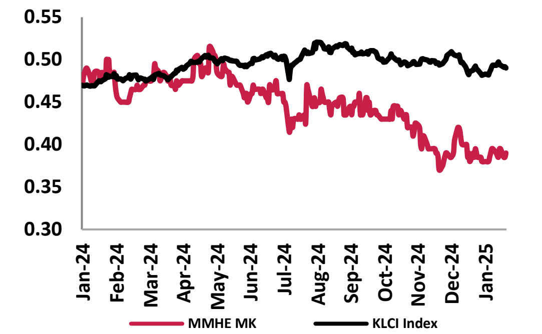
MMHE (MMHE MK) — Inline — BUY

Share Price	RM0.39	
Target Price	RM0.94	+141%

To Begin Executing RE Orderbook Soon!

- **Key highlights**. Malaysia Marine Heavy Engineering (MMHE) recorded a decline in revenue by 9.8 QoQ and 26.9% YoY to RM818mn amidst lower yard utilisation as many projects in heavy engineering (HEU) were progressing towards the tail-end. Among others, Kasawari CCS EPCIC and JDA Phase 6 projects were at 58% and 88% completion respectively as at end Dec 2024. However, 4Q24 core earnings remained stable at RM26mn (3.8% QoQ and >100% YoY) as it was underpinned by recognition of change order claims. Positively, this marks its fifth consecutive profitable quarters. Overall, the company ended FY24 campaign with a profit of RM121mn which is in stark contrast as compared to loss of RM484mn in FY23 which was affected by project cost overruns.
- **Earnings Revision.** No changes. We maintain our FY25F/FY26F earnings estimate at RM102mn/RM86mn respectively. However, we think there's upside risk to our margin assumption from (i) further recognition of change order claims, and (ii) better margin from for Offshore Substation (OSS) HVDC Platform for Ijmuiden ver Alpha Project EPC project (Ijmuiden EPC project) which constitute primarily the fabrication workscope.
- **Outlook.** Earnings outlook remain encouraging with orderbook sustained at RM5.2bn which is higher than FY20-21 average of RM2bn. This will keep the company busy until 2028. Despite on-going engineering projects are at tail-end stage of completion, the commencement of Ijmuiden EPC project that is scheduled to begin in April 2025 will sustain its revenue in FY2025. Its financial position is in better shape with gearing level improved to 0.2x from 0.3x following the full repayment of its revolving credit facility. As at end 4Q24, it is in net cash position of RM196mn or RM0.12/share.
- **Maintain BUY (TP: RM0.94)**. MMHE's FY24 core earnings is deemed within our estimate at 93% of our estimate. This is driven by steady progress of on-going engineering projects. We are optimistic that it can sustain its profitability with improved contract terms for works under its orderbook. Thus, reiterate a **BUY** call on MMHE with an unchanged SOP-derived **TP of RM0.94** which implies 1x FY25F P/B. Key catalysts include (i) new contract wins which is vital for orderbook replenishment, (ii) margin expansion from higher quality orderbook, and (iii) resumption in dividend payout.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(2.6)	(10.3)	(18.8)
vs FBM KLCI	1.7	(9.1)	(20.9)

Stock Data	
ESG Rating	Best
Mkt Cap (RM mn)	616.0
Adjusted Beta	0.9
Free float (%)	15.6
Issued shares (mn)	1,600.00
52w H/L (RM)	0.52 / 0.36
3m avg daily volume	471,380

Major Shareholders (%)	
MISC	66.5
Technip Energies	8.5
LTAT	3.1

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Table 1: Quarterly Figures

MMHE	Quarterly			Change (%)		Cumulative		YTD	BIMB	
FYE 31 Dec (RM mn)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	%	2024F	12M/F
Revenue	1,118.4	906.5	817.6	-9.8%	-26.9%	3,309.4	3,608.6	9.0%	3,260.0	111%
EBITDA	**25.9**	**46.5**	**47.3**	**1.8%**	**82.6%**	**110.5**	194.4	**75.9%**	**182.8**	**106%**
EBIT	8.4	27.1	27.3	0.9%	>100%	34.7	116.2	234.6%	99.4	117%
PBT	**6.0**	**16.0**	**22.0**	**38.0%**	**>100%**	**(483.1)**	**123.3**	n.m.	**115.2**	**107%**
PATAMI	6.2	15.3	21.4	40.1%	>100%	(484.2)	121.0	-125.0%	115.2	105%
Core PATAMI	**9.8**	**24.7**	**25.6**	**3.8%**	**>100%**	**34.0**	**106.7**	**214.1%**	**115.2**	**93%**
EPS (sen)	0.4	1.0	1.3			(30.3)	7.6			
EBITDA margin (%)	2.3	5.1	5.8			3.3	5.4			
PBT margin (%)	0.5	1.8	2.7			(14.6)	3.4			
Core PATAMI margin (%)	0.9	2.7	3.1			1.0	3.0			
Effective tax rate	-	(4.4)	(3.0)			0.2	(1.8)			

Source: BIMB Securities, Company

Table 2: Quarterly Segments Breakdown

Segments	4Q23	3Q24	4Q24	QoQ	YoY	Comments
Revenue (RM mn)						
HEU	1,020.2	799.9	708.1	-11%	-31%	Revenue declined due to lower project progress
MBU	98.2	106.5	109.5	3%	11%	Higher drydocking and repair services
Group	**1,118.4**	**906.5**	**817.6**	**-10%**	**-27%**	
PBT (RM mn)						
HEU	7.4	19.5	22.6	16%	207%	
MBU	2.0	11.0	7.0	-36%	248%	
Group	**10.9**	**20.8**	**33.9**	**63%**	**211%**	

Source: BIMB Securities, Company

Chart 1: MBU Quarterly PBT

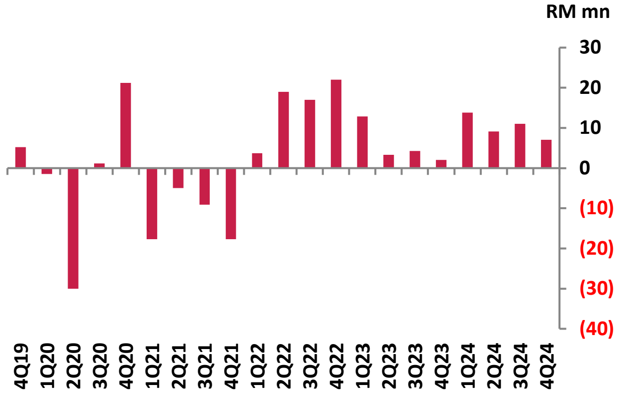
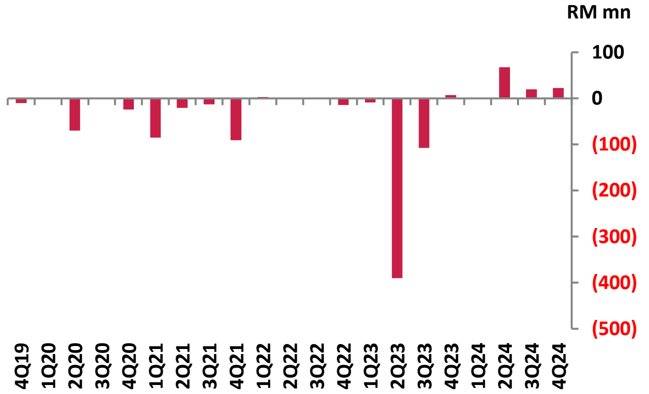


Chart 2: HEU Quarterly PBT

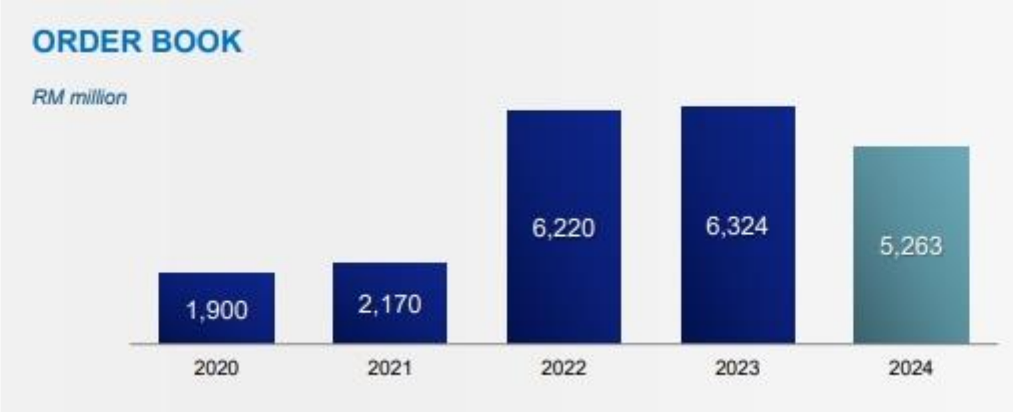


Source: Company, BIMB Securities

Figure 1: Project Milestone in HEU Segment in 2024

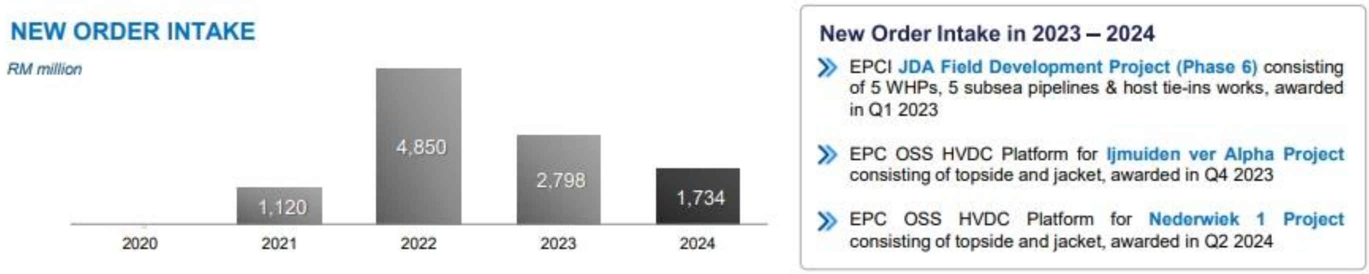
Source: Company, BIMB Securities
****NPA=Notice of Provisional Acceptance***

Figure 2: Outstanding Orderbook worth RM5.2bn



Source: Company, BIMB Securities

Figure 3: New Order Intake for 2021-2024



Source: Company, BIMB Securities

Table 3: TP Derivation Breakdown

Items	RM mn	per share (RM)	Remarks
Heavy engineering unit (HEU)	1,006.7	0.63	Based on 8x EV/EBITDA on average FY24-26F EBITDA
Marine business unit (MBU)	304.6	0.19	Based on 8x EV/EBITDA on average FY24-26F EBITDA
Enterprise value	**1,311.3**	**0.82**	
Add: (Net debt)/cash	190.6	0.12	As at audited account of FY23
Total equity value	**1,501.9**	0.94	
No. of shares (mn)	1,600.0		
Equity value per share (RM)	**0.940**		Implies 15x FY25F P/E and 1x FY25F P/B

Source: BIMB Securities

Table 4: Earnings forecast

FYE Dec (RM mn)	2022	2023	2024F	2025F	2026F
Turnover	1,652	3,309	3,260	2,301	1,801
EBITDA	198	93	183	165	144
Pretax profit	126	16	115	102	86
Net Profit	**68**	**-484**	**115**	**102**	**86**
Consensus			109	94	104
Core EPS (sen)	4.2	-30.3	7.2	6.4	5.4
PER (x)	10.3	-1.4	6.0	6.8	8.1
DPS (sen)	1.5	0.0	1.5	1.5	1.5
Div. Yield (%)	3.4	0.0	3.4	3.4	3.4
BVPS (RM)	1.11	0.79	0.86	0.91	0.95
P/B (x)	0.4	0.5	0.5	0.5	0.5
Key Ratios (%)					
ROE	3.8	-38.2	8.3	7.0	5.7
EBITDA margin	12.0	2.8	5.6	7.2	8.0
Pretax margin	7.6	0.5	3.5	4.4	4.8
Net margin	4.1	-14.6	3.5	4.4	4.8

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months. **SELL** Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market indexover the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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