

Tan Sue Wen

(603) 7890 8888 (ext 2095)

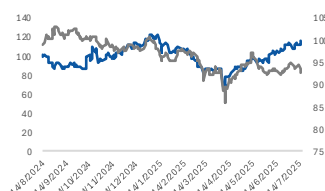
suewen.tan@apexsecurities.com.my

Recommendation	BUY
Current Price:	RM0.85
Previous Target Price:	#VALUE!
Target Price:	RM1.09
Capital Upside/Downside:	28.2%
Dividend Yield (%)	1.7%
Total Upside/Downside	30.0%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0310 / UUEMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	608.3
Market Cap (RM'm)	514.0
52-Week Price Range (RM)	0.93-0.475
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	1.1
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 (%)	11.9	42.0	N/A
Relative (%)	11.9	39.4	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)	22.9	16.1	11.6

UUE Holdings Bhd

Proposes Bonus Issue, Free Warrants, and ESOS

- UUE has proposed a bonus issue of new shares, a free bonus issue of warrants, and the implementation of an ESOS. Proceeds of up to RM60.8m from the warrants and up to RM48.9m from the ESOS will be used to fund the Group's working capital requirements and support diversification into the renewable energy sector, particularly in solar EPCC.
- We are Mildly Positive on these corporate proposals. While the exercises are expected to dilute FY26F EPS by 41%, we believe UUE's proactive approach in securing growth capital reflects management's confidence in project pipeline and underscores constructive outlook for the solar segment.
- We keeping our earnings forecasts unchanged at this stage, pending completion of the proposed exercises.
- Maintain our BUY recommendation with an unchanged TP of RM1.09, based on 15x FY27F EPS of 7.3 sen and appraised with a three-star ESG rating.

Bonus Issue, Right Issue and ESOS. UUE has announced several corporate proposals aimed at rewarding shareholders and supporting future growth. The Group plans to undertake a bonus issue of up to 304.2m new shares on the basis of one bonus share for every two existing shares held. Following this, UUE will also issue up to 121.7m free warrants on the basis of one warrant for every five shares held after the completion of the bonus issue. The exercise price for these warrants will be set at up to a 10% discount to the 5-day volume weighted average price (VWAP) prior to the price-fixing date. In addition, UUE has proposed a new ESOS representing up to 10% of the total issued shares, with option prices to be determined at up to a 10% discount to the 5-day VWAP prior to the grant. All these proposals are expected to be completed by 4QCY2025. Moreover, the Group also intends to diversify its revenue stream into renewable energy, having already secured 22 small-scale RE projects with a combined contract value of RM1.9m.

Based on an indicative exercise price of RM0.50/warrant and RM0.47/ESOS option. Assuming full exercise of both, UUE could raise gross proceeds of up to RM60.8m from the warrants and up to RM48.9m from the ESOS options. The rationale for these corporate exercises is to reward existing shareholders, strengthen the company's capital base, and support UUE's diversification into the renewable energy sector particularly in solar EPCC and investments. On a pro forma basis, these exercises are expected to marginally improve UUE's gearing ratio from 0.27x as of 28 Feb 2025 to 0.18x.

Table 1: Pro Forma Effects of the Corporate Exercises

	Audited as of 28 February 2025	After assuming full exercise of the Bonus and Warrants
	RM'm	RM'm
Share capital	77.2	138.1
Reserves	35.9	35.5
Shareholders' fund/ NA	113.1	173.5
No. of shares in issue ('000)	608.3	1034.1
Total borrowings (RM'000)	30.9	30.9
NA per Share (RM)	0.19	0.17
Gearing ratio (times)	0.27	0.18

Source: Company, Apex Securities

Our Take. We are **Mildly Positive** on these corporate proposals. While the dilution in FY26F EPS to 3.08 sen may dampen short-term investor sentiment, the proposed bonus issue, warrants, and ESOS are expected to improve market liquidity and make UUE shares more accessible to a wider pool of investors. Meanwhile the Group's foray into renewable energy signals a strategic move toward long-term diversification, however we believe the near-term financial contribution will be

modest as current project values remain relatively small compared to UUE's established core business. That said, UUE's proactive approach in securing growth capital reflects management's confidence in project pipeline and underscores constructive outlook for the solar segment.

Earnings revision. No change to our earnings forecasts as pending the completion of the exercise.

Valuation & Recommendation. We maintain our **BUY** recommendation with an unchanged target of **RM1.09**, 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.

Company Update

Thursday, 17 Jul, 2025

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)	26.9	22.9	16.1	11.6	10.3
P/B(x)	8.2	4.5	3.5	2.8	2.3
EV/EBITDA (x)	19.4	14.2	9.7	7.2	6.0
DPS (sen)	0.5	0.0	0.0	1.5	1.6
Dividend Yield (%)	0.5%	0.0%	0.0%	1.7%	1.9%
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

	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 + 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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of Thursday, 17 Jul, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.