Corporate Update

Deleum Berhad

(5132 | DLUM MK) Energy | Energy Infrastructure, Equipment & Services

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM1.92** (from RM1.97)

Robust Upstream Lifted FY24 Earnings

Maintain BUY. Deleum Bhd's (Deleum) FY24 normalised earnings came in within our expectations at 96% but below consensus at 68%. As such, we maintain our BUY call for Deleum. We revised the target price from RM1.97 to RM1.92 to accommodate the normalisation with FY24 results.

Normalised PATAMI up +66%yoy. FY24 normalised PATAMI added +65.9%yoy to RM75.8m. Meanwhile, FY24 revenue saw a rise of +14.6%yoy to RM907.5m. The improved results were due to better contribution from Power and Machinery (P&M) and Oilfield Integrated Services (OIS), as well as an impairment reversal. This is offset by loss of liquidation of subsidiary, lower forex gain and higher operating costs.

Upstream supports P&M activities. P&M saw FY24 revenue up by +7.3%yoy to RM716.7m, while earnings added +36.5%yoy to RM135.6m. The higher revenue was contributed by higher activities from: (i) control and safety valves and flow regulator services, (ii) retrofit projects, (iii) sales of turbine parts and repairs, (iv) call out for field service representatives' activities, and (v) machinery management system services. This is offset by lower forex exchange gain and lower delivery of exchange engines and commission income mechanical and processes business.

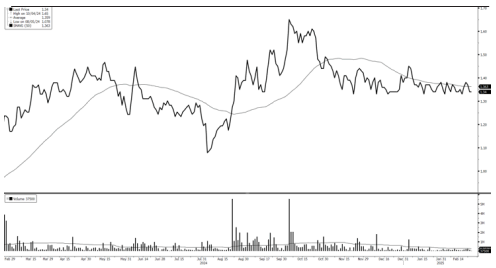
Higher demand for offshore services. OIS saw a surge in FY24 revenue by +54.5%yoy to RM189.9m, while earnings gained over 100%yoy to RM9m, from a loss of RM11.1m in FY23. The higher performance was primarily due to: (i) higher activities from its slickline activities in East Malaysia region, (ii) asset integrated solutions, (iii) solid control services, (iv) specialty chemicals, and (v) well stimulations activities. However, this was offset partially by lower activities from the slickline activities in West Malaysia region and gas lift valve services.

Strong upstream to continue supporting group. Coming into FY25, we anticipate that the upstream O&G will continue to be resilient, amid ongoing volatility from CY24, driven by geopolitical tensions, a slowdown in the tech sector, tariffs, and an escalating trade war. In our local front, we anticipate not only sustained upstream activities, but also the increase in plant turnaround activities as highlighted in PETRONAS Activity Outlook 2025-2027, is expected to benefit Deleum, particularly in maintenance services.

Revised earnings estimates. Considering that FY24 earnings came in within expectation, coupled with the anticipation of a sustained operation in FY25, we revised FY25-27 upwards by +2%/+1%/+1% respectively. This revision considers the FY24 results, in addition to normalising the forecast based on current market conditions of the upstream O&G in the near term.

RETURN STATISTICS	
Price @ 28th Feb 2025 (RM)	1.38
Expected share price return (%)	39.1
Expected dividend yield (%)	3.0
Expected total return (%)	42.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	0.6
3 months	-2.9	-2.3
12 months	8.9	7.9

INVESTMENT STATISTICS FYE Dec (Rm'm)	2025E	2026F	2027F
Revenue	972	1,133	1,345
EBIT	144	157	173
PBT	150	162	178
Core PATAMI	81	82	87
Core EPS	20.3	20.4	21.6
DPS	6.2	6.5	7.5
Dividend Yield (%)	3.0	3.2	3.4

KEY STATISTICS	
FBM KLCI	1,574.70
Issue shares (m)	401.55
Estimated free float (%)	33.22
Market Capitalisation (RM'm)	538.08
52-wk price range	RM1.05 - RM1.69
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	0.39
Top Shareholders (%)	
LANTAS MUTIARA SDN BHD	20.36
Hartapac Sdn Bhd	11.99
Nathan Vivekananthan M V	10.84

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Revised TP to RM1.92. Likewise, we revised our target price to RM1.92 from RM1.97, pegging on a PER of 9.5x to the revised EPS25 of 20.3sen. The new PER used is derived from its average 5-Y PER, +1 SD, as we remain optimistic on the Deleum's prospects coming into FY25. Deleum recently signed a share purchase agreement to acquire a 70% stake in Indonesia-based PT OSA Industries Indonesia, a supplier of valves and valve maintenance services, for approximately RM31.3m. We expect this acquisition to enhance the group's performance in the near future. Despite the industry-wide challenges and global uncertainties, we believe the long-term contractual nature of OGSE companies as well as strong upstream activities and higher demand for maintenance services will support Deleum to continuously navigate the headwinds, while seeking more opportunities to provide for O&G solutions. Hence, we maintain our BUY call for Deleum.

DELEUM'S 4QFY24 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	238.7	269.2	250.9	-6.8	5.1	792.0	907.5	14.6
Cost of Sales	(190.0)	(192.0)	(191.3)	-0.3	0.7	(626.7)	(672.0)	7.2
Gross Profit	48.6	77.2	59.6	-22.8	22.6	165.3	235.4	42.5
Other operating income	1.8	2.7	1.8	-33.3	0.6	6.8	8.6	26.6
Selling and distribution cost	(13.3)	(12.8)	(16.8)	31.3	26.2	(41.9)	(49.9)	19.3
Admin expenses	(14.0)	(20.2)	(11.4)	-43.8	-18.8	(53.7)	(63.8)	18.8
Other operating expenses	1.3	(0.0)	(1.4)	2971.1	-206.1	2.9	(0.5)	-116.5
Operational profit	24.4	46.9	31.9	-32.0	30.5	79.4	129.8	63.4
Finance cost	(0.0)	(0.2)	(0.2)	13.5	478.1	(0.2)	(0.5)	144.2
Share of PAT of joint venture	0.1	0.2	0.0	-91.2	-84.2	1.1	0.8	-27.6
Share of PAT of associates	1.4	1.6	1.2	-29.4	-20.5	4.6	6.2	32.7
PBT	26.0	48.6	32.8	-32.4	26.6	84.9	136.2	60.4
Income tax	(6.4)	(11.9)	(9.0)	-24.0	41.7	(21.6)	(35.3)	63.5
PAT	19.6	36.7	23.8	-35.1	21.6	63.4	101.0	59.4
FOREX differences	(0.0)	0.0	(0.0)	-550.0	125.0	(0.0)	0.0	-103.0
Net Profit/Loss	19.6	36.7	23.8	-35.1	21.6	63.3	102.6	62.1
Minority interest	4.9	11.6	6.3	-45.3	29.2	17.6	26.8	52.3
Normalised Profit/Loss	14.7	25.1	17.5	-30.4	19.0	45.7	75.8	65.9
				+/(-) ppts	+/(-) ppts			+/(-) ppts
GP margin (%)	20.4	28.7	23.8	-4.9	3.4	20.9	25.9	5.1
PBT margin (%)	10.9	18.0	13.1	-4.9	2.2	10.7	15.0	4.3
PATAMI margin (%)	8.2	13.6	9.5	-4.1	1.3	8.0	11.3	3.3
Normalised PATAMI margin (%)	6.1	9.3	7.0	-2.4	0.8	5.8	8.4	2.6
Effective tax rate (%)	24.6	24.5	27.5	3.0	2.9	25.4	25.9	0.5
Segmental Revenue:								
Power and Machinery	202.2	218.7	191.9	-12.2	-5.1	667.9	716.7	7.3
Oilfield Services	35.7	50.4	58.6	16.3	64.1	122.9	189.9	54.5
Segmental Results:								
Power and Machinery	34.5	44.9	38.3	-14.8	11.1	99.3	135.6	36.5
Oilfield Services	-3.9	5.5	-4.8	-187.5	21.6	-11.1	9.0	-180.6

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	792.0	907.5	972.1	1,132.7	1,345.1
EBIT	79.4	129.8	144.2	156.6	172.6
PBT	84.9	136.2	149.7	162.2	178.0
Taxation	-21.6	-35.3	-34.4	-37.3	-46.0
PAT	63.4	101.0	115.3	124.9	132.0
MI	17.6	26.8	33.9	43.0	45.1
PATAMI	63.3	102.6	115.3	124.9	132.0
Core PATAMI	45.7	75.8	81.3	82.0	86.8
EPS (sen)	11.4	18.9	20.3	20.4	21.6
PER (x)	16.9	10.2	9.5	9.4	8.9
DPS (sen)	5.7	5.8	6.2	6.5	7.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	943.9	1006.2	1116.3	1189.8	1217.3
Depreciation	32.9	30.0	38.2	45.2	49.5
OP pre-WC changes	109.9	157.6	178.7	195.6	227.2
Change in NWC	-31.1	-89.9	12.9	67.8	9.3
Operating cash flow	**78.8**	**51.7**	**113.8**	**109.5**	**134.3**
Capital expenditure	-12.1	-35.4	-39.9	-36.0	-38.2
Investing cash flow	**-10.8**	**-27.5**	**-16.4**	**-12.6**	**-14.7**
Debt raised/(repaid)	-26.9	-46.5	-54.9	0.0	-0.1
Dividends paid	-31.4	-43.4	-43.2	-46.4	-55.7
Financing cash flow	**-37.9**	**-33.4**	**-64.7**	**-87.2**	**-105.1**
Net cash flow	**30.1**	**-9.2**	**32.6**	**9.7**	**14.6**
Beginning cash flow	**168.5**	**198.2**	**189.5**	**221.7**	**231.0**
Ending cash flow	**198.2**	**189.5**	**221.7**	**231.0**	**246.1**

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	15.5	14.6	7.1	16.5	18.8
PBT growth	25.1	60.4	9.9	8.3	9.8
PATAMI growth	24.3	62.1	12.3	8.4	5.6
Core PATAMI growth	9.2	65.9	7.2	0.8	5.9

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	10.0	14.3	14.8	13.8	12.8
PBT margin	10.7	15.0	15.4	14.3	13.2
PATAMI margin	8.0	11.3	11.9	11.0	9.8
Core PATAMI margin	5.8	8.4	8.4	7.2	6.5
ROA	7.4	10.3	10.5	10.0	9.5
ROE	10.2	15.2	15.2	14.2	13.9

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	91.1	91.3	96.0	101.4	107.6
ROU assets	58.1	59.3	63.3	66.5	68.9
Non-current assets	**159.8**	**175.6**	**173.2**	**182.8**	**194.7**
Trade receivables	115.0	125.8	138.9	141.6	179.5
Cash & bank balances	198.2	189.5	221.7	231.0	246.1
Current assets	**460.9**	**557.4**	**600.5**	**636.6**	**721.4**
Long-term debt	0.9	7.8	8.5	9.4	10.3
Non-current liabilities	**13.6**	**16.7**	**19.3**	**20.1**	**20.6**
Short-term debt	1.5	7.3	8.1	8.9	9.8
Trade payables	4,951	5,128	5,405	5,579	5,543
Current liabilities	7,456	9,576	9,762	10,318	10,401
Share capital	19,692	19,739	19,739	19,739	19,739
Reserves	7,840	9,708	9,877	9,999	10,398
Equity	32,359	33,908	33,376	33,340	33,894

Liquidity Ratios (x)	2023A	2024A	2025E	2026F	2027F
Current ratio	2.9	2.6	2.7	2.9	2.7
Quick ratio	2.8	2.3	2.5	2.6	2.4

Leverage Ratios (x)	2023A	2024A	2025E	2026F	2027F
Debt-to-equity	0.4	0.5	0.4	0.4	0.5
Interest coverage	399.0	267.0	108.4	107.1	107.2

Efficiency Ratios (days)	2023A	2024A	2025E	2026F	2027F
Cash conversion cycle	36	33	40	41	36
DIO	13	13	13	12	12
DSO	53	54	50	49	50
DPO	102	100	103	102	98

Source: Bloomberg, MIDFR

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197501002077 (24878-X).

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology