

UUE Holdings Bhd

Underground Utility Expert – Wired To Success

- Established near to 15 years, UUE engaged in the underground utilities engineering industry, specialising in Horizontal Directional Drilling (HDD) method, with the presence in Malaysia and Singapore within the electricity and telco segments.
- We project UUE's topline to grow at 5%-24% to RM109.9.0-127.0m for FY24-26f, while the core earnings are projected to increase by 5.8%-14.9% to RM16.2-18.5m for FY24-26f, respectively, underpinned by its expansion plans to Singapore and East Coast of Peninsular Malaysia, and its order book of RM223.4m, which will be reflected in the next 3 years.
- We ascribe a fair value of RM0.51 for UUE. Our valuation derived by pegging a forward P/E of 18x to the FY25f eps of 2.82 sen. We believe a P/E of 18x is justified as it is in line with the MNHLDG forward P/E of 21x and Bursa Construction Index forward P/E of 18.6x.

Investment Highlights

Geographical expansion to Singapore. UUE plans to take advantage of the growth opportunities in the Singapore market by actively participating in tenders and/or requests for quotations for HDD works related to electricity distribution projects. This will be accomplished by leveraging their project track record, technical expertise, and the experience of their employees.

Geographical expansion to the East Coast of Peninsular Malaysia. On top of its current scale of operations and ongoing projects in Peninsular Malaysia, UUE intends to further expand regionally in Peninsular Malaysia, specifically targeting the states of Terengganu, Kelantan and Pahang, by securing telecommunications and electricity supply projects. As at LPD, UUE has secured electricity supply projects with total contract value of RM83.9m and have commenced works in the East Coast region for Terengganu, Kelantan and Pahang. These projects will allow UUE to create presence and identify other potential business opportunities in the east coast region of Peninsular Malaysia. UUE will seek to collaborate with certified main contractors that are financially stable and reliable to facilitate their regional expansion.

Purchase of new machinery to scale up the project. As at LPD, UUE leases machinery to supplement their existing assets in carrying out project works including HDD machines, excavators, and lorries as they do not own enough of these machinery and equipment. As UUE depends largely on this machinery and equipment, they believe that purchases of new machinery and equipment will place them in a more competitive position to carry out underground utilities projects of larger scale and complexities and will help them be less susceptible to risks in terms of availability, quality and reliability of such major machinery as compared to leasing. The purchase of this machinery will increase the availability of such machinery as well as enable them to have better cost control.

Strong track record and reputation. UUE has established a strong presence in the underground utilities engineering industry, with approximately 15 years of operating history since the incorporation of Kum Fatt in 2009. They specialize in the HDD method of underground utilities engineering and have leveraged their HDD capabilities to enter the industry in Singapore. UUE has a proven track record, as evidenced by their revenue growth from RM51.7m in FYE 2021 to RM88.7m in FYE 2023. In FPE 2024, UUE recorded revenue of RM103.8m.

IPO Note – Not rated

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Non-Rated

Share price	RM0.24
Target price	RM0.51
Previous TP	-
Capital upside	112.5%
Dividend return	-
Total return	112.5%

Company profile

UUE Holdings Berhad engaged in underground utilities engineering services and solutions which primarily support the electricity and telecommunications industry in Malaysia and Singapore. Additionally, UUE is involved in manufacturing and trading of HDPE pipes.

Stock information

Bursa Code	UUE
Bloomberg ticker	UUE MK
Listing market	ACE
Share issued (m)	608.3
Market Cap (m)	146
Shariah compliant	Shariah

Major shareholders

	%
Datuk Dr Ting	50.9
Hin Wai Mun	8.2
Ting Meng Pheng	7.3

Earnings snapshot

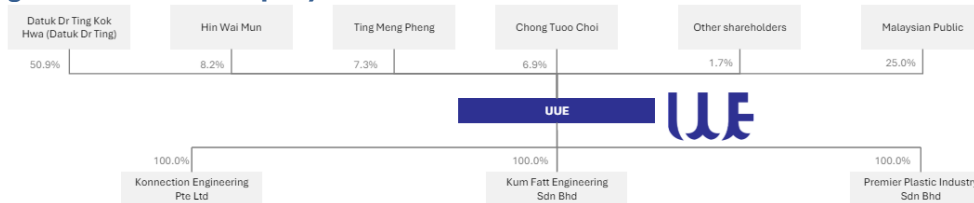
FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	14.1	16.2	17.2
EPS (sen)	2.32	2.67	2.82
P/E (x)	10.3	9.0	8.5



Company Background

Through its wholly owned subsidiary, UUE Holdings Berhad engaged in underground utilities engineering services and solutions which primarily support the electricity and telecommunications industry in Malaysia and Singapore. Additionally, UUE is involved in manufacturing and trading of HDPE pipes.

Fig #1 Post-IPO company structure



Source: UUE Holdings Berhad

Fig #2 Key Milestones

Year	Milestones
2009	Secured contract to undertake (i) High-density polyethylene (HDPE) piping installation and (ii) installation of HDPE pipes for power utilities infrastructure using HDD method.
2011	Secured a contract to undertake the laying of microducts from Cyberjaya to Bulatan Kampung Pandan, Kuala Lumpur via MEX highway using the HDD method.
2013	Secured a contract for the supply and provision of engineering services for the laying of optical fibre infrastructure from Menara Ansar to Danga Bay, Johor Bahru, marking UUE first foray into underground utilities engineering projects in Johor.
2019	Secured the first major project where TNB was the project owner to undertake 33kV cable laying and jointing works for the distribution network in the Johor zone. Commenced the HDPE pipe manufacturing operations with average operating capacity of 325kg/hour and began supplying HDPE pipes.
2017	CIDB and Sijil Perolehan Kerja Kerajaan registration were upgraded to Grade G7.
2021	Installation of 2 nd HDPE pipe manufacturing line with average operating capacity of 600kg/hour. Granted the license to use of SIRIM certification mark on its HDPE pipes upon being certified compliant in water and power supply projects.
2023	Registered with TNB, thereby allowing UUE to supply materials and services to TNB projects.

Source: UUE Holdings Berhad

Fig #3 Utilisation of Proceeds

Use of Proceeds	RM 'm	%	Estimated time frame
Purchase of machinery and equipment	15.75	52.6	Within 24 months
General working capital	10.89	36.3	Within 12 months
Estimated listing expenses	3.33	11.1	Within 1 month
Total	29.98	100.0	

Source: UUE Holdings Berhad



Business Overview

Underground Utility. UUE is involved in the utility engineering services and solutions for underground or product pipelines, forming the overall utility system for its customers. As such, UUE traces, maps, procures, supplies, installs, tests, commissions, inspections, repairs and maintains underground infrastructure utilities. UUE’s involvement includes project planning and management for the technical aspects of the contracts the group undertakes. This includes developing and implementing project plans. UUE primarily serves the electricity and telecommunications industry in Malaysia and Singapore.

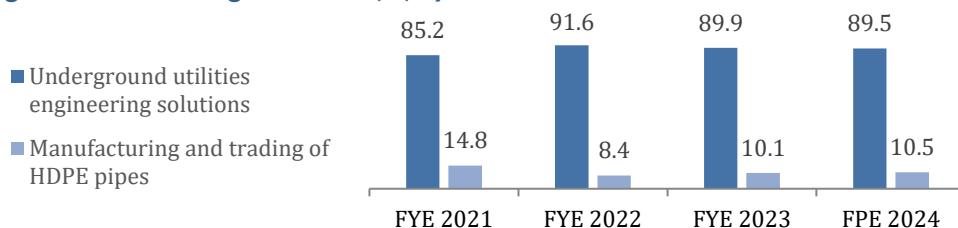
Manufacturing of HDPE pipes. Besides, UUE manufactures HDPE pipes to complement its core business segment and c.70.0% of the HDPE pipes that UUE manufactures are primarily utilised in the underground utility projects that UUE undertake locally, while the remaining is typically exported to Singapore to be utilised by main contractors of the underground utility projects.

Fig #4 High Density Polyethylene (HDPE) pipe



Source: UUE Holdings Berhad

Fig #5 Revenue segmentation (%) by business activities



Source: UUE Holdings Berhad

Fig #6 Summary of services provided by UUE Holdings Berhad

Service	Description
Horizontal Directional Drilling (HDD)	HDD is a trenchless excavation method used to install pipelines underground at depths of 3m to 20m.
Open Cut	Open trench excavation involves digging a pit to a specific depth up to 1.5m route for laying pipelines.
Micro Trenching	Micro trenching is used to install cables, like broadband networks, at depths up to 400mm.
Manufacturing and Trading HDPE pipes	Manufactures and supplies HDPE pipes on a purchase order basis.

Source: UUE Holdings Berhad

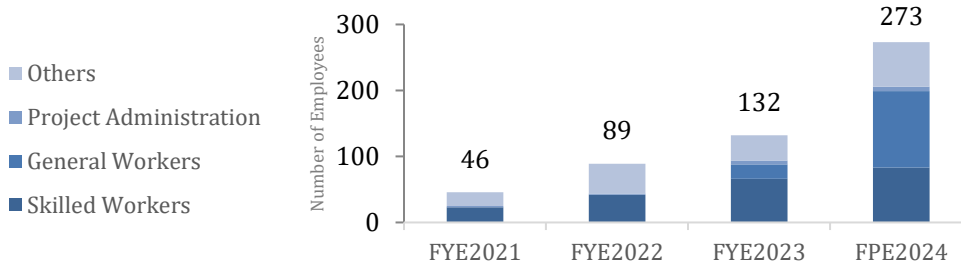
UUE is appointed mainly by main contractors. During FYE 2021 to 2023 and FPE 2024, UUE’s major customers comprised mainly the main contractors appointed by utility companies in Malaysia and Singapore’s electricity supply industry and telecommunication sector. The main contractors are primarily involved in electricity



supply projects that require UUE underground utility solutions to enable the transmission and distribution of electricity to specific locations and/or premises and telecommunication projects that require UUE solutions to allow for connectivity of fixed and/ or mobile telecommunication service to specific location/ or premises.

Expansion of its skilled workers in anticipation of more projects. As of 30 April 2024, the group's total workforce comprises 273 employees (FYE2023: 159), amongst them include 83 skilled workers, 116 general workers, 7 project administration and the remaining 67 for general administrative matters.

Fig #7 Workforce segmentation



Source: UUE Holdings Berhad

Orderbook stood at RM223.4m. As at LPD, UUE has an unbilled orderbook of RM223.4m, which will be reflecting in their books over the next 3 years. Meanwhile, UUE has been participating in request for quotations on various projects in both Malaysia and Singapore.

SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> Specialize in HDD method of laying pipes. Healthy GP and NP margins despite fluctuations in material costs. 	<ul style="list-style-type: none"> Profit margins are significantly affected by fluctuations of materials prices. Changes in economic and political policies may disrupt business operations.
Opportunity	Threat
<ul style="list-style-type: none"> Regional expansion to secure more projects. Strong track record, potentially securing large customers. 	<ul style="list-style-type: none"> May face challenges from competitors regarding pricing, quality, manufacturing capacity.

Source: MSSB Research

Financials

Steady growth in top- and bottom-line. In FYE 2023, UUE registered RM88.7m (+17.4%) mainly due to stronger sales from underground utilities engineering solutions, while the core PAT declined 3.1% YoY to RM14.1m due to higher administrative expenses and finance costs incurred. Moving forward, we project the core PAT to grow at 5.8%-14.9% to RM16.2-18.5m over FY24f-26f, supported by the overall expansion plans in Singapore and East Coast of Peninsular Malaysia, coupled with the rising demand of power distribution capabilities under the NETR masterplan.



Fig #8 Financial Highlights

FYE Feb (RM 'm)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	74.9	88.7	109.9	115.4	127.0
EBITDA	21.9	21.2	26.1	29.1	31.8
PBT	18.6	17.2	21.3	22.6	24.3
PAT – Core	14.6	14.1	16.2	17.2	18.5
% change YoY – Core PAT	97.7%	-3.1%	14.9%	5.8%	7.5%
Core EPS (sen)	2.39	2.32	2.67	2.82	3.03
P/E (x)	10.0	10.3	9.0	8.5	7.9
BVPS (RM/share)	0.06	0.10	0.16	0.18	0.21
P/B (x)	4.1	2.3	1.5	1.3	1.1
ROE (%)	46.9%	28.4%	20.5%	16.7%	15.3%
Net Gearing (%)	0.3	0.1	CASH	CASH	CASH

Malacca Securities Research

Valuation

We ascribe a fair value of RM0.51 for UUE. Our valuation is derived by pegging a P/E of 18x to the FY25f EPS of 2.82 sen. We believe 21x P/E is justified as it is in line with Bursa Construction Index forward P/E of 18.6x and its peers (MNHLDG) forward P/E of 21.1x, while current peers' simple average P/E stood at 39.4x. Additionally, we do not rule out the possibility of the market pricing in higher P/E multiples as UUE commands superior margins as compared to its peers, namely JTGROUP and MNHLDG.

Fig #9 Peers Comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
UUE Holdings Berhad	ACE	Feb	0.240	608.3	9.0*	8.5**	15.9
Jati Tinggi Group Bhd	ACE	Nov	0.640	250.8	52.9	-	3.5
MN Holdings Bhd	ACE	Jun	0.930	432.0	25.8	21.1	7.4
Avg ex-UUE					39.4	21.1	5.4

* FY24f, ** FY25f

Investment risks

Dependent on key senior management. Discontinuation of service of the key senior management may disrupt key decision making within UUE's business operations.

Economic, social, political and regulatory risks. Changes in the economic, social, and political landscape, which may give rise to unfavourable tariffs, embargos, etc.

Competitive industry. UUE faces competition from competitors offering similar services, competitive pricing, advanced technology, diverse services, and timely project delivery.

Dependency on subcontractors. UUE relies on subcontractors' services and work quality for HDD works, open trenching, cable laying works, cable termination and jointing, milling, and paving, electrical works and structural works.



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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

