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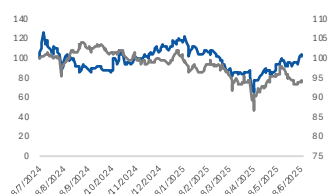
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Recommendation:	BUY
Current Price:	RM 0.76
Previous Target Price:	RM 0.83
Target Price:	RM 1.09
Capital Upside/Downside:	43.4%
Dividend Yield (%):	1.9%
Total Upside/Downside:	45.4%

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)	459.3
52-Week Price Range (RM)	0.965-0.475
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	1.2
3M Average Value (RM' m)	0.8

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 (%)	8.6	15.3	N/A
Relative (%)	10.7	15.5	N/A

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	170.0	232.7	303.8
PATAMI (RM'm)	23.0	31.8	44.3
CNP (RM'm)	22.4	31.8	44.3
EPS - core (sen)	3.7	5.2	7.3
P/E (x)	20.5	14.4	10.4

UUE Holdings Bhd

Awarded RM92.4m Subcontracts for TNB-linked Project

- **UUE has secured RM92.4m subcontracts from Komasi Engineering. These subcontracts involve delivering underground utility solutions in Malaysia's east coast and southern regions, specifically for the installation, testing, and commissioning of underground cables and accessories within TNB's distribution network division.**
- **The contracts are expected to yield an annual GP of c.RM13.2m, collectively accounting for 20.7% of our forecasted GP for FY26.**
- **Given that the FY26F YTD order book replenishment of RM184.6m has exceeded our FY26F forecast of RM136m, we have raised our replenishment assumption for FY26F to FY28F and raised our earnings forecasts by 23%/38%/29% for FY26F/FY27F/FY28F respectively.**
- **Post-adjustments to earnings, we have revised our target price to RM1.09 (from RM0.83), based on 15x FY27F EPS of 7.3 sen and appraised with a three-star ESG rating.**

Secures RM92.4m Subcontracts. UUE's wholly-owned subsidiary, Kum Fatt Engineering Sdn Bhd has been awarded subcontracts collectively valued at RM92.4m from Komasi Engineering Sdn Bhd. This award encompasses one renewal contract and three new contracts. The scope of these subcontracts involves delivering underground utility solutions in Malaysia's east coast and southern regions, specifically for the installation, testing, and commissioning of 11kV and 33kV Aluminium XLPE underground cables and accessories within TNB's distribution network division. The renewal contract has an estimated value of RM13.0m with a one-year duration. Meanwhile, the new contracts, totalling RM79.4m, have a 730-day contract period from the "Notice to Start Work" issued by Komasi, with an option for a 365-day extension.

Our Take. We view these contract awards **positively**, as they are expected to sustain UUE's earnings over the next three financial years. Based on a conservative GP margin of 25%, the one-year renewal contract is estimated to contribute an annual GP of c.RM3.3m. Concurrently, the new two-year contracts are expected to yield an annual GP of c.RM9.9m, collectively accounting for 20.7% of our forecasted GP for FY26F. The latest win increases UUE's unbilled order book to RM332.6m, equivalent to 2x FY25 revenue. We anticipate the new contracts will be completed within their stipulated timeframes, given UUE's robust track record of execution.

Outlook. The recent contract awards are significant, marking UUE's fifth from TNB-linked projects this year and representing the highest aggregate value achieved by the company to date. We anticipate continued job momentum in the near term, supported by strong demand for HDD solutions as TNB intensifies its efforts to drive the nation's energy transition. During TNB's latest analyst briefing, management highlighted the signing of five Electricity Supply Agreements (ESAs) for DC projects, totalling 666MW of maximum capacity in 1QFY25 alone. They anticipate an additional 10 ESAs for DC projects (each averaging 150MW-200MW capacity) will be signed by year-end. Given UUE's proven track record, the company is well-positioned to capitalise on this sustained demand from TNB, ensuring its robust growth prospects remain intact.

Earnings revision. Given that the FY26F YTD order book replenishment of RM184.6m has exceeded our FY26F forecast of RM136m, we have raised our order book replenishment assumption for FY26F to FY28F to a range of RM200m-RM230m (previously RM140m-RM180m). Consequently, we have raised our earnings forecasts by 23%/38%/29% for FY26F/FY27F/FY28F respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation with a higher target price of **RM1.09** (from RM0.83), based on 15x FY27F EPS of 7.3 sen and appraised with a three-star ESG rating. We continue to favour UUE for its **(i) specialisation in HDD solutions**, a high-margin niche, **(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 future margin expansion.

Risks. Heavy reliance on its top three customers. Cost overruns. Inability to secure new contracts.

Financial Highlights

Income Statement

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	125.7	170.0	232.7	303.8	340.7
Gross Profit	37.8	47.0	63.8	83.3	94.7
EBITDA	26.7	36.5	52.5	69.2	76.9
Depreciation & Amortisation	-3.7	-4.3	-8.3	-8.3	-8.4
EBIT	23.1	32.1	44.2	60.9	68.5
Net Finance Income/ (Cost)	-1.6	-1.9	-2.4	-2.7	-2.9
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	21.5	30.2	41.8	58.2	65.6
Tax	-5.3	-7.2	-9.9	-13.9	-15.6
Profit After Tax	16.2	23.0	31.8	44.3	50.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	16.2	23.0	31.8	44.3	50.0
Exceptionals	-2.9	0.5	0.0	0.0	0.0
Core Net Profit	19.1	22.4	31.8	44.3	50.0

Key Ratios

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	3.1	3.7	5.2	7.3	8.2
P/E (x)	24.0	20.5	14.4	10.4	9.2
P/B (x)	7.3	4.1	3.2	2.5	2.1
EV/EBITDA (x)	17.4	12.7	8.7	6.4	5.3
DPS (sen)	0.5	0.0	0.0	1.5	1.6
Dividend Yield (%)	0.6%	0.0%	0.0%	1.9%	2.2%
EBITDA margin (%)	21.3%	21.5%	22.6%	22.8%	22.6%
EBIT margin (%)	18.3%	18.9%	19.0%	20.0%	20.1%
PBT margin (%)	17.1%	17.8%	18.0%	19.2%	19.2%
PAT margin (%)	12.9%	13.5%	13.7%	14.6%	14.7%
NP margin (%)	12.9%	13.5%	13.7%	14.6%	14.7%
CNP margin (%)	15.2%	13.2%	13.7%	14.6%	14.7%
ROE (%)	30.4%	19.8%	22.0%	24.6%	22.7%
ROA (%)	16.0%	12.5%	14.8%	16.9%	15.8%
Gearing (%)	36.4%	27.3%	22.9%	20.1%	18.0%
Net gearing (%)	7.5%	5.1%	Net Cash	Net Cash	Net Cash

Valuations

Variables	FY27F
Core EPS (RM)	0.07
P/E multiple (x)	15.0
Fair Value (RM)	1.09
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.09

Source: Company, Apex Securities

Balance Sheet

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	18.1	25.1	38.2	54.5	89.0
Receivables	32.4	48.7	52.6	56.8	61.3
Inventories	3.5	8.2	8.8	9.5	10.3
Other current assets	40.7	64.6	82.6	108.2	120.3
Total Current Assets	94.8	146.5	182.2	228.9	280.9
Fixed Assets	13.7	23.3	24.3	25.3	26.4
Intangibles	10.9	10.0	9.3	8.8	8.4
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Non-Current Assets	24.6	33.3	33.6	34.1	34.8
Short-term debt	20.1	28.7	29.9	32.6	35.7
Payables	17.4	20.8	20.9	28.7	37.5
Other current liabilities	8.8	8.1	9.9	10.9	11.3
Total Current Liabilities	46.3	57.7	60.7	72.2	84.5
Long-term debt	2.8	2.1	3.3	3.6	4.0
Other non-current liabilities	7.4	6.8	6.8	6.8	6.8
Total Non-Current Liabilities	10.1	9.0	10.2	10.5	10.8
Shareholder's equity	62.9	113.1	144.9	180.4	220.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	62.9	113.1	144.9	180.4	220.4

Cash Flow

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	21.5	30.2	41.8	58.2	65.6
Depreciation & amortisation	3.7	4.3	8.3	8.3	8.4
Changes in working capital	17.4	42.0	20.7	21.7	8.2
Others	-35.6	-89.8	-48.9	-54.6	-29.1
Operating cash flow	7.0	-13.2	21.9	33.6	53.1
Capex	-3.0	-11.5	-8.7	-8.9	-9.1
Others	-1.9	-0.2	0.3	0.4	0.4
Investing cash flow	-4.9	-11.6	-8.3	-8.5	-8.7
Dividends paid	-2.8	0.0	0.0	-8.9	-10.0
Others	0.7	32.5	-0.4	0.0	0.1
Financing cash flow	-2.1	32.5	-0.4	-8.9	-9.9
Net cash flow	-0.1	7.6	13.1	16.3	34.5
Forex	0.6	-0.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	11.6	12.2	19.4	32.5	48.8
Ending cash	12.2	19.4	32.5	48.8	83.3

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.