Malaysia Marine & Heavy Engineering Holdings Berhad

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

SHARIAH Compliant | 4 Stars | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.46**

Corporate Update

Better Margins & Earning Visibility

Maintain BUY. Malaysia Marine & Heavy Engineering's (MMHE) FY25 earnings came in above our expectations at 112% and ahead of consensus at 128%. The earnings outperformance was primarily driven by stronger-than-expected margins from favourable project close-outs in the Heavy Engineering segment and a robust contribution from the Marine segment, which more than offset weaker-than-expected revenue recognition. As such, we maintain our **BUY** call on MMHE, with our **target price** unchanged at **RM0.46**.

Earnings improved despite weaker revenue, supported by margin expansion. FY25 operating profit declined to RM116.0m (-18%yoy) in tandem with lower revenue contribution from the Heavy Engineering (HE) segment. However, operating profit margin improved to 5.9%, compared to 3.9% in FY24, reflecting better cost control and favourable outcomes from completed projects' close-out. Meanwhile, PATAMI margin expanded to 5.6%, up from 3.4% previously, supported by improved execution discipline and stronger contribution from the Marine segment. The margin uplift partially mitigated the impact of lower revenue recognition and underscores improving earnings quality despite a softer topline.

HE registered FY25 revenue of RM1.42bn (-56%yoy) as several major projects approached completion, while newly secured contracts remained at early fabrication stages, limiting revenue recognition. Meanwhile, FY25 HE EBIT declined to RM71.4m (-35%yoy) from RM110.1m in FY24. The weaker EBIT was primarily due to lower overall activity levels. Nevertheless, when compared to FY24, HE profitability improved as favourable project close-outs supported margins despite softer revenue.

Marine services remained resilient amid softer HE activity. The Marine segment recorded FY25 revenue of RM560.5m (+33%yoy), supported by sustained demand for LNG carrier repairs and higher vessel conversion activities. Likewise, FY25 Marine EBIT rose to RM63.1m (+54%yoy) from RM41.0m in FY24, reflecting stronger job execution and improved operational efficiency. The earnings improvement was primarily driven by higher conversion works, repeat LNG carrier repair jobs, and timely project delivery, which collectively underpinned margin expansion within the segment.

Orderbook provides near-term visibility, replenishment remains key. MMHE's orderbook stood at approximately RM4.0bn as at end-FY25, with ~84% contributed by the Heavy Engineering (HE) segment and the balance from Marine works. Meanwhile, MMHE's tender book remained healthy at approximately RM14bn, underpinning management's selective bidding strategy. We opine that the existing orderbook is sufficient to sustain near-term operations, while conversion of tenders into firm awards will be critical to support medium-term growth.

RETURN STATISTICS	
Price @ 23rd Feb 2026 (RM)	0.355
Expected share price return (%)	+29.5
Expected dividend yield (%)	0.0
Expected total return (%)	+29.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.1	-6.1
3months	-2.7	-11.7
12 months	-6.6	-15.5

INVESTMENT STATISTICS

FYE Dec (RM m)	2025A	2026F	2027F
Revenue	1,976	1,881	2,039
Operating Profit	116	82	86
Profit Before Tax	104	75	82
Core PATAMI	112	79	89
Core EPS	6.5	4.6	5.0
DPS	0.0	0.0	0.5
Dividend Yield	0.0	0.0	1.0

KEY STATISTICS	
FBM KLCI	1,757.98
Issue shares (m)	1600.00
Estimated free float (%)	16.89
Market Capitalisation (RM'm)	568.00
52-wk price range	RM0.31 - RM0.49
3-mth average daily volume (m)	0.32
3-mth average daily value (RM'm)	0.11
Top Shareholders (%)	
MISC Bhd	66.5
Technip Energies M Sdn Bhd	8.50
Lembaga Tabung Angkatan Tentera	2.25

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Near-term downside risks remain, notably: (i) global geopolitical and economic risks that can disrupt sourcing of materials and equipment, (ii) project delivery challenges due to rising costs, (iii) volatile commodity prices (oil, gas and steel), and (iv) tight competition with other bigger, more modern yards. Nevertheless, we remain positive on MMHE's outlook, supported by higher demand for vessel maintenance and retrofits. As such, we reiterate our **BUY** recommendation on MMHE.

Table 1: MMHE's FY25 earnings review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	431.6	509.9	581.7	14.1	34.8	3,608.6	1,976.3	-45.2
Other operating income	12.8	2.6	15.5	498.3	20.8	43.5	26.5	-39.2
Operating profit/(loss)	13.1	31.6	55.8	76.5	326.3	141.0	116.0	-17.8
Finance cost	-2.8	-3.0	-3.0	-1.8	5.9	-17.8	-11.5	-35.4
Profit before taxation	10.3	28.6	52.9	84.7	413.4	123.3	104.5	-15.2
Taxation	-0.3	-0.4	-0.6	37.6	95.0	2.2	-1.7	-176.3
Profit after taxation	10.1	28.2	52.3	85.5	417.8	121.0	102.8	-15.1
Minority interests	-	-	-	-	-	-	-	-
PATAMI/LATAMI	**15.6**	**27.7**	**52.3**	89.1	235.2	**121.0**	**110.4**	-8.8
Normalised PATAMI/(LATAMI)	17.7	28.2	55.3	96.1	212.5	163.1	112.3	-31.1
EPS Basic(sen)	0.6	1.8	3.3	83.3	450.0	7.6	6.5	-14.5
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
Operating profit margin (%)	3.0	6.2	9.6	54.7	220.0	3.9	5.9	50.2
PATAMI margin (%)	3.6	5.4	9.0	65.7	148.7	3.4	5.6	66.5
Tax rate (%)	2.7	1.5	1.1	-25.5	-59.0	-1.8	1.6	-190.0
SEGMENTAL								
Revenue:								
Heavy Engineering	310.0	393.7	1415.8	259.6	356.7	3186.6	1415.8	-55.6
Marine	121.6	116.1	560.5	382.8	360.9	422.0	560.5	32.8
EBIT:								
Heavy Engineering	1.5	27.8	71.4	157.2	>100	110.1	71.4	-35.2
Marine	11.0	9.5	63.1	563.7	473.9	41.0	63.1	54.0
EBIT Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Heavy Engineering	0.5	7.1	5.0	-28.5	908.5	3.5	5.0	45.9
Marine	9.0	8.2	11.3	37.5	25.2	9.7	11.3	15.9

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025A	2026F	2027F
Revenue	3309	3609	1,976.3	1881	2039
EBIT	-468	141	116.0	82	86
PBT	-483	123	104.5	75	82
Taxation	-1	-2	-1.7	-2	-2
PAT	-484	121	102.8	73	80
MI	0	0	0.0	0	0
PATAMI	-484	121	110.4	73	80
Core PATAMI	-466	163	112.3	79	89
EPS (sen)	-30.3	7.6	6.3	6.7	7.3
PER (x)	-2.3	9.3	8.1	7.6	7.0
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	2025A	2026F	2027F
Revenue growth	100.3	9.0	-45.23	5.7	8.4
PBT growth	1,133.6	491.8	-15.24	4.3	9.5
PATAMI growth	-816.3	500.2	-8.87	4.4	9.7
Core PATAMI growth	-817.3	500.0	-31.14	9.1	12.2

Profitability Ratios (%)	2023A	2024E	2025F	2026F	2027F
EBIT margin	-14.1	3.9	5.9	4.4	4.2
PBT margin	-14.6	3.4	5.3	4.0	4.0
PATAMI margin	-14.6	3.4	5.6	3.9	3.9
Core PATAMI margin	-14.1	4.5	5.7	4.2	4.4
ROA	-12.8	4.6	3.0	2.1	2.3
ROE	-36.8	11.8	7.9	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