

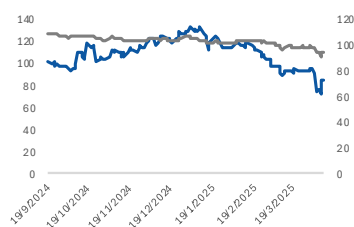
Tan Sue Wen  
(603) 7890 8888 (ext 2095)  
[suewen.tan@apexsecurities.com.my](mailto:suewen.tan@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM0.57
Previous Target Price:	RM1.10
Target Price:	↔ RM1.10
Capital Upside/ Downside:	93.0%
Dividend Yield (%):	1.6%
<b>Total Upside/ Downside:</b>	<b>94.6%</b>

<b>Stock information</b>	
Board	ACE
Sector	Industrial
Bursa/ Bloomberg Code	0310/ UUEMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	608.3
Market Cap (RM' m)	346.7
52-Week Price Range (RM)	0.965-0.475
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	1.8
3M Average Value (RM' m)	1.3

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

## Share Price Performance



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-4.2	-36.3	N/A
Relative (%)	-0.4	-31.0	N/A

# UUE Holdings Bhd

## Secured RM28.1m Contract for Singapore Operations

### Executive Summary

- Secured a RM28.1m contract from Weng Guan Technology for the provision of underground utility solutions in Singapore, boosting unbilled orders to RM279.9m which is equivalent to 2.2x FY24 revenue.
- Positive momentum may sustain, driven by increasing demand for HDD solutions. Current tender book >RM200m, focused on utility infrastructure projects in Malaysia and Singapore.
- 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.

**Secured RM28.1m Contract.** UUE's wholly owned subsidiary, Konnection Engineering, has secured a contract valued at RM28.1m from Weng Guan Technology for the provision of underground utility solutions in Singapore. The contract will span a duration of 27 months, concluding in Jun 2027 (Q2FY28), with an option for a one-year extension.

**Our Take.** We view the contract positively, as it is expected to sustain UUE's earnings over the next two FY periods. Assuming a conservative GP margin of 30%, this could result in an annual GP of c.RM4.2m, representing 6.7% of our forecasted Group GP for the year. This latest win increases UUE's unbilled order book to RM279.9m, equivalent to 2.2x FY24 revenue.

**Outlook.** The development marks UUE's first full-scale service offering in Singapore, including the supply of HDPE pipes which strengthens UUE's foothold in Singapore, now accounting for c.11% of order book. Looking ahead, we expect sustained order replenishment on growing demand for HDD solutions, critical for modern grid connectivity. The Group currently holds a tender book exceeding RM200m, primarily for utility infrastructure projects 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 in 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 believe the current share price weakness presents investors with an attractive buying opportunity as the Group trades at forward 10.3x FY26F P/E. We continue like UUE for its (i) **specialisation in HDD solutions** as its niche with high margins, (ii) strong proxies to benefit from TNB's grid upgrade plan, **leveraging relationships with key main contractors**, and (iii) **expansion into subsea development**, which is expected to drive margin expansion.

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

### Earnings Summary

<b>FYE Feb (RM m)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
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	15.4	13.2	25.9	33.5	50.2
Core EPS (sen)	2.5	2.2	4.3	5.5	8.2
P/E (x)	22.4	26.2	13.4	10.3	6.9
P/B (x)	7.1	5.5	3.0	2.4	1.9
EV/EBITDA (x)	16.2	12.8	8.9	6.9	5.0
Dividend Yield (%)	1.1%	0.8%	1.3%	1.6%	2.5%
Net Gearing (%)	3.6%	7.5%	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

## 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	15.4	13.2	25.9	33.5	50.2

### Key Ratios

FYE Feb (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.5	2.2	4.3	5.5	8.2
P/E (x)	22.4	26.2	13.4	10.3	6.9
P/B (x)	7.1	5.5	3.0	2.4	1.9
EV/EBITDA (x)	16.2	12.8	8.9	6.9	5.0
DPS (sen)	0.6	0.5	0.7	0.9	1.4
Dividend Yield (%)	1.1%	0.8%	1.3%	1.6%	2.5%
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 (%)	17.4%	10.5%	15.7%	16.3%	18.1%
ROE (%)	31.8%	21.0%	22.4%	23.4%	27.1%
ROA (%)	18.0%	11.1%	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)	0.06
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
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	★★★	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

## 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.