

20 March 2024

Uzma

Secured HWU Extension in Thailand

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UZMA has secured an extension for the provision of hydraulic workover unit for the Bualuang project for two years, bringing its YTD job wins to RM715m based on our estimates, which is still within our assumption. We maintain our forecasts, TP of RM1.45 and OUTPERFORM call.

UZMA has been awarded a contract extension by Medco Energy Thailand (Bualuang) Limited (Medco) for the provision of hydraulic workover unit (HWU) Services for the Bualuang project. The scope of works comprises of the provision of HWU and associated equipment service required for workover and well services activities at offshore Thailand with contract tenure of two years (effective from 20 Mar 2024).

Based on historical wins, HWU jobs usually generate RM15m-RM20m of revenue in total for two-year contracts. This latest win has boosted its FY24 cumulative wins to RM715m vs. our full-year job win assumption of RM1b. We anticipate this job to achieve a net margin of 7%-8%, consistent with the group's overall net margins. Therefore, we consider this job win to align with our expectations.

Forecast. Maintained.

Valuations. We maintain our TP at RM1.45 pegged to an unchanged CY25F 10x PER, which is consistent with the average PER for small to mid-cap upstream services players. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

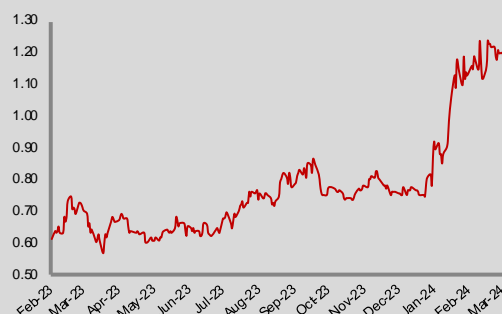
Investment case. We like UZMA due to: (i) it being a beneficiary of the current up-cycle in upstream activities leading to increased O&G contract flows, (ii) its active thrust into sustainable businesses via its new energy segment which enhances UZMA's ESG appeal and help future proof its earnings, and (iii) the looming launch of its large-scale solar plant that will boost its recurring income. Maintain **OUTPERFORM**.

Risks to our call include: (i) premature end to industry up-cycle following a dip in oil prices, (ii) poor project execution on new energy division leading to cost overruns and delays, and (iii) opex pressure emanating from an inflationary environment, particularly on expenses for manpower and materials.

OUTPERFORM ↔

Price : **RM1.25**
Target Price : **RM1.45** ↔

Share Price Performance



KLCI	1,544.96
YTD KLCI chg	6.2%
YTD stock price chg	66.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	484.0
Shares Outstanding	387.2
52-week range (H)	1.30
52-week range (L)	0.56
3-mth avg. daily vol.	3,121,938
Free Float	67%
Beta	1.3

Major Shareholders

Tenggiri Tuah Sdn Bh	25.4%
Norges Bank	3.0%
Citigroup Inc	2.6%

Summary Earnings Table

FY June (RM m)	2024A	2025F	2026F
Turnover	638.5	675.3	730.3
EBIT	88.7	93.8	94.2
PBT	65.8	69.5	73.0
Net Profit	51.8	54.7	57.6
Core Net Profit	51.8	54.7	57.6
Consensus (NP)	45.6	59.4	64.7
Earnings Revision (%)	-	-	-
EPS (sen)	13.4	14.1	14.6
EPS Growth (%)	32.7	5.7	3.4
DPS (sen)	-	-	-
BV/share (RM)	1.6	1.7	1.9
PER (x)	9.3	8.8	8.6
P/BV (x)	0.8	0.7	0.7
Net-Gearing (x)	0.6	0.4	0.4
Div. Yield (%)	-	-	-

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Income Statement

FY Jan (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	377.9	474.0	638.5	675.3	730.3
EBIT	35.8	59.1	88.7	93.8	94.2
Interest Exp	-20.1	-18.0	-25.2	-26.7	-23.5
Associate	1.3	2.4	2.4	2.4	2.4
PBT	17.0	43.5	65.8	69.5	73.0
Taxation	-10.4	-3.1	-12.7	-13.4	-14.1
MI	-1.5	-1.3	-1.3	-1.3	-1.3
Net Profit	5.0	39.0	51.8	54.7	57.6
Core profit	13.3	39.0	51.8	54.7	57.6

Balance Sheet

FY Jan (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	496.8	542.5	524.3	504.7	484.6
Intangible Assets	204.9	206.1	206.1	206.1	206.1
Other LT assets	47.7	39.6	39.6	39.6	39.6
Inventories	46.2	47.2	50.8	53.8	82.2
Receivables	170.1	327.7	222.1	234.9	254.1
Other CA	183.7	88.4	282.0	296.9	319.2
Cash	110.6	95.6	72.5	78.6	109.0
Total Assets	1260.0	1347.2	1397.4	1414.5	1494.7
Payables	221.6	209.4	207.9	220.2	242.9
ST Borrowings	216.7	184.7	184.7	134.7	134.7
Other ST Liability	4.6	95.5	95.5	95.5	95.5
LT Borrowings	234.1	212.3	212.3	212.3	212.3
Other LT Liability	58.4	75.1	75.1	75.1	75.1
Minorities Int.	29.6	30.4	30.4	30.4	30.4
Perpetual	40.9	40.9	40.9	40.9	40.9
Net Assets	454.2	499.0	550.7	605.4	663.0
Share Capital	307.5	307.5	307.5	307.5	307.5
Reserves	146.7	191.4	243.2	297.9	355.5
Equity	454.2	499.0	550.7	605.4	663.0

Cashflow Statement

FY Jan (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	51.2	146.9	15.2	96.6	74.2
Investing CF	-18.6	-86.3	-38.3	-40.5	-43.8
Financing CF	-63.7	-74.1	0.0	-50.0	0.0

Financial Data & Ratios

FY Jan	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Revenue	-2.8	25.4	34.7	5.8	8.2
Operating Profit	97.0	64.9	50.1	5.8	0.4
PBT	-522.3	155.5	51.4	5.6	5.1
Net Profit	-40.5	192.9	32.7	5.7	5.2
Profitability (%)					
Operating Margin	9.5	12.5	13.9	13.9	12.9
PBT Margin	4.5	9.2	10.3	10.3	10.0
Net Margin	3.5	8.2	8.1	8.1	7.9
Effective Tax Rate	61.3	7.1	19.3	19.3	19.4
ROA	1.81	1.06	2.90	3.10	3.18
ROE	2.9	7.8	9.4	9.0	8.7
DuPont Analysis					
Net Margin (%)	3.5	8.2	8.1	8.1	7.9
Assets Turnover (x)	0.3	0.4	0.5	0.5	0.5
Leverage Factor (x)	2.8	2.7	2.5	2.3	2.3
ROE (%)	2.9	7.8	9.4	9.0	8.7
Leverage					
Debt/Asset (x)	0.36	0.29	0.28	0.25	0.23
Debt/Equity (x)	0.91	0.74	0.67	0.54	0.49
N. Debt/(Cash	340.23	301.34	324.48	268.39	237.96
Net Debt/Equity (x)	0.75	0.60	0.59	0.44	0.36
Valuations					
EPS (sen)	3.78	10.08	13.38	14.14	14.61
DPS (sen)	-	-	-	-	-
BVPS (RM)	1.49	1.47	1.61	1.75	1.90
PER (x)	32.50	12.20	9.19	8.70	8.42
Div. Yield (%)	-	-	-	-	-
P/BV (x)	0.83	0.83	0.77	0.70	0.65

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	MP	0.565	0.580	2.7%	3,346.3	N	12/2024	13.8	12.6	144.4%	-8.8%	4.1	4.5	0.5	13.4%	0.0	0.0%
DIALOG GROUP BHD	OP	2.21	3.10	40.3%	12,470.1	Y	06/2024	9.3	10.3	4.0%	11.0%	23.8	21.4	2.1	9.1%	4.2	1.9%
ICON OFFSHORE	OP	0.620	0.800	29.0%	335.8	Y	12/2024	5.3	8.1	285.3%	52.9%	11.6	7.6	0.9	8.0%	0.0	0.0%
MISC BHD	MP	7.60	7.51	-1.2%	33,924.5	Y	12/2024	51.9	53.9	7.0%	3.9%	14.6	14.1	0.8	5.8%	30.0	3.9%
PETRONAS CHEMICALS GROUP BHD	MP	6.81	6.88	1.0%	54,480.0	Y	12/2024	44.9	45.9	111.1%	2.3%	15.2	14.8	1.3	8.7%	22.4	3.3%
PETRONAS DAGANGAN BHD	MP	21.74	23.70	9.0%	21,597.7	Y	12/2024	99.7	109.8	1.1%	10.1%	21.8	19.8	3.6	16.9%	79.8	3.7%
PETRON MALAYSIA REFINING	MP	4.62	4.74	2.6%	1,247.4	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.6	5.2	0.5	10.6%	20.0	4.3%
UZMA BHD	OP	1.25	1.45	16.0%	484.0	Y	06/2024	13.4	14.1	32.8%	5.6%	9.3	8.8	0.9	9.9%	0.0	0.0%
VELESTO ENERGY BHD	OP	0.290	0.310	6.9%	2,382.5	Y	12/2024	1.8	2.1	46.6%	17.3%	16.3	13.9	0.9	5.7%	0.0	0.0%
WASCO BHD	OP	1.20	1.48	23.3%	929.2	Y	12/2024	12.1	14.8	20.0%	22.6%	9.9	8.1	1.2	12.5%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.52	3.47	34.5%	7,325.8	N	01/2024	12.9	18.4	24.7%	42.6%	19.5	13.7	1.8	9.4%	3.9	1.5%
Sector Aggregate					141,197.8					41.7%	5.1%	15.1	14.4	1.3	9.9%		1.7%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	Energy Efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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