



NEWS CLIPPINGS



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Financial year 2014 marks an exciting year for Deleum

Deleum Bhd
(March 7, RM5.36)

Upgrade to buy with a target price of RM5.88: Deleum turned in a positive financial year 2013 (FY13), with net profit growing 11.5% year-on-year (y-o-y) to RM49.6 million. Growth during FY13 was driven by higher profitability in the power and machinery (P&M) segment, a stronger showing in the oil field services (OFS) segment, and also a turnaround in the maintenance, repair and overhaul (MRO) segment.

FY14 marks an exciting year for Deleum as it starts the year with a record high order book of an estimated RM3.3 billion, which was largely secured over FY13. Roughly 60% is for the P&M segment and the remainder for OFS and MRO segments. Key contracts include slickline contracts from Petroliaam Nasional Bhd (Petronas), Newfield, ExxonMobil, Petrofac and PCPP Operating Co and a long-term service contract for aftermarket turbomachinery maintenance services for Solar Turbines gas turbines installed in Malaysia. The order book will last the group until 2020.

The two key contracts mentioned above will commence in FY14, and on the back of these contracts we expect the group to comfortably grow its bottom line by 19.3% y-o-y in FY14. It will be the slickline services driving growth, more than the turbomachinery services.

During our recent meeting with management, we learned that Deleum has been looking closely into offering asset integrated solutions (AIS). This involves either offering mechanical and/or speciality chemical solutions to enhance or stimulate wells of an oil/gas field, reactivate idle wells and also develop early production systems.

What led the group to look into this area of business was its slickline services, which deals with production of oil and gas. Coupling with its in-house development of speciality chemicals (some in partnership with Petronas, some on their own), Deleum hopes to break into this niche market segment. Services it hopes to provide are for production enhancement, flow assurance, consultancy, research and development, and customised solutions for oil fields.

We view the move positively, as it is in line with Petronas' move to focus on its asset integrity. In fact, out of Petronas' RM300 billion capital expenditure, RM40 billion is dedicated to asset integrity (maintaining/boosting output of existing producing assets). — *Alliance Research, March 7*