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Deleum picking up interest as potential value play

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KUALA LUMPUR: Oil and gas services provider Deleum Bhd could be a potential value play, says Kenanga Research, adding that the company would benefit from drilling, production and brownfield rejuvenation works.

Deleum managing director Nan Yusri Nan Rahimy recently said he anticipates the group adding another RM2 billion worth of contracts to its existing order book of RM1.4 billion, adding that most would be domestic projects.

The group is said to be interested in bidding for marginal field contracts in Petrolia Nasional Bhd's (Petronas) third round of risk service contract (RSC) licensing.

The 10 marginal fields which Petronas has opened up for tender have attracted up to two dozen players. The fields include Bunga Pelaga, Rompin, Endau, Lada Hitam, D41 and A21 off Sarawak, Rusa Timur, Mutiara Hitam and Kuda Terbang off Sabah and Ophir, the lone field on offer off Peninsular Malaysia.

"The third RSC licensing round is said to have drawn interest mostly from small to medium oil and gas independents or foreign oilfield services contractors. Malaysian players who are interested in participating include Deleum," said AmResearch in a note on Friday.

Meanwhile, Deleum could also stand to win a RM250 million engineering, procurement, construction and commissioning (EPCC) contract from Brunei Shell Petro-

partner Brunfield Sdn Bhd.

Kenanga said the contract win could expand Deleum's international earnings while boosting the group's plans to establish its regional presence by 2015, especially in neighbouring countries and parts of the Middle East.

"We are not going to rush these plans, they will have to be profitable and create value for us," said Nan Yusri, adding that the company might operate through agents or joint ventures in its overseas expansion plans.

Deleum's shares have seen a very bullish run, closing at an all-time high of RM3.35 last Friday — a year-to-date increase of 72.7%. The stock also hit an all time intra-day trading high of RM3.42 last Thursday.

Alliance Research said anticipation of the group clinching the RM2 billion in contracts could have spurred investor interest.

Deleum is a medium-sized oil and gas services provider with a market capitalisation of RM502.5 million. Its gas turbine business is currently the main income generator, while its associate earnings are from a 20% owned 35MW plant in Cambodia, and 30% owned Malaysian Mud and Chemicals (MM&C) which provides dry and bulking services to companies involved in drilling operations.

For its fourth quarter ended Dec 31, 2012, Deleum recorded a net profit of RM13.5 million, compared with the RM7.2 million it posted in the previous corresponding quarter. Revenue came in at RM155.2 million for the quarter, over RM106.5 million previously.

For 2012 financial year (FY12), Deleum recorded RM44.4 million in net profit, a 53.1% jump over the RM29 million it recorded in FY11. It recorded RM473.2 million in revenue, compared with RM396.3 million for FY11.