

05 June 2020

## Uzma Berhad

### Contract from Pertamina

By Steven Chan / [steven.chan@kenanga.com.my](mailto:steven.chan@kenanga.com.my)

**UZMA has been awarded a directional drilling contract from Pertamina. Contract tenure is 24 months, with a value of approximately RM12m. We are positive on the contract win, although the smallish contract value would be somewhat inconsequential to the company's order-book of ~RM2b. Nonetheless, the award could help UZMA strengthen its regional presence, considering how local-centric the company is. Maintain MP with TP of RM0.67.**

**Awarded an Indonesian contract.** UZMA has been awarded a contract by Pertamina for the provision of directional drilling together with manpower services for the drilling of Sumatera 1 exploitation wells. The contract has tenure of 24 months, and a value of approximately RM12m.

**Positive on the contract win.** We are positive on the contract award, especially considering the current challenging backdrop plaguing the oil and gas sector. This award should be the company's fifth publicly announced contract win in FY20, bringing announced YTD firm-value wins to ~RM172m (excluding contracts which values are work order dependent/umbrella-based). Nonetheless, given the smallish value of this contract award, it would be somewhat inconsequential to the company's total order-book of ~RM2b (of which ~RM1.5b are firm-valued) and we expect the contract to fetch single-digit net margins.

On the bigger picture, this contract award would help UZMA further strengthen its regional presence, considering how local-centric the company is. Its footing in Indonesia is relatively weak (in comparison to its local operations), and hence, a proper and competent job delivery might help enable UZMA to establish its regional credentials, setting it up for further job wins from the country in the future.

**Maintain MARKET PERFORM**, with unchanged TP of RM0.67, pegged to 0.4x FY21E PBV at -1.5SD below its 5-year mean.

No changes to our FY20-21E numbers for the time being, considering the smallish size of the contract (accounting for <1-2% of FY21E).

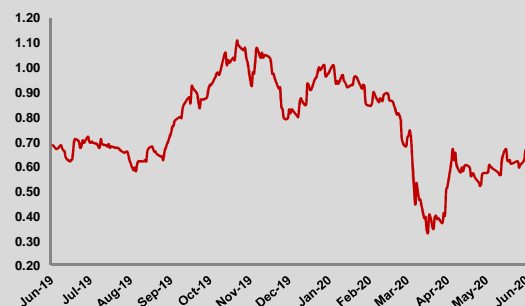
Keen investors should be wary of the upcoming weaker results, given operational disruption led by the Covid-19 and plummeting oil prices, and thus should be adopt a nimble trading strategy or be prepared to weather through a period of volatility.

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

## MARKET PERFORM ↔

**Price :** RM0.640  
**Target Price :** RM0.670 ↔

### Share Price Performance



KLCI 1,561.84  
YTD KLCI chg -1.7%  
YTD stock price chg -33.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UZMA MK Equity
Market Cap (RM m)	204.8
Shares Outstanding	320.0
52-week range (H)	1.14
52-week range (L)	0.31
3-mth avg daily vol:	14,142,290
Free Float	56%
Beta	1.7

### Major Shareholders

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

### Summary Earnings Table

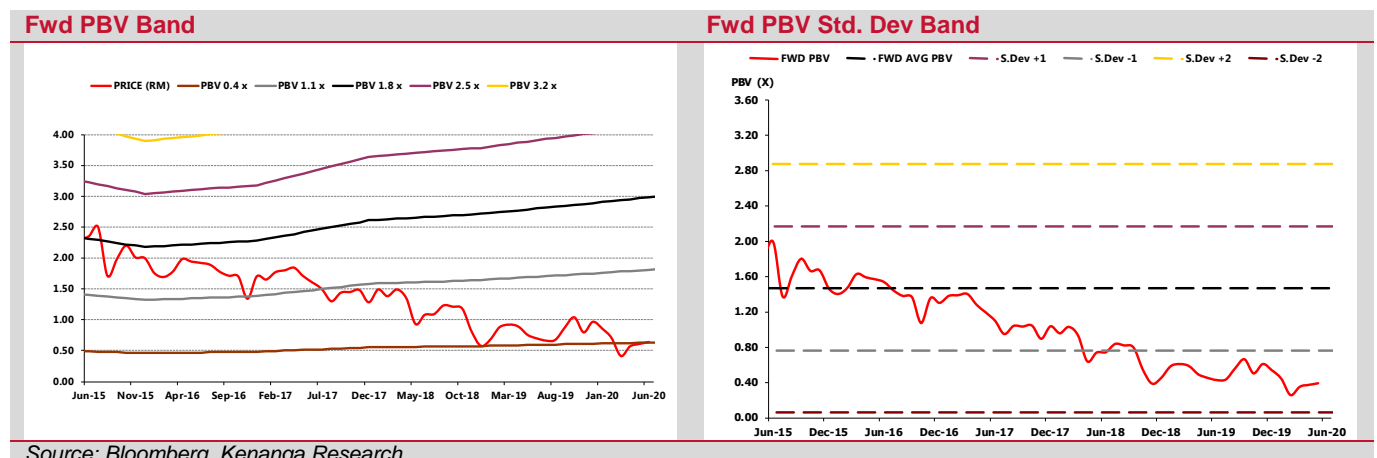
FY June (RM m)	2019A	2020E	2021E
Turnover	443.4	508.3	519.9
EBIT	63.8	76.2	83.2
PBT	42.9	44.8	49.2
<b>Net Profit</b>	<b>29.7</b>	<b>27.8</b>	<b>30.6</b>
<b>Core Net Profit</b>	<b>9.7</b>	<b>27.8</b>	<b>30.6</b>
Consensus (NP)		28.7	29.1
Earnings Revision (%)		-	-
EPS (sen)	3.0	8.7	9.6
EPS growth (%)	-81.3	188.3	9.9
DPS (sen)	0.0	0.0	0.0
BV/share (RM)	1.5	1.6	1.7
PER (x)	21.2	7.4	6.7
P/BV (x)	0.4	0.4	0.4
Gearing (x)	1.0	0.9	0.8
Div. Yield (%)	0.0	0.0	0.0



Income Statement						Financial Data & Ratios					
FY June (RM m)	2016A	2018A*	2019A	2020E	2021E	FY June	2016A	2018A*	2019A	2020E	2021E
Revenue	471.1	541.9	443.4	508.3	519.9	<b>Growth (%)</b>					
Operating Profit	60.7	52.8	63.8	76.2	83.2	Revenue	-7.8	15.0	-18.2	14.6	2.3
Interest Expense	(14.8)	(38.3)	(29.1)	(32.9)	(35.4)	Operating Profit	148.0	-13.1	20.9	19.5	9.1
PBT	50.5	25.0	42.9	44.8	49.2	PBT	-11.3	-50.5	71.7	4.3	9.9
Taxation	(6.4)	3.6	(7.7)	(11.2)	(12.3)	Core Net Profit	-27.5	79.7	-81.3	188.3	9.9
Minority Interest	(4.8)	(2.1)	(5.5)	(5.8)	(6.3)	<b>Profitability (%)</b>					
<b>Net Profit</b>	<b>39.3</b>	<b>26.5</b>	<b>29.7</b>	<b>27.8</b>	<b>30.6</b>	Operating Profit	12.9	9.7	14.4	15.0	16.0
<b>Core Net Profit</b>	<b>28.7</b>	<b>51.6</b>	<b>9.7</b>	<b>27.8</b>	<b>30.6</b>	PBT	10.7	4.6	9.7	8.8	9.5
<b>Balance Sheet</b>						Core Net Profit	8.3	4.9	6.7	5.5	5.9
FY June (RM m)	2016A	2018A*	2019A	2020E	2021E	Effective Tax Rate	12.7	-14.4	18.0	25.0	25.0
Fixed Assets	498.0	452.4	532.6	532.6	532.6	ROA	3.4	2.6	2.5	2.3	2.5
Intangible Assets	63.0	85.8	198.6	198.6	198.6	ROE	9.8	5.8	6.2	5.5	5.7
Other Fixed Ass.	163.1	171.7	23.5	23.5	23.5	<b>DuPont Analysis</b>					
Inventories	18.4	18.2	30.7	30.7	30.7	Net Margin	8.3	4.9	6.7	5.5	5.9
Receivables	204.5	100.8	178.0	178.0	178.0	Assets Turnover	0.4	0.5	0.4	0.4	0.4
Other Current As.	152.1	140.3	199.8	199.8	199.8	Leverage Factor	2.9	2.2	2.5	2.4	2.3
Cash	53.6	34.9	24.5	52.3	82.9	ROE	9.8	5.8	6.2	5.5	5.7
<b>Total Assets</b>	<b>1,152.6</b>	<b>1,004.1</b>	<b>1,187.7</b>	<b>1,215.5</b>	<b>1,246.1</b>	<b>Leverage</b>					
Payables	120.4	80.7	65.8	65.8	65.8	Debt/Total Asset	0.4	0.4	0.4	0.4	0.4
ST Borrowings	169.2	118.4	84.8	84.8	84.8	Total Debt/Equity	0.4	0.3	0.2	0.2	0.2
Other ST Liability	109.3	76.8	70.4	70.4	70.4	Net Cash/(Debt)	440.7	324.2	481.3	453.5	422.9
LT Borrowings	325.0	240.7	421.0	421.0	421.0	Net Debt/Equity	1.1	0.7	1.0	0.9	0.8
Other LT Liability	7.9	7.7	12.4	12.4	12.4	<b>Valuations</b>					
Minority Interest	18.5	20.0	54.8	54.8	54.8	EPS (sen)	9.0	16.1	3.0	8.7	9.6
<b>Net Assets</b>	<b>402.2</b>	<b>459.8</b>	<b>478.5</b>	<b>506.3</b>	<b>536.9</b>	DPS (sen)	0.0	0.0	0.0	0.0	0.0
Share Capital	145.5	194.9	290.1	290.1	290.1	BV/Share (RM)	1.3	1.4	1.5	1.6	1.7
Reserves	256.7	264.8	188.4	216.3	246.8	PER (x)	7.1	4.0	21.2	7.4	6.7
<b>Equity</b>	<b>402.2</b>	<b>459.8</b>	<b>478.5</b>	<b>506.3</b>	<b>536.9</b>	Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Cashflow Statement</b>						P/BV (x)	0.5	0.4	0.4	0.4	0.4
FY June (RM m)	2016A	2018A*	2019A	2020E	2021E						
Operating CF	15.2	111.1	(18.1)	129.5	136.4						
Investing CF	(205.1)	(52.6)	(35.0)	(35.0)	(35.0)						
Financing CF	190.1	(80.7)	(83.5)	(29.1)	(32.9)						

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 Price (RM)	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.	1-Yr. Fwd.	
BUMI ARMADA BHD	0.250	1,471.5	N	12/2020	1.4%	4.8%	10.3%	12.5%	5.2	4.7	4.2	0.5	0.4	9.2%	0.0%	0.300	OP
DAYANG ENTERPRISE HLDGS BHD	1.32	1,439.5	Y	12/2020	8.7%	9.0%	8.6%	9.9%	7.1	6.5	6.0	1.1	0.9	15.0%	0.0%	1.30	UP
DIALOG GROUP BHD	3.80	21,425.6	Y	06/2020	17.7%	6.1%	4.5%	9.7%	40.0	38.3	34.9	5.7	5.4	14.4%	1.1%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.505	808.0	Y	12/2020	3.2%	28.4%	-72.2%	23.2%	N.A.	85.1	69.1	0.3	0.3	0.4%	0.0%	0.450	MP
MISC BHD	8.36	37,316.9	Y	12/2020	3.4%	5.4%	33.2%	-19.5%	23.2	17.4	21.6	1.1	1.1	6.1%	3.6%	8.85	OP
PANTECH GROUP HOLDINGS BHD	0.390	289.7	Y	02/2020	1.3%	5.9%	-19.3%	8.9%	6.7	8.3	7.6	0.5	0.5	6.1%	5.1%	0.360	UP
PETRONAS CHEMICALS GROUP BHD	6.97	55,760.0	Y	12/2020	-16.5%	10.4%	-33.1%	36.2%	19.8	29.6	21.7	1.9	1.8	6.2%	1.7%	5.75	MP
PETRONAS DAGANGAN BHD	22.20	22,054.7	Y	12/2020	-16.7%	12.2%	-42.7%	68.5%	26.9	46.9	27.8	3.7	3.6	7.8%	1.7%	17.95	UP
SAPURA ENERGY BHD	0.105	1,677.8	Y	01/2021	-11.4%	10.8%	-173.7%	-223.0%	N.A.	N.A.	N.A.	0.2	0.2	-11.2%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.74	5,866.5	Y	12/2020	15.0%	15.0%	13.0%	12.4%	11.8	10.5	9.3	2.4	1.9	20.1%	3.2%	2.80	OP
UZMA BHD	0.640	204.8	Y	06/2020	14.6%	2.3%	186.6%	10.1%	21.1	7.4	6.7	0.4	0.4	5.6%	0.0%	0.670	MP
VELESTO ENERGY BHD	0.170	1,396.7	Y	12/2020	-9.9%	0.0%	-19.4%	24.4%	43.6	54.1	43.5	0.5	0.5	0.9%	0.0%	0.140	UP
WAH SEONG CORP BHD	0.565	437.5	Y	12/2020	-56.3%	45.5%	-203.6%	-148.5%	6.2	N.A.	N.A.	0.4	0.4	-7.2%	0.0%	0.510	UP
YINSON HOLDINGS BHD	5.80	6,178.3	Y	01/2021	-30.0%	-1.1%	46.8%	6.2%	28.8	19.6	18.5	3.9	3.3	18.3%	1.0%	6.55	OP
<b>Simple Average</b>					<b>-5.4%</b>	<b>11.0%</b>	<b>-18.6%</b>	<b>-12.1%</b>	<b>20.0</b>	<b>27.4</b>	<b>22.6</b>	<b>1.6</b>	<b>1.5</b>	<b>6.5%</b>	<b>1.2%</b>		

Source: Bloomberg, Kenanga Research

05 June 2020

**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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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

