

24 December 2018 | Corporate Update

Muhibbah Engineering Berhad

Two EPCIC contracts from Petronas

Maintain BUY

Unchanged Target Price (TP): RM3.15

INVESTMENT HIGHLIGHTS

- **Two contracts with combined value of RM205m awarded to Muhibbah Engineering by Petronas**
- **Positive news, as the contract value filled up our replenishment assumptions**
- **Current outstanding order book stands at RM2.1b**
- **Maintain estimates for FY18F and FY19F**
- **Reiterate our BUY call with unchanged TP of RM3.15**

Two contracts with combined value of RM205m were awarded to Muhibbah by two wholly-owned subsidiaries of Petronas. The contracts comprise procurement, construction, installation & commissioning (EPCIC) jobs. The contract works are scheduled to complete by the first half of 2020. Please refer details on Exhibit 1.

Award within our job wins assumptions. The awards were within our job replenishment assumptions of RM600m. Our estimate of unbilled order book now stands at RM2.1bn. Hence, we are not making any adjustments to our FY18F-FY19F forecasts.

Exhibit 1


Customer	Brief description of the Contracts	Duration of the Contracts
Regas Terminal (Sg Udang) Sdn Bhd	Engineering, Procurement, Construction, Installation & Commissioning ("EPCIC") of seawater overboard upgrading, firewater network improvement and new pressure control (PCV) installation project in Melaka.	which is expected to be completed by first quarter of 2020
PC Myanmar (Hong Kong) Limited	EPCIC of Yetagun Acid Gas Removal Unit project in Myanmar.	which is expected to be completed by second quarter of 2020

Source: Bursa Malaysia

RETURN STATS	
Price (21 Dec 2018)	RM2.72
Target Price	RM3.15
Expected Share Price Return	+15.8%
Expected Dividend Yield	+2.4%
Expected Total Return	+18.2%

STOCK INFO	
KLCI	1,670.3
Bursa / Bloomberg	5703/ MUHI MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	481.6
Par Value (RM)	1.00
Market cap. (RM'm)	1,310.1
Price over NA	1.2
52-wk price Range	RM2.51– RM3.36
Beta (against KLCI)	0.98
3-mth Avg Daily Vol	0.34m
3-mth Avg Daily Value	RM1.0m
Major Shareholders (%)	
Mac Ngan Boon	15.3
FIL Limited	8.2
LTH	6.9
CIMB Group Holdings	6.1

Current outstanding order book stands at RM2.1b, following the addition of the two contracts awarded. About RM515m or 25% of the total outstanding order book came from crane jobs, which were awarded to its subsidiaries. On tender book, it currently stands at about RM4.1b, of which 76% are related to infra jobs.

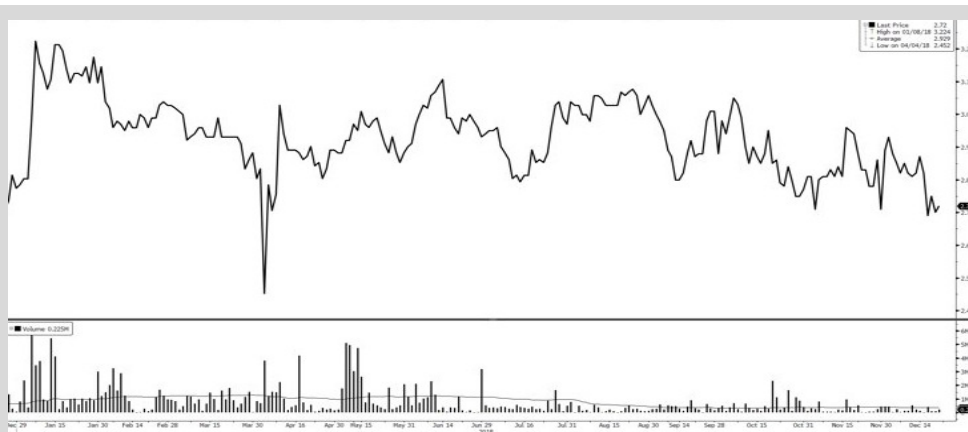
Recommendation. We maintain our **BUY** recommendation on the stock with an unchanged TP of RM3.15. We ascribe PE multiples of 15x to FY19EPS, which reflects the conservative current sector wide valuation on construction stocks. Our TP implies a +18.2% upside and earnings yield of 6.6%. 

INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17	FY18E	FY19F
Revenue (RM'm)	1,733.6	1,707.5	1,918.7	1,388.2	1,548.0	1,452.1
EBIT (RM'm)	110.9	178.8	87.6	81.5	108.4	116.2
Pre-tax Profit (RM'm)	145.1	183.1	160.5	216.4	185.8	150.7
PATAMI (RM'm)	81.4	107.7	105.5	131.6	123.8	101.7
EPS (sen)	17.7	23.6	22.2	27.4	25.7	21.1
EPS growth (%)	-10.5	33.6	-6.0	23.5	-6.2	-17.9
PER(x)	15.4	11.5	12.3	9.9	10.6	12.9
Net Dividend (sen)	4.0	5.0	5.0	7.0	5.0	6.4
Net Dividend Yield (%)	2.1	2.2	2.0	2.2	1.8	2.4

Source: MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.