

25 February 2021

Uzma Berhad

Weaker Earnings in 2QFY21

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The weaker earnings came within expectations, amidst slower activity levels and delayed jobs. Nonetheless, given UZMA's unique position in the sector, the group is expected to benefit from the recovery of brownfield activities going forward. The group has also put in place long-term plans to diversify into non-oil and gas businesses. Maintain OP with higher TP of RM0.83.

1HFY21 within expectations. 1HFY21 core net profit of RM12m came in within expectations at 47% of our, and 54% of consensus, full-year forecasts. No dividends were announced, as expected.

Overall weaker results. QoQ, 2QFY21 core net profit of RM5.5m decreased 17%, on the back of lower activities. More notably, its renewable energy projects contributed minimally during the quarter (as compared to 6% of revenue in the previous quarter), as jobs at hand were completed in the same quarter. Cumulatively, 1HFY21 earnings also dropped 25% YoY, amidst lower activities and delayed jobs.

To benefit from increased brownfield upstream activities. While the recovery of the oil and gas sector is still expected to be slow and gradual, UZMA will be able to benefit from the rebound in brownfield activities going forward, given its unique position within the market. UZMA has also put in place long-term plans of diversifying beyond the oil and gas sector, and venture into growth areas such as renewable energy, and digital and technology.

Maintain OUTPERFORM, with slightly higher TP of RM0.83 (from RM0.80 previously), following some minor updates post-results, pegged to unchanged valuations of 0.5x PBV – close to roughly -1.5SD below its mean. No changes to our FY21-22E earnings forecasts.

Risks to our call include: (i) lower-than-expected activity levels, (ii) slower-than-expected order-book recognition, (iii) cost overruns.

OUTPERFORM ↔

Price : RM0.735

Target Price : RM0.830 ↑

Share Price Performance



KLCI	1,557.55
YTD KLCI chg	-4.3%
YTD stock price chg	30.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	235.2
Shares Outstanding	320.0
52-week range (H)	0.85
52-week range (L)	0.31
3-mth avg daily vol:	8,999,124
Free Float	56%
Beta	1.5

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
Turnover	552.4	519.9	532.1
EBIT	19.5	62.4	74.5
PBT	(9.8)	34.2	41.1
Net Profit	(22.9)	25.6	30.8
Core Net Profit	2.7	25.6	30.8
Consensus (NP)		22.4	29.9
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	1.7
PER (x)	86.5	9.2	7.6
P/BV (x)	0.5	0.5	0.4
Net-Gearing (x)	0.9	0.8	0.7
Div. Yield (%)	0.0	0.0	0.0

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Income Statement								
	2Q	1Q	Q-o-Q	2Q	Y-o-Y	1H	1H	Y-o-Y
	FY21	FY20		FY20		FY21	FY20	
Y/E : June (RM m)								
Revenue	92.3	99.6	-7.3%	149.5	-38.3%	191.9	283.3	-32.3%
Cost of sales	(51.4)	(55.4)	-7.1%	(93.9)	-45.2%	(106.8)	(175.9)	-39.3%
Gross profit	40.9	44.2	-7.5%	55.7	-26.5%	85.1	107.4	-20.8%
Other income	7.2	2.3	214.8%	0.3	1994.5%	9.5	0.7	N.M.
Operating expenses	(31.0)	(36.8)	-16.0%	(36.6)	-15.4%	(67.8)	(69.1)	-1.9%
Finance costs	(6.3)	(6.4)	-1.3%	(7.5)	-16.3%	(12.7)	(14.9)	-14.7%
Associates	0.8	0.0	N.M.	(0.0)	N.M.	0.8	0.3	154.4%
Profit before tax	11.7	3.3	254.6%	11.9	-1.6%	15.0	24.5	-38.8%
Tax expense	(3.9)	(0.9)	348.6%	(1.2)	229.8%	(4.8)	(2.3)	106.7%
Non-controlling interest	(0.3)	(0.8)	-57.7%	(3.9)	-91.7%	(1.1)	(6.0)	-81.7%
Net profit	7.4	1.7	350.4%	6.8	10.1%	9.1	16.2	-43.8%
Core net profit	5.5	6.6	-16.7%	8.2	-33.5%	12.0	16.0	-24.7%
Gross margin	44.3%	44.4%		37.2%		44.3%	37.9%	
PBT margin	12.6%	3.3%		7.9%		7.8%	8.6%	
Net margin	8.1%	1.7%		4.5%		4.7%	5.7%	
Core net margin	5.9%	6.6%		5.5%		6.3%	5.6%	
Effective tax rate	33.5%	26.5%		10.0%		32.0%	9.5%	

Source: Company

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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	0.375	2,207.2	N	12/2020	13.0%	4.3%	40.3%	10.3%	7.8	5.6	5.0	0.7	0.6	11.5%	0.0%	0.210	UP
DAYANG ENTERPRISE HLDGS BHD	1.51	1,748.2	Y	12/2021	13.6%	16.1%	42.9%	60.5%	26.1	18.3	11.4	1.1	1.1	6.0%	0.0%	1.45	MP
DIALOG GROUP BHD	3.22	18,167.8	Y	06/2021	-33.7%	26.3%	1.8%	11.5%	30.2	29.6	26.6	4.4	4.0	14.1%	0.9%	4.35	OP
MISC BHD	6.75	30,130.3	Y	12/2021	20.3%	7.3%	0.2%	1.0%	14.0	13.9	13.8	0.9	0.9	6.6%	4.9%	8.10	OP
PETRONAS CHEMICALS GROUP BHD	7.67	61,360.0	Y	12/2021	9.3%	10.3%	30.8%	16.4%	32.0	24.4	21.0	2.0	1.9	8.1%	2.0%	7.50	MP
PETRONAS DAGANGAN BHD	19.18	19,054.4	Y	12/2021	10.2%	10.2%	58.9%	48.3%	66.9	42.1	28.4	3.4	3.4	8.0%	2.4%	17.60	UP
SAPURA ENERGY BHD	0.145	2,317.0	Y	01/2021	-11.4%	8.7%	-112.1%	-242.4%	N.A.	N.A.	N.A.	0.3	0.3	-1.8%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.69	6,269.3	Y	12/2020	15.0%	16.0%	9.6%	13.4%	12.6	11.5	10.1	2.6	2.0	19.5%	3.3%	2.50	OP
UZMA BHD	0.735	235.2	Y	06/2021	-6.8%	2.3%	851.9%	20.2%	87.1	9.2	7.6	0.5	0.5	5.5%	0.0%	0.830	OP
VELESTO ENERGY BHD	0.170	1,396.7	Y	12/2020	-15.8%	6.9%	-133.1%	-215.1%	43.6	N.A.	N.A.	0.5	0.5	-0.4%	0.0%	0.130	MP
WAH SEONG CORP BHD	0.725	561.4	Y	12/2021	34.8%	15.8%	-59.0%	203.6%	N.A.	25.0	8.2	0.8	0.8	3.1%	0.0%	0.720	MP
YINSON HOLDINGS BHD	5.33	5,678.0	Y	01/2021	92.4%	-0.4%	206.8%	-15.1%	26.5	8.6	10.2	3.6	2.6	34.8%	1.1%	6.95	OP
Simple Average					11.7%	10.3%	78.2%	-7.3%	34.7	18.8	14.2	1.7	1.5	9.6%	1.2%		

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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