Malaysia Marine & Heavy Engineering Holdings Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Weakness Has Been Priced In

Maintain **BUY**

Unchanged Target Price **RM0.46**

Maintain BUY. Malaysia Marine & Heavy Engineering's (MMHE) 3QFY25 earnings came in line with our expectation, at 73%, but lower end of consensus' expectations at 71%. We maintain our **BUY** call on MMHE, with a **TP of RM0.46**, given by its strong orderbook and more active construction phases to add for a better result in 4QFY25. Our **BUY** call provides a potential upside of 24% from the current price of RM0.37.

Better overall performance on the quarterly basis. Revenue increased by +18% on a quarterly basis, supported by better performance in Heavy Engineering as newly secured projects progress into more active construction phases, offset by a slight decline in the Marine division. The improved revenue performance was also reflected in better profitability, with PATAMI increasing to RM27.7m from RM15.6m, representing a +77.5% improvement.

The weakness of FY25 vs FY24 has been priced in. The 3QFY25 and 9MFY25 revenue fell to RM510m (-43%yoy) and RM1394.5m (-50%yoy) respectively. The results did not come as a surprise, as the weakness had been evident throughout the year due to lower contributions from the Heavy Engineering (HE) segment. However, earnings-wise, the performances were mixed, with the 3QFY25, which stood at RM27.7m, being +81.3% better than the 3QFY24. Meanwhile, 9MFY25 PATAMI dropped to RM58.1m (-41.2% yoy) compared to 9MFY24, which was at RM89.9m, due to the significant project cost claim received in 2QFY24. Without the lumpy project cost claim, the result would be comparable in our opinion.

Declining trend of orderbook. MMHE's orderbook currently stands at RM4.84b, down by -6.5% compared to the standing orderbook in 2QFY25. Out of the outstanding order book, 99% of it is for the Heavy Engineering segment, while the rest is from the Marine segment. While the current orderbook could provide more than 1x revenue coverage for the company, we are concerned about the overbook replenishment, as the company has only managed to secure RM572m worth of projects year-to-date (YTD). Furthermore, based on the 5-year historical orderbook standing, there is a declining trend in the orderbook, which reached its peak at RM6.32b in 2023. Further checks have shown that the bulk of the order book (RM4.85b) came in 2022, while RM2.8b worth of the orderbook was added in 2023 and RM1.73b in 2024.

Recent softness has been priced in. We maintain our **target price at RM0.46**, based on FY25's EPS of 4.4 sen with a PER of 10.5x, a discount of -0.5 SD from MMHE's average 1-year PER of 13x. The PER is also comparable to the heavy engineering subsector's 1-year PER of about 10.4x-11.0x. The valuation is justified due to the company's stable earnings, despite a year-over-year decline in revenue. Furthermore, its strong commitment to ESG should warrant the valuation premium.

RETURN STATISTICS	
Price @ 14th Nov. 2025 (RM)	0.37
Expected share price return (%)	+24.3
Expected dividend yield (%)	0.0
Expected total return (%)	+24.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.5	-8.6
3months	-12.9	2.5
12 months	-15.9	-17.6

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	1,780	1,881	2,039
Operating Profit	81	82	86
Profit Before Tax	72	75	82
Core PATAMI	73	79	89
Core EPS	4.4	4.6	5.0
DPS	0.0	0.0	0.5
Dividend Yield	0.0	0.0	1.0

KEY STATISTICS	
FBM KLCI	1625.67
Issue shares (m)	1600.00
Estimated free float (%)	16.89
Market Capitalisation (RM'm)	592.00
52-wk price range	RM0.30 - 0.48
3-mth average daily volume (m)	2.04
3-mth average daily value (RM'm)	0.83
Top Shareholders (%)	
MISC Bhd	66.5
Technip Energies M Sdn Bhd	8.50
Lembaga Tabung Angkatan Tentera	3.09

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Table 1: MMHE's 3QFY25 earnings review

Financial year ending 31st December (in RM'm unless otherwise stated)	Quarterly Results					Cumulative		
	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY(%)	9MFY24	9MFY25	YoY (%)
Revenue	906.5	431.6	509.9	18.1	(43.8)	2,791.0	1,394.5	(50.0)
Other operating income	(6.1)	12.8	2.6	(79.7)	(142.1)	26.8	11.0	(58.9)
Operating profit/(loss)	20.8	13.1	31.6	140.9	52.3	114.3	60.1	(47.4)
Finance cost	(4.8)	(2.8)	(3.0)	(25.5)	(37.2)	(13.1)	(8.5)	(34.9)
Profit before taxation	16.0	10.3	28.6	176.9	79.4	101.2	51.6	(49.0)
Taxation	(0.7)	(0.3)	(0.4)	(99.5)	(39.1)	(1.6)	(1.1)	(27.8)
Profit after taxation	15.3	10.1	28.2	180.4	84.8	99.7	50.5	(49.3)
PATAMI/LATAMI	**15.3**	**15.6**	**27.7**	**77.5**	**81.3**	**98.9**	**58.1**	(41.2)
EPS Basic(sen)	1.0	0.6	1.8	200.0	80.0	6.2	3.2	(48.4)
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
Operating profit margin (%)	2.3	3.0	6.2	3.2	3.9	4.1	4.3	0.2
PATAMI margin (%)	1.7	3.6	5.4	1.8	3.7	3.5	4.2	0.6
Tax rate (%)	(4.4)	2.7	1.5	(1.3)	5.9	(1.6)	(2.2)	(0.6)
SEGMENTAL								
Segmental Revenue								
Heavy Engineering	799.9	310.0	393.8	27.0	(50.8)	2,478.5	1,023.9	(58.7)
Marine	106.5	121.6	116.1	(4.5)	9.0	312.5	370.6	18.6
Segmental EBIT								
Heavy Engineering	19.5	1.5	27.8	1,753.7	42.0	87.5	31.5	(64.1)
Marine	11.0	11.0	9.6	(13.0)	(13.3)	33.9	37.9	11.7
EBIT Margin (%)				*+/(-) ppts*				*+/(-) ppts*
Heavy Engineering	2.4	0.5	7.0	6.6	4.6	3.5	3.1	(0.5)
Marine	10.3	9.0	8.2	(0.8)	(2.1)	10.9	10.2	(0.6)

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	3309	3609	1780	1881	2039
EBIT	-468	141	81	82	86
PBT	-483	123	72	75	82
Taxation	-1	-2	-2	-2	-2
PAT	-484	121	70	73	80
MI	0	0	0	0	0
PATAMI	-484	121	70	73	80
Core PATAMI	-466	163	73	79	89
EPS (sen)	-30.3	7.6	4.4	4.6	5.0
PER (x)	-2.3	9.3	8.5	8.1	7.4
DPS (sen)	1.5	0.0	0.0	0.0	0.5
Dividend yield (%)	2.9	0.0	0.0	0.0	1.0

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	-483	123	72	75	82
Depreciation	68	70	70	72	70
OP pre-WC changes	87	187	146	152	157
Change in NWC	-250	-63	101	104	99
Operating cash flow	**-163**	**124**	**248**	**256**	**255**
Capital expenditure	-82	-112	-115	-104	-113
Investing cash flow	**-68**	**-100**	**-102**	**-91**	**-99**
Debt raised/(repaid)	68	-68	-9	-18	-68
Dividends paid	-24	0	0	0	0
Financing cash flow	**-8**	**-124**	**-47**	**-58**	**-111**
Net cash flow	**-239**	**-100**	**99**	**107**	**46**
Beginning cash flow	**-240**	**558**	**458**	**545**	**652**
Ending cash flow	**558**	**458**	**545**	**652**	**698**

Growth (%)	2023A	2024E	2025F	2026F	2027F
Revenue growth	100.3	9.0	-50.7	5.7	8.4
PBT growth	1,133.6	491.8	-41.8	4.3	9.5
PATAMI growth	-816.3	500.2	-42.3	4.4	9.7
Core PATAMI growth	-817.3	500.0	-55.5	9.1	12.2

Profitability Ratios (%)	2023A	2024E	2025F	2026F	2027F
EBIT margin	-14.1	3.9	4.6	4.4	4.2
PBT margin	-14.6	3.4	4.0	4.0	4.0
PATAMI margin	-14.6	3.4	3.9	3.9	3.9
Core PATAMI margin	-14.1	4.5	4.1	4.2	4.4
ROA	-12.8	4.6	2.0	2.1	2.3
ROE	-36.8	11.8	5.1	5.5	5.8

Balance Sheet (RM'm)	2023A	2024E	2025F	2026F	2027F
PPE	1,508	1,535	1,566	1,588	1,610
ROU assets	195	187	190	189	188
Non-current assets	**1,798**	**1,817**	**1,852**	**1,873**	**1,893**
Trade receivables	1,291	1,254	1,265	1,246	1,252
Cash & bank balances	558	458	545	652	698
Current assets	**1,851**	**1,714**	**1,814**	**1,902**	**1,956**
Long-term debt	261	222	253	268	257
Non-current liabilities	**268**	**228**	**258**	**273**	**263**
Short-term debt	106	39	53	67	79
Trade payables	1,981	1,880	1,923	1,977	1,963
Current liabilities	**2,113**	**1,922**	**1,989**	**2,055**	**2,054**
Share capital	1,618	1,618	1,618	1,618	1,619
Reserves	-352	-231	-202	-173	-90
Equity	**1,267**	**1,380**	**1,418**	**1,447**	**1,532**

Liquidity Ratios (x)	2023A	2024E	2025F	2026F	2027F
Current ratio	0.9	0.9	0.9	0.9	1.0
Quick ratio	0.3	0.2	0.3	0.3	0.3

Leverage Ratios (x)	2023A	2024E	2025F	2026F	2027F
Debt-to-equity	1.9	1.6	1.6	1.6	1.5
Interest coverage	30.4	1.2	1.2	1.1	1.1

Efficiency Ratios (days)	2023A	2024E	2025F	2026F	2027F
Cash conversion cycle	-48	-72	-147	-153	-138
DIO	0.3	0.3	0.6	0.6	0.6
DSO	142.4	126.8	259.4	241.7	224.1
DPO	190.7	199.4	406.6	395.5	362.2

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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