

Malaysia Marine & Heavy Engineering

(5186 | MMHE MK) Energy | Energy Infrastructure, Equipment & Services

Maintain BUY


Second offshore wind infrastructure project signed

Unchanged Target Price: RM0.65

DEVELOPMENT

- Malaysia Marine and Heavy Engineering Holdings Bhd (MMHE) secured a subcontract worth RM1.5 billion to build an offshore substation at a wind farm in the Netherlands.
- Fabrication works of the substation platform will begin in CY25 for 36 months and is expected to be completed by CY28.

OUR VIEW

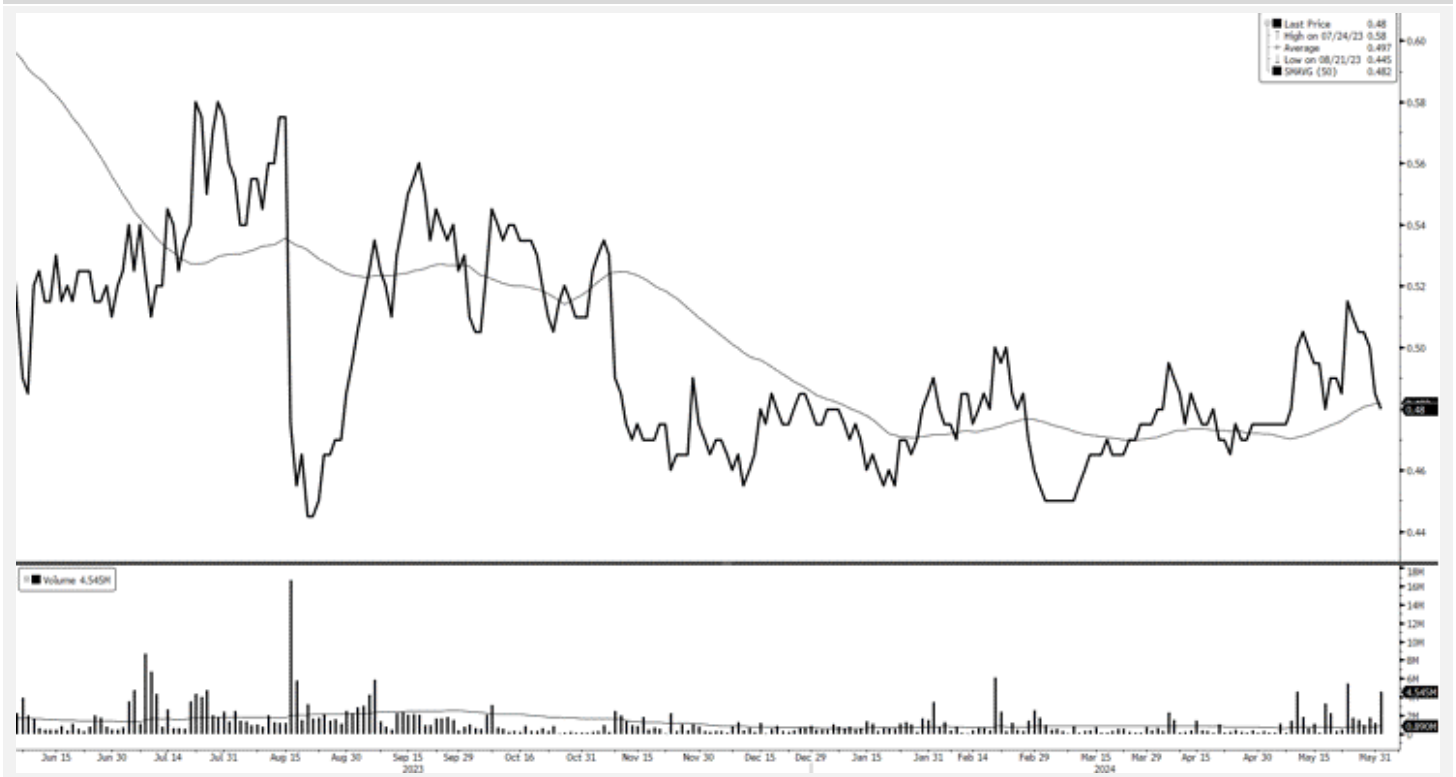
- **Part of large windfarm project in Europe.** The substation, which will comprise a 30kT topside and 10kT jacket, is part of TenneT BV's landmark two-gigawatt project in Europe. The substation will receive power produced from the wind farm and stepped up before being transmitted onshore. This is in tandem with the collective commitment from Germany, the Netherlands, Denmark and Belgium to install at least 65 GW of offshore wind energy by CY30.
- **MMHE's second offshore wind project.** The project, named the Nederwiek 1, is MMHE's second offshore wind project, which highlights the group's commitment to sustainable energy infrastructure development as well as the support for the rapid development of large-scale offshore wind infrastructure projects, which are crucial to Europe's energy transition aspirations.
- **Offshore wind projects still on the table.** All in all, we believe that this subcontract is a crucial step to achieving MMHE's ESG milestone, while also adding value to the group's EPCC for offshore platforms and jackets to include clean energy infrastructure as well. The project signifies MMHE's commitment to advancing clean energy solutions, while serving TenneT's offshore wind programme through constructing and supplying for the offshore substation. We expect that, with MMHE's expertise in EPCC for offshore structure, and barring any changes to the subcontract, the project would contribute positively to MMHE's financial performance in the long run.
- Considering that this project is still in its preliminary stages, we make no changes to our forecast projection for MMHE, and maintain our **BUY** call, with a **target price of RM0.65**. 

INVESTMENT STATISTICS

Income Statement	2022	2023	2024F	2025F	2026F
Revenue (RM'm)	1,651.6	3,309.4	3,636.4	3,737.5	3,818.2
EBITDA (RM'm)	145.4	(391.9)	141.7	173.9	212.5
Pretax Profit (RM'm)	46.7	(483.1)	53.7	70.4	90.1
Net Profit (RM'm)	67.6	(484.2)	54.7	71.4	91.1
Normalised net profit (RM'M)	67.6	(484.2)	54.7	71.4	91.1
EPS (sen)	4.2	(30.3)	3.4	4.5	5.7
EPS (%)	(1.3)	(8.2)	(1.1)	0.3	0.3
PER (x)	15.4	(2.1)	19.0	14.5	11.4
BVPS	1.11	0.79	1.04	1.08	1.13
PBR (x)	0.59	0.82	0.62	0.60	0.58
Dividend Per Share (sen)	-	1.5	1.3	1.2	1.2
Dividend Yield (%)	-	2.9	2.5	2.4	2.4

Source: Company, MIDFR

SHARE PRICE CHART



Source: Company, 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology