

HLIB Research

PP 9484/12/2012 (031413)

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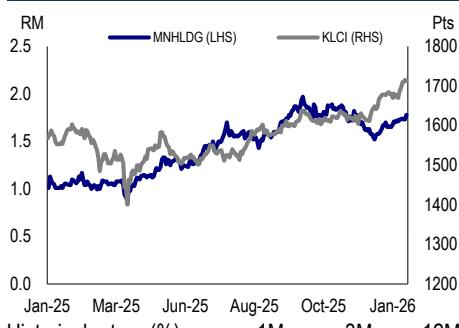
BUY (Maintain)

Target Price: **RM2.23**
Previously: **RM2.23**
Current Price: **RM1.78**

| | |
|-----------------------|-------|
| Capital upside | 25.3% |
| Dividend yield | 0.0% |
| Expected total return | 25.3% |

Sector coverage: Construction

Company description: MNH is principally engaged in the provision of underground utilities and substation engineering services and solutions.

Share price


| | | | |
|-----------------------|------|------|------|
| Historical return (%) | 1M | 3M | 12M |
| Absolute | 13.4 | 1.1 | 74.5 |
| Relative | 10.3 | -5.1 | 59.6 |

Stock information

| | |
|------------------------------|-----------|
| Bloomberg ticker | MNHLDG MK |
| Bursa code | 0245 |
| Issued shares (m) | 658 |
| Market capitalisation (RM m) | 1,171 |
| 3-mth average volume ('000) | 3,972 |
| SC Shariah compliant | Yes |
| F4GBM Index member | No |
| ESG rating | N/A |

Major shareholders

| | |
|------------------|------|
| Toh Eng Keat | 15.4 |
| Loy Siong Hay | 13.5 |
| Dang Siong Diang | 6.2 |

Earnings summary

| | | | |
|------------------|------|-------|-------|
| FYE (June) | FY25 | FY26f | FY27f |
| PATMI – core | 62.3 | 70.3 | 76.1 |
| EPS – core (sen) | 8.5 | 9.6 | 10.3 |
| P/E (x) | 21.0 | 18.6 | 17.2 |

MN Holdings

New DC win

MNH announced four LOAs from Customer A worth RM122m for DC projects in Cyberjaya and Johor. This lifts group orderbook to RM918m (1.7x FY25 revenue cover), with YTD wins at c.RM270m. We expect further contract flows from Tenaga and DCs, with incremental upside from the upcoming LSS5 and LSS5+ programmes supporting broader power infrastructure demand. We maintain BUY with an unchanged TP of RM2.23.

NEWSBREAK

MNH, via its wholly owned subsidiary MN Utilities Engineering Sdn. Bhd., has accepted four LOAs from Customer A with a combined value of RM122m. The scope covers the supply, delivery, installation and commissioning of power transformers, together with related equipment and systems. The project commenced on 13 Jan-26 and is scheduled for completion by Jun-27.

HLIB's VIEW of

Timely replenishment. The latest contract wins lift the group's orderbook to RM918m (1.7x FY25 revenue cover), with FY26 YTD wins at c.RM270m. We understand this DC project is for a western-based hyperscaler and marks MNH's first engagement with this customer. Unlike its traditional full-turnkey CLS job, this recent job scope is narrower, comprising mainly the supply and installation of four 275kV transformers across Cyberjaya and Johor DC campuses (two units each). The first two transformers are targeted for installation and commissioning by Dec-26, with the remaining two by Jun-27.

Expecting more job wins. We believe more Tenaga and DC-related contracts will come on-stream moving forward. For Tenaga, we estimate annual investments of RM3.0–3.5bn from its base capex into grid infrastructure, translating into a RM6.7–7.8bn job opportunities within the transmission substation segment for M&E players. On the DC front, we continue to see a robust pipeline, underpinned by expansion plans of existing clients and the anticipated entry of new DC operators into Malaysia. In particular, we are encouraged by Customer A's sizeable investment pipeline, which could offer MNH multi-year growth opportunities. Beyond Tenaga and DCs, the upcoming LSS5 and LSS5+ programmes are expected to drive further demand for power infrastructure, opening additional avenues for contract wins. With a strong track record in serving these sectors, MNH is well-positioned to capitalise on these emerging opportunities.

Forecast. Unchanged.

Maintain BUY with an unchanged TP of RM2.23, based on 22x CY26 fully diluted EPS (see Figure #1). All in, we favour the group for its strong exposure to high-growth sectors such as solar ad DC. Additionally, MNH is well-positioned as a proxy for Malaysia's rising power demand and stands to benefit from Tenaga's capex upcycle.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

| FYE June | Income Statement | | | | | | |
|-------------------------------|------------------|--------------|--------------|--------------|--------------|--------------|------|
| | FYE June | FY24 | FY25 | FY26f | FY27f | FY28f | |
| Cash | | 41.5 | 105.7 | 121.0 | 151.5 | 231.3 | |
| Receivables | | 55.9 | 113.7 | 170.6 | 223.9 | 230.4 | |
| Contract Asset | | 89.5 | 140.4 | 203.3 | 201.4 | 207.2 | |
| PPE | | 7.4 | 8.8 | 7.6 | 5.9 | 3.9 | |
| Others | | 11.9 | 24.1 | 23.8 | 23.6 | 23.3 | |
| Assets | | 206.2 | 392.7 | 526.2 | 606.2 | 696.0 | |
| Payables | | 55.6 | 119.6 | 182.9 | 186.7 | 188.5 | |
| Debt | | 19.8 | 9.1 | 9.1 | 9.1 | 9.1 | |
| Others | | 12.5 | 69.3 | 69.3 | 69.3 | 69.3 | |
| Liabilities | | 87.9 | 198.0 | 261.3 | 265.2 | 266.9 | |
| Shareholder's equity | | 118.4 | 194.6 | 265.0 | 341.1 | 429.1 | |
| Minority interest | | 0.0 | 0.0 | 1.0 | 2.0 | 3.0 | |
| Equity | | 118.4 | 194.6 | 265.0 | 341.1 | 429.1 | |
| Cash Flow Statement | | | | | | | |
| FYE June | FY24 | FY25 | FY26f | FY27f | FY28f | | |
| Profit before taxation | 24.7 | 68.5 | 93.1 | 100.7 | 116.5 | | |
| D&A | 3.5 | 3.1 | 4.6 | 5.0 | 5.4 | | |
| Working capital | -34.6 | -12.2 | -56.6 | -47.5 | -10.6 | | |
| Taxation | -7.6 | -20.3 | -22.8 | -24.6 | -28.5 | | |
| Others | 5.8 | 25.0 | 0.0 | 0.0 | 0.0 | | |
| CFO | -8.2 | 64.1 | 18.4 | 33.6 | 82.8 | | |
| Capex | -3.3 | -4.1 | -3.1 | -3.1 | -3.1 | | |
| Others | 0.6 | -19.6 | 0.0 | 0.0 | 0.0 | | |
| CFI | -2.8 | -23.7 | -3.1 | -3.1 | -3.1 | | |
| Shares issued | 28.4 | 23.3 | 0.0 | 0.0 | 0.0 | | |
| Dividends | 0.0 | -0.7 | 0.0 | 0.0 | 0.0 | | |
| Others | 6.2 | -8.9 | 0.0 | 0.0 | 0.0 | | |
| CFF | 34.6 | 13.7 | 0.0 | 0.0 | 0.0 | | |
| Net cash flow | 23.7 | 54.1 | 15.3 | 30.5 | 79.8 | | |
| Forex | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Others | -2.8 | 10.1 | 0.0 | 0.0 | 0.0 | | |
| Beginning cash | 20.5 | 41.5 | 105.7 | 121.0 | 151.5 | | |
| Ending cash | 41.5 | 105.7 | 121.0 | 151.5 | 231.3 | | |
| Income Statement | | | | | | | |
| FYE June | FY24 | FY25 | FY26f | FY27f | FY28f | | |
| Revenue | | 256.2 | 540.4 | 782.7 | 805.4 | 828.8 | |
| EBITDA | | 29.6 | 73.3 | 99.4 | 102.6 | 124.0 | |
| EBIT | | 26.1 | 70.2 | 94.8 | 102.6 | 118.6 | |
| Profit before tax | | 24.7 | 68.5 | 93.1 | 100.7 | 116.5 | |
| Tax | | -7.6 | -20.3 | -22.8 | -24.6 | -28.5 | |
| Net profit | | 17.2 | 48.2 | 70.3 | 76.1 | 88.1 | |
| Minority interest | | 0.0 | 1.0 | 2.0 | 3.0 | 4.0 | |
| Reported PATMI | | 17.2 | 48.2 | 70.3 | 76.1 | 88.1 | |
| Exceptionals | | 1.9 | 0.0 | 0.0 | 0.0 | 1.0 | |
| Core PATMI | 19.1 | 62.3 | 70.3 | 76.1 | 88.1 | | |
| Consensus core PATMI | | | | | 67.7 | 73.8 | 83.5 |
| HLIB/ Consensus | | | | | 104% | 103% | 105% |
| Valuation & Ratios | | | | | | | |
| FYE June | FY24 | FY25 | FY26f | FY27f | FY28f | | |
| Core EPS (sen) | | 2.6 | 8.5 | 9.6 | 10.3 | 12.0 | |
| P/E (x) | | 68.6 | 21.0 | 18.6 | 17.2 | 14.9 | |
| DPS (sen) | | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | |
| Dividend yield (%) | | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | |
| BVPS (RM) | | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | |
| P/B (x) | | 11.1 | 6.7 | 4.9 | 3.8 | 3.1 | |
| EBITDA margin | | 11.6% | 13.6% | 12.7% | 12.7% | 15.0% | |
| EBIT margin | | 10.2% | 13.0% | 12.1% | 12.7% | 14.3% | |
| PBT margin | | 9.6% | 12.7% | 11.9% | 12.5% | 14.1% | |
| Net margin | | 7.5% | 11.5% | 9.0% | 9.4% | 10.6% | |
| ROE | | 16.1% | 32.0% | 26.5% | 22.3% | 20.5% | |
| ROA | | 9.3% | 15.9% | 13.4% | 12.6% | 12.7% | |
| Net gearing | | CASH | CASH | CASH | CASH | CASH | |
| Assumptions | | | | | | | |
| FYE June | FY24 | FY25 | FY26f | FY27f | FY28f | | |
| Order replenishment ('m) | - | - | 450 | 650 | 650 | | |

Figure #1 FV calculation

| Valuation | Basic | Fully Diluted |
|---|-------|---------------|
| FY27F projected after tax earnings (RM'm) | 73.2 | 73.2 |
| +Net Interest savings | - | 1.5 |
| Adjusted FY26F projected earnings (RM'm) | 73.2 | 74.7 |
| Number of shares (m) | 594.8 | 594.8 |
| + Number of warrents (m) | - | 71.6 |
| + Number of private placement (m) | | 59.5 |
| +ESOS | - | 9.7 |
| Number of fully diluted shares (m) | 594.8 | 735.7 |
| EPS | 12.3 | 10.2 |
| Fair Value (RM) | 2.71 | 2.23 |

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Published & printed by:

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Stock rating guidelines

| | |
|---------------------|---|
| BUY | Expected absolute return of +10% or more over the next 12 months. |
| HOLD | Expected absolute return of -10% to +10% over the next 12 months. |
| SELL | Expected absolute return of -10% or less over the next 12 months. |
| UNDER REVIEW | Rating on the stock is temporarily under review which may or may not result to a change from the previous rating. |
| NOT RATED | Stock is not or no longer within regular coverage. |

Sector rating guidelines

| | |
|--------------------|---|
| OVERWEIGHT | Sector expected to outperform the market over the next 12 months. |
| NEUTRAL | Sector expected to perform in-line with the market over the next 12 months. |
| UNDERWEIGHT | Sector expected to underperform the market over the next 12 months. |

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