

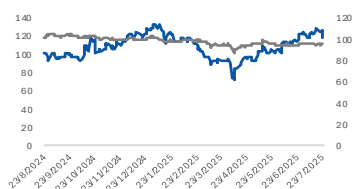
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Recommendation	BUY
Current Price:	RM 0.79
Previous Target Price:	RM 1.09
Target Price:	RM 1.06
Capital Upside/ Downside:	34.2%
Dividend Yield (%)	1.8%
Total Upside/ Downside	36.0%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0310 / UUEMK
Syariah Compliant	Yes
ESG Rating	***
Shares issued (m)	608.3
Market Cap (RM' m)	480.6
52-Week Price Range (RM)	0.93-0.475
Beta (x)	N/A
Freefloat (%)	26.7
3M Average Volume (m)	1.5
3M Average Value (RM' m)	1.1

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 (%)	-3.1	22.5	N/A
Relative (%)	-3.4	21.5	N/A

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	170.0	223.3	299.1
PATAMI (RM'm)	23.0	29.0	42.9
CNP (RM'm)	22.4	29.0	42.9
EPS - core (sen)	3.7	4.8	7.1
P/E(x)	21.4	16.6	11.2

UUE Holdings Bhd

Below expectations

- UUE's 1QFY26 CNP fell 34.2% qoq and 67.9% yoy to RM1.9m, came in below expectations at 6% of our full-year forecast. The shortfall was primarily due to slower-than-expected rollout of new HDD projects and delays in work progress particularly in Singapore operations.
- Despite a weak quarter, we anticipate a recovery from 2Q onwards as construction activities in Singapore resume post-election and Malaysian operations gain traction backed by a robust orderbook of RM421.7m.
- We have revised down our FY26F-FY28F CNP forecasts by 3%-10% to reflect slower order replenishment in Singapore.
- Post-earnings revision, our TP was revised downward to RM1.06 (from RM1.09), based on 15x FY27F EPS of 7.1 sen and appraised with a three-star ESG rating. Maintain BUY.

Results below expectations. 3MFY26 CNP of RM1.9m came in below expectations, representing just 6% of our full-year forecast. The shortfall primarily attributable to slower-than-expected rollout of new HDD projects and delayed work progress particularly in Singapore operations.

QoQ. CNP declined by 34.2%, mainly due to weaker revenue from the Underground Utilities Engineering segment (Segmental revenue -27.0%). The segment was impacted by slower-than-expected HDD work execution in Malaysia. In contrast, the Manufacturing segment delivered robust revenue growth of 25.6%, supported by stronger demand for HDPE pipes.

YoY. CNP declined 67.9%, mainly due to ongoing operational challenges in Singapore that weighed on the Underground Utilities segment (Segmental revenue -16.3%). The Manufacturing segment also posted a substantial 19.9% decrease in revenue, in line with the slow pace of new HDD project rollouts. Consequently, CNP margin contracted by 9.1%-pts to 5.7%, driven by the lower contribution from the higher-margin Singapore operations.

Outlook. Despite a weak quarter, we expect performance to recover from 2Q onwards as construction activities in Singapore resume following the conclusion of the May general election, with operations in Malaysia also set to gain momentum supported by a robust orderbook. As of 31 May 2025, UUE holds an orderbook of RM421.7m, representing 2.5x FY25 revenue, providing strong earnings visibility for the next two financial years. On the manufacturing front, we anticipate utilisation to gradually increase in the coming quarters as HDD works resume. Line 3, which targets smaller-diameter HDPE pipes, has commenced operations and was certified as a Maxis vendor during the quarter, positioning the Group for further growth. We believe demand for HDD solutions will remain robust, driven by strong demand from TNB's RP4 capex in response to rising electricity demand and the ongoing energy transition. Given UUE's proven track record in executing HDD solutions, the Group is well-positioned to secure additional job flow from TNB.

Earnings Revision. As HDD projects' progress has been slower than expected, we have adopted more conservative assumptions for revenue recognition and lowered our orderbook replenishment expectations for Singapore operations. As a result, we have revised down our FY26F to FY28F CNP forecasts by 3%-10%.

Valuation. Post-earnings revision, our TP has been revised downward to RM1.06 (from RM1.09), based on 15x FY27F EPS of 7.1 sen and appraised with a three-star ESG rating. Maintain BUY. 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. Risk of subcontractor non-performance. Inability to secure new contracts.

Results Note

Monday, 28 Jul, 2025

Results Comparison

FYE Feb (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue	32.4	39.0	(16.8)	41.9	(22.8)	32.4	39.0	(16.8)	Delayed work progress in Underground utilities
COGS	(24.7)	(27.3)	(9.5)	(33.0)	(25.1)	(24.7)	(27.3)	(9.5)	
Gross Profit	7.7	11.6	(33.9)	9.0	(14.3)	7.7	11.6	(33.9)	
Other Income	0.1	0.2	(44.7)	0.4	(73.2)	0.1	0.2	(44.7)	
Administrative expenses	(4.3)	(3.7)	17.4	(4.5)	(4.0)	(4.3)	(3.7)	17.4	
Sales and distribution costs	(0.2)	(0.2)	(10.9)	(0.1)	67.9	(0.2)	(0.2)	(10.9)	
Other expenses	(0.1)	(0.1)	10.5	0.3	nm	(0.1)	(0.1)	10.5	
EBITDA	4.4	8.9	(51.1)	6.1	(28.7)	4.4	8.9	(51.1)	
Depreciation	(1.2)	(1.0)	13.4	(1.2)	1.6	(1.2)	(1.0)	13.4	
EBIT	3.2	7.9	(59.6)	5.0	(35.7)	3.2	7.9	(59.6)	
Net Finance Costs	(0.5)	(0.4)	24.8	(0.5)	10.6	(0.5)	(0.4)	24.8	
Pre-tax profit	2.6	7.4	(64.4)	4.5	(40.7)	2.6	7.4	(64.4)	
Taxation	(1.0)	(1.9)	(49.1)	(1.1)	(14.3)	(1.0)	(1.9)	(49.1)	
Profit-after tax	1.7	5.6	(69.6)	3.4	(49.6)	1.7	5.6	(69.6)	
(-) Minority interest	-	-	-	-	-	-	-	-	
PAT (-MI)	1.7	5.6	(69.6)	3.4	(49.6)	1.7	5.6	(69.6)	margin contributions
Core net profit	1.9	5.8	(67.9)	2.8	(34.2)	1.9	5.8	(67.9)	from Singapore
Core EPS (sen)	0.3	0.9	(67.9)	0.5	(34.2)	0.3	0.9	(67.9)	operations.
DPS (sen)	-	-	-	-	-	-	-	-	
EBITDA margin (%)	13.4	22.8		14.6		13.4	22.8		
PBT margin (%)	8.2	19.1		10.7		8.2	19.1		
Effective tax rate (%)	36.2	25.3		25.0		36.2	25.3		
Core net profit margin (%)	5.7	14.8		6.7		5.7	14.8		

Source: Company, Apex Securities

Segmental Breakdown

FYE Feb (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue by segment									
Underground utilities engineering solutions	28.1	33.6	(16.3)	38.5	(27.0)	28.1	33.6	(16.3)	
Manufacturing and trading of HDPE pipes	4.3	5.4	(19.9)	3.4	25.6	4.3	5.4	(19.9)	
Total	32.4	39.0	(16.8)	41.9	(22.8)	32.4	39.0	(16.8)	
Revenue by geographical market									
Malaysia	31.3	31.5	(0.6)	40.9	(23.4)	31.3	31.5	(0.6)	Slower-than-expected
Singapore	1.1	7.4	(85.5)	1.1	(0.1)	1.1	7.4	(85.5)	work progress
Total	32.4	39.0	(16.8)	41.9	(22.8)	32.4	39.0	(16.8)	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	125.7	170.0	223.3	299.1	324.2
Gross Profit	37.8	47.0	60.1	81.5	88.1
EBITDA	26.7	36.5	48.7	67.3	70.3
Depreciation & Amortisation	-3.7	-4.3	-8.3	-8.3	-8.4
EBIT	23.1	32.1	40.4	59.0	61.9
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	38.0	56.3	59.0
Tax	-5.3	-7.2	-9.0	-13.4	-14.0
Profit After Tax	16.2	23.0	29.0	42.9	45.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	16.2	23.0	29.0	42.9	45.0
Exceptionals	-2.9	0.5	0.0	0.0	0.0
Core Net Profit	19.1	22.4	29.0	42.9	45.0

Key Ratios

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	3.1	3.7	4.8	7.1	7.4
P/E(x)	25.1	21.4	16.6	11.2	10.7
P/B(x)	7.6	4.2	3.4	2.7	2.3
EV/EBITDA(x)	18.2	13.3	9.7	6.9	6.2
DPS (sen)	0.5	0.0	0.0	1.4	1.5
Dividend Yield (%)	0.6%	0.0%	0.0%	1.8%	1.9%
EBITDA margin (%)	21.3%	21.5%	21.8%	22.5%	21.7%
EBIT margin (%)	18.3%	18.9%	18.1%	19.7%	19.1%
PBT margin (%)	17.1%	17.8%	17.0%	18.8%	18.2%
PAT margin (%)	12.9%	13.5%	13.0%	14.4%	13.9%
NP margin (%)	12.9%	13.5%	13.0%	14.4%	13.9%
CNP margin (%)	15.2%	13.2%	13.0%	14.4%	13.9%
ROE (%)	30.4%	19.8%	20.4%	24.3%	21.2%
ROA (%)	16.0%	12.5%	13.6%	16.6%	14.7%
Gearing (%)	36.4%	27.3%	23.3%	20.5%	18.5%
Net gearing (%)	7.5%	5.1%	Net Cash	Net Cash	Net Cash

Valuations

Core EPS (RM)	0.07
P/E multiple (x)	15.0
Fair Value (RM)	1.06
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.06

Source: Company, Apex Securities

Balance Sheet

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	18.1	25.1	38.9	51.2	86.5
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	78.8	106.3	113.7
Total Current Assets	94.8	146.5	179.1	223.7	271.8
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	29.8	32.5	35.4
Payables	17.4	20.8	20.9	27.7	37.0
Other current liabilities	8.8	8.1	9.8	10.8	11.1
Total Current Liabilities	46.3	57.7	60.5	71.0	83.5
Long-term debt	2.8	2.1	3.3	3.6	3.9
Other non-current liabilities	7.4	6.8	6.8	6.8	6.8
Total Non-Current Liabilities	10.1	9.0	10.1	10.4	10.8
Shareholder's equity	62.9	113.1	142.1	176.4	212.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	62.9	113.1	142.1	176.4	212.4

Cash Flow

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	21.5	30.2	38.0	56.3	59.0
Depreciation & amortisation	3.7	4.3	8.3	8.3	8.4
Changes in working capital	17.4	42.0	17.0	24.5	3.2
Others	-35.6	-89.8	-40.7	-59.8	-17.5
Operating cash flow	7.0	-13.2	22.6	29.4	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	-8.6	-9.0
Others	0.7	32.5	-0.5	0.0	0.0
Financing cash flow	-2.1	32.5	-0.5	-8.6	-9.0
Net cash flow	-0.1	7.6	13.8	12.3	35.4
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	33.2	45.5
Ending cash	12.2	19.4	33.2	45.5	80.9

Results Note

Monday, 28 Jul, 2025

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 + 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.