



Headline : Article On Local Equities  
 Media : The Edge  
 Day/Date : 23 May 2011  
 Page :  
 Links :

## Deleum Bhd

MAY 18, RM1.65

**ALLIANCE RESEARCH (MAY 18) BUY:** 1QFY2011 net profit of RM5.7 million (-22.5% q-o-q; +21.4% y-o-y) is 21% of our full-year forecast. We believe the results came within our expectations as subsequent quarter earnings are expected to ramp up from a seasonally slower 1Q. First quarter FY2011 top line jumped 64% y-o-y to RM128 million due to higher billings from a project as well as full contribution from a newly acquired subsidiary. We like Deleum for: 1) being in the booming O&G sector; 2) the boom time ahead for EPCIC deep water O&G projects in Malaysia; and 3) its asset-light and cash-rich business model.

With values for O&G contracts getting higher, re-vitalised domestic spending by Petronas, and positive liquidity flow on the back of the ETP to create regional O&G service provider champions in providing oil field and equipment services underpin our continued excitement in the sector over the short to medium term. "Buy" with a target price of RM2.07/share based on 7.4 times 2011 EPS of 28 sen or at a 40% discount to comparable peers average of 12.3 times PER taking into account Deleum's small market capitalisation.

