Muhibbah Engineering (M)

Challenging 2H26 outlook

- 1Q26 results missed expectations; core profits fell 56% YoY on weaker contributions from the Cranes and Automation division and lower project billings.
- We downgrade our FY26F/27F/28F earnings estimates by 30%/25%/22%, respectively, on (i) higher building materials and logistics costs and (ii) a 19–25% cut in our new construction win assumptions for FY26–28F. Major oil and gas tenders remain muted.
- Maintain Hold with a lower TP of RM0.50 (vs. RM0.54 previously).

1Q26 results missed expectations

After stripping off an RM5.1m one-off net forex gain, Muhibbah's 1Q26 results came in below expectations. Top-line and core profit fell 27% and 56% YoY to RM234m and RM8m, respectively, only tracking 11% of our previous full-year forecast (14% of consensus). The weaker earnings performance is primarily attributable to weaker contributions from the Cranes and Automation division (under 65%-owned Favelle Favco [FFB MK; Not Rated]) as well as lower project billings. Nevertheless, we expect earnings to pick up over the remaining three quarters of FY26F, supported by the gradual recognition of billings from the Sepat Integrated Redevelopment Project (estimated value: RM700–850m; work commenced Dec 2025) and a ramp-up in work flows for the Crane and Automation division post the seasonal slowdown in 1Q26. Additionally, Muhibbah recently (22 May 2026) secured a RM91m crane supply contract in Australia. As expected, Muhibbah did not declare any dividends in 1Q26.

1Q26 associate profits down 44% on softer Cambodia air passenger traffic

Muhibbah's share of associates slipped 44% YoY to RM13m (vs. RM23m previously), weighed down by lower contributions from its 21%-owned Cambodia Airports (the old Phnom Penh International Airport concession was terminated following relocation plans to Techo International Airport on 9 Sep 2025). Moreover, Cambodia's aviation sector suffered from the ripple effects of the Middle East conflict, with air passenger traffic to the kingdom falling 4% YoY in the first four months of 2026. Likewise, the expected impact from Cambodia's upcoming visa-free pilot scheme of up to 14 days for Chinese visitors (15 Jun–15 Oct 2026) remains unclear at this juncture.

FY26–28F core profit estimates reduced 22–30% on slower new project win cadence

As of 22 May 2026, Muhibbah's total outstanding order book stood at RM1.7bn (including the latest RM91m crane order), of which infrastructure-related jobs accounted for RM953m (58% of total). Muhibbah's current bid book stands at RM3.2bn (59:41 local-to-foreign job split), with waste heat recovery and oil and gas jobs accounting for RM1.3bn and RM0.6bn, respectively. Muhibbah has only secured one major construction contract for YTD FY26: the design, supply, and installation of noise barriers (RM120m) under the Penang LRT Mutiara Line Package CMC1. Given the 1Q26 earnings miss, we cut our FY26/27/28F core profit forecasts by 30%/25%/22% to RM49m/RM55m/RM65m, respectively. Our earnings downgrades account for (i) higher building materials and logistics costs and (ii) a 19–25% cut in our new construction order book assumptions for FY26/27/28F to RM300/RM450m/RM650m, respectively. We estimate that every RM100m increase in new infrastructure wins per annum across FY26–28F will lift Muhibbah's core profits by 5–8%.

Maintain Hold; TP lowered to RM0.50

Following the downward revisions to our earnings forecasts, we lower Muhibbah's SOP-based target price (TP) to RM0.50 (from RM0.54 previously). We maintain our Hold recommendation on Muhibbah; at our revised TP of RM0.50, the stock offers limited upside potential (total return: 1%). We expect Muhibbah's near-term share price performance to be capped given limited visibility on the rollout of infrastructure bids and a more challenging outlook for Cambodia Airports. We believe that major tender flows for oil and gas–related works will likely remain muted, pending the resolution of the protracted negotiations between Petronas and Petroleum Sarawak Bhd. Nevertheless, Muhibbah's current valuations are supported by attractive FY26–28F dividend yields of 4.8–6.7%. Key re-rating catalyst: higher job wins. Key risk factor: further spikes in logistics and input costs.

HOLD (no change)

Share price:	Target price: ▼
RM0.53	RM0.50

Consensus: Buy:1 Hold:1 Reduce:0

Stock information

Bloomberg ticker	MUHI MK
Refinitiv ticker	MUHI.KL
Share price (RM)	0.53
Market cap (US$m/RMm)	98/387
ADTV (RMm)	0.7
Free float (%)	57.2
Upside/(downside) (%)	(5.7)
CIMB/consensus TP (%)	(28.6)

Earnings forecast

	Dec-25A	Dec-26F	Dec-27F
Core net profit (RMm)	120.9	49.0	54.8
Core EPS (sen)	16.0	6.5	7.5
Core EPS growth (%)	42.4	(59.4)	15.6
FD core P/E (x)	3.3	8.2	7.1
Recurring ROE (%)	8.8	3.5	3.8
P/BV (x)	0.3	0.3	0.3
DPS (sen)	3.5	2.5	3.0
Dividend yield (%)	6.6	4.7	5.7

Source: CIMB Securities

Price performance

	1M	3M	12M
Absolute (%)	0.0	0.0	(10.2)
Relative (%)	(0.1)	2.3	(19.9)

Source: Bloomberg, CIMB Securities

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Figure 1: Result comparison

FYE 31 Dec (RM m)	1Q26 FY26	1Q25 FY25	yoy % chg	4Q25 FY25	qoq % chg	1Q26 cum	1Q25 cum	yoy % chg
Revenue	**233.7**	**320.0**	*(27.0)*	**391.2**	*(40.3)*	**233.7**	**320.0**	*(27.0)*
Operating costs	(212.4)	(288.1)		(316.6)		(212.4)	(288.1)	
EBITDA	**21.3**	**31.9**	*(33.1)*	**74.6**	*(71.4)*	21.3	31.9	*(33.1)*
EBITDA margin (%)	9.1	10.0		19.1		**9.1**	**10.0**	
Depn & amort.	(13.9)	(14.9)		(5.9)		(13.9)	(14.9)	
EBIT	**7.4**	**17.0**	*(56.2)*	**68.7**	*(89.2)*	**7.4**	**17.0**	*(56.2)*
Interest expense	(6.8)	(8.7)		(10.5)		(6.8)	(8.7)	
Interest & invt inc	3.7	3.1		7.8		3.7	3.1	
Associates' contrib	**12.7**	**22.6**	*(43.7)*	**10.7**	*18.9*	**12.7**	**22.6**	
Exceptionals	5.1	(1.4)		(30.2)		5.1	(1.4)	
Pretax profit	**22.2**	**32.7**	*(31.9)*	**46.5**	*(52.1)*	**22.2**	**32.7**	*(31.9)*
Tax	(2.8)	(4.5)		(11.9)		(2.8)	(4.5)	
Tax rate (%)	12.8	13.7		25.5		**12.8**	**13.7**	
Minority interests	(6.5)	(12.0)		(9.4)		(6.5)	(12.0)	
Net profit	**12.9**	**16.2**	*(20.3)*	**25.2**	*(49.0)*	**12.9**	**16.2**	*(20.3)*
Core net profit	**7.8**	**17.6**	*(55.6)*	**55.4**	*(85.9)*	**7.8**	**17.6**	*(55.6)*
Basic EPS (sen)	1.8	2.2	*(20.6)*	1.9	*(8.9)*	1.8	2.2	*(20.6)*
Core EPS (sen)	1.0	2.3	*(55.6)*	1.7	*(39.5)*	1.0	2.3	*(55.6)*

Source: CIMB Securities, Company

Figure 2: Sum-of-parts valuation table

Division	Value (RM) mn	per share	Stake (%)	(% of NAV)	Method
Construction	203.0	0.27	various	31.5	13x FY26F construction profits
Marine shipbuilding & repair	202.9	0.27	100.0	31.5	FY25 net book value
Cranes (Favelle Favco)	250.8	0.33	64.5	39.0	Market Value
Cambodia concessions: SCA	153.3	0.20	21.0	23.8	DCF @ 7%
Roadcare	23.9	0.03	21.0	3.7	DCF @ 6.5%
Kuantan Marine Hub	174.2	0.23	100.0	27.1	Market value @ RM8psf
Gross SOP	**1,008.1**				
Net cash/(debt)*	(364.6)	(0.48)		(56.7)	Company level as at 31 Dec 2025
Total SOP	**643.5**	**0.85**		**100.0**	
No of shares (m)	758.3				
SOP/share	**0.85**				
TP (less 40% discount)	**0.50**				
Share price as of 22 May 2026	0.53				
Upside (%)	(3.8)				
FY26F yield (%)	4.8				
Total return (%)	**0.9**				
Discount to NAV (%)	**(38.1)**				
Implied Target PE (x)	**7.7**				

** includes bills payables*

Source: CIMB Securities, Company reports, Bloomberg

Financial Information

Figure 3: Profit and Loss

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**1,940**	**1,333**	**1,454**	**1,568**	**1,749**
Gross profit	340	469	327	360	390
EBITDA	**133**	**189**	**173**	**195**	**204**
Depreciation and amortisation	(71)	(63)	(69)	(72)	(75)
EBIT	**62**	**126**	**104**	**123**	**129**
Financial income	18	21	0	0	0
Financial expense	(25)	(25)	(31)	(30)	(28)
Income/(loss) from assoc.	123	97	34	22	15
Non-operating (expense) / Income	0	0	0	0	0
Profit before tax (pre-EI)	**178**	**218**	**106**	**115**	**116**
Exceptional items	(5)	(41)	0	0	0
Pre-tax profit	**173**	**178**	**106**	**115**	**116**
Taxation	(30)	(49)	(22)	(26)	(24)
Profit after tax	**143**	**129**	**84**	**89**	**92**
Minority interests	(63)	(49)	(35)	(34)	(26)
Net profit	**80**	**80**	**49**	**55**	**65**
Core net profit	**85**	**121**	**49**	**55**	**65**
Core EPS (sen)	11.2	16.0	6.5	7.5	8.9

Source: CIMB Securities, Company

Figure 4: Cash Flow

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	133	189	173	195	204
Cash flow from invt. & assoc.	(123)	(97)	(34)	(22)	(15)
Change in working capital	91	(51)	(163)	(33)	(3)
(Incr)/decr in total provisions	nm	nm	nm	nm	nm
Other non-cash (income)/expense	71	63	69	72	75
Other operating cash flow	16	72	(48)	(59)	(68)
Net interest (paid)/received	0	0	0	0	0
Tax paid	(29)	(25)	(22)	(26)	(24)
Cash flow from operations	**159**	**151**	**(25)**	**127**	**170**
Capex	(77)	(119)	(105)	(105)	(105)
Disposals of FAs/subsidiaries	45	81	0	0	0
Acq. of subsidiaries/investments	nm	nm	nm	nm	nm
Other investing cash flow	95	167	18	15	14
Cash flow from investing	**63**	**128**	**(87)**	**(90)**	**(91)**
Debt raised/(repaid)	(43)	63	(41)	(41)	(41)
Proceeds from issue of shares	1	1	0	0	0
Shares repurchased	nm	nm	nm	nm	nm
Dividends paid	0	(22)	(26)	(18)	(22)
Preferred dividends	nm	nm	nm	nm	nm
Other financing cash flow	5	(80)	(27)	(26)	(24)
Cash flow from financing	**(37)**	**(37)**	**(94)**	**(85)**	**(87)**
Total cash generated	184	242	(205)	(49)	(8)
Free cash flow to equity	**178**	**342**	**(152)**	**(5)**	**38**
Free cash flow to firm	**222**	**279**	**(111)**	**36**	**79**

Source: CIMB Securities, Company

Financial Information

Figure 5: Balance Sheet

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total cash and equivalents	566	781	576	527	519
Total debtors	712	586	876	902	1,006
Inventories	251	244	386	414	466
Total other current assets	10	16	16	16	16
Total current assets	**1,538**	**1,627**	**1,854**	**1,859**	**2,007**
Fixed assets	1,071	1,070	1,091	1,109	1,124
Total investments	832	740	774	796	811
Intangible assets	0	0	0	0	0
Total other non-current assets	125	121	126	131	136
Total non-current assets	**2,062**	**1,954**	**2,014**	**2,059**	**2,093**
Short-term debt	253	354	333	309	285
Current portion of long-term debt	nm	nm	nm	nm	nm
Total creditors	1,118	935	1,205	1,224	1,378
Other current liabilities	17	16	16	16	16
Total current liabilities	**1,388**	**1,305**	**1,553**	**1,549**	**1,679**
Total long-term debt	189	151	132	115	98
Hybrid debt - debt component	nm	nm	nm	nm	nm
Total other non-current liabilities	557	576	611	645	671
Total non-current liabilities	**746**	**727**	**742**	**759**	**769**
Total provisions	110	142	142	142	142
Total liabilities	**2,245**	**2,174**	**2,437**	**2,450**	**2,589**
Shareholders' equity	1,355	1,408	1,431	1,467	1,511
Minority interests	nm	nm	nm	nm	nm
Total equity	**1,355**	**1,408**	**1,431**	**1,467**	**1,511**

Source: CIMB Securities, Company

Figure 6: Key Ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue growth (%)	54.5	(31.3)	9.1	7.8	11.6
EBITDA growth (%)	10.1	42.3	(8.5)	13.0	4.6
EBITDA margin (%)	6.8	14.2	11.9	12.5	11.7
Net cash per share (sen)	17.0	37.7	15.2	14.2	18.7
BVPS (RM)	1.9	1.9	2.0	2.0	2.1
Net interest cover (x)	9.4	27.9	3.3	4.1	4.6
Effective tax rate (%)	17.2	27.4	21.2	22.9	20.8
Net dividend payout ratio (%)	27.3	31.8	37.2	39.9	39.2
Accounts receivables days	128.0	177.6	183.5	207.0	199.1
Inventory days	66.6	104.6	102.1	120.8	118.0
Accounts payables days	242.8	433.6	346.3	367.0	349.4
ROIC (%)	5.3	11.6	8.6	9.3	9.5
ROCE (%)	4.2	7.4	5.1	6.1	6.3
Return on average assets (%)	2.4	3.4	1.3	1.4	1.6

Source: CIMB Securities, Company

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