Deleum Berhad

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

SHARIAH Compliant

ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM1.92**

Corporate Update

Increased Revenues but Falling Margins

Maintain BUY with a target price of RM1.92. Deleum Bhd's (DLM) 4QFY25 earnings came in broadly in line, accounting for 96% of consensus full-year estimates and 90% of our earnings forecast. The results were largely within expectations, reflecting stable operational performance for the quarter. In view of the earnings delivery and unchanged fundamentals, we maintain our BUY call on Deleum with an unchanged target price of RM1.92

A solid improvement in topline performance. During FY25, DLM revenues rose by 9.9%yoy to RM997.1m, compared with RM907.5m in FY24. The revenue growth was supported by stronger contributions from both core operating segments, namely Power & Machinery (P&M) and Oilfield Integrated Services (OIS), reflecting higher activity levels across maintenance, services, and selected project-driven work

However operating profits increased marginally by 0.4%yoy to RM130.3m compared to RM129.8m recorded in the previous year. The modest growth in operating earnings was primarily due to higher operating expenses, net foreign exchange losses and fair value losses on forward foreign currency contracts.

Power & Machinery (P&M) recorded a strong revenue increase of +6.3%yoy to RM761.9m, driven by higher activities from exchange engines, retrofit projects, control and safety valves, turbine parts and repairs. However, segment profit declined marginally by -3.2%yoy to RM131.2m, mainly due to higher operating expenses from fair value loss on forward FX contracts despite higher revenues.

Integrated Services (OIS) recorded a +23.4%yoy increase in revenue to RM234.2m, compared with RM189.9m in FY24, driven by stronger MCM project execution, higher contributions from specialty chemicals and well stimulation, and improved slickline activity in West Malaysia.

Over the short to medium term, Deleum Berhad is expected to maintain stable earnings resilience, underpinned by sustained demand for operations and maintenance (O&M)–related activities across the domestic oil and gas sector. While the upstream environment remains cautious amid a more measured capital expenditure outlook, maintenance-intensive work is expected to stay relatively defensive, providing earnings visibility for the Group

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 @ 24th Feb 2025 (RM)	1.23
Expected share price return (%)	+56.1
Expected dividend yield (%)	+3.1
Expected total return (%)	+59.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.3	-8.3
3months	-1.7	-10.9
12 months	-13.1	-21.3

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	1,754.01
Issue shares (m)	401.55
Estimated free float (%)	31.96
Market Capitalisation (RM'm)	477.85
52-wk price range	RM1.15 - RM1.69
3-mth average daily volume (m)	0.17
3-mth average daily value (RM'm)	0.21
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 4QFY25 earnings review

Financial year ending 31st Dec (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	250.9	278.1	302.8	8.9	20.7	907.5	997.146	9.9
Cost of Sales	-191.3	-207.9	-233.2	12.2	21.9	-672.0	-733.39	9.1
Gross Profit	59.6	70.2	69.6	-0.9	16.8	235.4	263.756	12.0
Other operating income	1.8	1.9	2.0	5.7	9.2	8.6	7.071	-17.6
Selling and distribution cost	-16.8	-9.5	-17.2	80.1	2.2	-49.9	-49.539	-0.8
Admin expenses	-11.4	-24.3	-20.8	-14.2	83.2	-63.8	-84.903	33.0
Other operating expenses	-1.4	-1.8	-1.7	-9.0	21.7	-0.5	-6.04	1147.9
Operational profit	**31.9**	**36.4**	**31.9**	**-12.4**	**0.1**	**129.8**	**130.345**	**0.4**
Finance cost	-0.2	-0.6	-0.3	-49.9	62.7	-0.5	-1.324	172.4
Share of PAT of joint venture	0.0	0.2	0.1	-66.3	290.5	0.8	0.825	7.1
Share of PAT of associates	1.2	0.6	0.8	27.0	-28.9	6.2	3.879	-37.0
PBT	**32.8**	**36.7**	**32.5**	**-11.4**	**-1.1**	**136.2**	**133.725**	**-1.8**
Income tax	-9.0	-7.8	-7.9	1.0	-13.1	-35.3	-32.778	-7.0
PAT	**23.8**	**28.9**	**24.6**	**-14.8**	**3.5**	**101.0**	**100.947**	**0.0**
Minority interest	6.3	6.7	6.1	-9.1	-3.5	26.8	28.271	5.5
Normalised PAT	**17.5**	**21.9**	**16.7**	**-23.9**	**-4.5**	**75.8**	**70.576**	**-6.9**
				+/(-) ppts	*+/(-) ppts*			*+/(-) ppts*
GP margin (%)	23.8	25.2	23.0	-9.0	-3.2	25.9	26.5	**1.9**
PBT margin (%)	13.1	13.2	10.7	-18.7	-18.0	15.0	13.4	**-10.7**
PATAMI margin (%)	9.5	10.3	7.5	-26.9	-20.6	11.3	9.9	**-12.4**
Normalised PATAMI margin (%)	7.0	7.9	5.5	-30.1	-20.9	8.4	7.1	**-15.3**
Effective tax rate (%)	27.5	21.2	24.2	14.1	-12.1	25.9	24.5	**-5.3**
SEGMENTAL								
Revenue:								
Power and Machinery	191.9	213.3	251	17.9	31.0	716.7	762	6.3
Oilfield Services	58.6	64.5	51	-21.1	-13.1	189.9	234	23.4
Results:								
Power and Machinery	38.3	37.7	37	-1.5	-3.0	135.6	131	-3.2
Oilfield Services	-4.8	2.1	-7	-462.4	55.6	4.2	6	47.1

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