Deleum Berhad

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

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Corporate Update

Maintain BUY

Unchanged Target Price **RM1.92**

Strong Orderbook of RM1.5b

Maintain BUY. Deleum Bhd's (Deleum) 2QFY25 normalised earnings came in within our expectations at 40% but below consensus at 36% (1H forecast stands at 40%-45% of FY earnings). As such, we maintain our **BUY call** for Deleum with an unchanged **target price of RM1.92**.

1HFY25 core profit down -4%yoy. 2QFY25 and 1HFY25 revenues gained to RM236.9m (+5%yoy) and RM416.3m (+8%yoy) respectively. Meanwhile, normalised profit for 2QFY25 and 1HFY25 dropped to RM19.6m (-13%yoy) and RM32m (-4%yoy) respectively.

P&M dragged by lower sales. In the P&M segment, 2QFY25 and 1H25 revenues slipped to RM164.5m (-7%yoy) and RM297.1m (-3%yoy) respectively, while 2QFY25 earnings dropped to RM27.9m (-9%yoy). However, 1HFY25 earnings added +8%yoy to RM56.4m. The overall lower performance was due to lower sales reported in various businesses but mitigated by: (i) higher sales from control and safety valves and flow regulator services, (ii) higher field service representative call-out activities, and (iii) additional revenue contribution from PT OSA Industries Indonesia (OSAII) following the completion of its acquisition.

MCM supports OIS segment. OIS saw a surge in 2QFY25 and 1HFY25 revenue to RM72.2m (+47%yoy) and RM118.8m (+47%yoy) respectively. Likewise, 2QFY25 and 1HFY25 earnings gained to RM9.6m (+39%yoy) and RM11.5m (+229%yoy) respectively. This was primarily due to higher business activities from: (i) Maintenance, Construction and Modification (MCM) projects, (ii) specialty chemicals, and (iii) well stimulations activities. However, this is offset by lower revenue from asset integrated solution services and slickline services from both East Malaysia and West Malaysia.

Outlook remains positive amid uncertainties. Despite the current market conditions in the upstream that may not favor OGSEs, we noted that the resiliency remains supported by sustained demand for long-term operations and maintenance activities. Deleum also has a robust order book of approx. RM1.5b from its segments, which will continue to provide a strong foundation for its operations. Moving forward, we expect the combination of this strong orderbook and the recent acquisition of OSAII will sustain Deleum's performance in the upcoming quarters.

External headwinds persist. Downside risk for Deleum include: (i) volatile of oil prices spurred by uncertainties in global trade and economic developments, and (ii) upstream division near-term challenges due to capex reduction.

No changes to earnings estimates. Considering that 2QFY25 earnings came in within expectations, coupled with the strong prospects for Deleum in FY25, we make no changes to our earnings estimates. Likewise, we **maintain BUY** on Deleum with an **unchanged target price of RM1.92,** pegging on a PER of 9.5x to EPS25 of 20.8sen.

RETURN STATISTICS	
Price @ 21st August 2025 (RM)	1.52
Expected share price return (%)	+26.3
Expected dividend yield (%)	+3.1
Expected total return (%)	+29.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.0	-4.9
3months	-5.7	-0.7
12 months	22.1	24.2

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	972	1,133	1,345
Operating Profit	144	157	173
Profit Before Tax	150	162	178
Core PATAMI	84	84	89
Core EPS	20.8	21.0	22.2
DPS	6.2	6.5	7.5
Dividend Yield	3.1	3.3	3.8

KEY STATISTICS	
FBM KLCI	1,592.87
Issue shares (m)	401.55
Estimated free float (%)	31.96
Market Capitalisation (RM'm)	598.31
52-wk price range	RM1.21 - RM1.69
3-mth average daily volume (m)	0.39
3-mth average daily value (RM'm)	0.59
Top Shareholders (%)	
LANTAS MUTIARA SDN BHD	20.36
Hartapac Sdn Bhd	11.99
Nathan Vivekananthan M V	10.59

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Table 1: Deleum's 2QFY25 earnings review

Financial year ending 30th June (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	**225.9**	**179.4**	**236.9**	**32.0**	**4.9**	**387.3**	**416.3**	**7.5**
Cost of Sales	(165.3)	(122.2)	(170.1)	39.2	2.9	(288.7)	(292.3)	1.3
Gross Profit	60.6	57.2	66.7	16.6	10.1	98.6	124.0	25.7
Other operating income	2.0	1.6	1.7	6.7	-17.7	4.1	3.3	-20.4
Selling and distribution cost	(11.1)	(11.8)	(11.1)	-6.0	0.0	(20.3)	(22.8)	12.2
Admin expenses	(18.0)	(19.5)	(20.3)	4.0	13.0	(32.3)	(39.8)	23.5
Other operating expenses	2.0	(0.2)	(2.3)	915.6	-214.1	0.9	(2.5)	-366.2
Operational profit	**35.6**	**27.3**	**34.8**	**27.5**	**-2.4**	**51.0**	**62.0**	**21.5**
Finance cost	(0.1)	(0.2)	(0.2)	-5.5	95.2	(0.1)	(0.4)	205.8
Share of PAT of joint venture	0.2	0.2	0.3	0.8	12.6	0.5	0.5	-2.0
Share of PAT of associates	1.8	1.0	1.4	48.2	-18.8	3.4	2.4	-28.6
PBT	**37.5**	**28.3**	**36.3**	**28.2**	**-3.4**	**54.8**	**64.5**	**17.8**
Income tax	(9.8)	(7.8)	(9.4)	20.5	-4.0	(14.3)	(17.2)	19.7
PAT	**27.8**	**20.5**	**26.9**	**31.1**	**-3.1**	**40.5**	**47.4**	**17.1**
Minority interest	5.4	8.1	7.3	-9.9	35.7	8.9	15.4	73.9
Normalised PAT	**22.4**	**12.4**	**19.6**	**57.9**	**-12.5**	**33.3**	**32.0**	**-4.0**
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
GP margin (%)	26.8	31.9	28.2	-3.7	1.3	25.5	29.8	4.3
PBT margin (%)	16.6	15.8	15.3	-0.5	-1.3	14.1	15.5	1.4
PATAMI margin (%)	12.3	11.4	11.4	-0.1	-0.9	10.9	11.4	0.5
Normalised PATAMI margin (%)	9.9	6.9	8.3	1.4	-1.6	8.6	7.7	-0.9
Effective tax rate (%)	26.0	27.5	25.9	-1.6	-0.2	26.1	26.6	0.4
SEGMENTAL								
Revenue:								
Power and Machinery	176.6	132.7	164.5	24.0	-6.9	306.1	297.1	-2.9
Oilfield Services	49.1	46.6	72.2	55.0	46.9	80.9	118.8	46.8
Results:								
Power and Machinery	30.6	28.5	27.9	-1.9	-8.6	52.4	56.4	7.6
Oilfield Services	6.9	1.9	9.6	398.7	38.7	3.5	11.5	229.4

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	792	908	972	1,133	1,345
EBIT	79	130	144	157	173
PBT	85	136	150	162	178
Taxation	-22	-35	-34	-37	-46
PAT	63	101	115	125	132
MI	18	27	34	43	45
PATAMI	46	76	81	82	87
Core PATAMI	45	78	84	84	89
EPS (sen)	11.4	18.5	20.8	21.0	22.2
PER (x)	16.9	10.2	9.5	9.5	9.0
DPS (sen)	5.7	5.8	6.2	6.5	7.5
Dividend yield (%)	2.9	2.9	3.1	3.3	3.8

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	944	1006	1116	1190	1217
Depreciation	33	30	38	45	50
OP pre-WC changes	110	158	179	196	227
Change in NWC	-31	-90	13	68	9
Operating cash flow	**79**	**52**	**114**	**110**	**134**
Capital expenditure	-12	-35	-40	-36	-38
Investing cash flow	**-11**	**-28**	**-16**	**-13**	**-15**
Debt raised/(repaid)	-27	-47	-55	0	0
Dividends paid	-31	-43	-43	-46	-56
Financing cash flow	**-38**	**-33**	**-65**	**-87**	**-105**
Net cash flow	**30**	**-9**	**33**	**10**	**15**
Beginning cash flow	**169**	**198**	**190**	**222**	**231**
Ending cash flow	**198**	**190**	**222**	**231**	**246**

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	93	96	101	108
ROU assets	58	59	63	67	69
Non-current assets	**160**	**176**	**173**	**183**	**195**
Trade receivables	115	126	139	142	180
Cash & bank balances	198	190	222	231	246
Current assets	**461**	**557**	**601**	**637**	**721**
Long-term debt	1	8	9	9.4	10.3
Non-current liabilities	**14**	**17**	**19**	**20**	**21**
Short-term debt	2	7	8	9	10
Trade payables	97	148	144	142	183
Current liabilities	**161**	**218**	**219**	**222**	**270**
Share capital	202	202	202	202	202
Reserves	263	311	353	394	438
Equity	**447**	**498**	**536**	**578**	**625**

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, MBSBR

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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