



Headline : Deleum's RM3.8 billion orderbook gives long-term earnings visibility
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 Page : 9
 Links :

Deleum's RM3.8b order book gives long-term earnings visibility

Deleum Bhd
 (March 6, RM1.65)

Maintain hold call with a lower target price (TP) of M1.60: Our TP is adjusted to RM1.60 (10 times price-earnings ratio, financial year ending Dec 31, 2015, 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. The RM3.8 billion order book 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 (RM2 billion to RM2.5 billion estimated outstanding value), provision of slickline equipment and services (RM750 million estimated outstanding value), and smaller contracts for corrosion control and chemical supplies.

But Petroliaam Nasional Bhd (Petronas) cutting operating expenditure will dampen growth. We expect Petronas' move this year to impact Deleum's contracts which are largely on an 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%.
 — AllianceDBS Research, March 6



Deleum Bhd

FYE DEC (RM MIL)	2014A	2015F	2016F	2017F
Revenue	657	682	726	766
Ebitda	123	139	154	165
Pre-tax profit	92	101	111	117
Net profit	59	63	70	74
Net profit (pre ex)	59	63	70	74
EPS (sen)	14.8	15.8	17.6	18.5
EPS pre ex (sen)	14.8	15.8	17.6	18.5
EPS growth (%)	20	6	11	6
EPS growth pre ex (%)	20	6	11	6
Diluted EPS (sen)	14.8	15.8	17.6	18.5
Net DPS (sen)	7.2	7.9	8.8	9.3
BV per share (sen)	68.7	88.1	96.9	106.2
PER (x)	10.9	10.3	9.2	8.7
PER pre ex (x)	10.9	10.3	9.2	8.7
P/CF (x)	24.1	6.1	7.3	6.6
EV/Ebitda (x)	6.2	5.1	4.6	4.3
Net div yield (%)	4.4	4.9	5.4	5.7
P/BV (x)	2.4	1.8	1.7	1.5
Net Debt/Equity (x)	0.3	0.1	0.0	Cash
ROAE (%)	23.0	20.1	19.0	18.2

Source: Company, AllianceDBS, Bloomberg Finance LP