Muhibbah Engineering (M)

Muted order book visibility

HOLD (no change)

Share price:	Target price: ▼
RM0.50	RM0.54

- Muhibbah's 9M25 results came in above expectations, boosted by additional reversal in net impairments related to vessel disposals in 3Q25 (RM6.5m).
- Muhibbah's 21%-owned Cambodia Airports has secured management rights to operate the new Techo International Airport.
- We cut our FY25–27F new construction order book win forecasts by 20–38% to RM200–500m; the group has yet to secure any new major construction jobs for YTD FY25F.

9M25 results above expectations

Muhibbah Engineering (Muhibbah)'s core net profit slipped 29% YoY to RM12.9m on the back of lower project billings. However, 9M25 core earnings came in at RM65.5m (+57% YoY), representing 98% of both consensus and our previous full-year forecasts. The stronger bottom line was supported by additional reversal in net impairments of RM6.5m in 3Q25 that was previously assigned to the valuation for certain vessels disposed. Excluding the positive impact from the reversal of net impairments related to the vessel disposals, Muhibbah's 3Q25 core earnings would have dropped by 32% QoQ to RM6.4m. 9M25 revenue fell 32% to RM937m following the completion of certain construction projects. As expected, the group did not declare any dividends in 3Q25 or 9M25.

Management contract secured for TIA

In mid-Jul 2025, Muhibbah's 21%-owned Cambodia Airports signed a management contract to operate the new Techo International Airport (TIA) in Kandal Province, about 19 km south of Phnom Penh, Cambodia. While further details were not disclosed, we understand that the management contract for Cambodia Airports took effect in Oct 2025. Phase 1 of TIA (2025–30) is projected to handle 15m passengers, rising to 30m passengers in Phase 2 (2030–50) and to 50m passengers in Phase 3 (from 2050 onwards).

Maintain Hold with a lower TP of RM0.54.

We raise our FY25F net profit forecast by 4% to RM70m, mainly to account for the additional reversal in net impairments for vessel disposals (RM6.5m) in 3Q25. Nevertheless, we cut our FY26 and 27F core net profit estimates by 9% and 18%, respectively, after reducing our assumptions for Muhibbah's FY25–27F new construction order book by 20–38% to RM200–500m. As a result, our target price (TP) has been reduced by 10% to RM0.54 from RM0.60, pegging the stock at an unchanged 60% discount to its SOTP value. As of 13 Nov 2025, Muhibbah's construction order book has declined to RM294m (-48% vs. RM563m as at 24 Feb 2025). The group has yet to secure any new major construction wins for YTD FY25F.

Figure 1: Result comparison

YE 31 Dec (RM m)	9M24	9M25	% YoY	2Q25	3Q25	3Q24	% YoY	% QoQ
Turnover	**1,382.3**	**937.3**	***(32.2)***	**327.5**	**289.8**	**423.4**	***(31.5)***	***(11.5)***
Net operating cost/income	(1,343.8)	(874.3)	*(34.9)*	(293.2)	(278.2)	(425.0)	*(34.5)*	*(5.1)*
EBIT	**38.5**	**63.0**	***63.8***	**34.4**	**11.7**	**(1.6)**	***nm***	***(66.0)***
Interest income	11.5	12.6	*9.1*	3.6	5.8	4.1	*43.7*	*61.9*
Interest cost	(16.6)	(26.1)	*57.5*	(9.3)	(8.0)	(4.9)	*61.3*	*(14.6)*
Pre-associates/JV profit	33.5	49.6	*48.1*	28.6	9.5	(2.5)	*nm*	*(66.7)*
Associates/JVs	61.2	87.1	*42.4*	30.6	33.8	31.6	*7.1*	*10.4*
Pre-exceptionals profit	94.6	136.7	*44.4*	59.3	43.4	29.1	*49.2*	*(26.8)*
Exceptionals	(9.7)	(10.4)	*7.7*	(10.3)	1.2	(22.6)	*nm*	*nm*
Pretax Profit	**85.0**	**126.3**	***48.6***	**49.0**	**44.6**	**6.5**	***585.8***	***(9.0)***
Taxation	(22.4)	(30.6)	*36.8*	(9.1)	(17.1)	0.5	*nm*	*87.7*
Minorities	(30.6)	(40.6)	*32.5*	(15.1)	(13.4)	(11.4)	*17.6*	*(11.3)*
Net Profit	**32.0**	**55.1**	***72.3***	**24.8**	**14.1**	**(4.4)**	***nm***	***(43.0)***
Core Net Profit	**41.6**	**65.5**	***57.3***	**35.0**	**12.9**	**18.1**	***(28.9)***	***(63.2)***

Source: CIMB Securities, Company

Consensus: Buy:1 Hold:1 Reduce:0

Stock information

Bloomberg ticker	MUHI MK
Refinitiv ticker	MUHI.KL
Share price (RM)	0.50
Market cap (US$m/RMm)	87/363
ADTV (RMm)	0.2
Free float (%)	60.0
Upside/(downside) (%)	8.0
CIMB/consensus TP (%)	(40.0)

Earnings forecast

	Dec-24A	Dec-25F	Dec-26F
Core net profit (RMm)	76.5	69.7	58.7
Core EPS (sen)	10.1	9.2	7.8
Core EPS garowth (%)	348.0	(8.9)	(15.8)
FD core P/E (x)	4.9	5.4	6.4
Recurring ROE (%)	5.8	5.1	4.1
P/BV (x)	0.3	0.3	0.2
DPS (sen)	3.0	2.0	2.0
Dividend yield (%)	6.1	4.0	4.0

Source: CIMB Securities

Price performance

	1M	3M	12M
Absolute (%)	(8.3)	(11.6)	(41.8)
Relative (%)	(9.3)	(13.4)	(42.5)

Source: Bloomberg, CIMB Securities

Research analyst(s)

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Key upside and downside risks

We consider the revival of major job wins as a key rerating catalyst for Muhibbah. On the other hand, we consider the loss of income from Phnom Penh airport's concession rights as a key derating catalyst for Muhibbah, although this is partially offset by Cambodia Airport's new management contract for TIA.

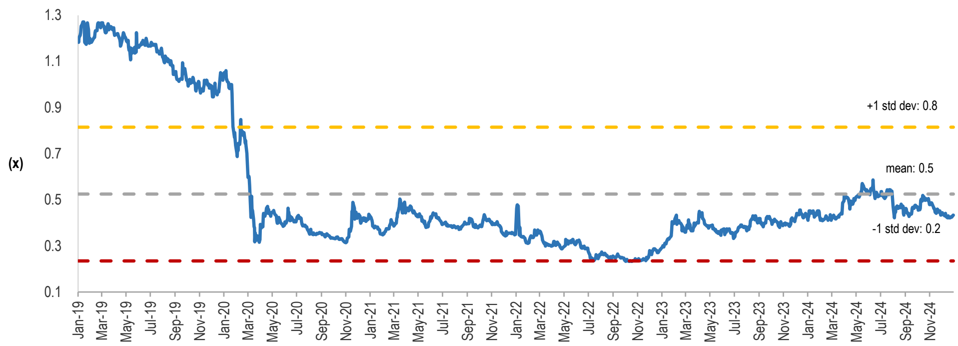
Figure 2: SOTP model

Division	Value (RM)		Stake	(% of NAV)	Method
	mn	per share	(%)		
Construction	66.2	0.09	various	6.6	12x FY26F construction profits
Marine shipbuilding & repair	241.6	0.32	100.0	23.9	FY24 net book value
Cranes (Favelle Favco)	244.4	0.32	64.5	24.2	Market Value
Concessions: SCA	753.2	0.99	21.0	74.6	DCF @ 7%
Roadcare	23.9	0.03	21.0	2.4	DCF @ 6.5%
Kuantan Marine Hub	65.3	0.09	100.0	6.5	Market value @ RM3psf
Gross NAV	**1,394.6**				
Net cash/(debt)*	(384.9)	(0.51)		(38.1)	Company level as at 31 Dec 2024
Total NAV	**1,009.7**	**1.33**		**100.0**	
No of shares (m)	760.0				
NAV/share	**1.33**				
TP (less 60% discount)	**0.54**				
Share price as of 19 Nov 2025	0.50				
Upside (%)	7.6				
Discount to NAV (%)	**(62.4)**				
Implied Target PE (x)	**6.9**				

** includes bills payables*

Source: CIMB Securities, Company, Bloomberg

Figure 3: Historical P/BV band



Source: CIMB Securities, Company, Bloomberg

Financial Information

Figure 4: Profit and Loss

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue	**1,255**	**1,940**	**1,354**	**1,285**	**1,430**
Gross profit	335	340	263	240	257
EBITDA	**120**	**124**	**114**	**98**	**97**
Depreciation and amortisation	(76)	(71)	(72)	(75)	(79)
EBIT	**45**	**53**	**41**	**22**	**19**
Financial income	11	18	13	8	6
Financial expense	(27)	(25)	(29)	(27)	(26)
Income/(loss) from assoc.	63	123	123	131	143
Non-operating (expense) / Income	0	0	0	0	0
Profit before tax (pre-EI)	**92**	**170**	**149**	**135**	**142**
Exceptional items	(25)	3	0	0	0
Pre-tax profit	**67**	**173**	**149**	**135**	**142**
Taxation	(30)	(30)	(19)	(15)	(15)
Profit after tax	**36**	**143**	**130**	**120**	**128**
Minority interests	(44)	(63)	(60)	(62)	(66)
Net profit	**(8)**	**80**	**70**	**59**	**61**
Core net profit	**17**	**77**	**70**	**59**	**61**
Core EPS (sen)	2.3	10.5	9.6	8.0	8.4

Source: CIMB Securities, Company

Figure 5: Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	120	124	114	98	97
Cash flow from invt. & assoc.	(63)	(123)	(123)	(131)	(143)
Change in working capital	34	91	(157)	(14)	20
(Incr)/decr in total provisions	nm	nm	nm	nm	nm
Other non-cash (income)/expense	76	71	72	75	79
Other operating cash flow	66	24	59	64	73
Net interest (paid)/received	0	0	0	0	0
Tax paid	(22)	(29)	(19)	(15)	(15)
Cash flow from operations	**211**	**159**	**(55)**	**77**	**110**
Capex	(65)	(84)	(105)	(105)	(105)
Disposals of FAs/subsidiaries	11	45	0	0	0
Acq. of subsidiaries/investments	nm	nm	nm	nm	nm
Other investing cash flow	19	102	11	6	4
Cash flow from investing	**(35)**	**63**	**(94)**	**(99)**	**(101)**
Debt raised/(repaid)	92	(43)	(41)	(41)	(41)
Proceeds from issue of shares	0	1	0	0	0
Shares repurchased	nm	nm	nm	nm	nm
Dividends paid	0	0	(22)	(15)	(15)
Preferred dividends	nm	nm	nm	nm	nm
Other financing cash flow	(164)	5	(25)	(23)	(22)
Cash flow from financing	**(72)**	**(37)**	**(88)**	**(79)**	**(77)**
Total cash generated	105	184	(236)	(101)	(68)
Free cash flow to equity	**268**	**178**	**(189)**	**(63)**	**(32)**
Free cash flow to firm	**177**	**222**	**(148)**	**(22)**	**9**

Source: CIMB Securities, Company

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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: *the percentage difference between the target price and the current price; and* *the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.*
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