

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Mar 2018

Muhibbah Engineering (MUHI MK) : BUY

Mkt. Cap: US\$380m | 3m Avg. Daily Val: US\$0.97m

Last Traded Price (28 Feb 2018): RM3.10

Price Target 12-mth: RM3.60 (16% upside) (Prev RM3.60)

Analyst

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Anchored by Cambodian airport

- 4Q17 met expectations; 7-sen dividend declared
- Strong growth at its Cambodian airport lifted earnings
- Likely to target more contracts in Qatar
- Maintain BUY rating and TP of RM3.60

Forecasts and Valuation

FY Dec (RMm)	2016A	2017A	2018F	2019F
Revenue	1,919	1,388	1,713	1,724
EBITDA	270	295	309	331
Pre-tax Profit	183	216	207	227
Net Profit	106	132	143	155
Net Pft (Pre Ex.)	106	132	143	155
Net Pft Gth (Pre-ex) (%)	22.7	24.8	8.8	7.9
EPS (sen)	21.9	27.3	29.7	32.1
EPS Pre Ex. (sen)	21.9	27.3	29.7	32.1
EPS Gth Pre Ex (%)	23	25	9	8
Diluted EPS (sen)	21.9	27.3	29.7	32.1
Net DPS (sen)	4.98	6.97	5.94	6.41
BV Per Share (sen)	203	217	240	266
PE (X)	14.2	11.4	10.4	9.7
PE Pre Ex. (X)	14.2	11.4	10.4	9.7
P/Cash Flow (X)	9.4	3.2	16.8	9.8
EV/EBITDA (X)	9.3	7.6	7.3	6.7
Net Div Yield (%)	1.6	2.2	1.9	2.1
P/Book Value (X)	1.5	1.4	1.3	1.2
Net Debt/Equity (X)	0.4	0.2	0.2	0.1
ROAE (%)	11.7	13.0	13.0	12.7

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Within expectations. 4Q17 recorded a headline net profit of RM37m (+13% y-o-y, +31% q-o-q), bringing 12M17 net profit to RM132m (+25%y-o-y). This was in line with our estimate and consensus'. A first and final dividend of 7 sen was declared.

Group pretax profit higher y-o-y. For FY17, its group pretax profit rose by 19% to RM217m. In terms of the segmental breakdown, construction contributed RM98m, cranes RM83m, concessions RM121m and there was group elimination of RM85m. 4Q17 net profit for its crane manufacturing arm, Favelle Favco fell 47% to RM11m on the back of a 32% decline in 4Q17 revenue to RM93m. Its orderbook as at 28 February 2018 stood at RM456m, which is 0.9x FY17 revenue. The heads of agreement to acquire four industrial automation companies has been extended until 4 March 2018.

Jump in associate/JV earnings. FY17 associate earnings jumped 67% to RM147m. The strong growth was largely from robust traffic volume growth for its Cambodian airport concessions. Total passenger volume for 12M17 is up 25% y-o-y while growth in cargo, ground handling and aeronautical accelerated to 29% y-o-y. Growth in commercial, duty free shops, F&B and others also showed strong growth of 33% y-o-y for FY17. 4Q of the calendar year is typically a strong quarter due to the year-end festivities.

New order wins. There is no target for orderbook replenishment for FY18F but our forecast is RM1bn. It has recently announced a contract win from the Government of Qatar, for the Design, Construction and Erection of Syncrolift and Travel Lift with Ancillaries in Marsa Um Alhouli

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at Um Alhoul Special Economic Zone, Qatar for a total contract price of c.RM149m.

The company will continue to bid for contracts in Qatar where it believes the current embargo may work to its benefit with less competition there from the other Middle East contractors. Besides the upcoming FIFA World Cup in 2022, the Um Alhoul Special Economic Zone has some 8,400 acres to be developed over the next 20 years. Its

strategy in Qatar has been to bid for more strategic types of contracts that are backed by the government.

With the recent win, the company's total construction orderbook stands at RM1.7bn while its total outstanding orderbook (including cranes) is RM2.1bn.

Quarterly / Interim Income Statement (RMm)

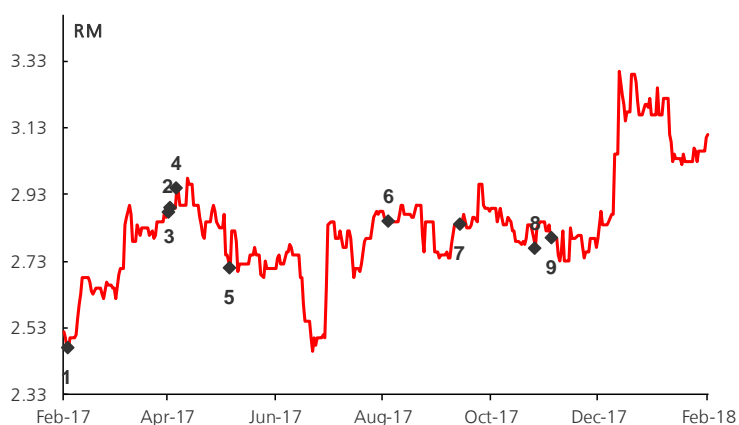
FY Dec	4Q2016	3Q2017	4Q2017	% chg yoy	% chg qoq
Revenue	646	372	307	(52.5)	(17.7)
Other Oper. (Exp)/Inc	(614)	(341)	(304)	(50.5)	(10.8)
Operating Profit	31.6	31.3	2.34	(92.6)	(92.5)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	20.8	18.4	53.2	155.8	188.7
Net Interest (Exp)/Inc	(3.6)	0.88	(2.2)	39.2	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	48.7	50.7	53.4	9.5	5.4
Tax	0.16	(2.8)	(3.0)	(1,963.6)	7.9
Minority Interest	(16.5)	(19.9)	(13.8)	16.1	(30.5)
Net Profit	32.4	28.0	36.5	12.7	30.6
Net profit bef Except.	32.4	28.0	36.5	12.7	30.6

Margins (%)

Opg Profit Margins	4.9	8.4	0.8
Net Profit Margins	5.0	7.5	11.9

Source of all data: Company, AllianceDBS

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Tjen San CHONG

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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