



Company Update – Uzma Berhad

BUY

Carry On Expanding

Price **RM1.61**

Target Price **RM2.56**

Stock Data

Bloomberg Ticker	UZMA	Altman Z-score	4.0
Market Cap	128.80	YTD price chg	-7.0%
Issued shares	80	YTD KLCI chg	-0.3%
52-week range (H)	2.49	Beta	0.8
52-week range (L)	1.42	Major Shareholders	
3-mth avg daily volume	0.0	Muhamed Kamarul	50.0%
Free Float	29.6%	Shah Rozita Mat	10.5%
Shariah Compliant	Y	Lembaga Tabung Haji	8.2%
Financial Derivatives			

Share Performance (%)

	1mth	3mth	12mth
Absolute	-7.5%	-0.3%	0.2%
vs. KLCI	-5.6%	-12.9%	17.3%

Financial Highlights

FYE 31 Dec	2009	2010	2011E	2012E	2013E
Turnover	98.8	116.1	164.4	252.2	314.0
EBIT	-12.0	-0.8	16.1	29.5	38.9
Pretax profit	-12.5	-2.2	15.2	28.1	36.9
Core Net Profit	-12.0	-2.0	11.9	20.5	27.1
EBIT margin	-12.1%	-0.6%	9.8%	11.7%	12.4%
Pretax margin	-12.6%	-1.9%	9.3%	11.1%	11.8%
Effective tax rate	n.a	n.a	-18.0%	-25.0%	-25.0%
ROE	-23.5%	-2.4%	19.9%	26.3%	26.9%
ROA	-16.1%	-1.4%	10.8%	14.2%	14.9%
Net Gearing (x)	0.0	NC	0.1	0.3	0.2
Core EPS (sen)	-14.9	-2.6	14.9	25.6	33.9
Core EPS growth	-216.4%	82.9%	683.0%	71.7%	32.2%
PER (x)	-10.8	-62.9	10.8	6.3	4.8
DPS (sen)	2.5	0.0	3.5	6.2	8.3
Div. Yield (%)	1.6%	0.0%	2.2%	3.9%	5.2%
NTA/share (RM)	0.6	0.6	0.8	1.0	1.3

Growth ratios

	2009	2010	2011E	2012E	2013E
Turnover	-26.6%	17.5%	41.6%	53.4%	24.5%
EBIT	-188.0%	93.7%	2241.9%	82.9%	31.9%
Pretax profit	-195.2%	82.6%	802.0%	84.7%	31.4%
Core Net profit	-216.4%	82.9%	683.0%	71.7%	32.2%

Share Price Chart



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Uzma announced on last Friday that its wholly owned subsidiary, Tenggara Analysis SB has entered into a share acquisition agreement with businessman, Dato' Nasri Nasrun ("NN"), for a 30.02% equity stake in Setegap Venture Petroleum SB ("SVP") for a total cash consideration of RM7.5m, to be paid over a period of 30 months.

On SVP. Formed in 2004, SVP is involved in provision of well-pumping and coil tubing services with some of the PSC contractors in Malaysia as its clientele. The company's current shareholders are NN (81.02%) and another individual (18.98%). For FY10, the company recorded a net profit of RM5.1m while for the eleven month of FY11, profitability improved to RM8.01m.

Continuing expansion and integration. We view this deal positively as it is a win-win deal for SVP and Uzma. For Uzma the deal would allow it to access SVP's expertise in the area of well pumping and coil tubing services as well as to achieve greater integration with its Wireline and Slickline businesses.

Attractive pricing and payment scheme. We opine that the deal is attractively priced. Based on SVP's FY11 annualized net profit of RM8.8m, the purchase consideration translates into PE valuation of 2.8x. While payment schedule over a period of 30 months would provide greater funding flexibility to Uzma.

Update on UzmaPres. We understand that the fifth UzmaPres unit has been successfully installed last week and as expected would start to contribute to bottomline in the final quarter. Candidates for unit 6 and 7 have also been identified and currently pending for customer's final approval. To recap, Uzma secured an RM300m 3 year firm contract from Petronas for the provision of UzmaPres services early this year and it is aiming to install at least 10 units by end of 2012.

View and Valuation. We maintain our earnings estimates. Given its strong growth profile into the next 2 years which backed by RM620m of firm orderbook, we maintain our **Buy** call on Uzma with a target price of RM2.56, based on 10x PE on FY12 EPS of 25.6sen.

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months
OUTPERFORM	The stock is expected to perform ahead of the market in the next 12 months
TRADING BUY	The stock is expected to outperform the market in the next 3 months
NEUTRAL	The stock is expected to perform in line with the market in the next 12 months
TRADING SELL	The stock is expected to underperform the market in the next 3 months
SELL	An expected price depreciation of more than 10% in the next 12 months

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months

NEUTRAL The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months

UNDERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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