

16 December 2020

## Uzma Berhad

### Contract Extension from Petronas

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**UZMA was awarded a two-year contract extension from Petronas Carigali for the provision of coiled tubing and services, worth RM200m. We are positive on the extension, showcasing the client's reliance on UZMA's services, and bringing its order book to ~RM1.5b. Moving forward, the group is confident of further job wins coming from its bid-book of ~RM1.5b. Maintain OP with TP of RM0.64.**

**Extension of contracts from Petronas Carigali.** UZMA announced that it has received a two-year contract extension from Petronas Carigali for the provision of coiled tubing and services. The original contract was previously awarded in November 2015. The extension contract has commenced in December 2020, valued at RM200m.

**Positive on the contract extension.** We are positive on the contract extension, reflecting on the client's reliance on UZMA's services to continue maintaining optimal production in the wells. The extension should bring UZMA's firmed order-book to ~RM1.5b. We expect this extension to fetch gross margins of roughly 30-35%, in line with the group's average, as well as with the original contract.

**Further new wins to come.** Outside of the recent contract wins, the group has submitted bid-book of another ~RM1.5b. Management is targeting for its bid-book to grow to RM2.9b in the coming months, as it is in preparation of submitting additional job bids. We are encouraged by this, as this signals the presence of opportunities despite the challenging environment. Of the submitted bids, management guides that roughly half has a 70% chance or better at winning, displaying its confidence in further contract wins to come.

**Maintain OUTPERFORM, with unchanged TP of RM0.64,** pegged to 0.4x PBV on FY22E BVPS at -1.5SD below mean. No changes to our FY21-22E earnings as we believe our assumptions have already more than encompassed this contract extension (assumption of ~RM500m order-book replenishment for FY21).

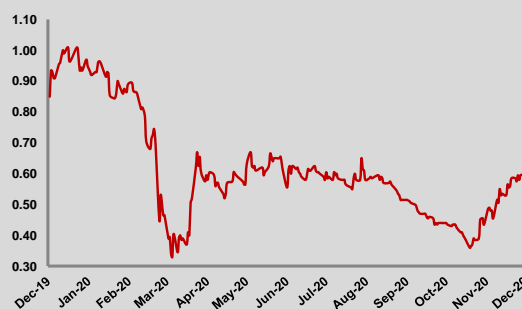
Our OUTPERFORM call is premised on UZMA's recovery play. Being an integral upstream services provider, any factors leading to an increase in oil demand (e.g. positive news flow on Covid-19 vaccine developments) will bode well for the stock's trading sentiment.

**Risks to our call include:** (i) lower-than-expected margins, (ii) slower-than-expected order book replenishment, and (iii) cost overruns.

**OUTPERFORM** ↔

Price : **RM0.580**  
Target Price : **RM0.640** ↔

#### Share Price Performance



KLCI 1,674.02  
YTD KLCI chg 5.4%  
YTD stock price chg -39.9%

#### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	185.6
Shares Outstanding	320.0
52-week range (H)	1.03
52-week range (L)	0.31
3-mth avg daily vol:	5,157,772
Free Float	56%
Beta	1.6

#### Major Shareholders

Tenggiri Tuah Sdn Bhd	34.5%
Employees Provident Fund	4.9%
Urusharta Jamaah Sdn Bhd	4.7%

#### Summary Earnings Table

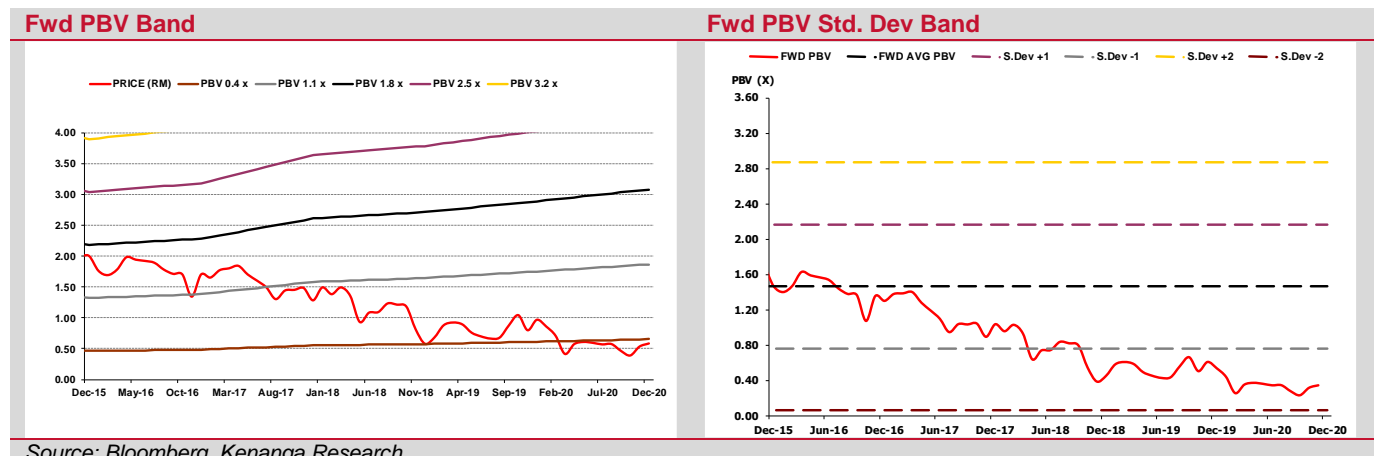
FY June (RM m)	2020A	2021E	2022E
Revenue	552.4	519.9	532.1
EBIT	19.5	62.4	74.5
PBT	(9.8)	34.2	41.1
<b>Net Profit</b>	<b>(22.9)</b>	<b>25.6</b>	<b>30.8</b>
<b>Core Net Profit</b>	<b>2.7</b>	<b>25.6</b>	<b>30.8</b>
Consensus (NP)		18.7	25.7
Earnings Revision (%)		-	-
EPS (sen)	0.8	8.0	9.6
EPS growth (%)	38.0	843.2	20.1
DPS (sen)	0.0	0.0	0.0
BV/share (RM)	1.4	1.5	1.6
PER (x)	68.3	7.2	6.0
P/BV (x)	0.4	0.4	0.4
Gearing (x)	0.9	0.8	0.7
Div. Yield (%)	0.0	0.0	0.0



Income Statement						Financial Data & Ratios					
FY June (RM m)	2018A*	2019A	2020A	2021E	2022E	FY June	2018A*	2019A	2020A	2021E	2022E
Revenue	541.9	446.5	552.4	519.9	532.1	<b>Growth (%)</b>					
Operating Profit	52.8	65.9	19.5	62.4	74.5	Revenue	15.0	-17.6	23.7	-5.9	2.3
Interest Expense	(38.3)	(29.4)	30.6	(28.2)	(33.4)	Operating Profit	-13.1	24.8	-70.5	220.5	19.4
PBT	25.0	41.6	(9.8)	34.2	41.1	PBT	-50.5	66.5	-123.5	-449.1	20.1
Taxation	3.6	(8.5)	(5.8)	(8.5)	(10.3)	Core Net Profit	79.7	-96.2	38.0	843.2	20.1
Minority Interest	(2.1)	(4.7)	(7.3)	0.0	0.0	<b>Profitability (%)</b>					
<b>Net Profit</b>	<b>26.5</b>	<b>28.4</b>	<b>(22.9)</b>	<b>25.6</b>	<b>30.8</b>	Operating Profit	9.7	14.8	3.5	12.0	14.0
<b>Core Net Profit</b>	<b>51.6</b>	<b>2.0</b>	<b>2.7</b>	<b>25.6</b>	<b>30.8</b>	PBT	4.6	9.3	-1.8	6.6	7.7
<b>Balance Sheet</b>						Core Net Profit	4.9	6.4	-4.1	4.9	5.8
FY June (RM m)	2018A*	2019A	2020A	2021E	2022E	Effective Tax Rate	-14.4	20.5	-59.4	25.0	25.0
Fixed Assets	452.4	533.0	509.7	509.7	509.7	ROA	2.6	2.3	-1.7	1.9	2.1
Intangible Assets	85.8	217.6	213.9	213.9	213.9	ROE	5.8	5.7	-5.0	5.3	6.0
Other Fixed Ass.	171.7	24.4	49.5	49.5	49.5	<b>DuPont Analysis</b>					
Inventories	18.2	30.7	41.1	38.7	39.6	Net Margin	4.9	6.4	-4.1	4.9	5.8
Receivables	100.8	273.3	212.7	200.2	204.9	Assets Turnover	0.5	0.4	0.4	0.4	0.4
Other Current As.	140.3	96.8	146.0	146.0	146.0	Leverage Factor	2.2	2.5	2.9	2.7	2.8
Cash	34.9	63.6	144.4	161.6	295.6	ROE	5.8	5.7	-5.0	5.3	6.0
Total Assets	1,004.1	1,239.4	1,317.4	1,319.7	1,459.2	<b>Leverage</b>					
Payables	80.7	132.3	202.2	190.3	194.8	Debt/Total Asset	0.4	0.4	0.4	0.4	0.5
ST Borrowings	118.4	122.6	195.2	183.7	188.0	Total Debt/Equity	0.3	0.3	0.5	0.5	0.4
Other ST Liability	76.8	0.3	7.6	7.6	7.6	Net Cash/(Debt)	324.2	464.1	430.9	402.3	372.6
LT Borrowings	240.7	405.1	380.2	380.2	480.2	Net Debt/Equity	0.7	0.9	0.9	0.8	0.7
Other LT Liability	7.7	23.2	42.1	42.1	42.1	<b>Valuations</b>					
Minority Interest	20.0	53.0	33.0	33.0	33.0	EPS (sen)	16.1	0.6	0.8	8.0	9.6
<b>Net Assets</b>	<b>459.8</b>	<b>502.4</b>	<b>457.1</b>	<b>482.7</b>	<b>513.5</b>	DPS (sen)	0.0	0.0	0.0	0.0	0.0
Share Capital	194.9	290.1	290.1	290.1	290.1	BV/Share (RM)	1.4	1.6	1.4	1.5	1.6
Reserves	264.8	212.3	167.0	192.7	223.5	PER (x)	3.6	94.2	68.3	7.2	6.0
<b>Equity</b>	<b>459.8</b>	<b>502.4</b>	<b>457.1</b>	<b>482.7</b>	<b>513.5</b>	Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Cashflow Statement</b>						P/BV (x)	0.4	0.4	0.4	0.4	0.4
FY June (RM m)	2018A*	2019A	2020A	2021E	2022E						
Operating CF	111.1	11.6	160.6	116.5	128.7						
Investing CF	(52.6)	(74.6)	(135.8)	(100.0)	(100.0)						
Financing CF	(80.7)	83.3	15.6	0.6	105.3						

Source: Kenanga Research

\*FY2018A consists of 18 months as the company changed its financial year-end from December to June.



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## Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUMI ARMADA BHD	0.385	2,266.1	N	12/2020	13.0%	4.3%	40.3%	10.3%	8.0	5.7	5.2	0.7	0.6	11.5%	0.0%	0.210	UP
DAYANG ENTERPRISE HLDGS BHD	1.26	1,458.8	Y	12/2020	-31.2%	23.2%	-71.2%	48.9%	6.2	21.6	14.5	0.9	0.9	4.2%	0.0%	1.20	OP
DIALOG GROUP BHD	3.36	18,956.0	Y	06/2021	29.4%	11.7%	7.8%	8.2%	31.5	29.2	27.0	4.6	4.1	14.9%	1.0%	4.35	OP
MALAYSIA MARINE AND HEAVY EN	0.460	736.0	Y	12/2020	-1.8%	29.8%	-371.3%	-144.8%	N.A.	N.A.	N.A.	0.3	0.3	-4.0%	0.0%	0.380	OP
MISC BHD	6.61	29,505.4	Y	12/2020	-4.1%	13.5%	24.0%	0.9%	18.3	14.8	14.7	0.8	0.8	5.6%	4.5%	8.90	OP
PANTECH GROUP HOLDINGS BHD	0.415	310.0	Y	02/2021	-41.9%	57.1%	-47.6%	79.8%	9.4	18.0	10.0	0.5	0.5	2.8%	2.4%	0.310	UP
PETRONAS CHEMICALS GROUP BHD	7.96	63,680.0	Y	12/2020	-16.4%	10.4%	-47.7%	61.6%	22.0	42.0	26.0	2.1	2.1	5.0%	1.2%	6.45	MP
PETRONAS DAGANGAN BHD	20.76	20,624.1	Y	12/2020	-41.6%	32.0%	-60.1%	86.6%	25.1	62.9	33.7	3.5	3.4	5.5%	1.3%	16.00	UP
SAPURA ENERGY BHD	0.130	2,077.3	Y	01/2021	-11.4%	8.7%	-112.1%	-242.4%	N.A.	N.A.	N.A.	0.2	0.2	-1.8%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.74	5,868.7	Y	12/2020	15.0%	16.0%	9.6%	13.4%	13.0	11.8	10.4	2.7	2.1	19.5%	3.2%	2.50	OP
UZMA BHD	0.580	185.6	Y	06/2021	-6.8%	2.3%	851.9%	20.2%	68.7	7.2	6.0	0.4	0.4	5.5%	0.0%	0.640	OP
VELESTO ENERGY BHD	0.150	1,232.3	Y	12/2020	-15.8%	6.9%	-133.1%	-215.1%	38.5	N.A.	N.A.	0.4	0.4	-0.4%	0.0%	0.130	MP
WAH SEONG CORP BHD	0.755	584.6	Y	12/2020	-52.3%	58.3%	-185.3%	-73.7%	8.3	N.A.	37.0	0.6	0.8	-7.1%	0.0%	0.430	MP
YINSON HOLDINGS BHD	5.70	6,071.3	Y	01/2021	44.8%	4.9%	121.4%	4.1%	28.3	12.8	12.3	3.8	3.0	26.4%	1.1%	5.50	OP
<b>Simple Average</b>					<b>-8.6%</b>	<b>20.0%</b>	<b>1.9%</b>	<b>-24.4%</b>	<b>23.1</b>	<b>22.6</b>	<b>17.9</b>	<b>1.5</b>	<b>1.4</b>	<b>6.3%</b>	<b>1.0%</b>		

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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