

25 November 2021

Uzma Berhad

1QFY22 Bounced Back, Sequentially

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Despite sequential recovery in 1QFY22, the quarter's performance is deemed to be below expectations given the poorer margins and job mix – especially on a YoY-basis. Nonetheless, we remain sanguine of UZMA's recovery prospects, given its unique position in the oil and gas brownfield space, while its diversification plans also serve as a long-term catalyst. Maintain OP with TP of RM0.67.

1QFY22 deemed to have missed expectations. 1QFY22 core net profit of RM4m is deemed to have come in below expectations at only 14%/15% of our/consensus full-year earnings forecasts, on poorer-than-expected project margins. No dividends were announced, as expected.

Sequential bounce back. QoQ, 1QFY22 earnings managed to recover more than double from previous weak quarter. While job flows remain steady (as seen in the flattish revenue), the quarter benefitted from better margins amidst the group's continuous cost optimisation initiatives. YoY, however, earnings came in poorer amidst poorer job margin mix, despite revenue still remaining somewhat flattish (+2%).

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 in 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, digital, and technology.

Maintain OUTPERFORM, with a lowered TP of RM0.67 (from RM0.75 previously) – pegged to unchanged valuations of 0.5x PBV, in-line with the stock's mean valuation. Post results, we trimmed our FY22E/FY23E CNP by 18%/28% after adjusting our job margins and cost assumptions.

Our call is premised on the stock's relatively undemanding valuations, gradual recovery outlook coupled with the fruition of its long-term diversification plans.

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

OUTPERFORM ↔

Price : **RM0.490**
Target Price : **RM0.670** ↓

Share Price Performance



KLCI 1,522.27
YTD KLCI chg -6.4%
YTD stock price chg -12.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	174.3
Shares Outstanding	352.0
52-week range (H)	0.90
52-week range (L)	0.49
3-mth avg daily vol:	5,225,113
Free Float	62%
Beta	1.7

Major Shareholders

Tenggiri Tuah Sdn Bhd	31.4%
Urusharta Jamaah Sdn Bhd	4.3%
Principal I Small Cap	2.4%

Summary Earnings Table

FY June (RM m)	2021A	2022E	2023E
Turnover	387.5	446.4	491.1
EBIT	43.3	60.3	63.8
PBT	18.6	30.3	33.8
Net Profit	12.8	22.7	25.4
Core Net Profit	21.7	22.7	25.4
Consensus (NP)		25.9	32.7
Earnings Revision (%)		-18.1	-28.0
EPS (sen)	6.2	6.4	7.2
EPS growth (%)	118.5	4.6	11.8
DPS (sen)	0.0	0.0	0.0
BV/share (RM)	1.3	1.3	1.4
PER (x)	8.0	7.7	6.9
P/BV (x)	0.4	0.4	0.4
Net-Gearing (x)	0.8	0.8	0.8
Div. Yield (%)	0.0	0.0	0.0

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Income Statement								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY22	FY21		FY21		FY22	FY21	
Y/E : June (RM m)								
Revenue	101.4	102.2	-0.8%	99.6	1.8%	101.4	99.6	1.8%
Cost of sales	(59.7)	(63.9)	-6.6%	(55.4)	7.8%	(59.7)	(55.4)	7.8%
Gross profit	41.7	38.3	8.9%	44.2	-5.8%	41.7	44.2	-5.8%
Other income	0.7	6.8	-90.2%	2.3	-70.9%	0.7	2.3	-70.9%
Administrative expenses	(19.0)	(21.2)	-10.6%	(19.7)	-3.5%	(19.0)	(19.7)	-3.5%
	(3.0)	(6.2)	-52.1%	(5.9)	-49.4%			
Depreciation	(12.3)	(13.8)	-11.1%	(11.3)	9.0%	(12.3)	(11.3)	9.0%
Finance costs	(6.7)	(6.2)	7.0%	(6.9)	-3.9%	(6.7)	(6.9)	-3.9%
Associates	(0.4)	1.9	-119.1%	0.0	N.A.	(0.4)	0.0	N.A.
Profit before tax	1.0	(0.5)	-301.6%	3.3	-68.5%	1.0	3.3	-68.5%
Tax expense	(0.5)	(3.6)	-87.6%	(0.9)	-48.3%	(0.5)	(0.9)	-48.3%
Non-controlling interest	(0.2)	0.5	-143.7%	(0.8)	-68.9%	(0.2)	(0.8)	-68.9%
Net profit	0.3	(3.6)	-109.6%	1.7	-79.0%	0.3	1.7	-79.0%
Core net profit	4.0	1.6	146.6%	6.6	-39.4%	4.0	6.6	-39.4%
Gross margin	41.1%	37.4%		44.4%		41.1%	44.4%	
PBT margin	1.0%	-0.5%		3.3%		1.0%	3.3%	
Net margin	0.3%	-3.5%		1.7%		0.3%	1.7%	
Core net margin	3.9%	1.6%		6.6%		3.9%	6.6%	

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	0.465	2,746.8	N	12/2021	4.7%	-0.4%	35.9%	-13.2%	5.7	4.2	4.9	0.9	0.7	18.6%	0.0%	0.570	OP
DAYANG ENTERPRISE HLDGS BHD	0.930	1,076.7	Y	12/2021	-14.5%	20.0%	-18.9%	50.9%	16.1	19.9	13.2	0.7	0.6	3.3%	0.0%	1.20	OP
DIALOG GROUP BHD	2.64	14,896.4	Y	06/2022	-38.1%	28.1%	-7.9%	15.4%	24.8	26.9	23.3	3.6	3.3	12.8%	1.1%	3.50	OP
MISC BHD	6.82	30,442.7	Y	12/2021	7.8%	14.2%	-10.0%	1.4%	14.1	15.7	15.4	0.9	0.8	5.7%	4.8%	8.05	OP
PETRONAS CHEMICALS GROUP BHD	8.34	66,720.0	Y	12/2021	48.1%	-8.1%	247.1%	-34.4%	34.8	10.0	15.3	2.2	2.0	20.7%	5.0%	8.75	MP
PETRONAS DAGANGAN BHD	20.00	19,869.1	Y	12/2021	10.2%	10.2%	113.3%	18.9%	69.7	32.7	27.5	3.5	3.5	10.8%	3.1%	18.90	MP
SAPURA ENERGY BHD	0.100	1,597.9	Y	01/2022	11.9%	-40.6%	-879.6%	-118.9%	N.A.	N.A.	N.A.	0.2	0.3	-30.4%	0.0%	0.070	UP
SERBA DINAMIK HOLDINGS	0.350	1,298.4	Y	06/2022	-31.6%	10.0%	-38.2%	6.2%	1.7	2.7	2.6	0.3	0.3	11.5%	0.0%	UR	UR
UZMA BHD	0.495	174.3	Y	06/2022	15.2%	10.0%	4.6%	11.9%	7.3	7.0	6.2	0.4	0.3	4.9%	0.0%	0.670	OP
VELESTO ENERGY BHD	0.140	1,150.2	Y	12/2021	-38.2%	33.9%	-304.1%	-118.9%	N.A.	N.A.	N.A.	0.5	0.5	-3.8%	0.0%	0.130	UP
WAH SEONG CORP BHD	0.730	565.2	Y	12/2021	-14.8%	41.7%	-132.8%	-20.6%	N.A.	N.A.	39.6	0.8	0.8	-2.6%	0.0%	0.630	UP
YINSON HOLDINGS BHD	5.87	6,252.0	Y	01/2022	-6.6%	-15.5%	-20.3%	-18.1%	10.1	12.6	15.4	3.5	2.8	24.7%	1.0%	7.35	OP
Simple Average					-3.8%	8.6%	-84.2%	-18.3%	20.5	14.6	16.3	1.5	1.3	6.3%	1.3%		

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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