Corporate Update

Deleum Berhad

(5132 | DLUM MK) Main | Energy

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Maintain **BUY**

Revised Target Price **RM0.92**
(from RM1.22)

3QFY26: Below Expectations

Below expectations; Maintain BUY @ TP: MYR0.92

Deleum's 3QFY26 results missed expectations. 2026 has been rough for the OGSE players due to a significant downturn in PETRONAS's domestic capex spending. However, we usher investors to look forward. We understand that 2026 is a transition year for the OGSE space and we expect overall activities to pick up in 2027 (after a 2-year lull) – from a recovery in PETRONAS's capex spending as we do not expect another major one-off investment on the scale of PRefChem. **Maintain BUY on Deleum with a lower TP of RM0.92 – pegged to a PER of 7x on FY27E EPS.**

Earnings revision

Post-results, we reduce our FY26-28E EPS by -19%/-17%/-33%.

Investment Highlights

1. **Below expectations.** Deleum recorded a 3Q26 core net profit of RM12.7m (+20%qoq, -43%yoy), bringing 9MFY26 core earnings to RM32.2m (-39%yoy). The results came in **below expectations** at 62% of both ours/consensus full-year FY26E estimates. No dividends declared in 3QFY26, as expected; Deleum usually declares in 2Q and 4Q annually.

2. **QoQ.** Revenue rose 9%, mainly from P&M (+8%), but gross profit was flat because a less favourable sales mix cut the P&M PBT margin to 8.1% from 11.9%. Earnings grew instead on OIS (PBT +64% on higher-margin jobs), a higher JV and associate share (RM1.9m vs RM1.2m) and a lower tax rate (15.4% vs 26.1%).

3. **YoY.** P&M revenue and PBT declined -24%/-65% on cyclically weaker exchange-engine, parts, retrofit and valve demand. On the other hand, OIS PBT more than doubled to RM4.7 mn on better margins and no repeat of the RM1.7m bad-debt write-off.

4. **FY26 is a transition year.** We understand that 2026 is a transition year for the OGSE space and we expect overall activities to pick up in 2027 (after a 2-year lull) – from a recovery in PETRONAS's capex spending as we do not expect another major one-off investment on the scale of PRefChem.

5. **Proxy for the OGSE positioning.** We maintain our **BUY** recommendation on Deleum with a lower **TP of MYR0.92** – pegged to a PER of 7x on FY27E EPS. We advocate to start positioning in the OGSE space for a potential capex spending recovery in 2027E.

RETURN STATISTICS	
Price @ 24 November 2026 (RM)	0.885
Expected share price return (%)	4.0%
Expected dividend yield (%)	5.9%
Expected total return (%)	**9.9%**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.3	-1.8
3 months	-8.3	-7.6
12 months	-9.6	-6.8

INVESTMENT STATISTICS			
FYE Dec	FY26E	FY27E	FY28E
Revenue	792.3	863.3	912.6
Operating Profit	66.2	82.2	86.6
PBT	67.8	85.0	90.1
Core PATAMI	41.7	52.6	55.9
Core EPS (MYR)	0.10	0.13	0.14
DPS (MYR)	0.05	0.07	0.07
Dividend Yield	5.9%	7.4%	7.9%

KEY STATISTICS	
FBM KLCI	1,561.68
Issue shares (m)	401.55
Estimated free float (%)	32.79
Market Capitalisation (RM'm)	353.37
52-wk price range	RM0.88 - RM1.39
3-mth average daily volume (m)	0.32
3-mth average daily value (RM'm)	0.31
Top Shareholders (%)	
Lantas Mutiara	20.4%
Hartapac	12.0%
Nathan Vivekananthan	10.8%

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FIG 1: RESULTS REVIEW

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Revenue	**227.7**	**278.1**	***-18%***	**191.5**	***19%***	**604.1**	**694.4**	***-13%***
Cost of sales	-177.3	-207.9	*-15%*	-141.2	*26%*	-457.0	-500.2	*-9%*
Gross Profit	**50.4**	**70.2**	***-28%***	**50.3**	***0%***	**147.1**	**194.2**	***-24%***
Other income	1.9	1.9	*5%*	2.1	*-8%*	5.8	5.1	*14%*
Selling & distribution costs	-11.8	-9.5	*24%*	-12.2	*-3%*	-35.3	-32.4	*9%*
Admin expenses	-22.9	-24.3	*-6%*	-22.7	*1%*	-65.3	-64.1	*2%*
Other gains/(losses)	-1.3	-1.8	*-30%*	-1.6	*-17%*	-2.8	-4.4	*-37%*
Operating Profit (EBIT)	**16.3**	**36.4**	***-55%***	**15.9**	***3%***	**49.6**	**98.5**	***-50%***
Finance costs	-0.8	-0.6	*29%*	-1.3	*-41%*	-2.5	-1.0	*143%*
Share of JV & associates	1.9	0.9	*113%*	1.2	*61%*	3.9	3.8	*3%*
Profit Before Tax (PBT)	**17.4**	**36.7**	***-52%***	**15.7**	***11%***	**51.0**	**101.2**	***-50%***
Taxation	-2.7	-7.8	*-65%*	-4.1	*-35%*	-11.5	-24.9	*-54%*
Profit After Tax (PAT)	**14.8**	**28.9**	***-49%***	**11.6**	***27%***	**39.5**	**76.3**	***-48%***
Minority Interests	-2.0	-6.8	*-70%*	-1.3	*55%*	-7.4	-22.2	*-66%*
PATAMI	**12.7**	**22.1**	***-42%***	**10.3**	***23%***	**32.0**	**54.1**	***-41%***
Exceptional Items	0.0	0.1	*-147%*	0.3	*-117%*	0.2	-1.4	*-113%*
Core Net Profit	**12.7**	**22.2**	***-43%***	**10.6**	***20%***	**32.2**	**52.7**	***-39%***

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Margins			*+/- ppts*		*+/- ppts*			*+/- ppts*
Gross Profit	22.1%	25.2%	*(3.1)*	26.2%	*(4.1)*	24.4%	28.0%	*(3.6)*
EBIT	7.2%	13.1%	*(5.9)*	8.3%	*(1.1)*	8.2%	14.2%	*(6.0)*
PBT	7.7%	13.2%	*(5.5)*	8.2%	*(0.6)*	8.4%	14.6%	*(6.1)*
PAT	6.5%	10.4%	*(3.9)*	6.1%	*0.4*	6.5%	11.0%	*(4.5)*
PATAMI	5.6%	7.9%	*(2.3)*	5.4%	*0.2*	5.3%	7.8%	*(2.5)*
Core Net Profit	5.6%	8.0%	*(2.4)*	5.5%	*0.0*	5.3%	7.6%	*(2.3)*
Tax Rate	15.4%	21.2%	*(5.8)*	26.1%	*(10.7)*	22.6%	24.6%	*(2.0)*

Source: Company, MBSBR

FIG 2: SEGMENTAL BREAKDOWN

Segmental Breakdown	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Segmental Revenue								
Power and Machinery	162.7	213.3	*-24%*	127.2	*28%*	426.4	510.4	*-16%*
Oilfield Integrated Services	64.8	64.5	*0%*	64.1	*1%*	177.0	183.3	*-3%*
Segmental PBT								
Power and Machinery	13.2	37.7	*-65%*	15.1	*-13%*	43.1	94.1	*-54%*
Oilfield Integrated Services	4.7	2.1	*131%*	2.9	*64%*	12.1	13.6	*-11%*
Segmental PBT Margins			*+/- ppts*		*+/- ppts*			*+/- ppts*
Power and Machinery	8.1%	17.7%	*(9.6)*	11.9%	*(3.8)*	10.1%	18.4%	*(8.3)*
Oilfield Integrated Services	7.3%	3.2%	*4.1*	4.5%	*2.8*	6.9%	7.4%	*(0.6)*

Source: Company, MBSBR

FINANCIAL SUMMARY

FYE DECEMBER (MYR m)

INCOME STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**907.5**	**997.1**	**792.3**	**863.3**	**912.6**
Gross Profit	**235.4**	**263.8**	**195.5**	**211.5**	**223.6**
Operating Profit (EBIT)	**129.8**	**130.3**	**66.2**	**82.2**	**86.6**
Finance Costs	-0.5	-1.3	-3.3	-2.7	-2.5
Share of JV/associate	6.9	4.7	4.9	5.5	6.0
Profit Before Tax (PBT)	**136.2**	**133.7**	**67.8**	**85.0**	**90.1**
Taxation	-35.3	-32.8	-15.9	-19.1	-20.2
Profit After Tax (PAT)	**101.0**	**100.9**	**51.9**	**65.9**	**69.9**
PATAMI	**74.2**	**71.1**	**41.7**	**52.6**	**55.9**
Core Net Profit	**77.9**	**71.2**	**41.7**	**52.6**	**55.9**
Core EPS (MYR)	**0.19**	**0.18**	**0.10**	**0.13**	**0.14**
PER (x)	**4.6**	**5.0**	**8.5**	**6.8**	**6.4**
DPS (MYR)	**0.093**	**0.093**	**0.052**	**0.066**	**0.070**
DPS (sen)	**9.3**	**9.3**	**5.2**	**6.6**	**7.0**
Dividend Yield			**5.9%**	**7.4%**	**7.9%**

CASH FLOW STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax (PBT)	**136.2**	**133.7**	**67.8**	**85.0**	**90.1**
Depreciation & Amortisation	30.1	30.8	34.4	36.1	38.0
Operating profit before WC	**157.6**	**154.3**	**96.2**	**113.8**	**120.1**
Cash generated from operations	**90.8**	**174.1**	**133.7**	**103.8**	**112.9**
Net cash from operating activities	**54.8**	**132.9**	**114.4**	**82.0**	**90.2**
Capex	-35.4	-36.3	-55.0	-40.0	-40.0
Net cash used in investing activities	**-31.9**	**-49.3**	**-46.6**	**-31.1**	**-30.7**
Net cash used in financing activities	**-32.2**	**-45.2**	**-1.9**	**-39.3**	**-41.4**
Net change in cash and cash equivalents	**-9.2**	**38.4**	**65.9**	**11.6**	**18.1**
Cash at beginning of year	**198.2**	**188.5**	**225.1**	**291.0**	**302.6**
Cash at end of year	**188.5**	**225.1**	**291.0**	**302.6**	**320.7**
Free Cash Flow (FCF)	**19.4**	**96.6**	**59.4**	**42.0**	**50.2**

BALANCE SHEET	FY24A	FY25A	FY26E	FY27E	FY28E
PPE	91.3	106.1	129.2	135.7	140.3
Total Non-Current Assets	**175.6**	**224.8**	**246.4**	**251.3**	**254.6**
Inventories	45.4	23.1	19.6	21.4	22.7
Receivables	314.9	329.2	260.5	283.8	300.0
Cash and cash equivalents	195.4	242.2	308.1	319.7	337.8
Total Current Assets	**557.4**	**600.1**	**593.8**	**630.6**	**666.1**
Borrowings	7.8	27.6	52.5	47.5	42.5
Total Non-Current Liabilities	**16.7**	**41.6**	**66.6**	**61.6**	**56.6**
Payables	199.6	198.1	163.5	178.6	188.8
Borrowings	7.3	10.5	10.5	10.5	10.5
Total Current Liabilities	**218.2**	**217.8**	**183.2**	**198.3**	**208.5**
Total Equity	**498.1**	**565.5**	**590.4**	**622.0**	**655.6**

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MBSB 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