J.P.Morgan

Muhibbah Engineering

Malaysian O&G firm with Petronas fabrication license & potential RAPID-related jobs - Company Visit Note

We recently met with Michael Chan, Sr. Finance and Investor Relations Manager of Muhibbah Engineering (Muhibbah), Malaysia-listed oil & gas and marine construction firm involved in civil, marine and structural engineering works, crane manufacturing, shipbuilding and repair, as well as airport and road maintenance concessions. Muhibbah is 23% owned by Mr Mac Ngan Boon and family.

- **Malaysian O&G construction & fabrication firm as it joins 'elite' club of Petronas fabrication license holders plus hopeful of RAPID related jobs:** While Muhibbah's infrastructure division has historically seen construction and civil-works-related jobs (earning 2-4% PBT margins with high competition), management aims to win more O&G-related jobs (margins are higher at 6-8% with lesser competition). With the recently-awarded Petronas fabrication license (25,000mtpa, making it the 3rd largest fabricator, of a total of only seven firms), it hopes to participate in more O&G jobs and bid for a number of RAPID-related jobs (e.g. Oil storage, Jetty, EPC for power plant). Moreover it has a solid track record with various O&G jobs including 1) regasification - Melaka, and 2) Yemen LNG terminal.
- **Management remains positive on RAPID go-ahead and sees increased available capacity and tender-book of over M$3B:** Management is positive on RAPID final investment decision (FID) coming through and believes contract awards (relating to RAPID) will come though within 3-6 months of FID. Management also sees increased available capacity and efficiency where it can increase overall O/B to M$4-5B (current O/B of M$1B vs peak O/B of M$3B).
- **Fully provided for now-stalled APH project:** Muhibbah, which was involved in the now stalled Asia Petroleum Hub (APH) construction project, had completed M$500-600MM of the work before the project was stalled due to cost overruns and delays from stabilization works. Management has now provided ~M$430MM for this project, with M$245MM provided in 2012 alone. This project has now been fully provided for, according to management.
- **Consensus valuations:** MUHI trades at a consensus FY14E/15E P/E of 10.6/9.1x and P/BV of 1.6/1.5x.

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Muhibbah Engineering (Reuters: MUHI.KL, Bloomberg: MUHI MK), Historical financial data

M$MM, YE Dec.	FY09	FY10	FY11	FY12	FY13
Sales	2,252	1,769	2,026	2,626	1,900
EBITDA	99	69	142	(22)	160
Net Income	17	33	64	(93)	85
EPS (Sen)	4.3	8.3	15.9	(22.9)	20.7
DPS (Sen)	2.5	3.5	5.0	2.5	4.5
ROE	3.9%	7.5%	13.2%	-19.2%	16.8%
Net Debt/Equity (%)	1.3%	43.8%	19.8%	14.5%	-22.3%
P/E	62.3	32.2	16.9	(11.7)	13.0
P/B	2.5	2.4	2.1	2.4	2.0
Div. yield	0.9%	1.3%	1.9%	0.9%	1.7%
FCF yield	24.7%	-24.8%	1.3%	9.6%	33.0%

Source: Company data.

Oil Services & Equipment

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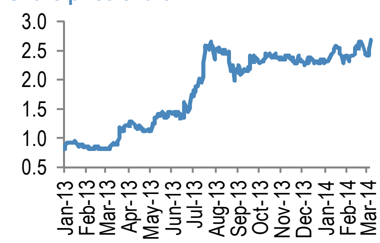
MUHI MK, Not Covered

M$2.68 March 6, 2014

Share price chart



Source: Bloomberg

One-year price performance

	1M	3M	12M	YTD
Absolute (%)	13.1%	17.5%	222.9%	17.5%
Relative (%)	10.6%	16.8%	190.1%	19.4%

Source: Bloomberg

Company data

52-wk range (M$)	0.82 – 2.83
Mkt cap. (M$MM)	1,129
Mkt cap. (US$MM)	346
Shares O/S (MM)	421
Free float (%)	62.3
3 M Avg. daily volume (MM)	1.2
3 M- Average Daily Value (M$MM)	2.8
Exchange rate	3.26
FBMKLCI	1,839
Year-end	December

Source: Bloomberg

See page 19 for analyst certification and important disclosures, including non-US analyst disclosures.

Muhibbah: What's happened in 2013/YTD

Awarded a M$30 million contract from JGC for structural works of Petronas' LNG project in Bintulu, Sarawak

On 4 Feb 2014, Muhibbah's wholly owned subsidiary, Muhibbah Steel Industries Sdn Bhd, announced that it had accepted the Letter of Award from JGC (Malaysia) Sdn Bhd (JGC) on 30 Jan 2014 for steel structure erection work to supply manpower, plant and equipment to erect structural steel work for pipe rack, equipment supporting structure, platform and access way, stanchion and shelter for Petronas' LNG Train 9 Project in Bintulu, Sarawak for a total contract sum of M$30 million. Upon completion, Petronas LNG Train 9 will include gas receiving facilities, acid gas removal unit, dehydration and mercury removal unit, fractionation and liquefaction unit, LNG rundown unit and all the associated utilities and facilities. The LNG produced from the new train will be exported via the existing storage and loading facilities within the Complex. The contract is scheduled to commence in February 2014 with a target date of completion by 2Q 2015.

Won two contracts worth US$87MM for construction and expansion of two Cambodian airports from SCA

On 6 Nov 2013, Muhibbah announced that SCA had on 4 November 2013 awarded two contracts totaling US$87 million (equivalent to M$276 million) to a joint venture formed by VCGP and Muhibbah, of which Muhibbah has a 30% interest, to construct and expand the terminal building and refurbish the Phnom Penh and Siem Reap Airports in Cambodia. The contract duration for the Phnom Penh airport and Siem Reap airport is 28 months and 23 months, respectively, and both are expected to be completed by the end of 2015. Société Concessionnaire de L'Aéroport (SCA) is a joint venture consortium of Muhibbah and Vinci with the concession rights for the Build - Operate - Transfer contracts of three international airports in Cambodia, i.e., Phnom Penh, Siam Reap, and Sihanoukville International Airports.

Awarded Petronas license for offshore facilities construction and major onshore fabrication

On 27 June 2013, Muhibbah announced that it had been awarded a license to become an approved supplier for offshore facilities construction and major onshore fabrication by Petronas. The license qualifies the company to tender and participate in Petronas' upcoming works and of other oil major operators in Malaysia.

Delivered Malaysia's first homemade diesel electric PSV to Icon Offshore

On 19 June 2013, Muhibbah delivered Malaysia's first homemade diesel electric platform supply vessel (PSV) to Icon Offshore Bhd, the country's third-largest offshore vessel support company. The vessel was equipped with DP2 and is an 8,600 bhp vessel. According to the *New Straits Times*, 20 June, Icon's CEO Dr Jamal Yusof said the vessel has a market value of US$25-US$30 million (M$79-M$95 million).

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FY13 review: Revenues decreased 27% y/y, due to delivery of major construction projects in the previous year

Revenue in 2013 decreased by 27% y/y, mainly due to the delivery of major construction projects in the previous year. The crane division generated higher revenue with more sales order for oil and gas cranes. As at 21 Feb 2014, the total outstanding secured order book in hand for the group was M$1.83 billion, with orders up to year 2016, comprising M$719 million from infrastructure construction, M$1.06 billion from cranes, and M$47 million from the shipyard division.

2013 PBT increased significantly from a loss of M$35 million in 2012 to a gain of M$134 million, mainly due to the full provision on remaining amount receivable from the APH project in the previous year. There was also an improvement in productivity in the cranes division and higher contribution from more airport passenger arrivals in Cambodia in the concession division.

Muhibbah expects a positive contribution to the group for the current and future financial years after it was awarded the “Offshore Facilities Const-Major Onshore Fabrication” license in June 2013. The group has received invitations to participate in upcoming oil and gas projects.

Table 1: Quick financial overview

M$ in millions

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Revenues	**394**	**513**	**524**	**595**	**419**	**625**	**580**	**1,001**	**386**	**407**	**475**	**632**
% change YoY	-4%	11%	81%	-2%	6%	22%	11%	68%	-8%	-35%	-18%	-37%
% change QoQ	-35%	30%	2%	14%	-30%	49%	-7%	73%	-61%	5%	17%	33%
EBIT	**21**	**22**	**29**	**28**	**18**	**27**	**28**	**(140)**	**20**	**27**	**16**	**35**
% change YoY	466%	-2%	27%	-323%	-15%	22%	-4%	-595%	8%	2%	-43%	-125%
% change QoQ	-270%	2%	33%	-3%	-35%	45%	5%	-601%	-114%	37%	-41%	118%
EBIT margin (%)	5%	4%	6%	5%	4%	4%	5%	-14%	5%	7%	3%	5%
PATMI	**18**	**14**	**17**	**15**	**17**	**17**	**19**	**(146)**	**20**	**21**	**20**	**25**
% change YoY	244%	28%	94%	82%	-9%	23%	14%	-1075%	20%	22%	5%	-117%
% change QoQ	121%	-24%	21%	-11%	10%	3%	12%	-863%	-114%	5%	-3%	22%
PATMI margin (%)	5%	3%	3%	3%	4%	3%	3%	-15%	5%	5%	4%	4%

Source: Company Reports

Muhibbah’s strategy moving forward: Focus on building up orderbook through oil and gas projects

According to Michael Chan, Senior Finance and IR Manager, the company's strategy is to procure more projects in oil and gas. The Petronas license that it obtained in June 2013 will allow it to participate and bid for Petronas’ upcoming projects. The company added that it will participate in the Offshore Technology Conference Asia 2014 (OTC Asia) which is held on 25-28th March, and it believes that Petronas might take that opportunity to announce awards. Muhibbah expects to see Petronas awards coming through at least by 2H14.

The company said it had a few potential jobs it was actively looking at, and was already in discussions with some foreign parties either as partners or subcontractors for various projects. According to the company, the tender book is M$4-5 billion. On the RAPID project in Pengerang, Johor, the company confirmed that it had prequalified for three packages, consisting of an oil storage tank project, a jetty, and an EPC job for a power plant, each of which is estimated to be ~M$1 billion. The company is also looking at an oil and gas infrastructure project in Cambodia which is worth about M$1 billion, of which Muhibbah’s portion would be ~M$300-400 million. Besides that, Muhibbah is also tendering for subcontract packages for West

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Coast Expressway (WCE) and steel fabrication works from Petronas, for which the total value of the fabrication work could be ~M$400 million. Further to that, given that Muhibbah together with Ranhill was previously awarded the EPCIC contract for Petronas' LNG regasification project in Malacca, there is also a good chance for it to participate in the regasification plant projects in Sabah and Johor.

On the shipbuilding side, management commented that it expected quite a lot of order replenishment for its vessels. It said that the company had the capacity to construct about three AHTS vessels per year, and each vessel should fetch about M$100 million. Management said that it would remain focused on this division due to its good profitability levels, and that it can breakeven in this division with one vessel alone. On margins, Muhibbah commented that its onshore construction and fabrication jobs fetch a 2-3% margin, marine jobs a 4-5% margin, and oil and gas jobs about a 7-8% margin, or a double-digit margin if the jobs are overseas.

On the cranes side, Muhibbah is still doing very well, with its order book at M$1.06 billion, being at an all-time high. On the concession side, the company also has a positive outlook and said that its current capacity of ~2.5 million passengers a year in each airport could double to ~5 million passengers a year from its expansion plans. The increased capacity at Siem Reap International is expected to be completed sometime in 2015 and at Phnom Penh International in 2016.

On the stalled APH project, Muhibbah commented that it had already written off its receivables and made a M$245 million provision in 2012. The company also said that there could be talks to revive the APH project but progress remains slow and it is in discussions with its bank, CIMB, on this.

Muhibbah: Company Description

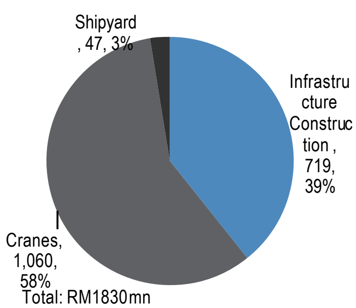
Group History:
Muhibbah Engineering was incorporated in 1972 as a marine construction specialist in Malaysia and was listed on the Main Board of Bursa Malaysia in 1994

A year later, in 1995, Muhibbah ventured into crane manufacturing with the acquisition of Favelle Favco Cranes' business from Australia. In the same year, Muhibbah got involved in the concession business for airports through a partnership with Société Concessionnaire de l'Aéroport (SCA) (21% effective equity interest) and started its shipyard division under its wholly owned subsidiary, Muhibbah Marine Engineering

In 2001, Muhibbah ventured into the road maintenance concession business through a 21% equity stake in Roadcare (M) Sdn Bhd, which holds a 15-year concession and privatization for Government of Malaysia

Recently in 2013, Muhibbah was awarded Petronas license for Offshore Facilities Construction – Major Onshore Fabrication

Figure 1: Order book by major division (as at 21 Feb 2014)



Source: Company. *The M$1.83 billion in orders are up to year 2016

Global Oil & Gas and Marine construction firm

Muhibbah is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. Its subsidiaries are involved in design, manufacture, commission, repair, maintenance and customization of cranes, offshore supply vessels and anchor handling tugboats for the oil and gas industry. The associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia.

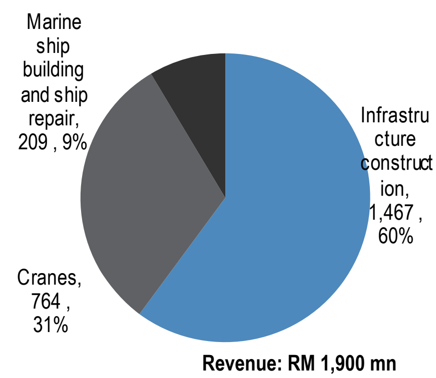
(a) **Infrastructure construction:** International niche contractor specialized in major onshore and offshore fabrication. The company is involved in the construction of petroleum hub and bunkering facilities, oil and gas terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works. This segment operates mainly in Malaysia, Qatar, Singapore and Cambodia.

(b) **Cranes:** Designer, manufacturer and service provider for all types of high-speed and high-capacity customized cranes such as offshore oil and gas pedestal cranes, tower and construction cranes, and marine and port cranes. The cranes segment is managed on a worldwide basis with its head office in Malaysia. It has manufacturing plants in Malaysia, Australia, the US, and Denmark.

(c) **Marine shipbuilding and ship repair:** Design, engineering, building and service provider of anchor handling tug boats, supply vessels, accommodation ships and marine vessels for the offshore oil and gas exploration and production works. The marine ship building and ship repair segment operates in Malaysia.

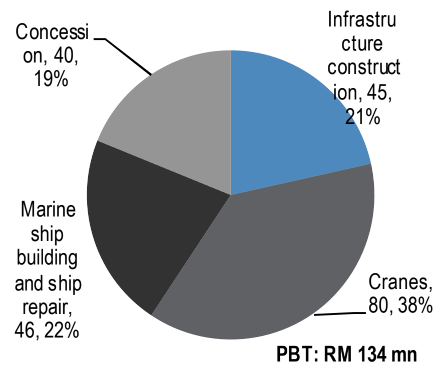
(d) **Concession:** Privatization of international airports in Cambodia and road maintenance works in the central region of Peninsular Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

Figure 2: 2013 revenue breakdown
M$ MM



Source: Company reports. *Excludes revenue loss of –M$540million from eliminations

Figure 3: 2013 PBT breakdown
M$ MM



Source: Company reports. *Excludes PBT loss elimination of M$78 million.

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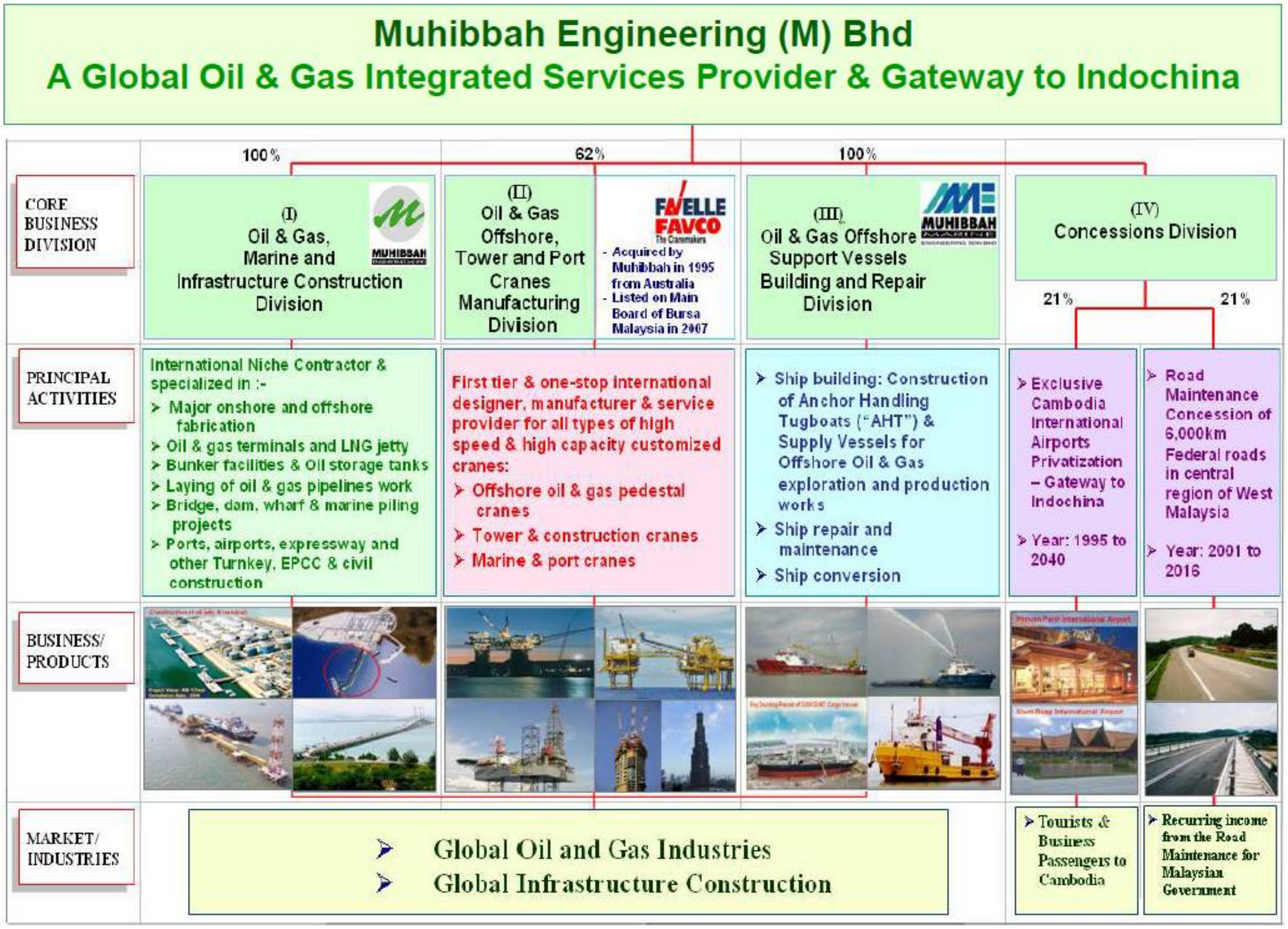
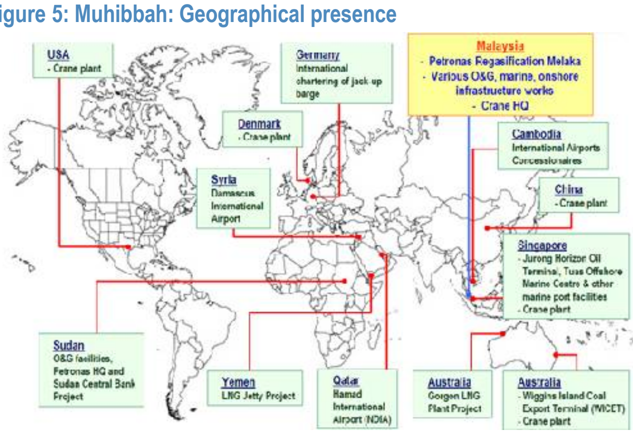
Figure 4: Muhibbah: Business areas



Source: Company

Figure 5: Muhibbah: Geographical presence



Source: Company reports

Table 2: Muhibbah: Orderbook by division (as of 22 Nov 13)

Divisions/Industry	M$MM	Oil & Gas (%)	Others (%)
Infrastructure Construction	1002	8%	92%
Cranes	1043	91%	9%
Shipyard	87	100%	0%
Total	**2132***	**53%**	**47%**

Source: Company Reports. *Orderbook is as of 22 Nov 2013. As of 21 Feb 2014, orderbook was at M$1.83B. Split of oil and gas percentage not given.

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Infrastructure construction division

Figure 6: Muhibbah's completed landmark projects

Source: Company

Table 3: Muhibbah's major projects secured (work in progress)

Project Description	Country	Contract sum (M$ MM)	Outstanding order book (M$ MM)
Wiggins Island Coal Export Terminal	Australia	666	304
Petronas LNG Regasification	Malaysia	620	78
South Klang Valley Expressway	Malaysia	1214	35
Multipurpose wharf	Malaysia	298	73
Catering facility, New Doha International Airport	Qatar	1553	119
Government Office Building, Putrajaya	Malaysia	206	94
Noise Barriers and Enclosures via Muhibbah-SV-Samjung JV	Malaysia	147	147
Terminal Building and Refurbishment Phnom Penh and Siem Reap Airports	Cambodia	83	83
Other miscellaneous projects	Local/Overseas	234	69
		5021	**1002**

Source: Company

Figure 7: Muhibbah's offshore structure fabrication yard

Source: Company

In June 2013, Muhibbah was awarded a license by Petronas to be an approved supplier of offshore facilities construction and major onshore fabrication works. The license allowed it to tender and participate in upcoming offshore facilities construction and major onshore fabrication works for Petronas, as well as other oil operators in Malaysia. The total secured outstanding order book as at 21 Feb 2014 is M$719 million.

Table 4: Offshore structure fabricators – Peers comparison

	Offshore Structure Fabricators	Capacity (MT pa)
1	MMHE, Pasir Gudang	129,700
2	SapuraKencana	48,000
3	**Muhibbah, Klang**	**25,000**
4	Oceanmight (43% of KKB)	15,000
5	TH Heavy Engineering	10,000
6	Boustead, Penang (formerly PSC)	9,000
7	Brooke Dockyard & Engineering	8,500

Source: Company

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Cranes division

Figure 8: Favelle Favco cranes on Keppel FELS B-Class jack-ups

Source: Company Reports

Muhibbah ventured into the cranes business in 1995, with the acquisition of Favelle Favco. Subsequently, in the following year, it purchased Manitex's pedestal crane line, coupled with the deal to build significant components for West-Manitowoc crawlers in South East Asia. In 1997, Muhibbah acquired Danish manufacturer Krøll for US$2.6 million. Until the Krøll deal, Muhibbah's tower cranes concentrated on the design, manufacture and supply of the Australian-made Favelle Favco diesel-hydraulic and electric-hydraulic luffing boom tower cranes. The Krøll acquisition added a line of all-electric hammerhead cranes, including pedestal, ship, wharf and special purpose cranes.

Muhibbah's high-speed and high capacity niche customized cranes come under two brands "Favelle Favco" and "Krøll ". Muhibbah has five plants over four continents, namely: (i) Senawang, Malaysia; (ii) Sydney, Australia; (iii) Copenhagen, Denmark; (iv) Texas, USA; and (v) Shanghai, China. About 87% of its sales is generated from overseas markets. The total secured outstanding order book as at 21 Feb 2014 was M$1,060 million, ~90% of which is from global oil and gas sectors. The company's main international competitors are Manitowoc and National Oilwell in the US and Liebherr in Germany.

Besides securing various contracts from international O&G players, Favelle Favco tower cranes have also been used to build 9 out of 10 of the world's tallest buildings such as Burj Khalida, UAE, One World Trade Centre, New York and Taipei 101/Taiwan.

Figure 9: Favelle Favco international manufacturing plants and customer base

Source: Company

Marine shipbuilding and ship repair

Figure 10: Muhibbah's shipyard and facilities

Source: Company

Capacity and Facility:

(i) Total land area of 80 over acres including shipyard and steel fabrication yard
(ii) It has ~850 meters of water frontage with a depth of up to 18 meters
(iii) Built and delivered more than 120 vessels since it started its operations in 1996
(iv) Ventured into the oil and gas industry and built more than 40 offshore support vessels since 2000

In shipbuilding, Muhibbah is active in the construction of anchor handling tugboats (AHT) and supply vessels for offshore oil and gas exploration and production works, cruise liners and accommodation boats. It has the capability of constructing vessels up to 120 meters long / 10,000 DWT / 12,000 BHP. It is also involved in ship repair and ship conversion. Its main competitors are Nam Cheong and ASL Marine in Singapore and Coastal Contracts in Malaysia. Its outstanding order book as of 21 Feb 2014 was M$47 million.

Concession division

In the concession division, Muhibbah (through its 70%-owned subsidiary, Muhibbah Masteron (Cambodia) Company Limited (MMC)) owns 30% of SCA, and the remaining 70% is owned by Vinci Group from France (Muhibbah's effective equity interest is 21%). Muhibbah and Vince became partners from the Cambodian Airport privatization open tender in 1995. They have exclusive rights for privatization of all international airports in Cambodia, including Siem Reap, Phnom Penh and Sihanoukville, and the concessions period for all the airports are up to year 2040.

Muhibbah also has a road maintenance concession in Malaysia through a 21% associate company, Roadcare (M) Sdn Bhd, which holds a 15-year concession and privatization for Government of Malaysia (from 2001-2016). The job scope includes the maintenance of 6,000km of Federal roads in the central region of peninsular Malaysia, namely, Selangor, Pahang, Kelantan and Terengganu.

Figure 11: Muhibbah airport concession

Source: Company

Background of APH

APH and its facilities

APH, which is 90%-owned by KIC Oil and Gas, a Malaysian private company, and 10%-owned by Trek Perentis, is one of the largest petroleum storage projects in Asia. The facility was given the go-ahead by the Malaysian Government in March 2007 and broke ground in July 2007. The hub was constructed on a 40ha man-made island in Mukim Serkat Daerah Pontian, near the port of Tanjung Pelepas, Johor. The land for the project was leased to Seaport Terminal by the Malaysian Government, which in turn leased it to APH.

The facility was set to be managed by Kadriah Integrated Facilities, a company that manages oil terminals in Tanjung Pelepas and Westport for KIC Oil and Gas. Financing for the project was provided by CIMB group.

The hub was designed with facilities to receive, store, blend and distribute petroleum products. It also had breakbulk facilities for fully laden vessels of up to 350,000dwt. The island was accessible from the mainland via a bridge, and was expected to have an estimated product storage capacity of 950,000m^3. The facility was also meant to be equipped with seven fixed berths for vessels of up to 150,000dwt and have a single point mooring system for ultra-large crude carriers.

The hub was also expected to have loading facilities for tanker trucks for road deliveries inland, bunker barges for offshore bunkering of ships, and oil product carriers for trading in the petrol and petroleum products markets. The hub was also meant to have facilities to blend fuel oil and petrol, so that the hub can produce different grades of these products for sale. Products here include industrial and marine fuel oils, petrol (unleaded), diesel (low sulphur), jet fuel, and biodiesel products. The facility was expected to eventually handle 60 million tonnes of petroleum products a year, and host 2,000 vessels annually.

APH contractors

Operator APH appointed Mott MacDonald to provide design services for the project and engineering, procurement and construction management services. Other contractors appointed by APH for construction work included Muhibbah and Nam Fatt Corporation. In addition, ZAQ Construction and QI-pmc was to provide construction management services. In April 2007, Kencana HK, a subsidiary of Kencana Petroleum, was awarded a subcontract for procurement, construction and commissioning of the hub.

APH financing problems

The project was initially expected to cost US$528.9 million (M$1.7 billion) to build and was scheduled for completion in 2007; however, in April 2010 APH announced that the project was delayed due to land stabilization works being carried out on the reclaimed island.

In June 2011, CIMB placed APH under receivership. APH had already spent US$265 million on the project and required US$630 million in additional financing at that time. The additional funds were required to carry out work on the island. In July 2012, APH’s receivers, PWC, sought to carve out APH’s assets for a restructuring scheme. The project stalled at 64%-complete in June 2011.

APH and Muhibbah

On June 2013, according to *The Sun Daily*, Muhibbah said that its creditors were still deliberating over whether or not they should still proceed with the project. Muhibbah had said that the APH project was still at status quo and the banks are still in discussion about how to move the project forwards.

Muhibbah had completed around M$600 million of the work for APH, before the project was stalled due to cost overruns and delays from stabilization works n the island which had caused the major roadblock for APH.

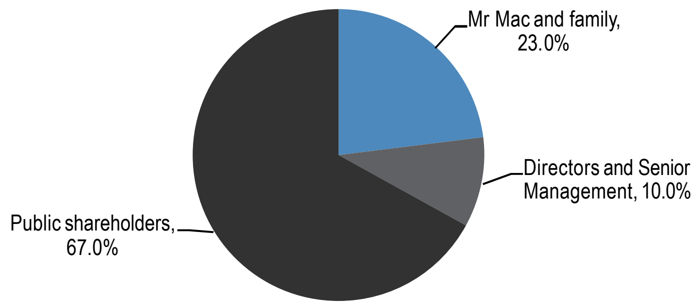
Muhibbah had recognized a provision of M$245 million on this project in 2012, resulting in a steep loss of M$93 million for FY12.

According to *The Sun*, on 20 June, based on Muhibbah's initial workscope, APH was already 60% complete. Muhibbah had said that to complete the remaining 40% of the work scope, it needed another M$1 billion and another two-year time frame.

Any recoveries from a sale, revival or restructuring of the APH project would benefit Muhibbah in the future.

Muhibbah's shareholder mix

Figure 12: Shareholding pattern



Source: Company Reports * Substantial shareholders with> 5% stake are Lembaga Tabung Haji and JP Morgan Chase & Co.

Muhibbah's management team

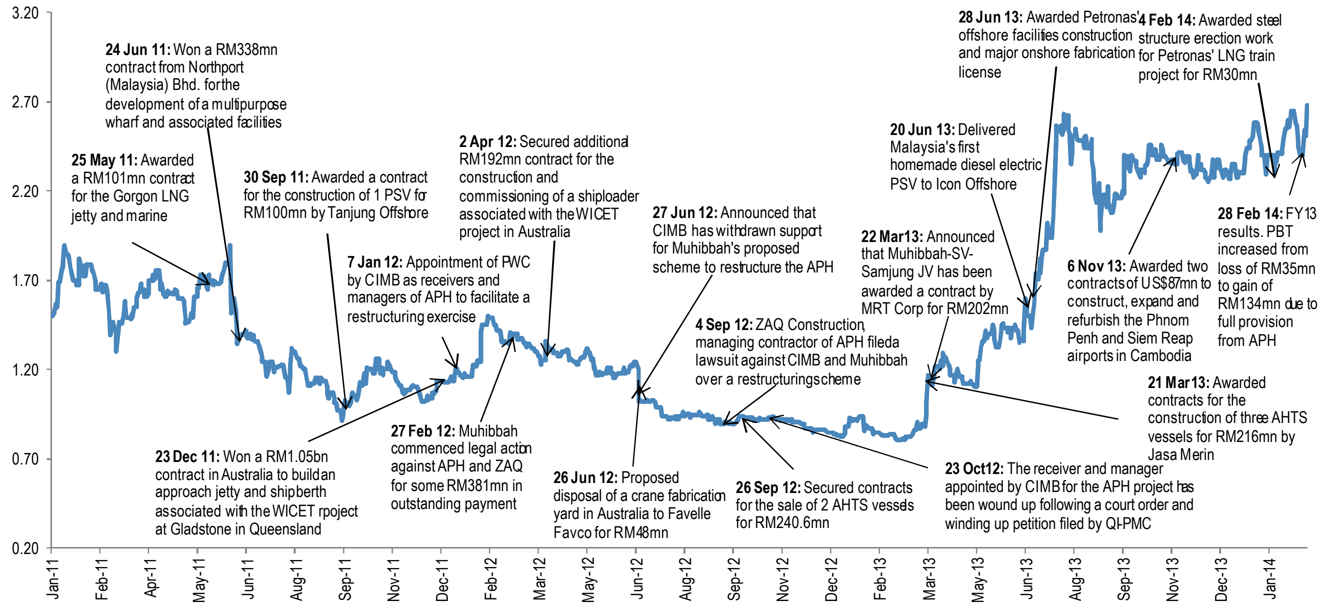
Table 5: Muhibbah's key management team

	Title	Role and previous responsibilities
Tuan Haji Mohamed Taib bin Ibrahim	Chairman, Independent Non-Executive Director	- Co-founder of Muhibbah Engineering and has been an Independent Exec since its inception in 1972 - Appointed as Chairman in 1973 - Appointed as the first company secretary of Malaysian International Shipping Corporation in 1969 - Nominated to lead Johor-based Malaysian Shipyard and Engineering Bhd as President and CEO, positions which he relinquished it in 1988 - Director of Favelle Favco Berhad
Mac Ngan Boon	Managing Director	- Co-founder and Managing Director since its inception in 1972 - Started work as an engineer for a local construction company in 1967 - Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998 - Director of Favelle Favco Berhad
Datuk Zakaria bin Abdul Hamid	Vice Chairman, Independent Non-Executive Director	- Appointed as Vice Chairman in 2002 - Started work in 1969 in the Government Service and later in the Prime Minister's Department - Last held position was Director General when he retired in early 2002 - Director of Landmarks Berhad
Ooi Sen Eng	Executive Director	- Worked for 6 years in Zublin AG, a German construction company - Co-founded Muhibbah in 1972 - Appointed as Director in 1973

Source: Company

Share price and recent events

Figure 13: Share Price Chart



Source: Bloomberg

Recent Events

28 Feb 2014 – FY13 results. PBT in 2013 increased significantly from a loss of M$35 million in 2012 to a gain of M$134 million, mainly due to the full provision on remaining amount receivable from the Asia Petroleum Hub project in the previous year.

4 Feb 2014 - Wholly owned subsidiary, Muhibbah Steel Industries Sdn Bhd has on 30 January 2014, accepted the Letter of Award from JGC (Malaysia) Sdn Bhd ("JGC") for Steel Structure Erection Work to supply manpower, plant and equipment to erect structural steel work for pipe rack, equipment supporting structure, platform and access way, stanchion and shelter for Petronas LNG Train 9 Project in Bintulu, Sarawak for a total contract sum of M$30 million. The contract is scheduled to commence in February 2014 with a target date of completion 2Q 2015.

6 Nov 2013 - Announced that SCA had on 4 November 2013 awarded two contracts totaling US$87 million (equivalent to M$276 million) to a joint venture formed by VCGP and Muhibbah, of which Muhibbah has 30% interest, to construct and expand the terminal building and refurbish the Phnom Penh and Siem Reap Airports in Cambodia. The contract duration for the Phnom Penh airport and Siem Reap Airport is 28 months and 23 months respectively and both are expected to be completed by the end of 2015.

28 June 2013 –Awarded a license to become an approved supplier for offshore facilities construction and major onshore fabrication by Petronas. The license qualifies it to tender and participate in Petronas' upcoming works and of other oil major operators in Malaysia.

20 June 2013 –Delivered Malaysia's first homemade diesel electric PSV to Icon Offshore Bhd. The vessel was equipped with DP2 and is a 8,600 bhp vessel.

22 Mar 2013 - Announced that Muhibbah-SV-Samjung Joint Venture, a JV led by Muhibbah has been awarded a contract by Mass Rapid Transit Corporation Sdn Bhd for the Design, Supply, Installation, Testing and Commissioning of Noise Barriers and Enclosures (Package V1 to V8) for a contract sum of approximately M$202 million. The project is scheduled to commence in the 2Q13 and is expected to be completed by 2Q16.

21 Mar 2013 – Awarded contracts by Jasa Merin, 70% owned subsidiary of Silk Holdings for the construction of three AHTS vessels for a total consideration of ~M$216 million.

23 Oct 2012- APH, the receiver and manager appointed by CIMB Bank Bhd in Jan 2012 for the APH project in Johor has been wound up following a court order and a winding up petition was filed by QI-PMC Sdn Bhd, a creditor of APH.

26 Sep 2012 – Secured contracts for the sale of 2 AHTS vessels which were completed in 2011 for M$240.6 million.

4 Sep 2012 – ZAQ Construction Sdn Bhd, managing contractor of APH has filed a lawsuit against several parties including CIMB and Muhibbah over a restructuring scheme. The restructuring scheme came about where CIMB appointed receivers and managers for a restructuring where the amount due to contractors was to be converted into equity. CIMB was APH project financier and had reportedly lent APH about M$840 million, which was drawn down from a M$1.4 billion three-year bridging loan facility.

27 June 2012 – Muhibbah announced that CIMB has withdrawn support for Muhibbah's proposed scheme to restructure the APH project. The APH project was awarded to Muhibbah about 5 years ago with an estimated cost of M$1.2bn. The construction cost escalated to M$2 billion with Muhibbah already half way through in completing the project.

26 June 2012 – Muhibbah entered into a conditional sale and purchase agreement with Favelle Favco for a proposed disposal of a crane fabrication yard in New South Wales, Australia for M$48 million. The disposal would be satisfied via the allotment and issuance of shares to Muhibbah.

2 April 2012 – Monadelphous Muhibbah Marine JV (MMM) (50:50 JV between Muhibbah and Monadelphous Group) has secured an additional M$192 million contract for the construction and commissioning of a shiploader associated with the Wiggins Island Coal Export Terminal (WICET) project in Australia. This follows the previously announced construction of the approach jetty and ship berth for c.M$1.05bn for the WICET project.

27 Feb 2012 – Muhibbah commenced legal action against APH and the managing contractor, ZAQ for some M$381 million in outstanding payment.

7 Jan 2012 – Appointment of PWC by CIMB as receivers and managers of APH to facilitate a restructuring exercise.

23 Dec 2011 – Muhibbah announced that its 50:50 JV with Monadelphous Group Ltd won a M$1.05 billion contract in Australia to build an approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal (WICET)'s project at Gladstone in Queensland.

30 Sep 2011 - Awarded a shipbuilding contract by Tanjung Kapal Services, a wholly owned subsidiary of Tanjung Offshore Berhad. The contract is for the construction of 1 PSV for M$100 million.

24 June 2011 – Won a M$338 million contract from Northport (Malaysia) Bhd. for the development of a multipurpose wharf and associated facilities.

25 May 2011 – Awarded a M$101 million contract for the Gorgon LNG jetty and marine structure project by Leighton Contractors. The contract is expected to commence in mid 2011 with a target date of completion in early 2012.

Financial Performance

2011, 2012 and 2013 financial performance

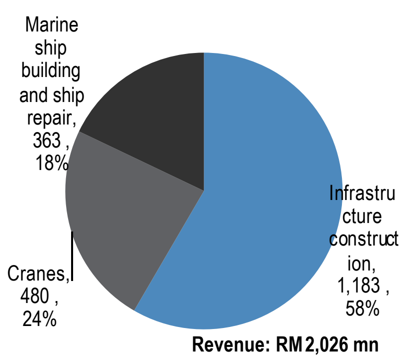
Revenue in 2013 decreased by 27% y/y, mainly due to delivery of major construction projects in the previous year. The crane division generated higher revenue with more sales order for oil and gas cranes. As at 21 Feb 2014, the total outstanding secured order book in hand for the group was M$1.83 billion, with orders up to year 2016, comprising M$719 million from infrastructure construction, M$1.06 billion from cranes and M$47 million from shipyards.

Revenue in 2012 increased by 30% y/y, due to a higher turnover from the Infrastructure construction and Crane divisions. As at 15 May 2013, the Group's total outstanding order book stood at M$2.08 billion, comprising M$1.24 billion, M$645 million and M$196 million for the construction and engineering, crane, and shipyard divisions respectively. Approximately 42% of the total outstanding order book is derived from works and supply to the global oil and gas industry.

Revenue in 2011 increased by 15% y/y, supported by a higher turnover from the Infrastructure construction, crane, and shipyard divisions. As at 18 May 2012, the total outstanding order book was M$2.96 billion, comprising M$2.16 billion, M$702 million and M$95 million from the construction and engineering, crane, and shipyard divisions respectively. Approximately 40% of the total outstanding order book came from the oil and gas industry.

Figure 14: 2011 revenue breakdown

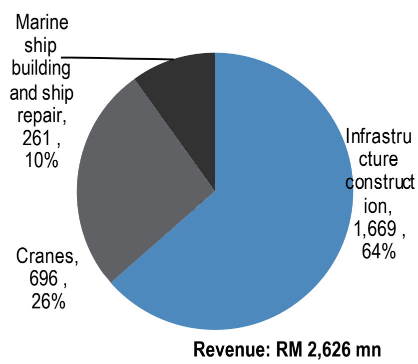
M$ MM



Source: Company reports

Figure 15: 2012 revenue breakdown

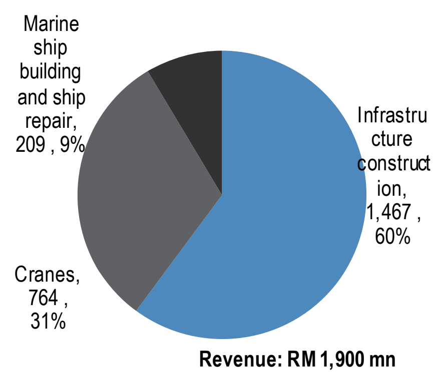
M$ MM



Source: Company reports. *Eliminations for the respective divisions have been included in the FY12 segmental numbers as stated in 2012 annual report.

Figure 16: 2013 revenue breakdown

M$ MM



Source: Company reports. *Excludes revenue loss of – M$540million from eliminations (FY13 AR not available yet, 4Q quarterly report does not include eliminations in segments)

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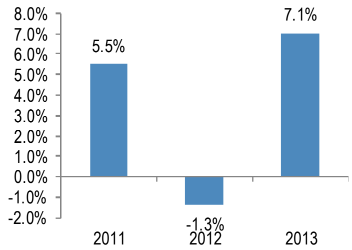
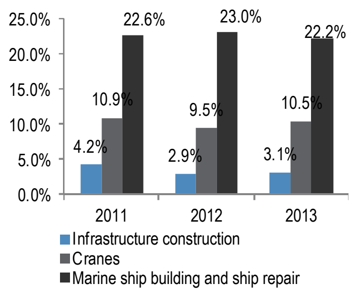
Figure 17: PBT margins



Source: Company reports

Figure 18: PBT margins by segment



Source: Company reports

2013 PBT increased significantly from a loss of M$35 million in 2012 to a gain of M$134 million, mainly due to the full provision on remaining amount receivable from the APH project in the previous year. There was also an improvement in productivity in the cranes division and higher contribution from more airport passenger arrivals in Cambodia in the concession division.

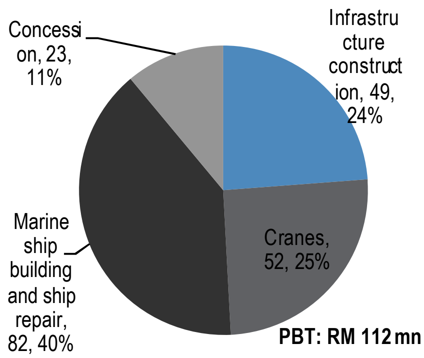
2012 PBT decreased significantly from M$112 million in 2011 to a loss of M$35 million, mainly because the group had made a full provision for the remaining exposure of debts of ~M$245 million for the APH project.

The construction works for APH came to a halt due to financing suspension by its financier, CIMB Bank Berhad in 2009. The land lease issue between APH and the Federal Government is still unresolved. APH was subsequently wound up pursuant to an order of the High Court of Malaya at Kuala Lumpur under a winding-up petition filed by a creditor of APH in Oct 2012. In view of the development, the board decided to make full provision of the remaining net debt exposure of M$245 million certified claims from APH while reserving its legal rights to pursue recovery.

Excluding these provisions, the group would have reported a PBT of M$210 million in 2012, representing an increase of M$98.3MM or 88% in comparison to M$111.7 million for 2011. The improvement was mainly due to better performances of its crane, shipyard, and concession divisions.

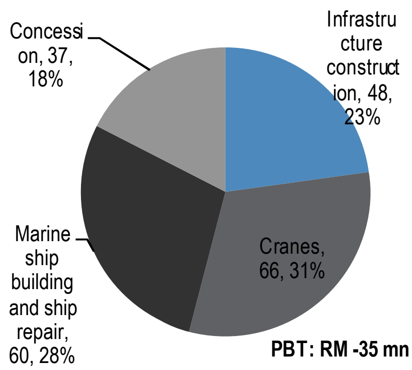
2011 PBT increased 110% y/y to M$112 million, driven by the crane and shipyard divisions, which generated higher revenue with better profit margins.

Figure 19: 2011 PBT breakdown



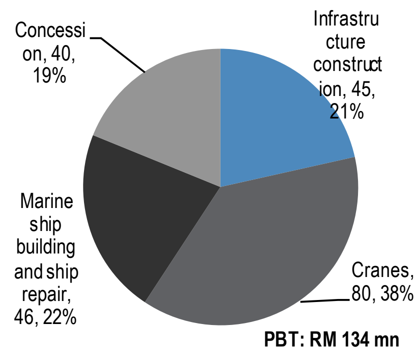
Source: Company reports. *Excludes PBT loss of –M$95 million from eliminations.

Figure 20: 2012 PBT breakdown



Source: Company reports. *Excludes PBT loss of –M$246 million from eliminations.

Figure 21: 2013 PBT breakdown



Source: Company reports. *Excludes PBT loss of –M$78 million from eliminations.

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Quick financial overview

Table 6: Muhibbah: Quick financial overview

M$MM, YE Dec.	2009	2010	2011	2012	2013
Revenues	**2,252**	**1,769**	**2,026**	**2,626**	**1,900**
Gross Profit	147	165	203	272	n/a
Operating Profit (incl Other income)	**56**	**36**	**100**	**-70**	**106**
Operating Profit (ex-Other income)	43	25	82	-81	n/a
GP Margin	6.5%	9.3%	10.0%	10.3%	n/a
Operating Profit Margin (incl Other income)	2.5%	2.0%	5.0%	-2.7%	5.6%
Operating Profit Margin (ex-Other income)	1.9%	1.4%	4.0%	-3.1%	n/a
Net interest	(6)	(10)	(17)	(9)	(19)
Share of results of associates	23	27	28	44	47
PBT	**72**	**53**	**112**	**-35**	**134**
Tax	-39	-7	-29	-26	-19
Tax rate (%)	54.2%	13.1%	26.1%	-74.6%	14.2%
PATMI	**17**	**33**	**64**	**-93**	**85**
PATMI Margin	0.8%	1.9%	3.1%	-3.6%	4.5%
Net Assets	527	559	640	620	753
Total Equity	527	559	640	620	753
Attributable Equity	426	452	515	454	559
Total Debt	256	446	450	427	256
Cash	249	201	323	337	425
Net Debt	7	245	127	90	-168
RoE (%)	**3.9%**	**7.5%**	**13.2%**	**-19.2%**	**16.8%**
Net Gearing (%)	**1%**	**44%**	**20%**	**15%**	**-22%**

Source: Company Reports

Table 7: Muhibbah: Segmental Breakdown

M$MM, YE Dec.	2009	2010	2011	2012	2013
Revenues	**2,252**	**1,769**	**2,026**	**2,626**	**1,900**
Infrastructure construction	1,423	1,033	1,183	1,669	1,467
Cranes	533	385	480	696	764
Marine ship building and ship repair	296	350	363	261	209
Concession	0	0	0	0	0
Eliminations	0	0	0	0	(540)
PBT	**72**	**53**	**112**	**-35**	**134**
Infrastructure construction	56	31	49	48	45
Cranes	35	34	52	66	80
Marine ship building and ship repair	57	45	82	60	46
Concession	19	25	23	37	40
Eliminations	-94	-82	-95	-246	-78
PBT Margin	**3.2%**	**3.0%**	**5.5%**	**-1.3%**	**7.1%**
Infrastructure construction	3.9%	3.0%	4.2%	2.9%	3.1%
Cranes	6.6%	8.9%	10.9%	9.5%	10.5%
Marine ship building and ship repair	19.1%	12.9%	22.6%	23.0%	22.2%

Source: Company Reports. *Eliminations in 2009-2012 are included in the segmental breakdown as disclosed in the respective full year annual reports. For FY2013, only quarterly report available, which separates out the elimination figure

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Muhibbah Engineering: Summary historical financials

Table 8: Muhibbah: Summary Financials

M$ in millions, year-end December

Profit and loss statement	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Revenues	**2,252**	**1,769**	**2,026**	**2,626**	**1,900**
Gross profit	147	165	203	272	n/a
% change Y/Y	9.4%	12.2%	23.2%	33.7%	n/a
Gross margin (%)	6.5%	9.3%	10.0%	10.3%	n/a
EBITDA	**99**	**69**	**142**	**(22)**	**160**
% change Y/Y	70.2%	-30.2%	104.3%	-115.4%	-831.7%
EBITDA margin (%)	4.4%	3.9%	7.0%	-0.8%	8.4%
EBIT	**56**	**36**	**100**	**(70)**	**106**
% change Y/Y	123.0%	-35.1%	177.5%	-169.5%	-252.4%
EBIT margin (%)	2.5%	2.0%	5.0%	-2.7%	5.6%
Net interest	(6)	(10)	(17)	(9)	(19)
Share of JV and associates	23	27	28	44	47
Earnings before tax	**72**	**53**	**112**	**(35)**	**134**
% change Y/Y	61.3%	-26.5%	109.7%	-131.3%	-483.1%
Tax	(39)	(7)	(29)	(26)	(19)
as % of EBT	54%	13%	26%	-75%	14%
Minorities	(16)	(13)	(19)	(32)	(30)
Net income	**17**	**33**	**64**	**(93)**	**85**
% change Y/Y	-22.1%	94.0%	93.6%	-246.2%	-191.4%
EPS-Sen (basic)	4.3	8.3	15.9	(22.9)	20.7
EPS-Sen (year end)	4.3	8.3	15.9	(22.9)	20.7
No. of Shares-year end (millions)	394.9	396.0	402.3	406.4	411.7

Cash flow statement	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Net Profit	17	33	64	(93)	85
Depreciation and amortization	44	33	41	48	54
Change in working capital	205	(327)	(31)	(108)	210
Other non-cash adjustments	48	1	96	310	16
Cash flow from operations	**313**	**(260)**	**170**	**157**	**365**
Capex	(66)	(39)	(192)	(72)	(39)
Others	32	19	37	24	46
Cash flow from investing	**(34)**	**(20)**	**(155)**	**(48)**	**8**
Equity raised/(repaid)	1	3	1	3	3
Debt raised/(repaid)	(203)	258	163	(44)	(227)
Other	(26)	(32)	(38)	(44)	(27)
Dividends	(12)	(11)	(16)	(21)	(16)
Cash flow from financing	**(241)**	**218**	**110**	**(107)**	**(267)**
Net changes in cash	38	(62)	125	2	106
Beginning cash	209	247	192	316	320
FX Translation	1	7	(2)	3	(4)
Ending cash	247	192	316	320	422
Free cash flow	**279**	**-280**	**15**	**109**	**373**
DPS (Sen)	2.50	3.50	5.00	2.50	4.50

Balance Sheet	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Cash and Cash Equivalents	249	201	323	337	425
Trade receivable	1,339	1,480	1,428	1,374	1,066
Inventories	200	179	203	209	213
Others	1	45	8	6	11
Current assets	**1,790**	**1,905**	**1,962**	**1,926**	**1,714**
PP&E	545	623	764	718	715
Subsidiaries/Associate/JVs	125	136	142	171	188
Other non-current assets	49	45	21	18	26
Total Assets	**2,508**	**2,709**	**2,889**	**2,834**	**2,642**
ST Debt	86	182	216	272	119
Payables	1,201	1,085	1,029	1,025	946
Other Current Liabilities	486	555	708	702	625
Current liabilities	**1,773**	**1,822**	**1,953**	**1,999**	**1,690**
Long term debt	170	264	234	154	137
Other liabilities	39	64	61	60	62
Total liabilities	**1,981**	**2,150**	**2,249**	**2,214**	**1,889**
Total Equity	527	559	640	620	753
Total liabilities and equity	**2,508**	**2,709**	**2,889**	**2,834**	**2,642**
BVPS (M$)	1.1	1.1	1.3	1.1	1.4

Ratio Analysis	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**
Gross margin (%)	6.5%	9.3%	10.0%	10.3%	n/a
EBITDA margin (%)	4.4%	3.9%	7.0%	-0.8%	8.4%
Net profit margin (%)	0.8%	1.9%	3.1%	-3.6%	4.5%
Sales growth (%)	10.7%	-21.5%	14.6%	29.6%	-27.6%
EPS growth (%)	-23.7%	93.5%	90.5%	-244.7%	-190.2%
Receivables - no. of days	217	305	257	191	205
Inventories - no. of days	35	41	41	32	n/a
Payables - no. of days	208	247	206	159	n/a
Interest coverage (x)	16.4	7.2	8.3	-2.3	8.4
Net debt/equity (%)	1.3%	43.8%	19.8%	14.5%	-22.3%
Sales/Assets (%)	90%	65%	70%	93%	72%
Assets/Equity (x)	4.8	4.8	4.5	4.6	3.5
ROCE (%)	7.9%	4.5%	11.0%	-7.9%	11.9%
ROE (%)	3.9%	7.5%	13.2%	-19.2%	16.8%

Source: Company reports.

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