

14 July 2015 | Corporate Update

Muhibbah Engineering Bhd

Awarded RM143.1m contract

Maintain BUY
Maintain Target Price (TP): RM2.73

INVESTMENT HIGHLIGHTS

- **Muhibbah has been awarded RM143.1m design and build contract by Northport (M) Bhd for upgrading and dredging work in Northport Container Terminal Four.**
- **Group's orderbook thereby increased to RM1.09b.**
- **We make no changes to our earnings forecasts as the contract value falls within our job replenishment assumptions.**
- **Overall, we maintain our BUY recommendation with a TP of RM2.73.**


Secured RM143.1m job. Muhibbah has been awarded a design and build contract worth RM143.1m by Northport (Malaysia) Bhd (NMB), a wholly owned subsidiary of NCB Holdings Bhd.

Scope. The job scope includes the Upgrading of Wharf 8 and Associated Works at Container Terminal Four (CT4) of Northport (Malaysia) Bhd for a contract sum of RM138.8m and additional dredging works of RM4.3m.

Duration. The job is scheduled to start no later than 22nd July 2015 with duration of 24 months.

Orderbook above a billion. With this new award, the Group's orderbook accordingly increased to RM1.09b.

Impact on earnings. The contract value falls within our job replenishment assumptions. Hence we make no changes to our earnings forecasts at this juncture.

Recommendation. We maintain our **BUY** stance with a **TP of RM2.73** based on FY15 sum-of-parts valuation (SOP). 

RETURN STATS	
Price (13 July 2015)	RM2.23
Target Price	RM2.73
Expected Share Price Return	+22.4%
Expected Dividend Yield	+2.2%
Expected Total Return	+24.6%

STOCK INFO	
KLCI	1,724
Bursa / Bloomberg	5703 / MUHI MK
Board / Sector	Main/Construction
Syariah Compliant	Yes
Issued shares (mil)	467.7
Par Value (RM)	1
Market cap. (RM'm)	1,057
Price over NA	1.42x
52-wk price Range	RM1.51 – RM3.44
Beta (against KLCI)	1.84x
3-mth Avg Daily Vol	1.49m
3-mth Avg Daily Value	RM3.67m
Major Shareholders (%)	
Ngan Boon Mac	20%
Lembaga Tabung Haji	10%

INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15F	FY16F
Revenue (RM'm)	1,936.4	1,692.8	1,966.4	1,943.8
EBIT (RM'm)	104.9	111.1	172.7	172.2
Pre-tax Profit (RM'm)	132.6	145.2	176.7	179.7
PATAMI (RM'm)	86.4	81.6	102.7	104.8
EPS (sen)	19.7	17.7	22.5	23.0
EPS growth (%)	>100	-10.4	27.2	2.0
PER(x)	10.9	10.6	9.9	9.7
Net Dividend (sen)	4.5	4.0	5.0	5.0
Net Dividend Yield (%)	2.0	2.1	2.2	2.2

Source: MIDFR

SOP VALUATION

Segments	Basis	Market Value (RM'm)	Per Share (RM)
Favelle Favco	MIDFR TP: RM3.30	433.0	0.93
Infrastructure construction	FY15 PER of 12x	276.7	0.59
Ship building & repair	FY15 PER of 6x	99.7	0.21
Cambodia airports	DCF Valuation	399.9	0.86
Road Maintenance	DCF Valuation	11.5	0.02
Total Sum-of-Parts (SOP)			2.61
Net (debt) / cash	As at 1QFY15	125.0	0.27
SOP per share (RM)			2.88
Discount			5%
Discounted SOP (RM)			2.73
Enlarged no. of shares (mil)			467.7

Source: MIDFR

DAILY PRICE CHART



Syed Muhammed Kifni
 Fadhli Dzulkifly
 abdul.fadhli@midf.com.my
 03-2772 1668

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement	FY13	FY14	FY15F	FY16F	Cash Flow Statement	FY13	FY14	FY15F	FY16F
Revenue	1,936.4	1,692.8	1,966.4	1,943.8	Operating activities				
Cost of sales	-1,723.1	-1,582.9	-1,649.8	-1,626.1	PBT	132.6	145.2	176.7	179.7
Operating expenses	-111.3	0.0	-143.9	-145.6	Depr & Amort	52.6	60.3	56.7	58.4
Other income	3.0	1.2	0.0	0.0	Chgs in working capital	205.8	-256.1	103.0	-30.8
EBIT	104.9	111.1	172.7	172.2	Non-cash adjustment	8.3	16.5	-4.0	-7.6
Net interest expense	-18.9	-13.7	-44.4	-42.4	Interest expense	-39.5	-24.5	-51.7	-50.3
PBT	132.6	145.2	176.7	179.7	Tax paid	-31.3	-38.7	-38.9	-39.6
Taxation	-16.4	-33.7	-38.9	-39.6	CF from Operations	328.3	-97.4	241.7	109.8
PATAMI	86.4	81.6	102.7	104.8					
					Investing activities				
Balance Sheet	FY13	FY14	FY15F	FY16F	Capex	-38.1	-56.6	-70.0	-70.0
Non-current assets	930.6	991.8	999.5	1010.0	Other income received	42.7	21.0	66.8	68.9
PPE	710.7	724.9	722.9	723.5	CF from Investments	4.6	-35.6	-3.2	-1.1
Investments in associate	219.9	266.9	276.6	286.6					
					Financing activities				
Current assets	1,719.6	2,173.3	2,062.1	2,102.0	Dividends paid to owners	-7.8	-19.1	-22.8	-22.8
Inventories	206.6	226.0	243.2	264.4	Dividends paid to MI	-31.9	-27.5	-60.9	-59.7
Receivables	664.2	756.5	787.5	817.6	Net proceeds in borrowings	-227.0	327.6	-250.7	-60.8
Amount due from customer	412.3	577.4	473.0	446.0	CF from Financing	-266.6	281.0	-334.4	-143.3
Other current assets	10.1	12.5	12.5	12.5					
Cash & equivalent	426.3	600.9	545.8	561.6	Net changes in cash	66.3	148.1	-96.0	-34.6
TOTAL ASSETS	2,650.2	3,165.1	3,061.6	3,112.0	Beginning cash	320.3	421.6	590.1	545.8
					Overdrafts	0.0	0.0	0.0	0.0
Share capital	211.2	215.7	215.7	215.7	Ending cash	386.6	569.7	494.1	511.2
Minority Interest	194.5	216.9	237.4	273.3					
Reserves	351.4	428.4	508.3	590.3	Ratios	FY13	FY14	FY15F	FY16F
TOTAL EQUITY	757.1	861.1	961.4	1,079.3					
					Revenue growth	-26.2%	-12.6%	16.2%	-1.2%
Non-current liabilities	199.0	131.1	127.9	124.8	PBT growth	>100%	9.5%	21.7%	1.7%
Long-term borrowings	137.3	69.3	66.0	62.9	PATAMI growth	>100%	-5.6%	25.9%	2.0%
Payables	61.7	61.9	61.9	61.9	PBT margin	6.8%	8.6%	9.0%	9.2%
					PATAMI margin	4.5%	4.8%	5.2%	5.4%
Current liabilities	1,694.0	2,172.8	1,972.3	1,907.9	ROE	15.4%	12.7%	14.2%	13.0%
Short-term borrowings	737.5	1167.6	920.2	862.5	ROA	3.2%	2.6%	3.4%	3.4%
Payables	539.7	625.7	604.8	626.5	Net gearing (x)	Ncash	Ncash	Ncash	Ncash
Amount due to customer	408.2	340.7	408.5	380.2	Book value/share (RM)	1.34	1.40	1.59	1.77
Other current liabilities	8.7	38.8	38.8	38.8	PBV (x)	1.7	1.3	1.4	1.3
TOTAL LIABILITIES	1,893.1	2,304.0	2,100.1	2,032.7	EV/share (RM)	3.36	3.31	3.74	3.88

Source: MIDFR

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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.