

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Sep 2016

Muhibbah (MUHI MK) : BUY

Mkt. Cap: US\$264m | 3m Avg. Daily Val: US\$0.23m

Last Traded Price : RM2.25

Price Target 12-mth: RM3.10 (38% upside) (Prev RM3.10)

Analyst

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A solid quarter

- 2Q16 earnings in line, solid performance all round
- Key highlight was surge in construction profit
- Bidding for more RAPID jobs, MRT 2 and LRT 3
- Maintain BUY and SOP-based TP of RM3.10

Forecasts and Valuation

FY Dec (RMm)	2015A	2016F	2017F	2018F
Revenue	1,605	1,754	1,781	1,707
EBITDA	251	225	251	267
Pre-tax Profit	165	149	177	195
Net Profit	86.0	99.8	117	128
Net Pft (Pre Ex.)	86.0	99.8	117	128
Net Pft Gth (Pre-ex) (%)	5.4	16.1	17.1	9.7
EPS (sen)	18.2	20.7	22.6	24.7
EPS Pre Ex. (sen)	18.2	20.7	22.6	24.7
EPS Gth Pre Ex (%)	5	13	9	10
Diluted EPS (sen)	18.2	20.7	22.6	24.7
Net DPS (sen)	3.98	4.13	4.51	4.95
BV Per Share (sen)	175	199	204	224
PE (X)	12.3	10.9	10.0	9.1
PE Pre Ex. (X)	12.3	10.9	10.0	9.1
P/Cash Flow (X)	34.4	14.0	9.6	7.2
EV/EBITDA (X)	8.0	9.1	8.4	7.7
Net Div Yield (%)	1.8	1.8	2.0	2.2
P/Book Value (X)	1.3	1.1	1.1	1.0
Net Debt/Equity (X)	0.6	0.5	0.4	0.3
ROAE (%)	11.7	11.2	11.6	11.6

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

Company Guide

Muhibbah Eng



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

What's New

In-line net profit. 2Q16 recorded a headline net profit of RM27m (+39% y-o-y, +13% q-o-q), bringing 1H16 net profit to RM51m. This was in line with our forecast and consensus estimate.

Solid performance all around. The most significant highlight for this quarter was its construction division, with 2Q16 pretax profit rising 109% y-o-y and 143% q-o-q to RM72m (1H16 +122% y-o-y) – underpinned by its RM1.2bn infrastructure orderbook (as at mid-August 2016). This was on the back of a 34% increase in 1H16 construction revenue to RM1bn. 2Q16 margin stood at 15.2% vs 1Q16's 5.6% and 2Q15's 6.7%. The crane business under Favelle Favco showed stronger sequential growth with 2Q16 pretax profit of RM27m, up 43% q-o-q. Its margin for the quarter also improved to 15.9% vs 12.9% in 1Q16. Favelle Favco's growth momentum for 2006 looks relatively intact with an orderbook of RM571m as at mid-August 2016 but will likely slow down in 2017. The shipyard division's 2Q16 pretax profit doubled q-o-q to RM4m.

Associates. 1H16 associate profit (largely from its Cambodian airport concession) dipped 32% to RM32m. 1H16 traffic volume growth rose 5% to 3.2m passengers – the expansion plans which were completed in March 2016 resulted in higher capex which dampened profit growth. The growth of Phnom Penh was still buoyant at 9% while Siam Reap's growth moderated to just 1% for 1H16.

Maintain BUY, TP of RM3.10. We maintain our BUY call on Muhibbah with an SOP-derived TP of RM3.10.

Flash Note

Quarterly / Interim Income Statement (RMm)

FY Dec	2Q2015	1Q2016	2Q2016	% chg yoy	% chg qoq
Revenue	410	482	406	(1.0)	(15.7)
Other Oper. (Exp)/Inc	(378)	(464)	(372)	(1.7)	(19.8)
Operating Profit	32.2	18.1	34.5	7.3	90.4
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	11.4	18.3	14.1	23.6	(22.9)
Net Interest (Exp)/Inc	(6.3)	(2.5)	(5.6)	10.5	(127.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	37.4	34.0	43.1	15.3	26.6
Tax	(11.2)	(8.1)	(8.2)	(27.3)	0.6
Minority Interest	(6.8)	(2.1)	(8.1)	(18.1)	277.5
Net Profit	19.3	23.8	26.8	39.1	12.9
Net profit bef Except.	19.3	23.8	26.8	39.1	12.9
EBITDA	56.4	36.5	48.7	(13.7)	33.4
Margins (%)					
Opg Profit Margins	7.8	3.8	8.5		
Net Profit Margins	4.7	4.9	6.6		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Sep 15	1.79	2.90	BUY
2:	04 Sep 15	1.93	2.90	BUY
3:	30 Nov 15	2.23	2.90	BUY
4:	15 Dec 15	2.22	2.90	BUY
5:	14 Jan 16	2.36	2.90	BUY
6:	01 Mar 16	2.25	2.90	BUY
7:	04 Apr 16	2.37	2.90	BUY
8:	04 May 16	2.28	2.90	BUY
9:	12 May 16	2.27	3.10	BUY
10:	01 Jun 16	2.14	3.10	BUY
11:	03 Jun 16	2.25	3.10	BUY
12:	24 Jun 16	2.20	3.10	BUY
13:	11 Jul 16	2.21	3.10	BUY
14:	05 Aug 16	2.19	3.10	BUY

Source: AllianceDBS

Analyst: Chong Tjen-San

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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