psf
Gross NAV	**1,515.6**				
Net cash/(debt)*	(384.9)	(0.51)		(34.0)	Company level as at 31 Dec 2024
Total NAV	**1,130.7**	**1.49**		**100.0**	
No of shares (m)	760.0				
NAV/share	**1.49**				
TP (less 60% discount)	**0.60**				
Share price as of 28 Aug 2025	0.54				
Upside (%)	10.2				
Discount to NAV (%)	**(63.7)**				
Implied Target PE (x)	**7.0**				

** includes bills payables*

Source: Company, Bloomberg, CIMB Securities

Exhibit 3: Historical P/BV band



Source: Company, Bloomberg, CIMB Securities

Income Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Revenue	**1,255.2**	**1,939.8**	**1,364.4**	**1,374.9**	**1,630.5**
EBITDA	**120.5**	**124.1**	**110.9**	**107.5**	**120.7**
Depreciation/Amortisation	(75.6)	(71.1)	(72.2)	(75.4)	(78.5)
Operating income (EBIT)	44.9	53.1	38.7	32.2	42.2
Other income & associates	62.9	123.3	123.3	131.5	143.4
Net interest	(16.2)	(6.6)	(15.5)	(18.8)	(19.5)
Exceptional items	(25.0)	3.5	0.0	0.0	0.0
Pretax profit	**66.6**	**173.3**	**146.5**	**144.8**	**166.1**
Taxation	(30.2)	(29.9)	(19.0)	(17.1)	(20.7)
Minorities/pref dividends	(44.4)	(63.4)	(60.4)	(63.4)	(70.7)
Net profit	**(8.0)**	**80.0**	**67.0**	**64.3**	**74.7**
Core net profit	**17.0**	**76.5**	**67.0**	**64.3**	**74.7**

Balance Sheet

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Fixed assets	1,113.3	1,070.9	1,088.8	1,103.5	1,115.1
Intangible assets	117.1	123.8	128.8	133.7	138.6
Other long-term assets	847.1	866.9	990.1	1,121.6	1,265.0
Total non-current assets	**2,077.5**	**2,061.6**	**2,207.7**	**2,358.8**	**2,518.7**
Cash & equivalent	394.2	566.2	329.9	231.2	178.5
Stock	333.5	250.8	392.9	382.0	455.0
Trade debtors	649.0	711.6	785.0	828.7	893.4
Other current assets	10.4	9.6	9.6	9.6	9.6
Total current assets	**1,387.1**	**1,538.2**	**1,517.4**	**1,451.5**	**1,536.6**
Trade creditors	1,010.1	1,117.9	1,178.6	1,191.7	1,346.8
Short-term borrowings	363.1	253.4	245.2	221.2	197.2
Other current liabilities	12.6	17.0	17.0	17.0	17.0
Total current liabilities	**1,385.8**	**1,388.4**	**1,440.8**	**1,429.9**	**1,561.0**
Long-term borrowings	122.6	189.1	156.3	139.3	122.3
Other long-term liabilities	149.2	110.1	110.1	110.1	110.1
Total long-term liabilities	**271.8**	**299.1**	**266.4**	**249.4**	**232.4**
Shareholders' funds	**1,290.5**	**1,355.2**	**1,400.3**	**1,450.1**	**1,510.2**
Minority interests	516.4	557.1	617.5	681.0	751.7

Cash flow Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Pretax profit	66.6	173.3	146.5	144.8	166.1
Depreciation/Amortisation	75.6	71.1	72.2	75.4	78.5
Net change in working capital	33.6	91.1	(154.8)	(19.7)	17.4
Others	35.6	(176.6)	(118.7)	(121.7)	(136.7)
Cash flow from operations	**211.3**	**158.9**	**(54.9)**	**78.7**	**125.3**
Capital expenditure	(65.0)	(84.4)	(105.0)	(105.0)	(105.0)
Net investments & sale of fixed assets	11.3	45.3	0.0	0.0	0.0
Others	19.0	101.9	11.4	6.4	4.1
Cash flow from investing	**(34.7)**	**62.7**	**(93.6)**	**(98.6)**	**(100.9)**
Debt raised/(repaid)	91.9	(43.3)	(41.0)	(41.0)	(41.0)
Equity raised/(repaid)	0.0	1.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	(21.9)	(14.6)	(14.6)
Others	(163.8)	4.5	(25.0)	(23.2)	(21.6)
Cash flow from financing	**(71.9)**	**(37.3)**	**(87.8)**	**(78.8)**	**(77.2)**
Net cash flow	**104.7**	**184.4**	**(236.3)**	**(98.7)**	**(52.7)**
Net cash/(debt) b/f	**284.7**	**394.2**	**566.2**	**329.9**	**231.2**
Net cash/(debt) c/f	**394.2**	**566.2**	**329.9**	**231.2**	**178.5**

Key Ratios

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue growth (%)	40.0	54.5	(29.7)	0.8	18.6
EBITDA growth (%)	8.8	3.0	(10.6)	(3.1)	12.2
Pretax margins (%)	5.3	8.9	10.7	10.5	10.2
Net profit margins (%)	(0.6)	4.1	4.9	4.7	4.6
Interest cover (x)	4.1	26.4	9.4	7.7	8.5
Effective tax rate (%)	45.3	17.2	13.0	11.8	12.5
Net dividend payout (%)	0.0	27.3	21.8	22.7	34.1
Debtors turnover (days)	197	128	200	214	193
Stock turnover (days)	126	67	106	127	115
Creditors turnover (days)	404	243	380	388	349

Source: Bloomberg, CIMB Securities

DISCLAIMER

The content of this report (including the views, opinions and recommendations expressed and the information contained in this report) has been prepared by and belongs to CIMB Securities Sdn Bhd ("**CIMB Securities**").

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, you represent and warrant that you are entitled to receive this report in accordance with the restrictions set forth below and agree to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law. This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person, in whole or in part, without the prior written consent of CIMB Securities.

This report is general in nature and has been prepared for information purposes only and does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. CIMB Securities does not act as a financial adviser, consultant, or fiduciary to you or any of your agents with respect to any information provided in this report.

The information, views, opinions or recommendations in this report are not and should not be construed or considered as an offer, or solicitation to buy or sell, or an invitation to subscribe for, the securities of the company(ies), related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

You are advised to make your own independent evaluation of the information contained in this report, consider your own individual investment objectives, financial situation and particular needs and consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of the company(ies) may not be eligible for subscription or sale in all jurisdictions or to all categories of investors.

CIMB Securities may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB Securities has no obligation to update this report to include any omission or in the event of a change (whether material or not) to the information contained in this report.

This report does not purport to contain all the information that a prospective investor may require. CIMB Securities has no, and will not accept any obligation to (i) check or ensure that the contents of this report are current, reliable or relevant; or (ii) ensure that the contents of this report constitute all the information a prospective investor may require. CIMB and its affiliates, related and associate corporations do not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any views, opinions, recommendations and information contained in this report. Accordingly, CIMB Securities and its affiliates, related and associate corporations (and their respective directors, connected persons, officers and/or employees) shall not be liable in any manner whatsoever for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any reliance thereon or usage of this report. In particular, CIMB Securities disclaims all responsibility and liability for the views, opinions and recommendations set out in this report.

Unless otherwise specified, this report is based upon sources or data which the analyst(s) considered to be reasonable, correct and reliable at the time of issue of this report. Such sources or data will, unless otherwise specified, for market data, be market data and prices available from the market, information aggregation service providers or stock exchange where the relevant security is listed, or, where appropriate, any other commonly accepted sources. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from his/her research.

Whilst the analyst(s) have made every effort to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered by the analyst(s) to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment.

This report may contain information obtained from third party content providers. Reproduction and distribution of third party contents in any form is prohibited except with the prior written consent of the related third party content provider.

Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such contents. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their contents.

CIMB Securities and its affiliates, related and associate corporations (and their respective directors, connected persons, officers and/or employees) may own or have positions in securities of the company(ies) covered in this report or any securities related to it, and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB Securities and its affiliates, related and associate corporations do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from clients (for its own account or the account of its clients) and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit investment, advisory or other services from any company(ies) mentioned in this report. In such capacities, CIMB Securities and its affiliates, related and associate corporations may engage in transactions in a manner inconsistent with any views, opinions and recommendations expressed in this report.

In reviewing this report, you should be aware that any or all of the foregoing, among other things, may give rise to actual or potential conflicts of interest. Subject to the duties of confidentiality, additional information may be available, on request, at our sole discretion.

RATING GUIDE

Stock Rating	Definition
Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	Note: The total expected return of a stock is defined as the sum of: *(a) the percentage difference between the target price and the current price; and* *(b) the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.*
Sector Rating	**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.

DISCLOSURE OF CONFLICTS OF INTEREST

Disclosure by CIMB Securities

CIMB Securities hereby declares that:

(a) CIMB Securities, CIMB Investment Bank Berhad and/or CIMB Bank Berhad has/have proprietary positions in the following securities of the company(ies) mentioned in this report:
Nil

(b) CIMB Securities (only in respect of its Equities Research Department) received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

Disclosure by Analyst(s)

The analyst(s) who prepared this report declares that:

(a) He/she received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

(b) He/she has/have an interest in the securities in the following company(ies) recommended in this report:
Nil

(c) He/she serves as a director or board member of the following company(ies) mentioned in this report:
Nil

The analyst(s) responsible for the production of this report certifies that the views, opinions and recommendations expressed herein accurately and exclusively reflect his/her personal views, opinions and recommendations about any and all of the company(ies) or securities analysed in this report and were prepared independently and autonomously.

No part of the compensation of the analyst(s) was, is or will be directly or indirectly related to the inclusion of specific opinions, views or recommendations in this report. CIMB Securities prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific view, opinion or recommendation of a particular company(ies). Information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the correlation between his/her views, opinions or recommendations and the performance of the securities of the company(ies) and may also participate in the businesses as described above.

This report is distributed or disseminated in Malaysia by CIMB Securities for the benefit of and for the use of the clients of CIMB Securities, CIMB Investment Bank Berhad and CIMB Bank Berhad. This report is also distributed or disseminated in any specific geographical area or jurisdiction by the affiliates or related corporations of CIMB Securities who are licensed in such jurisdictions, or any third party business partner pursuant to an arrangement between CIMB Securities and such third party business partner.

Recipients of this report are to contact CIMB Securities at Level 14, Chulan Tower, No. 3, Jalan Conlay, 50450 Kuala Lumpur in respect of any matters arising from or in connection with this report. CIMB Securities has no obligation to update or revise the information in or the contents of this report after the date of this report.