



Headline : MIDF sees Deleum maintaining dividend payout ratio  
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## MIDF sees Deleum maintaining dividend payout ratio

**PETALING JAYA:** Deleum Bhd has consistently been distributing about 50% of its net profit as dividend, giving the stock a potential dividend yield of more than 5%, said MIDF Research in its recent report.

The latest payout was a 3.5 sen single tier dividend in the third quarter of financial year (FY) 2015, which gives a net payout ratio of 48%.

MIDF Research believes Deleum will maintain its payout ratios of around 50%, which at current price levels, should provide investors with a dividend yield of more than 5% per annum.

The research house said this was underpinned by capital expenditure (capex) that was expected to be roughly the same as FY15 since capex was at its highest level in FY14.

MIDF Research noted that the dividend yield was one of the highest in the upstream oil and gas service providers.

The research house initiated coverage on the upstream oil and gas service provider led by the dividend yield of more than 5% and prevailing share price valuation of 7.8 times price-earnings multiple.

Despite tough operating environment stemming from low oil prices that led to a sluggish oil and gas capex rollout, the company has managed to record a robust five-year compounded annual growth rate (CAGR) of 9.3%.

“This can be attributed to Deleum’s deliberate decision to increase the number of operational slicklines even though operating environment was tough in financial year 2014 (FY14) to FY15.

“As a result, Deleum has been able to take 50% of Malaysia’s slickline market.

Deleum specialises in three core segments, namely power and machinery, oilfield services, as well as integrated corrosion solution.

Its current order book of RM2.95bil provides contract and earnings visibility to 2023, bulk of which consists jobs from the power and machinery segment.

Its tender book stands at RM300mil.

Deleum’s revenue has been growing at a CAGR of 10.4% for the past five years. Such growth rates can be attributed to the power and machinery segment which is the largest revenue contributor at 71.7% of total revenue in FY15.

This is followed by the contribution from oilfield services and integrated corrosion solution at 21.3% and 7% of total revenue respectively.

Historically, Deleum’s business is not excessively capital intensive, the research house said.

Gearing in FY15 lowered to 0.47 times, from FY14’s gearing of 0.57 times, which is still at a manageable level resulting in a high level of net cash.

This decrease in gearing ratio is due to the repayment of borrowings by Deleum Oilfield Services Sdn Bhd to fulfil the Pan Malaysia Slickline contracts’ capital requirements.

“FY16 onwards, we are estimating the gearing to be maintained at a reasonable level of 0.3 times to 0.4 times as management guided that capex budgeted for FY16 would roughly be same as FY15,” it said.