

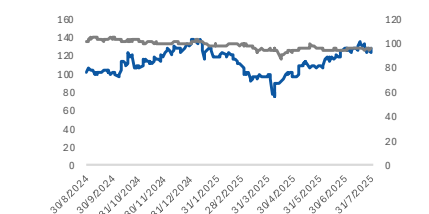
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Recommendation	BUY
Current Price:	RM0.59
Previous Target Price:	RM1.06
Target Price:	↓ RM0.67
Capital Upside/Downside:	13.6%
Dividend Yield (%):	1.3%
Total Upside/Downside	14.9%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0310 / UUEMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	912.4
Market Cap (RM' m)	538.3
52-Week Price Range (RM)	0.62-0.317
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	2.1
3M Average Value (RM' m)	1.2

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 (%)	4.1	9.9	N/A
Relative (%)	4.1	4.0	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)	2.1	2.6	3.9
P/E(x)	28.8	22.3	15.0

UUE Holdings Bhd

Secures RM26.7m Subcontract for TNB Distribution Works

- UUE has secured a RM26.7m subcontract from Sutera Utama Sdn. Bhd. for the installation, testing, and commissioning of 11kV aluminium XLPE underground cables and accessories within TNB's distribution network in the east coast region of Malaysia.
- We view the contract award positively, as it is expected to sustain UUE's earnings visibility through FY27.
- As of FY26, UUE has secured total contracts valued at RM202.5m, bringing its outstanding order book to a record high of RM454.6m, underscoring the sustained demand for HDD solutions.
- Maintain our BUY recommendation with a lower TP of RM0.67 (from RM1.06), after accounting for dilution from the bonus issue and warrant exercise, based on 17x FY27F EPS of 3.9sen and appraised with a three-star ESG rating.

Secures RM26.7m Subcontract. UUE's wholly owned subsidiary, Kum Fatt Engineering Sdn Bhd has been awarded a RM26.7m subcontract from Sutera Utama Sdn Bhd for the installation, testing, and commissioning of 11kV aluminium XLPE underground cables and accessories within TNB's distribution network in the east coast region of Malaysia. The contract has a duration of 730 days from the Notice to Start Work, with an option for a further 365-day extension subject to satisfactory performance.

Our Take. We view the contract award **positively**, as it is expected to sustain UUE's earnings visibility through FY27. Assuming a 25% GP margin, the projects are estimated to generate GP of RM6.7m over the 730-day contract period. This is expected to translate into c.RM3.3m to be recognised in FY26 (5.5% of our FY26F forecast), and c.RM3.4m in FY27 (4.2% of our FY27F forecast). Should the extension be exercised, it would likely serve as an additional contract value for UUE. We see no material execution risks, supported by UUE's established track record of timely delivery. Following these awards, UUE's outstanding order book has risen to RM454.6m, equivalent to 2.7x FY25 revenue, reinforcing the Group's earnings resilience and visibility.

Outlook. The recent contract awards in the East Coast Region further strengthen UUE's strategic positioning, with the region now contributing c.35% of the Group's order book, making it the third-largest contributor after the Southern Region. As of FY26, UUE has secured total contracts valued at RM202.5m, bringing its outstanding order book to a record high and underscoring the sustained demand for HDD solutions. Backed by a proven track record in executing complex HDD works, the Group is well-positioned to capture additional job flows from TNB as the utility accelerates efforts to advance the nation's energy transition.

Earnings revision. No changes were made to our earnings forecasts, as the contract win falls within our order book replenishment assumption of RM273.5 m for FY26F. We have also incorporated the recent corporate exercises, namely the bonus issue and warrant exercise, which raised total proceeds of RM60.8m. Note that the warrants are still pending listing on Bursa Malaysia. Meanwhile, we have yet to factor in the potential solar investment to be funded from these proceeds, pending further clarity from the upcoming management briefing.

Valuation & Recommendation. We have raised our target P/E multiple from 15x to 17x to reflect the stronger demand for HDD solutions in national connectivity projects and the improved growth prospects for UUE following its recent contract wins. New TP of **RM0.67** (from RM1.06) after accounting for dilution from the bonus issue and warrant exercise, is based on 17x FY27F EPS of 3.9 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. 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	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)	1.7	2.1	2.6	3.9	4.1
P/E(x)	33.8	28.8	22.3	15.0	14.4
P/B(x)	10.3	5.7	3.2	2.7	2.4
EV/EBITDA(x)	24.3	17.9	11.9	8.5	7.6
DPS (sen)	0.5	0.0	0.0	0.8	0.8
Dividend Yield (%)	0.8%	0.0%	0.0%	1.3%	1.4%
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%	14.3%	18.1%	16.5%
ROA (%)	16.0%	12.5%	10.6%	13.5%	12.2%
Gearing (%)	36.4%	27.3%	16.3%	15.2%	14.4%
Net gearing (%)	7.5%	5.1%	Net Cash	Net Cash	Net Cash

Valuations

	FY27F
Core EPS (RM)	0.04
P/E multiple(x)	17.0
Fair Value (RM)	0.67
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.67

Source: Company, Apex Securities

Balance Sheet

FYE Feb (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash and cash equivalents	18.1	25.1	99.7	112.0	147.4
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	239.9	284.6	332.7
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	202.9	237.3	273.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	62.9	113.1	202.9	237.3	273.2

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	60.3	0.0	0.0
Financing cash flow	-2.1	32.5	60.3	-8.6	-9.0
Net cash flow	-0.1	7.6	74.7	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	94.1	106.4
Ending cash	12.2	19.4	94.1	106.4	141.7

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

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(a) nil.