Malaysia

ADD *(no change)*

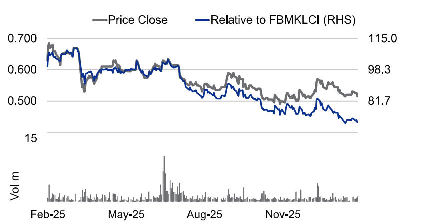
Consensus ratings*:	Buy 1	Hold 1	Sell 0

Current price:	RM0.515
Target price:	RM0.811
Previous target:	RM1.10
Up/downside:	57.6%
CGSI / Consensus:	50.3%
Reuters:	MUHI.KL
Bloomberg:	MUHI MK
Market cap:	US$96.98m
	RM377.7m
Average daily turnover:	US$0.10m
	RM0.40m
Current shares o/s:	733.5m
Free float:	73.0%

**Source: Bloomberg*

Key changes in this note

- Cut FY26F/FY27F EPS by 22%/17%.
- Introduce FY28F EPS.
- Lower TP to RM0.81.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.2	2.0	-18.3
Relative (%)	-8.8	-6.4	-29.8

Major shareholders	% held
Mac Ngan Boon	27.0

Muhibbah Engineering

Resetting expectations

- 4Q25 core net profit beat expectations; PPIA concession has been migrated to an MSA, which would have lower profits.
- Petronas win in Dec 25 beefs up 4Q25 group orderbook to RM1.5bn (+81% qoq).
- Reiterate Add; we cut FY26-FY27F EPS and lower TP to RM0.81.

4Q25 results beat expectations

Muhibbah Engineering delivered 4Q25 core net profit of RM49m (+4% yoy), bringing FY25 core net profit to RM73m, above expectations at 109% of our and 107% of Bloomberg consensus' full-year net profit. 4Q25 associate profit of RM11m, largely from its Cambodia airport concessions, Phnom Penh International Airport (PPIA) and Sihanoukville, was lower by 81% yoy and 68% qoq, as its PPIA concession was handed over to the government in Oct 2025 and it migrated to a management service agreement (MSA) structure. FY25 passenger arrivals at PPIA and Sihanoukville airports were collectively up 14% yoy to 5.5m, with passengers from China making up 32% of total passenger arrivals at the two airports (vs. 24% in FY24). 4Q25 pretax profit for its crane business was RM32m (vs. RM11m in 3Q25), driven by its RM609m orderbook as at Feb 2026 (vs. RM519m in Nov 25). Its construction division posted 4Q25 profit before tax of RM169m (vs. RM10m in 3Q25) due to the finalisation of variation order claims and successful waiver of liquidated and ascertained damages.

Stronger orderbook to help offset decline in concession profits

In Dec 25, Muhibbah won a significant RM700m-850m contract from Petronas for the engineering, procurement and construction of wellhead platforms at the Sepat integrated redevelopment project in Kuala Terengganu. This is its first major win for 2024/25 after the last announced win in Nov 23. Muhibbah was awarded in 2013 from Petronas a licence for offshore facilities construction, major offshore fabrication, and has done numerous projects for it. This should enable Muhibbah to capitalise on more flows from Petronas. With a stronger construction orderbook giving better earnings visibility, we think this will help mitigate the lower concession profits from its airport division with the new MSA structure.

Reiterate Add; we cut FY26-FY27F EPS and lower TP to RM0.81

We cut our FY26F/FY27F EPS by 22%/17% to reflect the change in airport concession to MSA and to factor in the recent Petronas win. Muhibbah is still an attractive proxy for the recovery in tourist arrivals via its Cambodian airport concessions and more Petronas job flows, in our view. Hence, we reiterate our Add call with a lower SOP-based TP of RM0.81, which factors in our lower earnings and change in airport concession to an MSA. The recent Petronas win in Dec 25 replenishes its construction orderbook and gives it better earnings visibility. Key downside risks are non-continuity in its earnings delivery and higher raw material costs. Re-rating catalysts include better earnings delivery and stronger tourist arrivals in Cambodia.

Financial Summary	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue (RMm)	1,940	1,329	1,290	1,373	1,448
Operating EBITDA (RMm)	133.1	80.0	117.7	139.3	160.3
Net Profit (RMm)	82.05	73.32	54.14	62.24	70.19
Normalised Attributable Profit (RMm)	87.54	80.43	54.14	62.24	70.19
Normalised EPS (RM)	0.12	0.11	0.07	0.08	0.10
Normalised EPS Growth	108%	(8%)	(33%)	15%	13%
FD Normalised P/E (x)	4.28	4.65	6.95	6.07	5.38
DPS (RM)	0.030	0.035	0.019	0.021	0.024
Dividend Yield	5.88%	6.84%	3.61%	4.16%	4.69%
EV/EBITDA (x)	(0.36)	(0.82)	(0.60)	(0.87)	(1.12)
P/FCFE (x)	1.20	1.22	9.09	4.18	3.64
Net Gearing	(7.7%)	(12.8%)	(12.1%)	(13.5%)	(15.2%)
P/BV (x)	0.28	0.27	0.26	0.25	0.25
ROE	6.20%	5.31%	3.81%	4.26%	4.64%
% Change In Normalised EPS Estimates			(21.8%)	(16.8%)	
Norm EPS/consensus EPS (x)			0.95	1.05	

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Analyst(s)

CHONG Tjen-San, CFA
T (6) 012 292 2192
E tjen-san.chong@cgsi.com

Resetting expectations

Figure 1: Change in FY26-27F forecasts

	Previous FY26F	Previous FY27F	Revised FY26F	Revised FY27F	Change % FY26F	Change % FY27F
Revenue (RMm)	1,320.5	1,405.0	1,290.5	1,372.5	-2.3%	-2.3%
Pretax profit (RMm)	140.2	161.2	105.8	127.4	-24.6%	-21.0%
Net profit (RMm)	68.6	74.1	54.1	62.2	-21.1%	-16.0%

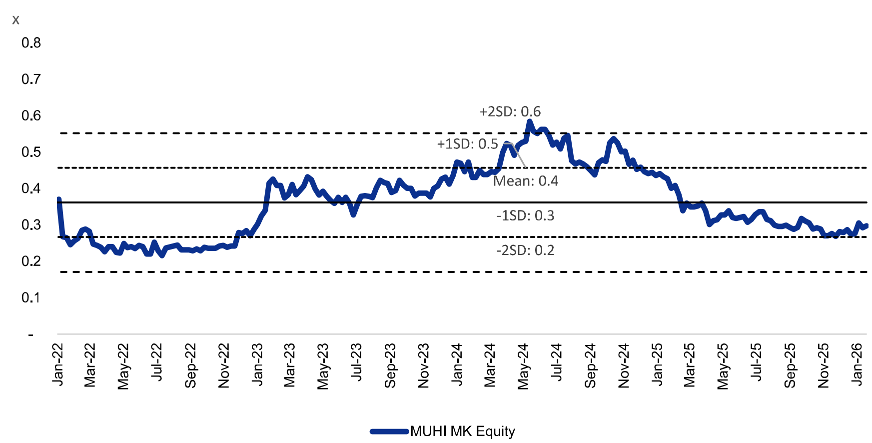
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: SOP valuation for Muhibbah

SOP Method	Earnings / NPV/ MV (RMm)	PE / WACC	Stake	Atributed Value (RMm)	Per Share (RM)
Construction	9.7	14	100%	136.4	0.19
Cranes (Favelle Favco)	33.9	12	61%	248.0	0.34
Cambodia airports	927.8	12%	21%	194.8	0.27
Road maintenance	50.9	8%	21%	10.7	0.01
SOP Value				589.9	0.81

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: 1-year forward P/BV levels tracking multi-year lows



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Peer comparison

Company	Bloomberg Tickers	Rec.	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US$ m)	Core P/E (x) CY26F	CY27F	PEG (x)	P/BV (x) CY26F	CY27F	Recurring ROE (%) CY26F	CY27F	Dividend Yield (%) CY26F	CY27F
Gamuda	GAM MK	Add	4.19	7.30	6,379	17.4	13.3	0.5	1.86	1.67	10.9%	13.3%	2.4%	2.4%
IJM Corp Bhd	IJM MK	Add	2.54	3.50	2,286	15.1	13.2	0.7	0.82	0.79	5.5%	6.1%	2.3%	2.3%
WCT Holdings	WCTHG MK	Add	0.55	1.28	218	11.5	9.5	0.5	0.21	0.21	1.9%	2.2%	0.0%	0.0%
Sunway Construction Group Bhd	SCGB MK	Add	6.90	7.90	2,343	20.9	18.3	1.6	8.41	6.84	39.4%	41.2%	4.9%	2.8%
Muhibbah Engineering	MUHI MK	Add	0.52	0.81	97	6.9	6.1	-1.8	0.26	0.25	3.7%	4.3%	3.6%	4.2%
HSS Engineers	HSS MK	Add	0.43	0.81	56	7.9	5.5	0.2	0.73	0.66	9.4%	12.7%	2.8%	4.0%
YTL Corporation	YTL MK	Hold	1.96	2.76	5,843	10.5	10.3	2.7	1.28	1.17	12.2%	11.8%	2.6%	2.5%
Malayan Cement Bhd	LMC MK	Add	8.46	11.50	3,019	12.3	11.3	0.7	1.44	1.31	12.2%	12.1%	2.0%	2.1%
Sunway Bhd	SWB MK	Hold	5.84	5.90	10,137	31.2	28.6	2.4	2.38	2.26	7.8%	8.1%	1.5%	1.7%
Econpile Holdings Bhd	ECON MK	Add	0.23	0.50	82	10.8	7.1	0.1	0.83	0.77	7.9%	11.3%	3.3%	4.4%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.71	1.26	91	6.9	6.4	0.5	0.88	0.82	13.4%	13.4%	4.3%	4.6%
Construction sector						13.8	11.8	0.75	1.74	1.52	11.3%	12.4%	2.7%	2.8%

SHARE PRICES AS AT 25 FEB 2026
SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 5: Muhibbah's 4Q25 results comparisons, yoy and qoq

	4QFY25	4QFY24	% change	3QFY25	% change
	RMm	RMm		RMm	
Revenue	391.2	561.8	-30%	289.8	35%
Operating expense	(355.5)	(529.0)	-33%	(278.6)	28%
EBIT	35.7	32.8	9%	11.2	219%
Interest income	7.8	6.5	20%	5.8	34%
Finance cost	(7.7)	(6.7)	15%	(6.3)	24%
Share of associate results	10.7	57.5	-81%	33.8	-68%
Profit before taxation	46.5	90.1	-48%	44.6	4%
Taxation	(11.9)	(16.4)	-28%	(17.1)	-30%
Net income	34.7	73.8	-53%	27.5	26%
Minority interest	(9.4)	(32.8)	-71%	(13.4)	-30%
Atributed to shareholders	25.2	41.0	-38%	14.1	79%
Exceptional items	(23.5)	(5.9)	298%	3.0	-881%
Core net profit	48.7	46.9	4%	11.1	338%
Quarterly segmentals					
	4QFY25	4QFY24	% change	3QFY25	% change
	RMm	RMm		RMm	
Construction	169.2	81.4	108%	9.9	1611%
Cranes	31.5	52.3	-40%	11.2	182%
Concessions	14.4	53.7	-73%	33.5	-57%
Eliminations	(168.5)	-97.2	73%	(10.0)	1593%
Profit before taxation	46.5	90.1	-48%	44.6	4%

SOURCES: CGSI RESEARCH, COMPANY REPORTS, STATE SECRETARIAT OF CIVIL AVIATION

ESG in a nutshell

LSEG ESG Scores

C	A+	C	C+	D+	B
ESG Grade	ESG Controversies Grade	ESG Combined Grade	ESG Environment Pillar Grade	ESG Social Pillar Grade	ESG Governance Pillar Grade

Muhibbah Engineering started incorporating sustainability and ESG in its annual reporting in 2020. Its latest LSEG ESG Score as at 31 Dec 2025 was C. As far as governance of overall ESG (sustainability) is concerned, it is led by the group's sustainability steering committee (SSC) and sustainable working committee (SWC) and overseen by its deputy chief executive officer (DCEO).

Keep your eye on

Potentially more sustainability initiatives relating to its four key divisions. The group's business portfolio comprises: 1) infrastructure construction, 2) concessions, 3) cranes, and 4) shipyard.

Its infrastructure and construction division is primarily engaged in infrastructure, civil and structural engineering, marine, oil and gas, shipbuilding and contract works. Its concessions division consists of privatised Cambodia Airports and road maintenance for the federal government of Malaysia.

In FY24, the group's sustainability reporting mainly covered its operations in Malaysia.

Implications

In our view, one way the group could improve its ESG profile is to participate in future domestic rail urban projects (electrified), which are part of the overall 13th Malaysia Plan (13MP) green infrastructure plans.

In 2024, Phnom Penh International Airport achieved ACA Level 3, recognising successful third-party engagement in carbon footprint management. The Sihanoukville International Airport also achieved Level 3 "Optimisation" accreditation from the Airports Council International (ACI) in the third quarter of 2024. T

ESG highlights

The group is focused on reducing its environmental impact through energy management, emissions reduction, and building climate resilience across operations. Its Environmental Management System is certified with ISO 14001:2015, and it has implemented a series of sustainable practices to promote energy efficiency and reduce its carbon footprint.

Muhibbah's sustainability vision is developed on a strategy that focuses on four main pillars encompassing the Marketplace, Workplace, Environment and Community.

At various project sites, it practises operational control plans on waste management in accordance with the Environmental Quality (Scheduled Waste) Regulations (2005).

Implications

Over time, we expect the group to improve its sustainable reporting. Muhibbah recognises the substantial impact climate change can have on its operations and has integrated climate-related roles and responsibilities into the newly developed Terms of Reference for the Board. The group monitors and discloses Scopes 1, 2 and 3 greenhouse gas (GHG) emissions using the operational control approach, as defined in the Greenhouse Gas Protocol's Corporate in Accounting and Reporting Standard (2004).

To strengthen its climate risk management initiatives, the group plans to assess climate-related risks and opportunities and explore ways to incorporate them into its risk management framework in the near future

Its subsidiary CiTech is a well-recognised leading supplier of waste heat recovery units (WHRUs) and home of the first and original patented compact cylindrical CiBAS (concentric, integral, by-pass and silencer) WHRU.

Trends

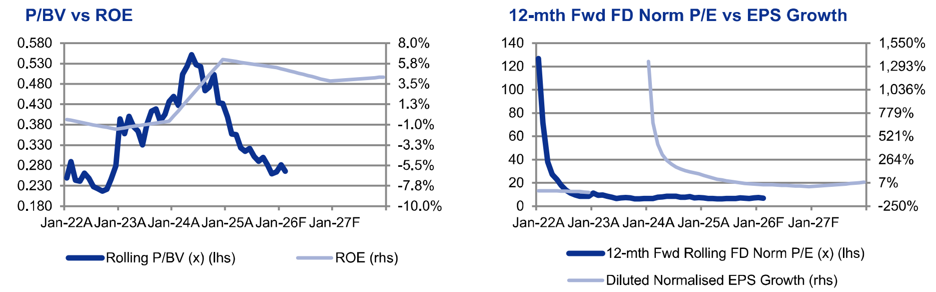
The group is not a constituent of Bursa Malaysia's FTSE4Good index (FTSE4G). It received a 2-star rating from FTSE Russell for Dec 2025.

Implications

While Muhibbah's ESG disclosures have improved over the years compared with other diversified contractors under our coverage, its disclosures still lag behind its larger capitalisation counterparts.

SOURCES: CGSI RESEARCH, LSEG

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Net Revenues	**1,940**	**1,329**	**1,290**	**1,373**	**1,448**
Gross Profit	**269**	**80**	**219**	**247**	**275**
Operating EBITDA	**133**	**80**	**118**	**139**	**160**
Depreciation And Amortisation	(71)	0	(55)	(55)	(56)
Operating EBIT	**62**	**80**	**63**	**84**	**104**
Financial Income/(Expense)	(4)	(5)	(6)	(7)	(7)
Pretax Income/(Loss) from Assoc.	123	98	49	50	52
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	**181**	**173**	**106**	**127**	**149**
Exceptional Items	(5)	(7)	0	0	0
Pre-tax Profit	**175**	**166**	**106**	**127**	**149**
Taxation	(30)	(42)	(20)	(27)	(34)
Exceptional Income - post-tax					
Profit After Tax	**145**	**123**	**86**	**100**	**115**
Minority Interests	(63)	(50)	(32)	(38)	(45)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**82**	**73**	**54**	**62**	**70**
Normalised Attributable Profit	88	80	54	62	70

Cash Flow

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	133.1	80.0	117.7	139.3	160.3
Cash Flow from Invt. & Assoc.	(123.3)	(97.8)	(48.9)	(50.4)	(51.9)
Change In Working Capital	75.9	(11.6)	(43.6)	(21.8)	(20.9)
(Incr)/Decr in Total Provisions	90.5	24.0	25.4	40.1	40.1
Other Non-Cash (Income)/Expense	92.9	65.4	21.8	22.0	22.3
Other Operating Cashflow	(4.8)	99.8	0.0	0.0	0.0
Net Interest (Paid)/Received	(4.5)	(4.9)	(6.1)	(6.7)	(7.4)
Tax Paid	(29.9)	(42.5)	(19.9)	(27.0)	(33.9)
Cashflow From Operations	**230.0**	**112.4**	**46.4**	**95.4**	**108.7**
Capex	(28.7)	(31.4)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	91.5	186.1	0.0	0.0	0.0
Cash Flow From Investing	**62.7**	**154.7**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	19.0	39.5	25.0	25.0	25.0
Proceeds From Issue Of Shares	1.6	1.3	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(15.4)	(18.0)	(25.6)	(13.5)	(15.6)
Preferred Dividends					
Other Financing Cashflow	(49.7)	(78.0)	0.0	0.0	0.0
Cash Flow From Financing	**(44.6)**	**(55.1)**	**(0.6)**	**11.5**	**9.4**
Total Cash Generated	248.2	212.0	15.8	76.9	88.1
Free Cashflow To Equity	**311.8**	**306.7**	**41.4**	**90.4**	**103.7**
Free Cashflow To Firm	**317.6**	**292.4**	**43.5**	**93.8**	**108.3**

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Cash And Equivalents	571	784	802	867	945
Total Debtors	712	575	636	677	714
Inventories	251	242	220	231	241
Total Other Current Assets	10	17	17	17	17
Total Current Assets	**1,543**	**1,618**	**1,676**	**1,793**	**1,917**
Fixed Assets	1,071	1,049	1,026	1,002	977
Total Investments	832	763	810	859	909
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	159	151	151	151	151
Total Non-current Assets	**2,062**	**1,963**	**1,988**	**2,013**	**2,038**
Short-term Debt	250	375	400	425	450
Current Portion of Long-Term Debt					
Total Creditors	748	590	587	617	642
Other Current Liabilities	395	328	328	328	328
Total Current Liabilities	**1,393**	**1,294**	**1,315**	**1,370**	**1,421**
Total Long-term Debt	174	155	155	155	155
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	125	149	149	149	149
Total Non-current Liabilities	**299**	**304**	**304**	**304**	**304**
Total Provisions	0	0	0	0	0
Total Liabilities	**1,692**	**1,598**	**1,619**	**1,674**	**1,725**
Shareholders' Equity	**1,355**	**1,407**	**1,435**	**1,484**	**1,539**
Minority Interests	557	577	609	647	692
Total Equity	**1,912**	**1,984**	**2,044**	**2,131**	**2,230**

Key Ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue Growth	54.5%	(31.5%)	(2.9%)	6.4%	5.5%
Operating EBITDA Growth	(8.6%)	(39.9%)	47.2%	18.3%	15.1%
Operating EBITDA Margin	6.9%	6.0%	9.1%	10.1%	11.1%
Net Cash Per Share (RM)	0.20	0.35	0.34	0.39	0.46
BVPS (RM)	1.86	1.94	1.96	2.02	2.10
Gross Interest Cover	2.49	3.16	2.32	2.95	3.51
Effective Tax Rate	17.0%	25.6%	18.8%	21.2%	22.8%
Net Dividend Payout Ratio	25.1%	31.8%	25.0%	25.0%	25.0%
Accounts Receivables Days	128.4	176.7	171.3	174.6	175.8
Inventory Days	63.99	71.97	78.66	73.19	73.70
Accounts Payables Days	157.7	195.6	200.6	195.2	196.5
ROIC (%)	5.04%	7.56%	5.64%	7.38%	9.18%
ROCE (%)	3.58%	4.14%	3.28%	3.97%	4.56%
Return On Average Assets	4.40%	3.77%	2.54%	2.87%	3.15%

Key Drivers

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
New orders for construction	-	-	400.0	600.0	700.0
New orders for cranes	400.0	400.0	450.0	550.0	550.0

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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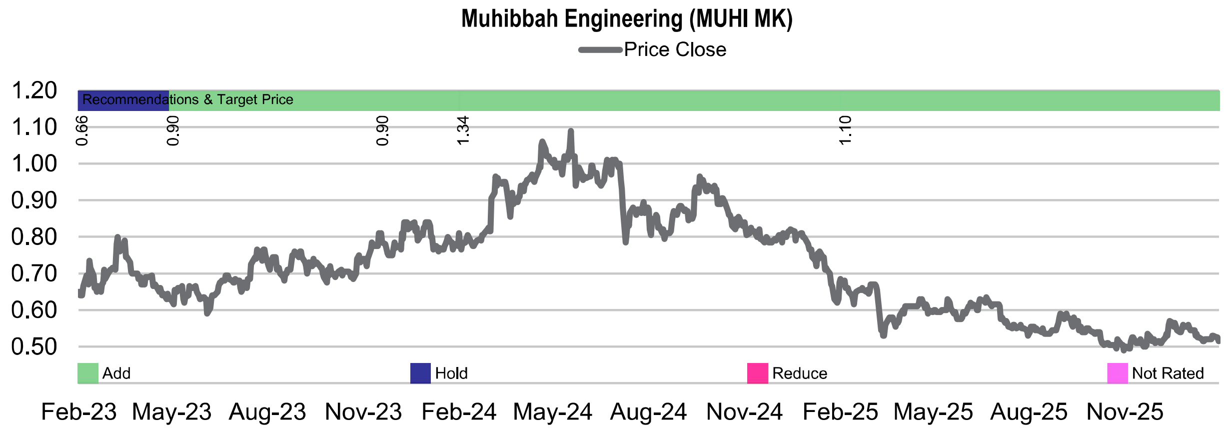
Distribution of stock ratings and investment banking clients for quarter ended on 08 January 2026 507 companies under coverage for quarter ended on 08 January 2026		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.8%	1.4%
Hold	19.9%	0.6%
Reduce	7.3%	0.4%

Spitzer Chart for stock being researched (2-year data)



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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.

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