# Uzma Group (UZMA MK)

Uzma Ver 4.0: Embracing Resilience In Growth

## Highlights

- **Foundation for resilient growth established; near-term earnings risks largely priced in.** Uzma's evolution is a success story of its diversification as an energy and technology platform. While its next long-term growth will focus on resilience, we anticipate near-term earnings risk caused by largely industry-wide factors. Seismic contracts may see lower revenue due to dry docking works that were fortunately completed by end-Jul 26. However, on top of the anticipated monsoon season, we understand massive maintenance work suspensions had occurred due to Petronas' asset ownership transfers.
- **We Retain BUY with an adjusted RM0.70 target price (from RM0.76),** at an unchanged 8x PE. Despite cutting our near-term earnings forecasts, we believe the risks are mostly priced in, and advise investors to accumulate the shares which are trading at a forward PE of below 3x. We remain optimistic on its longer-term growth, given that Uzma's asset-light and nimble business model will likely make it benefit from opportunities from Searah's creation.

## Analysis

- **The foundation for income diversification has been well established.** Uzma Group (Uzma) has evolved over 26 years from its founding in 2000 as an O&G service provider into a diversified energy and technology platform. Through its previous five-year plan, Uzma had been successful in diversifying into non-O&G ventures, building its base of in-house technology and assets that grant long-term income. These assets include water injection facilities (WIF) like MARSYA (first deployed in 2016) and SARA, and the flagship 50MW Large Scale Solar (LSS) project in Kedah.
- **The next growth is all about building resilience.** The second five-year plan effective 2026, appears to be a consolidation phase necessary for the group to resharpen and mature its growth engines to become independent, while continuing to build a higher long-term earnings mix and reoptimise its cost structure. Priority goals for FY27 include securing continuity, embracing operator transition, as well as margin preservation and deleveraging. On deleveraging, Uzma aims to restructure about RM100m of its RM816m loans with financing rates exceeding 7%, vs its blended interest rate of 3.7%.

## Key Financials

| Year to 30 Jun (RMm) | 2025 | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| Net turnover | 717 | 1,348 | 810 | 993 | 1,123 |
| EBITDA | 159 | 164 | 158 | 185 | 186 |
| Operating profit | 104 | 96 | 92 | 120 | 122 |
| Net profit (rep./act.) | 54 | 57 | 54 | 77 | 79 |
| Net profit (adj.) | 50 | 56 | 54 | 77 | 79 |
| EPS (x) | 8.8 | 9.3 | 8.9 | 12.8 | 13.1 |
| PE (x) | 4.2 | 4.0 | 4.2 | 2.9 | 2.8 |
| P/B (x) | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 |
| EV/EBITDA (x) | 6.6 | 5.8 | 6.2 | 5.7 | 5.6 |
| Dividend yield (%) | - | - | - | - | - |
| Net margin (%) | 7.5 | 4.2 | 6.7 | 7.8 | 7.1 |
| Net debt/(cash) to equity (%) | (127.6) | (103.6) | (107.2) | (109.4) | (99.8) |
| Consensus net profit | - | - | 64 | 71 | 82 |
| UOBKH/Consensus (x) | - | - | 0.84 | 1.08 | 0.96 |

*Source: Uzma Group (Uzma), Bloomberg, UOB Kay Hian*

**Analyst(s)**

Kong Ho Meng

homeng@uobkh.com

+603 2147 1987

## BUY (Maintained)

| | |
|---|---|
| Share Price | RM0.37 |
| Target Price | RM0.70 |
| Upside | +89.2% |
| Previous TP | RM0.76 |

## Stock Data

| | |
|---|---|
| Sector | Energy |
| Bloomberg ticker | UZMA MK |
| Shares issued (m) | 607.4 |
| Market cap (RMm) | 227.8 |
| Market cap (US$m) | 55.6 |
| 3-mth avg daily t'over (US$m) | 1.1 |

## Price Performance (%)

52-week high/low: RM0.56/RM0.36

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| (2.6) | (4.3) | (6.3) | (25.7) | (12.3) |

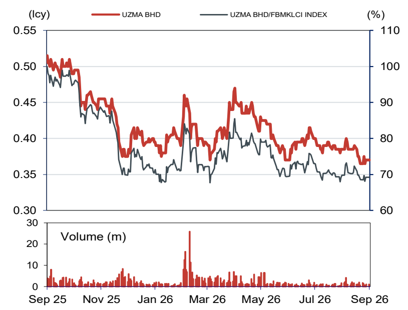
## Major Shareholders (%)

| | |
|---|---|
| Tenggiri Tuah | 25.4 |

## Balance Sheet Metrics

| | |
|---|---|
| FY27 NAV/Share (RM) | RM1.04 |
| FY27 Net Debt/Share (RM) | n.m. |

## Price Chart




*Source: Bloomberg*

## Company Description

Uzma is an oil & gas (O&G) company that provides integrated reservoir services to upstream players. Its core O&G business comprises of well services (WS) and production services (PS). Some of its prominent upstream services include WIF, hydraulic workover units (HWU) and coiled tubing units (CTU). The non-O&G business consists of 3 subsegments: a) new energy, b) energy trading and c) digital earth

- **O&G revenue and earnings may decline qoq…** Firstly, the seismic vessel PX Geo 2 had six weeks of dry docking works, during which management guided that there would be no revenue. According to channel checks, the Langkasuka 3D survey took seven months, implying that PX Geo 2 completed the job by mid-Jun 26. We assume the dry docking was completed by end Jul-26, with seismic and utilisation expected to recover to over 90% by late-1QFY27. Corroborating our assumption is the Malaysia Marine Department Notice to Seafarers, which notified that the vessel's seismic data acquisition campaign at the Batik 3D prospect area in PM448 Block (Kelantan) spans 1 Aug-21 Dec 26. In addition, some value-added works boost the seismic margins marginally relative to its previous one-year job.
- **…due to several industry-wide challenges.** However, 1HFY27 is a monsoon season. Also, echoing the views of other O&G service players, Uzma guided potential work order disruptions during the transition period related to Petronas Carigali's portfolio restructuring, which included the Searah Eni-Petronas JV, asset transfers to Enquest and Vestigo. We understand from channel checks that upstream maintenance contracts faced a certain degree of suspension in Jul-Aug 26, but has been gradually resuming from this month onwards.
- **Searah's creation sends a signal for industry transformation.** Unlike Eni's previous satellite models, Searah will mark Eni's first real test of whether an international oil major (Eni) and a national oil major (Petronas) Uzma had begun early engagements with the said clients to preserve awarded scopes and mobilisation readiness. For vendors, we believe sticking to the traditional contractor-principal model may be slowly falling out of favour vs vendors that can bring more to the table like capital and active coordination.
- **Non-O&G tenderbook surged 3.5x qoq in Jun 26.** Although orderbook declined slightly qoq from RM4.1b to RM3.7b, the non-O&G mix was roughly unchanged at 30%. However, bidbook surged from RM3.1b (non-O&G mix: 34%) to RM5.6b (non-O&G mix: 67%), driven entirely by the non-O&G side which nearly quadrupled to RM3.8b.
- For energy trading, Uzma is pursuing new third-party access natural gas contracts, whereby up to RM10b pipeline may be available for the market. For new energy, Uzma is keen to bid for all three LSS6 tender packages, but we reckon Package 2 is likely the best in terms of risk-reward. It is a Bumiputera open tender for 300MW of solar accompanied by 150MW of Battery Energy Storage System. For digital earth, we understand that negotiations for the national satellite concession are nearing conclusion in the near term.

## Valuation/Recommendation

- **Retain BUY with an adjusted RM0.70 target price (from RM0.76), at an unchanged 8x PE.** We see value now as the O&G orderbook remains strong, although we think markets are pricing Uzma at a hefty discount to account for earnings and balance sheet risks, hence we advise a wait-and-see approach until earnings delivery and its long-term ESG investment themes (remote sensing satellite, Battery Energy Storage System, Solar) are translated into share price gains.

## Earnings Revision/Risk

- **2027-29 earnings changed by -9%/+8%/+3% respectively.** We now assume almost one financial quarter of upstream work disruptions related to the aforementioned Petronas operatorship transfers. Our upgrades on longer-term earnings forecasts assume Uzma will benefit from opportunities arising from Searah's creation.

## Evolution

| | |
|---|---|
| Uzma 1.0 – Disruptor (2000-08) | Asset-light, Consultancy<br>Listed on Bursa in 2008 |
| Uzma 2.0 – Technology (2009-18) | Acquired technology, patents uzmAPRES, tracer, water injection<br>Wireline, HWU, CTU<br>2016: First WIF deployed (MARSYA) |
| Uzma 3.0 – Diversified (2019-25) | New growth engines in non-O&G<br>Sep 24:50MW LSS4 COD<br>Jan 25: UzmaSAT-1 launched |
| Uzma 4.0 – Second Five-Year Plan | Scale existing growth platforms<br>Build/acquire/partner new venture<br>Create multiple growth engines |

*Source: Uzma*

## Searah: Eni's First NOC-IOC Satellite

- Searah follows the blueprint of Eni's previous satellite model independent ventures, such as Var Energi in Norway, Azule Energy in Angola, and Ithaca Energy in the UK.
- The satellite model immediately enables Searah to start from a position of scale (pooling of assets with >300 boepd production, and growth targets to >500boepd) and uninterrupted funding. In addition, it may enable a secure monetisation of a joint development area in the disputed areas of Ambalat Block, between Malaysia and Indonesia
- The platform will turn fragmented portfolios into coordinated execution, prioritising energy security. Indonesia's portfolio offers significant growth potential while Malaysia's portfolio acts as a stable near-term cash flow generator.
- However, unlike the previous JV setups, Searah will mark Eni's first real test of whether an international oil major (IOC) and national oil major (NOC) can collaborate. This also entails a massive contract novation process.

*Source: S&P Platts, Eni*

## Environmental, Social, Governance Updates (ESG)

- **Uzma's solar contribution to the nation.** The flagship Large Scale Solar 4 (LSS4) plant in Kedah, which achieved Commercial Operation Date on 25 Sep 24, today generates about 107 GWh of green electricity p.a., and carbon avoidance of 68,400-72,800 of CO2 emission p.a..
- **Responsible ecosystem**. New Energy unit Uzma Environergy's collaboration with Gentari for the rollout of rooftop solar panel systems for about 300 Petronas stations. This also marks a successful strategic collaboration with MARA to develop the expertise of local vendors in the renewable energy chain. Some of the local vendors benefitting under the MARA ProSolar Programme include Litar Abadi, YMB Solutions and Thursinar.

## Profit & loss

| Year to 30 Jun (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Net turnover | 1,348 | 810 | 993 | 1,123 |
| EBITDA | 164 | 158 | 185 | 186 |
| Deprec. & amort. | (67.8) | (66.4) | (64.8) | (63.3) |
| EBIT | 96 | 92 | 120 | 122 |
| Total other non-op. income | 60.8 | 0.0 | 0.0 | 0.0 |
| Associate contributions | 0.79 | 0.79 | 0.79 | 0.79 |
| Net interest income/(expense) | (33.1) | (30.7) | (31.8) | (30.9) |
| Pre-tax profit | 61 | 62 | 89 | 92 |
| Tax | (3.4) | (6.8) | (10.6) | (11.9) |
| Minorities | (1.24) | (1.24) | (1.24) | (1.24) |
| Net profit | 57 | 54 | 77 | 79 |
| Net profit (adj.) | 56 | 54 | 77 | 79 |

## Balance Sheet

| Year to 30 Jun (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Fixed assets | 1,636 | 1,560 | 1,476 | 1,385 |
| Other LT assets | 5,678 | 5,978 | 6,378 | 6,778 |
| Cash/ST investment | 832 | 841 | 1,056 | 1,230 |
| Other current assets | 473 | 467 | 490 | 492 |
| Total assets | 8,892 | 8,986 | 9,561 | 10,094 |
| ST debt | 937 | 797 | 835 | 838 |
| Other current liabilities | 225 | 150 | 151 | 152 |
| LT debt | 730 | 895 | 1,154 | 1,412 |
| Other LT liabilities | 404 | 404 | 404 | 404 |
| Shareholders' equity | 4,723 | 4,518 | 4,766 | 4,978 |
| Minority interest | 0 | 0 | 0 | 0 |
| Total liabilities & equity | 8,892 | 8,986 | 9,561 | 10,094 |

## Cash Flow

| Year to 30 Jun (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Operating | 1,469 | 1,335 | 1,615 | 1,594 |
| Pre-tax profit | 1,296 | 1,533 | 1,677 | 1,646 |
| Tax | (254) | (349) | (382) | (374) |
| Deprec. & amort. | 287 | 288 | 307 | 326 |
| Associates | (3) | (3) | (4) | (4) |
| Working capital changes | 81 | (135) | 16 | 1 |
| Non-cash items | | | | |
| Other operating cashflows | | | | |
| Investing | (523) | (560) | (600) | (639) |
| Capex (growth) | (538) | (134) | (134) | (134) |
| Investment | (50) | (450) | (450) | (450) |
| Proceeds from sale of assets | 64 | 24 | (16) | (56) |
| Others | | | | |
| Financing | (890) | (718) | (800) | (781) |
| Dividend payments | (752) | (886) | (969) | (950) |
| Proceeds from borrowings | 50 | 409 | 409 | 409 |
| Loan repayment | (225) | (150) | (150) | (150) |
| Others/interest paid | 37 | (91) | (91) | (91) |
| Net cash inflow (outflow) | 55 | 57 | 215 | 174 |
| Beginning cash & cash equiv. | 729 | 784 | 841 | 1,056 |
| Changes due to forex impact | 48 | 0 | 0 | 0 |
| Ending cash & cash equiv. | 832 | 841 | 1,056 | 1,230 |

## Key Metric

| Year to 30 Jun (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 12.1 | 19.5 | 18.6 | 16.5 |
| Pre-tax margin | 4.5 | 7.7 | 9.0 | 8.2 |
| Net margin | 0.0 | 0.1 | 0.1 | 0.1 |
| ROA | 15.1 | 16.1 | 17.1 | 18.1 |
| ROE | 8.4 | 7.6 | 10.5 | 10.0 |
| | | | | |
| Growth (% yoy) | | | | |
| Turnover | 12.1 | 19.5 | 18.6 | 16.5 |
| EBITDA | 4.5 | 7.7 | 9.0 | 8.2 |
| Pre-tax profit | 0.0 | 0.1 | 0.1 | 0.1 |
| Net profit | 15.1 | 16.1 | 17.1 | 18.1 |
| Net profit (adj.) | 8.4 | 7.6 | 10.5 | 10.0 |
| EPS | 12.1 | 19.5 | 18.6 | 16.5 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 125.4 | 139.3 | 140.5 | 130.6 |
| Debt to equity | (103.6) | (107.0) | (109.1) | (99.4) |
| Net debt/(cash) to equity | 2.9 | 3.0 | 3.8 | 4.0 |
| Interest cover (x) | (103.6) | (107.0) | (109.1) | (99.4) |