



Headline : Deleum RM3.8 billion orderbook provides contract to 2023, steady O&G play
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▶ DELEUM BHD				
FYE DEC	2014A	2015F	2016F	2017F
REVENUE (RM mil)	657	682	726	766
NET PROFIT (RM mil)	59	63	70	74
EPS (sen)	14.8	15.8	17.6	18.5
PE (x)	10.9	10.3	9.2	8.7

Deleum RM3.8b orderbook provides contract to 2023, steady O&G play

► Recommendation: Hold

TARGET Price: RM1.60
by Malaysia Equity Research (March 6)

Highlights

- RM3.8B orderbook provides long-term earnings visibility.
- But Petronas cutting opex could dampen growth in FY15.
- Steady dividend yield of 5% going forward.
- Maintain 'Hold', TP RM1.60.

Deleum Bhd's RM3.8b orderbook provides long-term earnings visibility as the group's lengthiest contract extends to 2023.

Key contracts that will support earnings going forward are umbrella contracts for the supply and maintenance of gas turbines (RM2b-RM2.5b est outstanding value), provision of slick-line equipment and services (RM750m est out-

standing value), and smaller contracts for corrosion control and chemical supplies.

But Petrolia Nasional Bhd (Petronas) cutting operating expenditure (opex) will dampen growth. We expect Petronas' move this year to impact Deleum's contracts which are largely on on-call basis.

This is especially so for the gas turbine contracts; there will be a lower demand for new gas turbine packages.

Carrying the group through FY15 will be the slickline contract, of which 80% of the 55 units rolled out are on a take-or-pay basis.

For FY15, we expect modest growth of 6% before offshore activities normalise in FY16, driving growth of 11%.

Maintain 'Hold'

Our TP is adjusted to RM1.60 (10x PE, FY15) from RM1.65

previously, after we factored in higher interest expenses.

Our 'Hold' call is supported by a healthy dividend yield of 5% going forward.

Steady dividend payout. Deleum has a dividend payout policy of 50% and offers an attractive yield of >5%.

Profile

Deleum is an offshore oil and gas (O&G) service provider specialising in sales, repair and maintenance of rotary equipment (power and machinery division), well maintenance services (oilfield services segment) and operations and maintenance activities (maintenance repair and overhaul division).

The company, via its associate, also produces drilling fluids and they have a minority stake in a small power plant in Cambodia.