Company Result

Construction | Malaysia | 27 Aug 2026

ESG Shariah

Muhibbah Engineering (M)

Lacklustre 1H26 results

- Muhibbah's 1H26 results met our expectations but came in below consensus', accounting for 52% and 43% of our and consensus forecasts, respectively.
- 1H26 CNP tumbled 55%, weighed down by the absence of disposal gains from marine vessels and lower associate contributions, partly offset by stronger progress billings.
- Limited infrastructure job visibility, a challenging outlook for Cambodia Airports, and muted major oil and gas tender flows continue to dampen growth. Maintain Hold.

HOLD (no change)

Share price:	Target price: ▶
RM0.48	RM0.50

Consensus: Buy:1 Hold:1 Reduce:0

Stock information

Bloomberg ticker	MUHI MK
Refinitiv ticker	MUHI.KL
Share price (RM)	0.48
Market cap (US$m/RMm)	87/349
ADTV (RMm)	0.7
Free float (%)	61.1
Upside/(downside) (%)	4.2
CIMB/consensus TP (%)	-

Muhibbah specialises in marine construction, infrastructure, and O&G, with diversified operations in crane supply, automation, and waste heat recovery.

Earnings forecast

	Dec-25A	Dec-26F	Dec-27F
Core net profit (RMm)	120.9	49.1	54.9
Core EPS (sen)	16.0	6.5	7.5
Core EPS growth (%)	42.4	(59.2)	15.6
FD core P/E (x)	3.0	7.3	6.3
Recurring ROE (%)	8.8	3.5	3.8
P/BV (x)	0.2	0.2	0.2
DPS (sen)	3.5	2.5	3.0
Dividend yield (%)	7.4	5.3	6.3

Source: CIMB Securities

Price performance

	1M	3M	12M
Absolute (%)	(8.7)	(8.7)	(10.4)
Relative (%)	(11.1)	(11.2)	(18.9)

Source: Bloomberg, CIMB Securities

1H26 results met expectations

After stripping off an RM6.2m one-off net forex gain, Muhibbah's 1H26 results came in within our expectations but below consensus, accounting for 52% of our and 43% of consensus full-year forecasts. 1H26 core net profit (CNP) tumbled 55% (top line fell 5%) to RM23m vs. RM53m in 1H25, primarily driven by (i) the absence of the RM17.8m gain on disposal of vessels (marine shipbuilding), and (ii) lower contribution from its 21%-owned Cambodia Airports (the old Phnom Penh International Airport concession was terminated following plans to relocate to Techo International Airport on 9 Sep 2025), partially offset by stronger project billings. As expected, revenue and CNP surged 63% and 101% QoQ, respectively, in 2Q26, reflecting ramp-up in workflows for the Crane & Automation and Infrastructure Construction divisions post seasonal slowdown in 1Q26. We expect 2H26F earnings to be bolstered by 64%-owned subsidiary Favelle Favco's (FAVCO MK) recent crane supply contract serving AI-related infrastructure projects for a multinational client (bulk of RM504m win secured in Jul 2026). Muhibbah did not declare any dividends in 1H26.

2Q26 associate profits down 72% YoY and 32% QoQ; Cambodia air traffic softens

Muhibbah's 2Q26 share of associates slipped 72% YoY and 32% QoQ to RM9m (vs. 2Q25: RM31m; 1Q26: RM13m), reflecting new norms under the revised operator rights agreement for Techo International Airport and lower tourist numbers. Cambodia's aviation sector — which is 100% reliant on imports to fulfill domestic diesel and jet fuel needs — further weakened as it bore the full brunt of volatile energy prices in 2Q26, causing 1H26 air passenger traffic to the kingdom to drop 8% YoY. Tourist arrivals faced additional headwinds as Indigo and Firefly suspended direct flights to the kingdom to rationalise underperforming flight routes amid high operational costs. On a brighter note, *Khmer Times* reported on 4 Aug 2026 that Cambodia's 14-day visa-free pilot scheme with China (15 Jun–15 Oct 2026) has attracted more than 100,000 Chinese visitors, with 44,500 entering the country for tourism purposes. Chinese passengers entering the group's airports accounted for 33% of total passengers in 1H26, up marginally from 31% in 1H25.

Outstanding order book sufficient to sustain near-term earnings

As of 19 Aug 2026, Muhibbah's outstanding order book stood at RM2.3bn (+35% vs. RM1.7bn in May 2026), of which infrastructure-related jobs accounted for RM1.1bn (48% of total). The group's active tender book stands at RM4.3bn (60:40 local-to-foreign job split), with oil and gas jobs accounting for c.39% of the pipeline across five tenders (two bids range from RM300m to RM600m each). On 8 Jun 2026, Muhibbah secured the LNG Regasification Terminal 3 marine structure and ancillary works at Lumut Maritime Terminal 2 in Perak, worth a combined total of RM300m (targeted completion: Jul 2028). While this brings total YTD new wins to RM420m, revenue from the earlier RM120m Penang LRT noise barrier contract will be recognised over a five-year timeline running until 2031. We estimate that every RM100m increase in new infrastructure wins per annum across FY26–28F could lift FY26–28F core profits by 6–7%.

Growth remains lacklustre; maintain Hold with unchanged SOP-based TP of RM0.50

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. Coupled with limited visibility on the rollout of infrastructure bids and a more challenging outlook for Cambodia Airports, we expect lacklustre growth prospects to continue to weigh on Muhibbah's near-term share price performance. Nevertheless, current valuations are supported by attractive FY26–28F dividend yields of 5–7%. Maintain Hold. Key catalyst: higher job wins. Key risk: further spikes in logistics and input costs.

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Figure 1: Result comparison

FYE 31 Dec (RM m)	2Q26 FY26	2Q25 FY25	yoy % chg	1Q26 FY25	qoq % chg	1H26 cum	1H25 cum	yoy % chg
Revenue	**381.4**	**327.5**	***16.5***	**233.7**	**63.2**	**615.2**	**647.5**	***(5.0)***
Operating costs	(345.2)	(276.8)		(211.4)		(556.6)	(564.9)	
EBITDA	**36.2**	**50.7**	***(28.5)***	**22.3**	**62.6**	**58.5**	**82.6**	***(29.1)***
EBITDA margin (%)	9.5	15.5		9.5		9.5	12.8	
Depn & amort.	(12.9)	(16.4)		(14.9)		(27.8)	(31.2)	
EBIT	**23.3**	**34.4**	***(32.1)***	**7.4**	**213.4**	**30.8**	**51.4**	***(40.1)***
Interest expense	(7.4)	(9.3)		(6.8)		(14.2)	(18.1)	
Interest & invt inc	3.9	3.6		3.7		7.7	6.7	
Associates' contrib	**8.7**	**30.6**	***(71.5)***	**12.7**	**(31.6)**	**21.5**	**53.3**	***(59.7)***
Exceptionals	1.2	(10.3)		5.1		6.2	(11.6)	
Pretax profit	**29.8**	**49.0**	***(39.2)***	**22.2**	**33.9**	**52.0**	**81.7**	***(36.3)***
Tax	(4.5)	(9.1)		(2.8)		(7.4)	(13.6)	
Tax rate (%)	15.2	18.5		12.8		14.1	16.6	
Minority interests	(8.5)	(15.1)		(6.5)		(15.0)	(27.1)	
Net profit	**16.8**	**24.8**	***(32.3)***	**12.9**	**30.2**	**29.7**	**41.0**	***(27.6)***
Core net profit	**15.6**	**35.0**	***(55.4)***	**7.8**	**100.5**	**23.4**	**52.6**	***(55.5)***
Basic EPS (sen)	2.3	3.4	*(32.4)*	1.8	30.5	4.1	5.6	*(27.7)*
Core EPS (sen)	2.1	4.6	*(55.3)*	1.0	100.9	3.1	6.9	*(55.5)*

Source: CIMB Securities, Company

Figure 2: SOP valuation table

Division	Value (RM) mn	per share	Stake (%)	(% of NAV)	Method
Construction	206.5	0.27	various	32.1	8x FY26F construction profits
Marine shipbuilding & repair	202.9	0.27	100.0	31.5	FY25 net book value
Cranes (Favelle Favco)	247.0	0.33	64.5	38.4	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	**1,007.8**				
Net cash/(debt)*	(364.6)	(0.48)		(56.7)	Company level as at 31 Dec 2025
Total SOP	**643.2**	**0.85**		**100.0**	
No of shares (m)	758.3				
SOP/share	**0.85**				
TP (less 40% discount)	**0.50**				
Share price as of 26 Aug 2026	0.48				
Upside (%)	6.2				
FY26F yield (%)	5.3				
Total return (%)	**11.5**				
Discount to NAV (%)	**(44.0)**				
Implied Target PE (x)	**7.7**				

** includes bills payables*

Source: CIMB Securities, Company reports

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	322	356	387
EBITDA	**133**	**189**	**167**	**191**	**202**
Depreciation and amortisation	(71)	(63)	(69)	(72)	(75)
EBIT	**62**	**126**	**98**	**119**	**127**
Financial income	18	21	14	11	11
Financial expense	(25)	(25)	(31)	(30)	(28)
Income/(loss) from assoc.	123	97	34	22	14
Non-operating (expense) / Income	0	0	0	0	0
Profit before tax (pre-EI)	**178**	**218**	**114**	**122**	**123**
Exceptional items	(5)	(41)	0	0	0
Pre-tax profit	**173**	**178**	**114**	**122**	**123**
Taxation	(30)	(49)	(26)	(30)	(27)
Profit after tax	**143**	**129**	**88**	**93**	**96**
Minority interests	(63)	(49)	(39)	(38)	(30)
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	9.0

Source: CIMB Securities, Company

Figure 4: Cash Flow

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	133	189	167	191	202
Cash flow from invt. & assoc.	(123)	(97)	(34)	(22)	(14)
Change in working capital	91	(51)	(159)	(35)	(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	(27)	(42)	(53)
Net interest (paid)/received	0	0	0	0	0
Tax paid	(29)	(25)	(26)	(30)	(27)
Cash flow from operations	**159**	**151**	**(10)**	**135**	**179**
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	12	9	9
Cash flow from investing	**63**	**128**	**(93)**	**(96)**	**(96)**
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	(197)	(46)	(4)
Free cash flow to equity	**178**	**342**	**(144)**	**(2)**	**42**
Free cash flow to firm	**222**	**279**	**(103)**	**39**	**83**

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	584	538	534
Total debtors	712	586	876	902	1,006
Inventories	251	244	388	415	466
Total other current assets	10	16	16	16	16
Total current assets	**1,538**	**1,627**	**1,864**	**1,871**	**2,022**
Fixed assets	1,071	1,070	1,091	1,109	1,124
Total investments	832	740	774	796	810
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**	**2,092**
Short-term debt	253	354	333	309	285
Current portion of long-term debt	nm	nm	nm	nm	nm
Total creditors	1,118	935	1,210	1,228	1,381
Other current liabilities	17	16	16	16	16
Total current liabilities	**1,388**	**1,305**	**1,558**	**1,553**	**1,681**
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	615	653	683
Total non-current liabilities	**746**	**727**	**747**	**768**	**781**
Total provisions	110	142	142	142	142
Total liabilities	**2,245**	**2,174**	**2,447**	**2,462**	**2,603**
Shareholders' equity	1,355	1,408	1,431	1,468	1,511
Minority interests	nm	nm	nm	nm	nm
Total equity	**1,355**	**1,408**	**1,431**	**1,468**	**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	(11.4)	14.2	5.5
EBITDA margin (%)	6.8	14.2	11.5	12.2	11.5
Net cash per share (sen)	17.0	37.7	16.3	15.7	20.7
BVPS (RM)	1.9	1.9	2.0	2.0	2.1
Net interest cover (x)	9.4	27.9	5.5	6.4	7.3
Effective tax rate (%)	17.2	27.4	22.9	24.2	22.3
Net dividend payout ratio (%)	27.3	31.8	37.1	39.9	39.1
Accounts receivables days	128.0	177.6	183.5	207.0	199.1
Inventory days	66.6	104.6	101.9	120.9	118.1
Accounts payables days	242.8	433.6	345.7	367.2	349.6
ROIC (%)	5.3	11.6	8.2	9.0	9.3
ROCE (%)	4.2	7.4	5.5	6.4	6.7
Return on average assets (%)	2.4	3.4	1.3	1.4	1.6

Source: CIMB Securities, Company

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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.
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