

23 December 2015 | Corporate Update

Malaysia Marine & Heavy Engineering

Big score from RAPID Pengerang

Maintain NEUTRAL
Unchanged Target Price (TP): RM1.01

INVESTMENT HIGHLIGHTS

- **Malaysia Marine & Heavy Engineering's (MMHE) reported a slew of contracts totalling RM527m**
- **Year-to-date, the company has secured approximately RM975m worth of contracts**
- **A large portion of contracts are from RAPID, Pengerang**
- **Maintain NEUTRAL on MMHE with unchanged TP of RM1.01 per share**

Slew of contracts announced. MMHE has announced a slew of contracts totaling RM527m. Five contracts were announced where four are works associated with Petronas' refinery and petrochemical integrated development (RAPID) in Pengerang.

F12 Kumang Cluster Gas Field. This contract is for the engineering, procurement, construction and commissioning (EPCC) of the well-head platform topside and jacket, telecommunication and instrumentation system tie-ins of the F12 platform. This package is worth an estimated RM190m set to be completed in 12 months.

Contracts from Toyo Engineering. The company also announced that it has secured two RAPID contracts in August 2015 from Toyo Engineering Corp. The first job involves the centralised piping fabrication for the Package-5 steam cracker complex worth RM109.2m. The primary fabrication work is expected to be completed in December 2016 and the overall completion in April 2017. The subsequent contract is the piping and steel structure work for a steam cracker complex at the refinery of gas (RoG) area worth RM20m

Contract from China Huanqiu Contracting & Engineering Corp. This electro-mechanical works for RAPID Package-3 is worth RM153m. The project is inclusive of pipe rack, flare tower, mechanical, piping electrical & instrument and insulation. The contract was awarded by Technicas Reunidas and is expected to commence in January 2016 and complete in July 2017.

Contract from Punj Lloyd Sdn Bhd. The fifth contract announced worth RM55.5m involves plate structure prefabrication, fabrication, painting, rolling and blasting for RAPID Package-22. The contract is expected to commence in December 2015 and complete in December 2016.

RETURN STATS	
Price (22 December 2015)	RM0.94
Target Price	RM1.01
Expected Share Price Return	+7.4%
Expected Dividend Yield	-
Expected Total Return	+7.4%

STOCK INFO	
KLCI	1,643.26
Bursa / Bloomberg	5186 / MMHE MK
Board / Sector	Main/ Industrial
Syariah Compliant	Yes
Issued shares (mil)	1,600.0
Par Value (RM)	0.50
Market cap. (RM'm)	1,504.0
Price over NA	0.65x
52-wk price Range	RM0.90 – RM1.82
Beta (against KLCI)	1.68
3-mth Avg Daily Vol	1.73m
3-mth Avg Daily Value	RM2.1m
Major Shareholders (%)	
MISC Bhd	66.50
Technip S.A.	8.50
Lembaga Tabung Haji	6.10

Orderbook update. Inclusive of these new orders, the company's orderbook is approximately RM1-1.4b.

Impact on earnings. No changes to our earnings estimates as new orderbook replenishment falls within our forecasted RM1b. Year-to-date, MMHE has secured RM975m worth of new jobs.

Maintain NEUTRAL. Despite securing close to RM1b worth of jobs this year, it is still a far cry than what was achieved in 2011-2013 of RM1.7-2.9b. In addition, for the past six months of the year, buying participations from major local institutional funds have waned and shareholding levels have declined. As such, we are reiterating our **NEUTRAL** stance on MMHE with an unchanged TP of **RM1.01** per share. Our TP is based on our house mid-cap oil and gas service provider target PER of 14x pegged to EPS16 of 7.2sen.

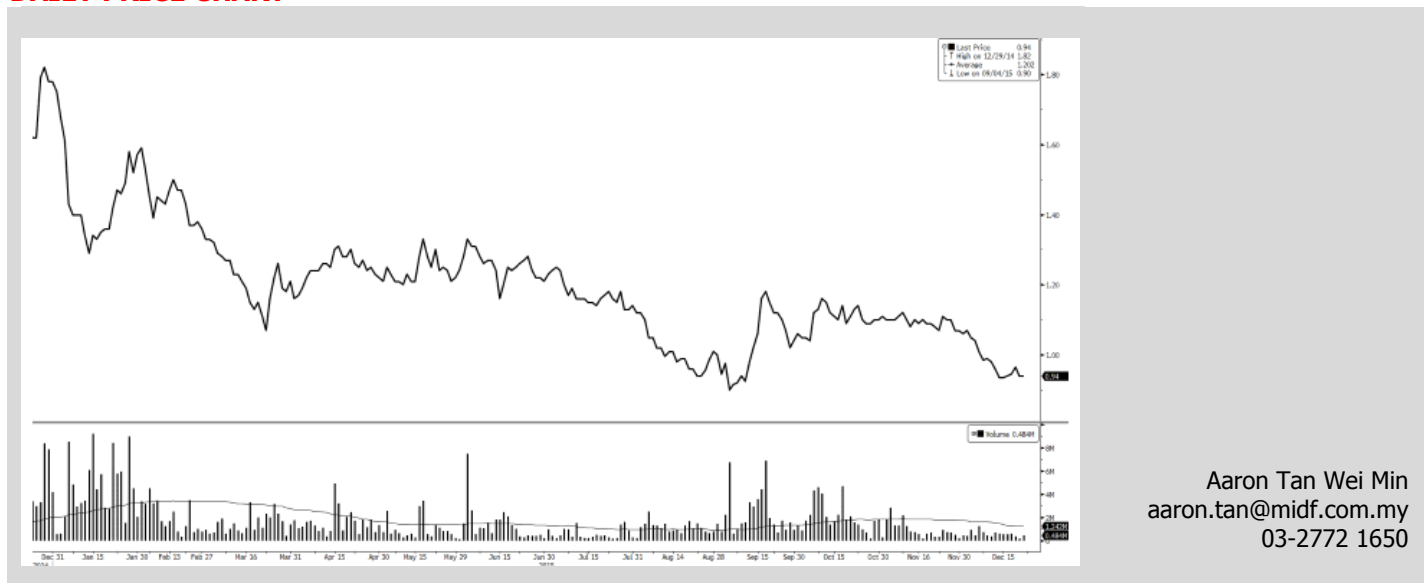


INVESTMENT STATISTICS

FYE Dec	FY12	FY13	FY14	FY15F	FY16F
Revenue (RM'm)	3,329.8	2,884.5	2,700.5	2,180.9	2,108.5
EBIT (RM'm)	242.8	196.3	122.6	104.3	105.2
Pretax Profit (RM'm)	217.7	197.6	119.1	104.3	105.2
Net Profit (RM'm)	242.0	236.5	129.9	114.8	115.8
EPS (sen)	15.1	14.8	8.1	7.2	7.2
EPS (%)	17.5	-2.0	-45.3	-11.4	0.9
PER (x)	6.2	6.4	11.6	13.1	13.0
Net Dividend (sen)	10.0	5.0	0.0	0.0	0.0
Net Dividend (%)	8.5	4.2	0.0	0.0	0.0

Source: MIDFR

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.