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Recommendation:	BUY
Current Price:	RM 0.83
Previous Target Price:	RM 1.10
Target Price:	↔ RM 1.10
Capital Upside/Downside:	32.5%
Dividend Yield (%):	1.1%
Total Upside/Downside:	33.7%

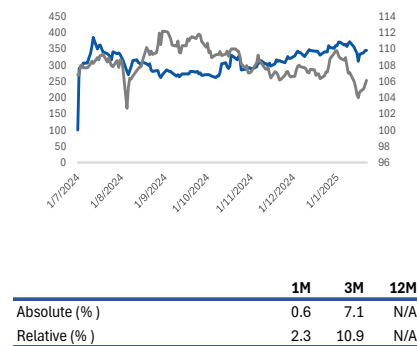
Stock information

Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0310 / UUE MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	608.3
Market Cap (RM' m)	501.8
52-Week Price Range (RM)	0.965-0.595
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	3.5
3M Average Value (RM' m)	2.8

Top 3 Shareholders

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

Share Price Performance



UUE Holdings Bhd

Within expectations

Executive Summary

- UUE's 3QFY25 core net profit surged +12.4 qoq to RM7.3m, bringing to 9MFY25 core net profit at RM19.6m, which was within expectations, accounted for 76% of our in-house forecast.
- End-3QFY24 orderbook remains strong at RM251.8m, equivalent to 1.3x FY24's revenue. While US rulings on AI chips have dampened sentiment, we gathered UUE's exposure to data centres remains minimal (<4% of the order book), suggesting the Group is relatively shielded from any potential unfavourable data centre growth prospects.
- Re-iterate 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.

Results within expectations. UUE achieved its strongest quarterly performance since listing. 9MFY25 core net profit of RM19.6m was within expectations, representing 76% of our FY25F earnings forecast.

yoy. Since UUE was newly listed back in mid-2024, there is no yoy comparison.

qoq. 3QFY25 core net profit surged to RM7.3m (+12.4% qoq), primarily due to stronger contributions from underground utilities engineering solutions in Malaysia (+7.9% qoq) and Singapore (+3.4% qoq). Consequently, core profit margin improved to 15.9% from 15.2%, led by higher contributions from Singapore operations, which fetch better margins.

Outlook. UUE currently is equipped with an unbilled order book of RM251.8m (Peninsular Malaysia: 45% South, 44% North, 10% East; remainder from Singapore), equivalent to 1.3x FY24's revenue, which is expected to be recognised progressively over FY25F-FY26F. Following four contract renewals this month, we expect the momentum of job awards to remain steadfast, especially from the East and North regions. UUE is currently tendering HDD works for 33kV PMU to 11kV PE projects, which are expected to offer faster execution and better margins. To date, UUE's tender book stands at RM88.6m, with over 70% coming from Peninsular Malaysia.

Subsea Development Update. We have been informed that subsea development has been delayed due to land reclamation issues. Nonetheless, the Group is actively exploring alternative onshore land options, as demand for subsea development remains robust in the region, driven by green initiatives and 5G development. We believe that subsea development will require more time to generate meaningful earnings, as the Group is still in the learning phase.

DC Exposure. Following reports that the Biden administration plans to introduce an AI Diffusion framework limiting advanced chip exports, UUE share price has fallen by c.9%. However, this ruling has yet to be finalised, with a 120-day comment period to be observed under the Trump administration's policies. Furthermore, we gathered UUE's exposure to data centres remains minimal, accounting for <4% of the order book. Based on c.1% of revenue elimination from the recognition from data centre works in this quarter, estimated core earnings would still be at record high at c.RM19.0m, suggesting that the Group is relatively shielded from downturn in DC growth. We believe the market is overreacting to UUE, as more than 70% of earnings are derived from recurring TNB jobs, in contrast to data centre jobs, which are typically one-off in nature.

Earnings Revision. No change, given that reported earnings came within expectations.

Valuation. Re-iterate our **BUY** recommendation on UUE with a 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. Given the current undemanding valuations, we believe this presents a good opportunity for investors to accumulate. 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.

Earnings Summary

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	88.7	125.7	164.6	205.1	276.8
EBITDA	21.3	26.7	39.7	50.5	72.6
Pre-tax profit	17.3	21.5	34.0	44.0	65.8
Net profit	14.2	16.2	25.9	33.5	50.2
Core net profit	13.0	19.1	25.9	33.5	50.2
Core EPS (sen)	2.1	3.1	4.3	5.5	8.2
P/E (x)	38.5	26.3	19.4	15.0	10.0
P/B (x)	10.3	8.0	4.3	3.5	2.7
EV/EBITDA (x)	23.5	18.6	12.8	10.0	7.1
Dividend Yield (%)	0.8%	0.6%	0.9%	1.1%	1.7%
Net Gearing (%)	3.6%	7.5%	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

Friday, 24 Jan, 2025

Results Comparison

FYE Feb (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	46.1	NA	NA	43.0	7.0	128.1	NA	NA	Increase the number of HDD
EBITDA	11.0	NA	NA	10.3	7.1	30.2	NA	NA	
Pre-tax profit	9.4	NA	NA	8.8	7.7	25.6	NA	NA	
Net profit	7.2	NA	NA	6.7	7.4	19.5	NA	NA	
Core net profit	7.3	NA	NA	6.5	12.4	19.6	NA	NA	
Core EPS (sen)	1.2	NA	NA	1.1	12.4	3.2	NA	NA	
EBITDA margin (%)	23.9	NA		23.9		23.6	NA		
PBT margin (%)	20.5	NA		20.4		20.0	NA		Stronger contribution
Core PATMI margin (%)	15.9	NA		15.2		15.3	NA		from Singapore operation,

Source: Company, Apex Securities

Segmental Breakdown

FYE Feb (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue by segment									
Underground utilities engineering	40.0	NA	NA	35.4	13.0	109.0	NA	NA	
Manufacturing and trading of HDPE	6.1	NA	NA	7.6	(20.6)	19.0	NA	NA	
Total	46.1	NA	NA	43.0	7.0	128.1	NA	NA	

Source: Company, Apex Securities

Revenue by geographical market									
Malaysia	37.3	NA	NA	34.6	7.9	103.4	NA	NA	
Singapore	8.8	NA	NA	8.5	3.4	24.7	NA	NA	
Total	46.1	NA	NA	43.0	7.0	128.1	NA	NA	

Source: Company, Apex Securities

Results Note

Friday, 24 Jan, 2025

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	1.2	-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)	38.5	26.3	19.4	15.0	10.0
P/B(x)	10.3	8.0	4.3	3.5	2.7
EV/EBITDA(x)	23.5	18.6	12.8	10.0	7.1
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
Current Assets					
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
Non-Current Assets					
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
Current Liabilities					
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
Non-Current Liabilities					
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
Equity					
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	1.3	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	★★★	Workforce is balanced with c.50% young employees and 50% experienced and mid-career professionals.
Management	★★	Compliant with the Employment Act 1955, ensuring employee rights are protected.
Stakeholders	★★★	Participated in the NASAM Happy Walk 2023, with 29 staff members joining stroke survivors to raise awareness about stroke recovery.

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

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.