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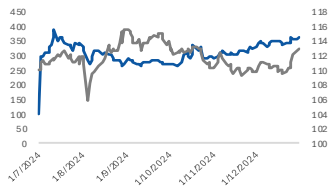
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Recommendation:	BUY
Current Price:	RM0.82
Previous Target Price:	RM1.10
Target Price:	↔ RM1.10
Capital Upside/Downside:	34.1%
Dividend Yield (%):	1.1%
Total Upside/Downside:	36.1%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0310 / UUEMK
Syariah Compliant	Yes
ESGRating	★★★
Sharesissued (m)	608.3
Market Cap (RM' m)	495.8
52-Week Price Range (RM)	0.965-0.595
Beta (x)	N/A
Freefloat (%)	26.7
3MAverage Volume (m)	3.7
3MAverage Value (RM' m)	3.0

Top 3 Shareholders		(%)
Datuk Dr Ting		46.9
Hin Wai Mun		7.6
Datuk Ting Meng Pheng		6.3

Share Price Performance



	1M	3M	12M
Absolute (%)	2.5	2.5	N/A
Relative (%)	3.8	7.3	N/A

UUE Holdings Bhd

Bags Another Two Contract Renewals from TNB

Executive Summary

- **UUE secured RM27.6m in contract renewals from TNB, with 47% for the East Zone and 53% for the South Zone.**
- **This is the fourth contract renewal this month, boosting unbilled orders to RM281.1m, equivalent to 2.2x FY24 revenue.**
- **We maintain our BUY recommendation with an unchanged target price of RM1.10, pegged to a 20.0x PER on FY26F fully diluted EPS of 5.5sen, and appraised with a three-star ESG rating.**

Contract Renewals. UUE has secured the renewal of two contracts from TNB, totaling RM27.6m, for the provision of underground utility solutions. Of this amount, 47% is for the East Zone, with completion expected by Feb 2026. The remaining 53% is for the South Zone, with completion targeted for Dec 2025.

Our Take. Assuming a conservative GP margin of 25%, this could translate to an annual GP of c.RM6.9m, which would represent 11% of our forecasted Group GP for the year. This renewal boosts UUE's unbilled order book to RM281.1m, equivalent to 2.2x of FY24 revenue, providing strong earnings visibility through FY26F. East Coast contributes c.42%, the second-largest contributor after the Southern region.

Outlook. This is UUE's fourth TNB contract renewal this month, underscoring TNB's confidence in UUE's project execution. New job award is expected to remain robust, fuelled by strong demand for HDD solutions as TNB intensifies its efforts to drive the nation's energy transition. UUE appears relatively shielded from the newly announced AI Diffusion Framework, which restrict the export of advanced chips from the USA, as only 5% of its tender book is linked to data centres. Of its c.RM200m tender book, 5% is focused on subsea projects, and the remainder dedicated to utility infrastructure in Malaysia and Singapore.

Earnings revision. No change to our earnings forecasts as the contract win is within our order book replenishment assumption of RM100m for FY25F.

Valuation & Recommendation. We maintain our **BUY** recommendation with an unchanged target price of RM1.10, pegged to a 20.0x PER on FY26F fully diluted EPS of 5.5 sen, and appraised with a three-star ESG rating. We like UUE for its (i) **specialisation in HDD solutions** as its niche with high margins, (ii) strong positioning as a **key beneficiary of TNB's grid upgrade plans**, supported by its established relationship with major customers, and (iii) strategic **expansion into subsea development**, which is anticipated to drive margin growth.

Risk. Heavy reliance on its top three customers. Risk of subcontractor non-performance. Inability to secure new contracts.

Financial Highlights

Income Statement

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	88.7	125.7	164.6	205.1	276.8
Gross Profit	26.6	37.8	50.5	62.8	86.5
EBITDA	21.3	26.7	39.7	50.5	72.6
Depreciation & Amortisation	-2.7	-3.7	-4.2	-4.7	-4.6
EBIT	18.6	23.1	35.6	45.8	67.9
Net Finance Income/ (Cost)	-1.3	-1.6	-1.6	-1.8	-2.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	17.3	21.5	34.0	44.0	65.8
Tax	-3.1	-5.3	-8.1	-10.5	-15.7
Profit After Tax	14.2	16.2	25.9	33.5	50.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	14.2	16.2	25.9	33.5	50.2
Exceptionals	12	-2.9	0.0	0.0	0.0
Core Net Profit	13.0	19.1	25.9	33.5	50.2

Key Ratios

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.1	3.1	4.3	5.5	8.2
P/E (x)	38.1	25.9	19.2	14.8	9.9
P/B (x)	10.2	7.9	4.3	3.5	2.7
EV/EBITDA (x)	23.2	18.4	12.7	9.8	7.0
DPS (sen)	0.6	0.5	0.7	0.9	1.4
Dividend Yield (%)	0.8%	0.6%	0.9%	1.1%	1.7%
EBITDA margin (%)	24.0%	21.3%	24.1%	24.6%	26.2%
EBIT margin (%)	21.0%	18.3%	21.6%	22.3%	24.5%
PBT margin (%)	19.5%	17.1%	20.6%	21.4%	23.8%
PAT margin (%)	16.1%	12.9%	15.7%	16.3%	18.1%
NP margin (%)	16.1%	12.9%	15.7%	16.3%	18.1%
CNP margin (%)	14.7%	15.2%	15.7%	16.3%	18.1%
ROE (%)	26.8%	30.4%	22.4%	23.4%	27.1%
ROA (%)	15.2%	16.0%	14.6%	15.7%	18.7%
Gearing (%)	35.0%	36.4%	21.2%	19.2%	17.1%
Net gearing (%)	3.6%	7.5%	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.055
P/E multiple (x)	20.0
Fair Value (RM)	1.10
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.10

Source: Company, Apex Securities

Balance Sheet

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	15.3	18.1	31.6	28.7	45.6
Receivables	22.0	32.4	38.9	46.7	56.0
Inventories	2.4	3.5	3.8	4.1	4.5
Other current assets	24.1	40.7	61.6	78.1	106.5
Total Current Assets	63.8	94.8	135.9	157.6	212.6
Fixed Assets	10.9	13.7	30.5	45.6	46.2
Intangibles	11.1	10.9	10.5	10.2	10.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Non-Current Assets	22.0	24.6	41.0	55.8	56.2
Short-term debt	12.8	20.1	20.8	23.4	27.0
Payables	8.2	17.4	20.5	25.6	34.2
Other current liabilities	4.2	8.8	8.8	9.4	10.4
Total Current Liabilities	25.2	46.3	50.2	58.4	71.6
Long-term debt	4.2	2.8	3.7	4.1	4.8
Other non-current liabilities	7.9	7.4	7.4	7.4	7.4
Total Non-Current Liabilities	12.1	10.1	11.0	11.5	12.1
Shareholder's equity	48.5	62.9	115.7	143.5	185.1
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	48.5	62.9	115.7	143.5	185.1

Cash Flow

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	17.3	21.5	34.0	44.0	65.8
Depreciation & amortisation	2.7	3.7	4.2	4.7	4.6
Changes in working capital	4.1	17.4	24.6	19.0	28.5
Others	-12.0	-35.6	-55.7	-46.7	-70.5
Operating cash flow	12.1	7.0	7.1	21.0	28.4
Net capex	-3.2	-3.0	-20.6	-19.5	-5.0
Others	4.9	-1.9	0.0	0.0	0.0
Investing cash flow	1.7	-4.9	-20.6	-19.5	-5.0
Dividends paid	-3.8	-2.8	-4.4	-5.7	-8.5
Others	-7.4	0.7	31.4	13	2.1
Financing cash flow	-11.3	-2.1	27.0	-4.4	-6.5
Net cash flow	2.6	-0.1	13.5	-2.9	17.0
Forex	0.5	0.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	8.6	11.6	12.2	25.6	22.7
Ending cash	11.6	12.2	25.6	22.7	39.6

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Kum Fatt Engineering Sdn Bhd organised a tree planting initiative at their office premises, planting six trees as part of their effort to contribute to environmental sustainability.
Waste & Effluent	★★★	Ensure responsible waste management and disposal.
Energy	★★★	Invested RM346,200 in a solar energy project by Premier Plastic Sdn Bhd to reduce greenhouse gas emissions.
Water	★★★	Usage of rainwater at its factory which minimise water consumption.
Compliance	★★★	Adhere to all relevant environmental regulatory and legal requirements.

Social

Diversity	★★★	Workforce is balanced with c.50% young employees and 50% experienced and mid-career professionals.
Human Rights	★★★	Compliant with the Employment Act 1955, ensuring employee rights are protected.
Occupational Safety and Health	★★★	Participated in the NASAM Happy Walk 2023, with 29 staff members joining stroke survivors to raise awareness about stroke recovery.
Labour Practices	★★★	Committed to providing fair and competitive compensation to all employees.

Governance

CSR Strategy	★★★	Donated RM30,000 to Yayasan Sultanah Fatimah for the renovation of classrooms and to promote inclusive education at SJK(C) Chien Chi.
Management	★★★	Actively involved in UUE's sustainability initiatives.
Stakeholders	★★★	Contributed RM10,000 to Pertubuhan Kebajikan Komuniti Masyarakat Negeri Melaka to support 100 impoverished families by providing essential food supplies like rice, cooking oil, and sugar.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.