

Muhibbah Engineering (MUHI MK) : **BUY**

Mkt. Cap: US\$253m | **3m Avg. Daily Val:** US\$0.24m

Last Traded Price (10 Jan 2017): RM2.35


Price Target 12-mth: RM3.10 (32% upside)

Analyst

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Company Guide

Muhibbah Engineering

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

A crucial win

- **Wins Qatar infrastructure works project**
- **Vital win given slow contract wins in 2016**
- **Win will raise construction orderbook by 22%**
- **BUY, TP of RM3.10 based on SOP**

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) | 12.9 | 11.4 | 10.4 | 9.5 |
| PE Pre Ex. (X) | 12.9 | 11.4 | 10.4 | 9.5 |
| P/Cash Flow (X) | 36.0 | 14.6 | 10.1 | 7.6 |
| EV/EBITDA (X) | 8.2 | 9.3 | 8.6 | 7.9 |
| Net Div Yield (%) | 1.7 | 1.8 | 1.9 | 2.1 |
| P/Book Value (X) | 1.3 | 1.2 | 1.2 | 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.

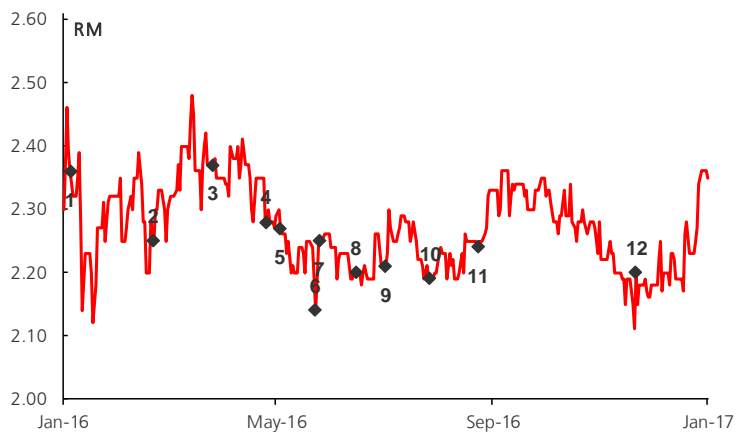
What's New

Muhibbah Engineering Middle East LLC, an entity in which Muhibbah has 49% equity interest, has received a contract worth Qatari Riyal 356.7m (c.RM438m). Its JV partner is Manateq, a leading developer and operator of specialised economic zones, logistic parks, and warehousing parks in Qatar. According to the announcement, Manateq was established by the Minister of Business and Trade of the State of Qatar and is owned by the Qatari Government. The scope of works is for the construction of roads and infrastructure works at Um Alhoul Economic Zone (QEZ-3) Phase 2.1

While a 49% stake for Muhibbah would imply a contract value of RM215m, we understand Muhibbah will be doing the majority of works. Hence, the total contact could be a lot higher. If we conservatively assume just the 49% stake, Muhibbah's construction orderbook will increase by 22% to RM1.2bn. Factoring the recent RM64m win by Favelle Favco, Muhibbah's total orderbook stands at RM1.9bn, implying visibility of more than a year. We make no changes to our earnings as the win falls within our RM850m new order win assumption for FY17F.

We think execution risk should be manageable given it has prior experience in the Middle East – involving the New Doha International Airport Catering facility and Yemen jetty works.

Target Price & Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1: | 14 Jan 16 | 2.36 | 2.90 | BUY |
| 2: | 01 Mar 16 | 2.25 | 2.90 | BUY |
| 3: | 04 Apr 16 | 2.37 | 2.90 | BUY |
| 4: | 04 May 16 | 2.28 | 2.90 | BUY |
| 5: | 12 May 16 | 2.27 | 3.10 | BUY |
| 6: | 01 Jun 16 | 2.14 | 3.10 | BUY |
| 7: | 03 Jun 16 | 2.25 | 3.10 | BUY |
| 8: | 24 Jun 16 | 2.20 | 3.10 | BUY |
| 9: | 11 Jul 16 | 2.21 | 3.10 | BUY |
| 10: | 05 Aug 16 | 2.19 | 3.10 | BUY |
| 11: | 01 Sep 16 | 2.24 | 3.10 | BUY |
| 12: | 30 Nov 16 | 2.20 | 3.10 | BUY |

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

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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