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Company Update | Tuesday, 11 June 2024

## Deleum Berhad

(5132 | DLUM MK) Energy | Energy Infrastructure, Equipment & Services

### RM105m Contract to Add to FY24 Revenue


#### KEY INVESTMENT HIGHLIGHTS

- Deleum's 87%-owned indirect subsidiary Deleum Technology bagged contract from PETRONAS Carigali for offshore services
- Contract valued at RM105m, funded by internal funds
- In line with robust upstream activities expected in CY24
- Maintain BUY with a revised target price of RM1.62

**LoA from PETRONAS Carigali.** Deleum Berhad (Deleum)'s 86.67% owned indirect subsidiary, Deleum Technology Solutions Sdn. Bhd. (DTS), has received a Letter of Award from PETRONAS Carigali Sdn. Bhd (PCSB). The contract consisted of the Provision of Offshore Maintenance, Construction and Modification (MCM) Services covering Peninsular Malaysia Assets (Gas Package) for CY24.

**Contract valued at RM105m.** The LoA will commence from 16 May to 31 December CY24, with an expected value of RM105m. This would contribute positively to Deleum's FY24 performance in the duration of the contract.

**Signalling a boost in upstream.** The award reflects the positive trajectory anticipated for the upstream O&G sector in CY24. Global upstream capex is expected to reach USD580b, while locally, PETRONAS had announced a capex of RM50b-60b in CY24, of which 40-60% is expected to be allocated for the upstream segment. The robust outlook for the upstream division in relation to an elevated yet relatively stable Brent crude oil price will continue to benefit OGSE companies, including Deleum.

**Revised earnings estimates.** Considering this update, we adjusted the forecasted revenue to reflect awarded contract, barring any major external disruptions that could impact the Brent crude price volatility and raw material prices. We upgraded our earnings forecast for FY24 and FY25 by +2% and +3% respectively. In line with the revised forecast, we revise our **TP to RM1.62** (previously RM1.58), pegging a PER of 11.2x to a revised EPS24 of 14.5sen. The PER is based on the company's 3-year average. We maintain our **BUY** call. 

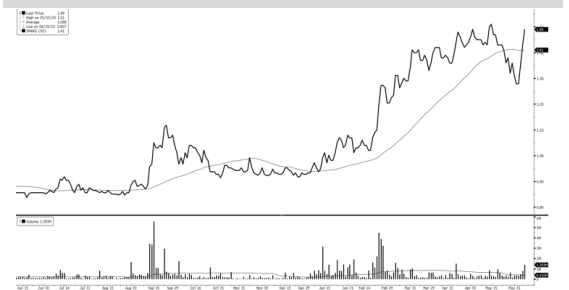
**Maintain BUY**

**Revised Target Price: RM1.62**  
(Previously RM1.58)

#### RETURN STATISTICS

Price @ 10 <sup>th</sup> June 2024 (RM)	1.49
Expected share price return (%)	+8.7
Expected dividend yield (%)	+3.6
<b>Expected total return (%)</b>	<b>+12.3</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.5	2.6
3 months	12.0	8.0
12 months	65.6	41.1

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	829	957	1,035
Operating Profit	87	92	88
Profit Before Tax	94	99	95
Core PATAMI	58	67	69
Core EPS	14.5	16.7	17.1
DPS	5.8	6.2	6.5
Dividend Yield	3.6	3.8	4.0

#### KEY STATISTICS

FBM KLCI	1614.37
Issue shares (m)	401.55
Estimated free float (%)	33.54
Market Capitalisation (RM'm)	598.31
52-wk price range	RM0.88-RM1.52
3-mth average daily volume (m)	0.41
3-mth average daily value (RM'm)	0.58
Top Shareholders (%)	
LANTAS MUTIARA SDN BHD	20.36
Hartapac Sdn Bhd	11.99
Nathan Vivekananthan M V	10.81

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**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	685.8	792.0	829.0	957.0	1,034.7
EBITDA	143.7	165.3	174.1	181.8	181.1
D&A	33.5	32.9	35.7	36.8	41.0
EBIT	62.1	79.4	87.3	92.3	87.8
Profit before tax	51.0	63.4	74.1	83.1	83.5
Core PATAMI	41.9	45.7	58.0	67.1	68.5

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Fixed assets	110.3	91.1	94.2	110.3	123.0
Intangible assets	58.2	58.1	59.3	57.9	58.2
<b>Non-current assets</b>	<b>177.4</b>	<b>159.8</b>	<b>163.2</b>	<b>176.9</b>	<b>189.0</b>
Cash	168.5	198.2	225.2	253.7	268.5
Trade debtors	120.3	115.0	102.8	118.0	127.5
<b>Current assets</b>	<b>536.4</b>	<b>460.9</b>	<b>475.4</b>	<b>530.3</b>	<b>564.7</b>
Trade creditors	221.1	97.1	104.8	133.0	144.2
Short-term debt	7.6	1.5	1.7	1.8	2.0
<b>Current liabilities</b>	<b>283.2</b>	<b>160.6</b>	<b>165.8</b>	<b>204.1</b>	<b>219.7</b>
Long-term debt	1.2	0.9	1.0	1.1	1.2
<b>Non-current liabilities</b>	<b>16.0</b>	<b>13.6</b>	<b>14.2</b>	<b>15.3</b>	<b>16.4</b>
Share capital	201.8	201.8	201.8	201.8	201.8
Retained earnings	238.6	263.3	288.8	317.9	347.7
<b>Equity</b>	<b>414.5</b>	<b>446.5</b>	<b>458.6</b>	<b>487.7</b>	<b>517.5</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
PBT	51.0	63.4	74.1	83.1	83.5
Depreciation & amortisation	33.5	32.9	35.7	36.8	41.0
Changes in working capital	-55.6	-3.6	-26.8	-39.8	-60.9
<b>Operating cash flow</b>	<b>22.0</b>	<b>78.8</b>	<b>81.6</b>	<b>73.6</b>	<b>57.1</b>
Capital expenditure	-8.6	-12.1	-12.9	-6.1	-4.9
<b>Investing cash flow</b>	<b>2.2</b>	<b>-1.0</b>	<b>-3.5</b>	<b>3.5</b>	<b>4.8</b>
Debt raised/(repaid)	-22.04	-6.8	-24.5	-23.3	-22.2
Dividends paid	-15.1	-31.4	-26.7	-25.5	-23.6
<b>Financing cash flow</b>	<b>-38.6</b>	<b>-47.7</b>	<b>-52.7</b>	<b>-50.2</b>	<b>-47.3</b>
<b>Net cash flow</b>	<b>-14.4</b>	<b>30.1</b>	<b>25.4</b>	<b>26.8</b>	<b>14.6</b>
<b>Beginning cash flow</b>	<b>183.4</b>	<b>168.5</b>	<b>198.2</b>	<b>223.3</b>	<b>249.7</b>
<b>Ending cash flow</b>	<b>168.5</b>	<b>198.2</b>	<b>225.2</b>	<b>253.7</b>	<b>268.5</b>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
EBITDA margin	21.0%	20.9%	21.0%	19.0%	17.5%
PBT margin	7.4%	8.0%	8.9%	8.7%	8.1%
Core PAT margin	6.1%	5.8%	7.0%	7.0%	6.6%

Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology