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## Hot Stock Deleum soars 11% on Edge Weekly report

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KUALA LUMPUR (July 8): DELEUM BHD [ ] became the second biggest gainer across Bursa Malaysia after The Edge Malaysia Weekly reported that the oil and gas (O&G) services provider is close to securing a RM700 million contract.

Deleum shares jumped 36 sen or 11.3% to RM3.54 as of 11:33 am. The counter, earlier traded at a high of RM3.55, had a trading volume of 1.13 million.

Based on the Edge's report, Alliance Research immediately raised the stock to "trading buy" from "neutral".

The The Edge Malaysia (for July 8-14) reported that the O&G player is on the verge of clinching a five-year Pan Malaysia "slickline contract" worth up to RM700 million.

"Deleum's oilfield services arm will be three times larger next year than it is now and its order book will increase to RM2.1 billion," an industry observer reportedly told the weekly.

The contract value nearly doubles Deleum's revenue of RM473.2 million for financial year ended Dec 31, 2012.

According to the article, the RM700 million contract value came from a RM300 million contract that sources said was already awarded by Petronas Carigali Sdn Bhd.

The remainder is expected to be awarded by Exxon Mobil Corp's subsidiary ExxonMobil Exploration and Production Malaysia Inc, and Newfield Exploration Co.

As this development has yet to be confirmed by Deleum's management, Alliance Research has retained its target price of RM3.49 on the company.

"However, we raise our call to 'trading buy', from 'neutral', as a confirmation (from Deleum's management) would see us raising our (earnings) estimates by at least 15% to 20%," said Alliance analyst Arhnue Tan in a note today.

She said that based on her understanding, the contract value of a slickline contract is usually just an estimate as the jobs are performed on an on-call basis.

"As such, contributions from the contract might not be immediately earnings accretive," noted Tan.