

Muhibbah Engineering (MUHI MK) : BUY

Mkt. Cap: US\$354m | 3m Avg. Daily Val: US\$0.43m

Last Traded Price (28 Feb 2019): RM2.99

Price Target 12-mth: RM3.55 (19% upside) (Prev RM3.55)

Analyst

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Strong end to FY18, dividend earlier than expected

- 4Q18 results met expectations, final dividend of 7.5 sen declared
- Robust passenger volume for Cambodian airport concession which grew 20% y-o-y
- YTD construction wins of RM165m
- BUY with SOP-derived TP of RM3.55.

Forecasts and Valuation

FY Dec (RMm)	2017A	2018A	2019F	2020F
Revenue	1,397	1,543	1,480	1,555
EBITDA	299	276	324	347
Pre-tax Profit	219	262	222	243
Net Profit	132	148	150	158
Net Pft (Pre Ex.)	132	148	150	158
Net Pft Gth (Pre-ex) (%)	24.7	12.5	1.3	5.5
EPS (sen)	27.3	30.7	31.1	32.8
EPS Pre Ex. (sen)	27.3	30.7	31.1	32.8
EPS Gth Pre Ex (%)	25	12	1	5
Diluted EPS (sen)	27.3	30.7	31.1	32.8
Net DPS (sen)	6.97	7.49	6.22	6.56
BV Per Share (sen)	217	233	256	283
PE (X)	11.0	9.7	9.6	9.1
PE Pre Ex. (X)	11.0	9.7	9.6	9.1
P/Cash Flow (X)	3.1	nm	5.8	14.1
EV/EBITDA (X)	7.3	8.7	7.1	6.7
Net Div Yield (%)	2.3	2.5	2.1	2.2
P/Book Value (X)	1.4	1.3	1.2	1.1
Net Debt/Equity (X)	0.2	0.3	0.2	0.1
ROAE (%)	13.0	13.7	12.7	12.2

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. 4Q18 recorded a headline net profit of RM38m (+4% y-o-y, +0.4% q-o-q), bringing 12M18 net profit to RM148m (13% y-o-y). This was in line with our and consensus expectations. A first and final dividend of 7.5 sen was declared.

For 12M18, Muhibbah's group pretax increased by 19% to RM262m. In terms of the segmental breakdown, construction contributed RM143m, cranes RM95m, concessions RM151m and there was group elimination of RM126m. Its current construction orderbook, as at 28 February 2018, stands at RM1.1bn.

Even as 4Q18 net profit for Favelle Favco doubled y-o-y to RM22m, its 12M18 net profit was largely flat at RM64m. This was on the back of a slight increase in 12M18 revenue to RM530m where the automation acquisition added RM73m. Its crane manufacturing orderbook as at 20 February 2019 stood at RM563m.

Earnings supported by concessions. 12M18 associate earnings eased 7% y-o-y to RM144m but such profit was still the backbone of Muhibbah's earnings. Total passenger volume for its Cambodian airport concession for 12M18 has increased by 20% to 10.5m. In terms of 12M18 growth in cargo, ground handling and aeronautical and commercial, duty free and F&B, growth has also been robust at 26% and 21% respectively.



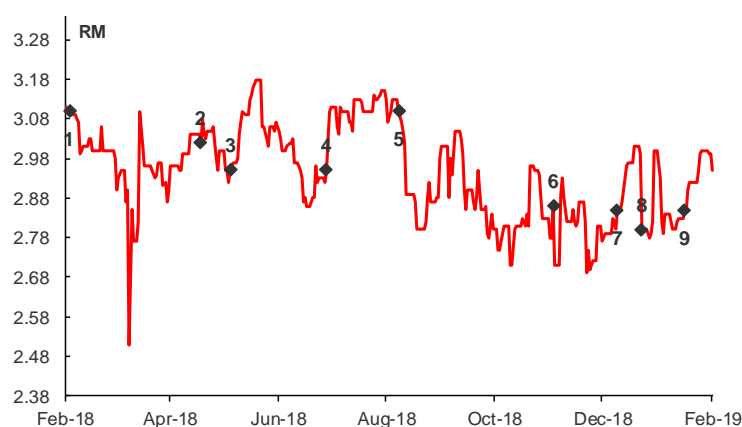
Flash Note

Maintain BUY rating and TP of RM3.55. We continue to like Muhibbah for its cash-generating recurring income from its Cambodian Airport concession while in the more medium term, we expect more synergistic benefits from the acquisition of the industrial automation companies.

Flash Note
Quarterly Income Statement (RMm)

FY Dec	4Q2017	3Q2018	4Q2018	% chg yoy	% chg qoq
Revenue	307	557	425	38.7	(23.7)
Other Oper. (Exp)/Inc	(304)	(511)	(381)	25.1	(25.4)
Operating Profit	2.34	46.8	44.5	nm	(4.9)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	53.2	34.6	28.2	(47.1)	(18.6)
Net Interest (Exp)/Inc	(2.2)	(3.7)	(1.7)	25.2	55.4
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	53.4	77.7	71.0	33.0	(8.6)
Tax	(3.0)	(13.3)	(6.2)	103.8	(53.7)
Minority Interest	(13.8)	(26.6)	(27.0)	(94.7)	1.2
Net Profit	36.5	37.7	37.9	3.8	0.4
Net profit bef Except.	36.5	37.7	37.9	3.8	0.4
EBITDA	55.6	81.4	72.6	30.7	(10.7)
Margins (%)					
Opg Profit Margins	0.8	8.4	10.5		
Net Profit Margins	11.9	6.8	8.9		

Source of all data: Company, AllianceDBS

Target Price & Ratings History


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Mar 18	3.10	3.60	BUY
2:	14 May 18	3.02	3.42	BUY
3:	31 May 18	2.95	3.42	BUY
4:	24 Jul 18	2.95	3.65	BUY
5:	03 Sep 18	3.10	3.65	BUY
6:	29 Nov 18	2.86	3.65	BUY
7:	04 Jan 19	2.85	3.65	BUY
8:	18 Jan 19	2.80	3.55	BUY
9:	11 Feb 19	2.85	3.55	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

Completed Date: 28 Feb 2019 20:32:32 (MYT)

Dissemination Date: 28 Feb 2019 23:56:38 (MYT)

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