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## Deleum ready for regional growth

BY MAX KOH

**W**hen Deleum Bhd's group managing director Nan Yusri Nan Rahimy took the helm in March last year, he set in motion plans to consolidate resources and expand the group's business.

He helped steer Deleum, which supplies power and machinery equipment such as gas turbines and provides oilfield services for the oil and gas industry, into the maintenance, repair and overhaul services segment with the acquisition of a few companies.

Having consolidated its resources, which resulted in earnings growth, the group is now ready to tap the regional market for new jobs.

"It is our ambition to have a regional presence by 2015," Nan Yusri tells *The Edge*. "After a year, we are ready to go beyond Malaysia, but we will ensure that we do due diligence."

Countries where Deleum hopes to set up a base include Indonesia, Brunei and Myanmar. "We are also looking for opportunities in the Middle East."

Deleum, which has already completed a few wellhead maintenance contracts in Indonesia, plans to have an operating presence in these countries.

"We are considering a few options. We will either place an agent in these countries or form a joint venture with a local party. We are also looking at acquiring companies in these countries," says Nan Yusri.



Nan Yusri: After a year, we are ready to go beyond Malaysia, but we will ensure that we do due diligence

In fact, Deleum is talking to a few parties about possible acquisitions or joint ventures. "If the talks are successful, we hope to complete something next year. We want to ensure we can grow and add value before we seal any deal."

Deleum is eyeing companies in oilfield services and the maintenance, repair and overhaul (MRO) business as its US-based principal, Solar Turbines Inc, already has partners in the region. It has an agreement with Solar Turbines

to supply turbine packages in Malaysia.

Nevertheless, Nan Yusri sees tremendous opportunities for Deleum to grow its power and machinery business in Malaysia.

"Petroleum Nasional Bhd is investing RM35 billion in upgrading asset integrity over the next five years. This means a lot of turbines will be refurbished and retrofitted. But our business is not limited to turbines. We also do jobs for machinery parts above wellheads. All this bodes well for us."



He adds that 95% of Deleum's clients are production-sharing contractors.

The company's oilfield service contracts are typically for three to five years with options to extend for another two years. "Power and machinery are one-off transactions where we supply the packages."

In a bid to expand its MRO business, the group acquired a 60% stake in Northern Primera Sdn Bhd for RM3.18 million cash. Northern Primera is the sole distributor of Sponge-Jet products, which are used in abrasive blasting services, in Malaysia and Indonesia.

"This acquisition was also a way for us to enter Indonesia as Northern Primera already has clients there. As we only completed the acquisition in October, contributions to revenue

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## Group benefiting from increased offshore activities

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will only be seen in the fourth quarter. The acquisition will be one of the major contributors to group revenue next year," says Nan Yusri.

From its incorporation in November 2011 to June 2012, Northern Primera made a profit after tax of RM1.2 billion on revenue of RM7 billion.

### Another record year for Deleum

Deleum has an order book of around RM1 billion, which will keep it busy for the next five years. It is bidding for another RM500 million worth of jobs.

Moving forward, Nan Yusri says Deleum will benefit from Petronas' RM300 billion capital expenditure (capex) for the next five years to boost domestic oil and gas production.

"We are blessed that our services and products are used in both upstream and downstream activities. In fact, we have already benefited from Petronas' increased spending, as evidenced by our results."

Deleum posted a net profit of RM30.9 million in the nine-month period ended Sept 30, 2012, which surpassed its FY2011 net profit of RM29 million. The power and machinery segment is the biggest contributor to group revenue — 75.6% in 9MFY2012 — followed by oilfield (21.8%) and MRO (2.6%) services.

As at Sept 30, Deleum had RM84.8 million in cash and bank deposits while its borrowings stood at RM21.3 million. Nan Yusri says the group plans a capex of RM40 million for

next year to improve its facilities and equipment, which will drive growth. It is also close to completing a training well — the second in the region — to enhance the capabilities of its personnel.

Year to date, Deleum's share price has risen 70%. It closed at a five-year high of RM1.98 on July 19 and at RM1.80 last Thursday. Alliance Research sees further upside for the counter due to its undemanding price-earnings ratio (PER) of 8.2 times for FY2013. It has set a target price of RM2.39 based on forecast earnings per share of 29.2 sen.

"The group is benefiting from increased offshore activities like enhanced oil recovery projects and cost-cutting initiatives. We believe FY2013 will likely be another good year for Deleum," says the research house.

That aside, Deleum paid close to 50% of its net profit as dividends to shareholders over the past few years. Last year, it was 14 sen dividend per share (DPS) against an EPS of 29 sen. Alliance Research has forecast a DPS of 13.2 sen this year, which translates into a yield of 7.3% based on last Thursday's price.

Deleum has a market capitalisation of RM270 million based on its outstanding shares of 150 million. To improve its liquidity, the group completed a one-for-two bonus issue earlier this year.

Nan Yusri says the group will not undertake any corporate exercise for now as it does not need to raise funds on the equity market. "We are in a good position. Acquisitions will be financed via a combination of internal funds and banking facilities." ■