Corporate Update

Malaysia Marine & Heavy Engineering Holdings Berhad

(5186 | MMHE MK) Main | Energy

SHARIAH Compliant | 4 Stars | FTSE4Good

Maintain **BUY**

Revised Target Price **RM0.49**
(from RM0.59)

3Q26: Beats Expectations; Deep in Value

Above expectations, Maintain BUY @ TP: RM0.49

After delivering a bumper 2Q26 post-delivery of its Kasawari project, MMHE continued to show strength in its normalised quarterly revenue and profit run-rate in 3Q26. **We deem MMHE to be deeply undervalued** as it currently trades at only 3.7x-4.7x on our revised FY26-27E core net profit forecasts. MMHE will continue to be a beneficiary of PTTEP's WHP job tenders and more conversion opportunities amidst the global FPSO upcycle. **Maintain BUY with a TP of RM0.49** – pegged to a PER of 7x on FY27E EPS. **MMHE is our sector's top pick.**

Earnings revision

After the results, we rebuilt our earnings model. We raise FY26E EPS by 3% and cut FY27–28E EPS by 25%/24%. We also assume a 20% dividend payout from FY27E. That works out to a DPS of 1.4 sen and a yield of 4.3%.

Investment Highlights

1. **Above expectations.** MMHE recorded a 3QFY26 core net profit of RM39.2m (-35%qoq, +7%yoy), bringing 9M26 core earnings to RM115.6m (+90%yoy). The results came in **above expectations** at 85%/84% of ours/consensus full-year FY26E estimates.

2. **QoQ.** Revenue and core net profit fell -30%/-35%, as the lumpy contribution from Kasawari Phase 2 dropped out after delivery. We see 3QFY26 as a more normal, recurring run-rate for the group.

3. **YoY.** Revenue and core net profit rose +36%/+7%. We attribute this to (i) ongoing projects moving into heavier construction phases, and (ii) more progress on floater conversion jobs, which we understand include a certain FSU and a major local FPSO project.

4. **Conversion for Limbayong?** On 20 August 2026, reports said MISC (NEUTRAL, TP: RM8.33) had bought the FPSO Excalibur from DNeX (Not Rated) for USD35m. We think the vessel could be redeployed for the Limbayong project. If so, we see MMHE as the frontrunner for the conversion work.

5. **Dividends likely to resume in FY27E.** We expect MMHE to clear its accumulated losses by end-FY26E on the back of its strong earnings recovery. **We assume a 20% payout from FY27E, implying a DPS of 1.4 sen and a 4.3% yield.** This could be a re-rating catalyst for the group.

6. **Deeply undervalued.** We maintain **BUY** with a **TP of RM0.49** – pegged to a PER of 7x on FY27E EPS. At 3.7–4.7x FY26–27E PER, we think the stock does not yet reflect MMHE's normalised earnings run-rate. It also does not reflect the steady flow of WHP call-offs from PTTEP, the potential conversion jobs from the FPSO upcycle, or dividends resuming in FY27E. MMHE remains our top sector pick. Key downside risks: (i) delays or lower-than-expected work-order call-offs, and (ii) cost overruns on fixed-price contracts.

RETURN STATISTICS	
Price @ 24 November 2026 (RM)	0.325
Expected share price return (%)	50.8%
Expected dividend yield (%)	4.3%
Expected total return (%)	**55.1%**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.3	-1.8
3 months	-8.3	-7.6
12 months	-9.6	-6.8

INVESTMENT STATISTICS

FYE Dec	FY26E	FY27E	FY28E
Revenue	2,723.4	2,341.1	2,458.2
Operating Profit	153.2	117.3	123.2
PBT	143.4	113.3	123.0
Core PATAMI	140.5	111.0	120.5
Core EPS (MYR)	0.09	0.07	0.08
DPS (MYR)	0.00	0.01	0.02
Dividend Yield	0.0%	4.3%	4.6%

KEY STATISTICS	
FBM KLCI	1,561.68
Issue shares (m)	1600.00
Estimated free float (%)	17.21
Market Capitalisation (RM'm)	528.00
52-wk price range	RM0.31 - RM0.47
3-mth average daily volume (m)	0.52
3-mth average daily value (RM'm)	0.19
Top Shareholders (%)	
MISC	66.5%
Technip Energies	8.5%
Amanah Saham Nasional	1.5%

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FIG 1: RESULTS REVIEW

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Revenue	**692.2**	**509.9**	***36%***	**986.7**	***-30%***	**2,200.9**	**1,394.5**	***58%***
Other operating income	7.1	2.6	*174%*	20.6	*-66%*	45.6	11.0	*314%*
Operating Profit (EBIT)	**37.5**	**31.6**	***19%***	**67.4**	***-44%***	**122.9**	**60.1**	***104%***
Finance Cost	-3.9	-3.0	*30%*	-4.8	*-18%*	-12.1	-8.5	*42%*
Share of JV	3.4	0.0	*NA*	-1.4	*-347%*	2.0	0.0	*NA*
Profit Before Tax (PBT)	**37.0**	**28.6**	***29%***	**61.2**	***-39%***	**112.9**	**51.6**	***119%***
Taxation	-0.6	-0.4	*49%*	-0.6	*5%*	-1.6	-1.1	*43%*
Profit After Tax (PAT)	**36.4**	**28.2**	***29%***	**60.6**	***-40%***	**111.3**	**50.5**	***120%***
Minority Interest	0.0	0.1	*-100%*	0.0	*-100%*	0.0	0.1	*-71%*
PATAMI	**36.4**	**28.3**	***29%***	**60.6**	***-40%***	**111.3**	**50.6**	***120%***
Exceptional Items	2.8	8.5	*-67%*	-0.5	*-683%*	4.3	10.2	*-57%*
Core Net Profit (CNP)	**39.2**	**36.8**	***7%***	**60.1**	***-35%***	**115.6**	**60.8**	***90%***

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Margins			***+/- ppts***		***+/- ppts***			***+/- ppts***
EBIT	5.4%	6.2%	*-0.8*	6.8%	*-1.4*	5.6%	4.3%	*1.3*
PBT	5.3%	5.6%	*-0.3*	6.2%	*-0.9*	5.1%	3.7%	*1.4*
PAT	5.3%	5.5%	*-0.3*	6.1%	*-0.9*	5.1%	3.6%	*1.4*
PATAMI	5.3%	5.5%	*-0.3*	6.1%	*-0.9*	5.1%	3.6%	*1.4*
CNP	5.7%	7.2%	*-1.6*	6.1%	*-0.4*	5.3%	4.4%	*0.9*
Tax Rate	1.7%	1.5%	*0.2*	1.0%	*0.7*	1.4%	2.2%	*-0.8*

Source: Company, MBSBR

FIG 2: SEGMENTAL BREAKDOWN

Segmental Breakdown	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Revenue								
Heavy Engineering	472.9	393.8	*20%*	870.2	*-46%*	1,766.3	1,023.9	*72%*
Marine	219.4	116.1	*89%*	116.6	*88%*	434.6	370.6	*17%*
EBIT								
Heavy Engineering	20.4	27.8	*-26%*	62.0	*-67%*	92.7	31.5	*195%*
Marine	22.4	9.6	*135%*	7.5	*198%*	36.7	37.9	*-3%*
EBIT margins			***+/- ppts***		***+/- ppts***			***+/- ppts***
Heavy Engineering	4.3%	7.0%	*-2.7*	7.1%	*-2.8*	5.2%	3.1%	*2.2*
Marine	10.2%	8.2%	*2.0*	6.5%	*3.8*	8.4%	10.2%	*-1.8*

Source: Company, MBSBR

FINANCIAL SUMMARY

FYE DECEMBER (MYR m)

INCOME STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**3,608.6**	**1,976.3**	**2,723.4**	**2,341.1**	**2,458.2**
Gross Profit	**431.8**	**364.9**	**440.6**	**364.7**	**382.9**
Operating Profit (EBIT)	**141.0**	**116.0**	**153.2**	**117.3**	**123.2**
Finance Costs	-17.8	-11.5	-15.9	-14.1	-12.2
Share of JV/associate	0.0	0.0	6.0	10.0	12.0
Profit Before Tax (PBT)	**123.3**	**104.5**	**143.4**	**113.3**	**123.0**
Taxation	-2.2	-1.7	-2.9	-2.3	-2.5
Profit After Tax (PAT)	**121.0**	**102.9**	**140.5**	**111.0**	**120.5**
PATAMI	**121.0**	**102.9**	**140.5**	**111.0**	**120.5**
Core Net Profit	**106.7**	**118.7**	**140.5**	**111.0**	**120.5**
Core EPS (MYR)	**0.07**	**0.07**	**0.09**	**0.07**	**0.08**
PER (x)	**4.9**	**4.4**	**3.7**	**4.7**	**4.3**
DPS (MYR)	**0.0**	**0.0**	**0.0**	**0.014**	**0.015**
Dividend Yield				**4.3%**	**4.6%**

BALANCE SHEET	FY24A	FY25A	FY26E	FY27E	FY28E
PPE	1,722.5	1,806.7	1,923.6	2,038.0	2,149.9
Total Non-Current Assets	**1,816.6**	**1,901.3**	**2,024.2**	**2,148.6**	**2,272.5**
Inventories	2.6	3.3	3.3	2.9	3.0
Receivables	284.4	182.1	232.8	200.1	210.1
Cash and cash equivalents	457.6	458.0	593.9	532.5	520.2
Total Current Assets	**1,713.9**	**1,231.7**	**1,418.2**	**1,323.6**	**1,321.5**
Borrowings	221.9	181.0	140.0	99.0	58.0
Total Non-Current Liabilities	**228.4**	**187.2**	**146.2**	**105.2**	**64.2**
Payables	1,723.5	1,274.7	1,344.6	1,326.7	1,393.0
Borrowings	39.3	70.9	211.0	211.0	211.0
Total Current Liabilities	**1,921.7**	**1,456.1**	**1,666.1**	**1,648.1**	**1,714.5**
Total Equity	**1,380.4**	**1,489.6**	**1,630.1**	**1,718.9**	**1,815.3**

CASH FLOW STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax (PBT)	**123.3**	**104.5**	**143.4**	**113.3**	**123.0**
Depreciation	78.2	80.7	83.1	85.6	88.1
Operating profit before WC	**237.8**	**192.1**	**220.5**	**188.9**	**199.1**
Cash generated from operations	**125.9**	**175.1**	**239.7**	**204.0**	**255.3**
Net cash from operating activities	**124.1**	**172.7**	**236.9**	**201.7**	**252.8**
Capex	-111.9	-164.9	-200.0	-200.0	-200.0
Net cash used in investing activities	**-99.9**	**-151.3**	**-200.0**	**-200.0**	**-200.0**
Net cash used in financing activities	**-124.2**	**-21.2**	**99.0**	**-63.2**	**-65.1**
Net change in cash and cash equivalents	**-100.0**	**0.2**	**135.9**	**-61.5**	**-12.3**
Cash at beginning of year	**545.4**	**445.4**	**445.6**	**581.5**	**520.0**
Cash at end of year	**445.4**	**445.6**	**581.5**	**520.0**	**507.7**
Free Cash Flow (FCF)	**12.2**	**7.7**	**36.9**	**1.7**	**52.8**

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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