

Company Flash Note

Muhibbah Engineering

Bloomberg: MUHI MK | Reuters: MUHI.KL

Refer to important disclosures at the end of this report

Malaysia Research . Equity

31 Jul 2015

BUY RM2.25 KLCI : 1,699.92

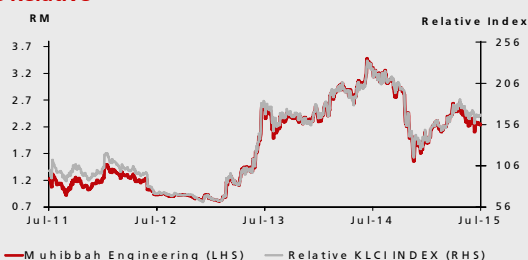
Price Target : 12-Month RM 3.40 (51% upside/downside)

Shariah Compliant : Yes

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (RM m)	2014A	2015F	2016F	2017F
Revenue	1,693	1,709	1,770	1,793
EBITDA	159	209	229	257
Pre-tax Profit	145	132	148	173
Net Profit	82	95	106	122
Net Pft (Pre Ex.)	82	95	106	122
EPS (sen)	19.3	22.4	25.2	28.8
EPS Pre Ex. (sen)	19.3	22.4	25.2	28.8
EPS Gth (%)	(6)	16	13	14
EPS Gth Pre Ex (%)	(6)	16	13	14
Diluted EPS (sen)	19.3	22.4	25.2	28.8
Net DPS (sen)	4.5	4.5	5.0	5.8
BV Per Share (sen)	152.4	169.2	189.9	213.7
PE (X)	11.7	10.1	8.9	7.8
PE Pre Ex. (X)	11.7	10.1	8.9	7.8
P/Cash Flow (X)	nm	3.8	8.1	6.8
EV/EBITDA (X)	11.3	7.8	7.0	6.1
Net Div Yield (%)	2.0	2.0	2.2	2.6
P/Book Value (X)	1.5	1.3	1.2	1.1
Net Debt/Equity (X)	0.7	0.5	0.4	0.3
ROAE (%)	13.5	13.9	14.0	14.3

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

Second RAPID Win

- Secures second contract from RAPID project
- Stronger infrastructure orderbook of RM1.25bn
- No change to earnings
- BUY, TP RM3.40

Another RAPID contract. Muhibbah has won a second job in RAPID from Toyo Thai Malaysia Sdn. Bhd. This is for civil, concrete and building works for offsite areas worth RM158.2m under Package 5: EPCC of The Steam Cracker Complex. The contract will run from August 2015 to November 2017. The first RAPID contract secured by Muhibbah was the RM116m job for temporary construction facilities and accommodation camp under Package 3 from Tecnicas Reunidas, S.A. Group.

Stronger orderbook. This takes YTD wins to RM589m and outstanding construction orderbook to RM1.25bn (group orderbook is RM2.3bn if including crane and shipyard). Now, Muhibbah only needs to clinch another RM193m of contracts to meet our FY15 order win assumption. Hence, there is no change to our earnings. Muhibbah has been steadily replenishing its orderbook this year although the average contract size has been smaller at c.RM120m. However, it is more important for group margins to improve going forward given YTD wins have been largely higher-margin marine and oil & gas contracts.

Strong 11MP proxy, BUY. Muhibbah is an ideal proxy to the 11th Malaysian Plan given its expertise in three core areas: i) civil engineering; ii) marine-based construction, and iii) offshore and onshore fabrication works, where its Petronas license is an advantage. Other contractors do not have this combination to compete effectively in the competitive civil engineering space. We maintain our BUY rating and TP of RM3.40 based on SOP valuation.

Muhibbah Engineering

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	29 Aug 14	3.21	3.20	Hold
2:	03 Sep 14	3.04	3.20	Hold
3:	18 Nov 14	2.25	3.50	Buy
4:	01 Dec 14	1.98	3.50	Buy
5:	16 Jan 15	1.87	3.50	Buy
6:	05 Feb 15	2.00	3.50	Buy
7:	02 Mar 15	2.29	3.50	Buy
8:	03 Apr 15	2.22	3.50	Buy
9:	08 May 15	2.55	3.50	Buy
10:	01 Jun 15	2.42	3.50	Buy
11:	21 Jul 15	2.28	3.40	Buy

Source: AllianceDBS

DISCLOSURE

Stock rating definitions

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 > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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