

## Muhibbah Engineering (MUHI MK) : BUY

Mkt. Cap: US\$319m | 3m Avg. Daily Val: US\$0.27m

Last Traded Price ( 28 Nov 2018): RM2.78

Price Target 12-mth: RM3.65 (31% upside) (Prev RM3.65)

### Analyst

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### Another solid quarter

- 3Q18 met expectations
- Earnings continued to be supported by cash-generating Cambodia concession
- Favco's earnings lifted by industrial automation acquisition
- Maintain BUY and TP of RM3.65

#### Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	1,397	1,465	1,428	1,541
EBITDA	299	314	322	353
Pre-tax Profit	219	227	234	263
Net Profit	132	144	158	170
Net Pft (Pre Ex.)	132	144	158	170
Net Pft Gth (Pre-ex) (%)	24.7	9.1	10.3	7.0
EPS (sen)	27.3	29.8	32.9	35.2
EPS Pre Ex. (sen)	27.3	29.8	32.9	35.2
EPS Gth Pre Ex (%)	25	9	10	7
Diluted EPS (sen)	27.3	29.8	32.9	35.2
Net DPS (sen)	6.97	5.96	6.57	7.03
BV Per Share (sen)	217	240	267	295
PE (X)	10.2	9.3	8.5	7.9
PE Pre Ex. (X)	10.2	9.3	8.5	7.9
P/Cash Flow (X)	2.9	9.6	10.4	15.9
EV/EBITDA (X)	6.9	6.6	6.4	6.1
Net Div Yield (%)	2.5	2.1	2.4	2.5
P/Book Value (X)	1.3	1.2	1.0	0.9
Net Debt/Equity (X)	0.2	0.1	0.1	0.1
ROAE (%)	13.0	13.0	13.0	12.5

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.** 3Q18 recorded a headline net profit of RM38m (+35% y-o-y, +14% q-o-q), bringing 9M18 net profit to RM107m (12% y-o-y). This was in line with our and consensus expectations.

For 9M18, its group pretax profit increased by 17% to RM191m. In terms of the segmental breakdown, construction contributed RM67m, cranes RM60m, concessions RM117m and there was group elimination of RM54m. Its current construction orderbook as at 28 November 2018 stood at RM1.3bn.

9M18 net profit for its crane manufacturing arm, Favelle Favco fell 18% to RM43m on the back of an 18% decline in 9M18 revenue to RM457m. The poorer numbers were due to unrealised forex losses and lower sales. Its crane manufacturing orderbook as at 21 November 2018 stood at RM515m. The purchase of industrial automation companies has been completed on 3 July 2018 and added RM26m in revenue for 3Q18. This contributed to an 83% sequential increase in 3Q18 revenue to RM165m.

**Earnings supported by concessions.** 9M18 associate earnings jumped 23% y-o-y to RM116m. The strong growth was largely from robust traffic volume growth for its Cambodian airport concessions. Total passenger volume for 9M18 has increased by 21% to 7.6m. 9M18 growth rates for cargo, ground handling and aeronautical, as well as commercial, duty free and F&B have also been robust at 29% and 20% respectively.



**Flash Note**

**Maintain BUY rating and SOP-derived TP of RM3.65.** We continue to like Muhibbah as an overall proxy to the infrastructure sector with its unique positioning in most parts of the construction value chain while its cash generating concessions provides it with a good recurring income base.

**Flash Note**
**Quarterly / Interim Income Statement (RMm)**

FY Dec	3Q2017	2Q2018	3Q2018	% chg yoy	% chg qoq
Revenue	372	312	557	49.6	78.8
Cost of Goods Sold	0.0	0.0	0.0	N/A	N/A
<b>Gross Profit</b>	<b>372</b>	<b>312</b>	<b>557</b>	<b>49.6</b>	<b>78.8</b>
Other Oper. (Exp)/Inc	(341)	(292)	(511)	49.7	74.6
<b>Operating Profit</b>	<b>31.3</b>	<b>19.2</b>	<b>46.8</b>	<b>49.3</b>	<b>143.7</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	18.4	35.5	34.6	87.5	(2.6)
Net Interest (Exp)/Inc	0.88	(4.7)	(3.7)	nm	21.7
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>50.7</b>	<b>50.0</b>	<b>77.7</b>	<b>53.3</b>	<b>55.4</b>
Tax	(2.8)	(5.5)	(13.3)	374.5	141.7
Minority Interest	(19.9)	(11.5)	(26.6)	(33.8)	132.1
<b>Net Profit</b>	<b>28.0</b>	<b>33.0</b>	<b>37.7</b>	<b>35.0</b>	<b>14.4</b>
Net profit bef Except.	28.0	33.0	37.7	35.0	14.4
EBITDA	49.8	54.7	81.4	63.5	48.7
<b>Margins (%)</b>					
Opg Profit Margins	8.4	6.2	8.4		
Net Profit Margins	7.5	10.6	6.8		

Source of all data: Company, AllianceDBS

**Target Price & Ratings History**


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	30 Nov 17	2.80	3.60	BUY
2:	01 Mar 18	3.10	3.60	BUY
3:	14 May 18	3.02	3.42	BUY
4:	31 May 18	2.95	3.42	BUY
5:	24 Jul 18	2.95	3.65	BUY
6:	03 Sep 18	3.10	3.65	BUY

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

Source: AllianceDBS

Analyst: Tjen San CHONG

**Flash Note**

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**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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