

18 December 2020

# Uzma Berhad

## Twelve-year Contract from Petronas

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**UZMA was awarded a twelve-year contract by Petronas Carigali for the provision of portable water injection modules worth RM130m. We are positive on the win, showcasing the client's confidence in UZMA's job delivery capabilities, and bringing its firmed order-book to ~RM1.6b. Moving forward, the group is confident of further job wins to come. Maintain OUTPERFORM with higher TP of RM0.72.**

**Twelve-year contract from Petronas Carigali.** UZMA announced that it was awarded a twelve-year contract from Petronas Carigali for the provision of portable water injection modules (PWIM), valued at a total of RM130m. Scope of the contract include: (i) design, engineering, fabrication, installation, hook-up and commissioning for the first two years, and then subsequently (ii) operating and maintenance for a minimum of ten years thereafter.

**On a contract-winning spree.** This marks UZMA's third contract win announcement in this month alone, which also immediately trails after the previous PWIM contract (also secured from Petronas Carigali) announced back in June 2020 for the Sepat platform. We are positive on the win as this showcases UZMA's class-leading competencies. Additionally, a long-term contract of similar nature is fairly rare in this space, further proving the client's confidence in UZMA, as well as being able to enhance the group's long-term earnings visibility. This new contract brings UZMA's firmed order-book to ~RM1.6b. We expect gross margins for the contract to be roughly 30-35%, broadly in-line with the group's average.

**Further new wins to come.** Outside of the recent contract wins, the group has submitted bid-book of another >RM1b. Management is targeting for its bid-book to grow to >RM2.5b in the coming months, as it is in preparation of submitting additional job bids. This is encouraging as it 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.

**UZMA to benefit in the brownfield space.** With expectations of Petronas to likely cap its capex spends going forward, we see UZMA to be uniquely positioned in the sector given its expertise in the brownfield space, which will benefit from Petronas relying on opex, rather than capex, to enhance productions via existing fields (instead of new fields), thereby helping the oil major with its cash preservation agenda.

**Maintain OUTPERFORM,** with higher TP of RM0.72 (from RM0.64 previously). We see the slew of contract wins (both recently and upcoming) as a rerating catalyst, and hence, have raised our ascribed valuations to 0.45x (from 0.4x previously), which is still close to 1.5SD below its mean valuations. No changes to our FY21-22E numbers, as the new wins are still deemed to be within our assumptions (order-book replenishment assumption of ~RM500m vs FYTD wins of RM350m).

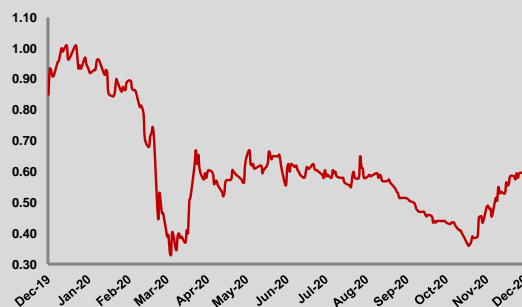
Our OUTPERFORM call is premised on UZMA being a recovery play. Being an integral upstream services provider, any factors leading to an increase in oil demand (e.g. positive news flow on Covid-19 vaccine developments) will bode well for the stock's trading sentiment.

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

**OUTPERFORM** ↔

Price : **RM0.595**  
Target Price : **RM0.720** ↑

### Share Price Performance



KLCI 1,674.35  
YTD KLCI chg 5.4%  
YTD stock price chg -38.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	190.4
Shares Outstanding	320.0
52-week range (H)	1.03
52-week range (L)	0.31
3-mth avg daily vol:	5,266,758
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

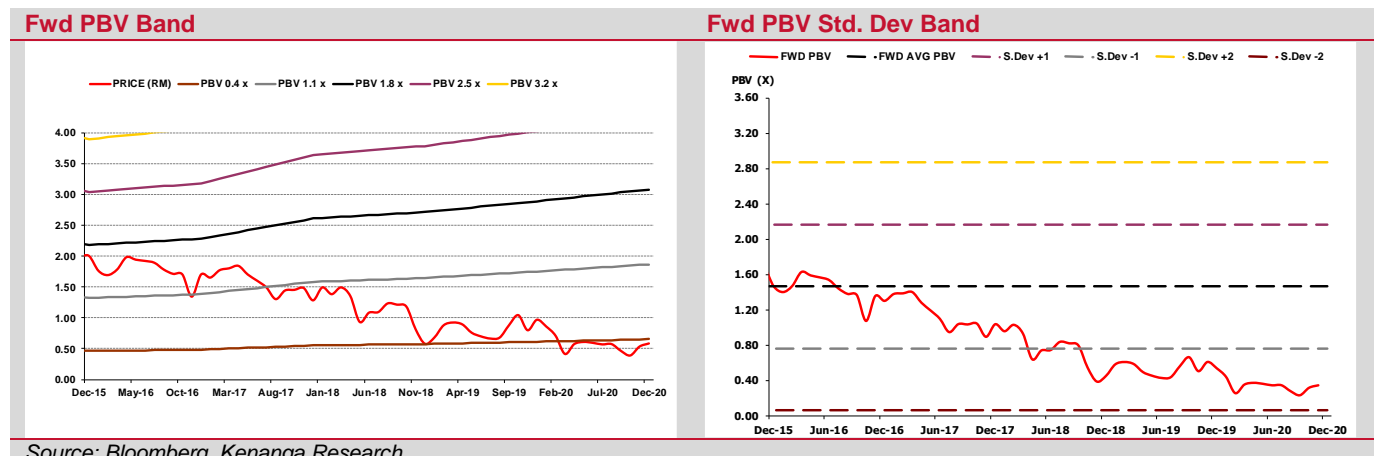
FY June (RM m)	2020A	2021E	2022E
Revenue	552.4	519.9	532.1
EBIT	19.5	62.4	74.5
PBT	(9.8)	34.2	41.1
<b>Net Profit</b>	<b>(22.9)</b>	<b>25.6</b>	<b>30.8</b>
<b>Core Net Profit</b>	<b>2.7</b>	<b>25.6</b>	<b>30.8</b>
Consensus (NP)		19.4	27.0
Earnings Revision (%)		-	-
EPS (sen)	0.8	8.0	9.6
EPS growth (%)	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)	70.0	7.4	6.2
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)	3.7	96.7	70.0	7.4	6.2
<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	1.27	1,470.4	Y	12/2020	-31.2%	23.2%	-71.2%	48.9%	6.3	21.7	14.6	0.9	0.9	4.2%	0.0%	1.20	OP
DIALOG GROUP BHD	3.41	19,238.1	Y	06/2021	29.4%	11.7%	7.8%	8.2%	31.9	29.6	27.4	4.7	4.2	14.9%	1.0%	4.35	OP
MALAYSIA MARINE AND HEAVY EN	0.465	744.0	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	6.67	29,773.2	Y	12/2020	-4.1%	13.5%	24.0%	0.9%	18.5	14.9	14.8	0.9	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	7.56	60,480.0	Y	12/2020	-16.4%	10.4%	-47.7%	61.6%	20.9	39.9	24.7	2.0	2.0	5.0%	1.3%	6.45	MP
PETRONAS DAGANGAN BHD	19.94	19,809.5	Y	12/2020	-41.6%	32.0%	-60.1%	86.6%	24.1	60.4	32.4	3.3	3.3	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	1.75	5,902.4	Y	12/2020	15.0%	16.0%	9.6%	13.4%	13.1	11.9	10.5	2.7	2.1	19.5%	3.1%	2.50	OP
UZMA BHD	0.595	190.4	Y	06/2021	-6.8%	2.3%	851.9%	20.2%	70.5	7.4	6.2	0.4	0.4	5.5%	0.0%	0.720	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	0.835	646.6	Y	12/2020	-52.3%	58.3%	-185.3%	-73.7%	9.2	N.A.	41.0	0.7	0.9	-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>23.2</b>	<b>22.2</b>	<b>18.1</b>	<b>1.5</b>	<b>1.4</b>	<b>6.3%</b>	<b>1.1%</b>		

Source: Bloomberg, Kenanga Research

**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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Published and printed by:

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