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UUE core profit slips on project-specific cost overruns, outlook intact

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KUCHING: UUE Holdings Bhd (UUE) recorded RM6.4 million in core profit after tax and minority interests (PATAMI) for the third quarter of FY26 (3QFY26), marking an 11.7 per cent year-on-year (YoY) decline due to cost overruns in its engineering segment, according to Public Investment Bank Bhd (PublicInvest Research).

The research house said the weaker earnings came despite a 30.3 per cent increase in segmental revenue. It also noted that the cost overruns were project-specific rather than structural.

UUE's underground utilities engineering contracts are typically awarded on a lump-sum basis across multiple projects.

However, its execution is carried out in phased sections across separate stretches as work permits are approved progressively to manage road congestion and public safety.

"As such, we believe the cost overruns were isolated at the individual project level. That said, activity may moderate in the fourth quarter of financial year 2026 (4QFY26) due to the festive season, driven by more restrictive permit requirements and heightened safety concerns," it said in a recent note.

Consequently, the group chalked in core PATAMI of RM14.2 million for the first nine months of FY26, accounting for only 50.3 per cent and 55.9 per cent of PublicInvest Research's and consensus full-year FY26 estimates, respectively.

As a result, the research house cut its FY26 earnings forecast by 29.7 per cent to reflect margin pressure from the cost overrun project in 3QFY26 and seasonally softer revenue expected in 4QFY26 despite improving margins.

For FY27 and FY28 however, the house maintained its forecast, citing expectations that project activity will pick up from 1QFY27 onwards as the cost issues are not structural.

"Meanwhile, UUE's orderbook remains robust at RM508.5 million, providing three years earnings visibility, underpinned by higher Tenaga Nasional Bhd's (TNB) capital expenditure under Regulatory Period 4 (RP4) framework," it said.

In 3QFY26, the underground utilities engineering segment drove group revenue to RM60.1 million, up 4.1 per cent quarter-on-quarter (QoQ) and 30.3 per cent YoY. Revenue from Singapore surged 78.7 per cent QoQ to RM9.1 million, following the award of two subcontract works in April and November 2025 with a combined value of RM95.4 million. This lifted the Singapore order book to a record RM111.5 million.

Meanwhile, Malaysia's contribution rose 36.5 per cent YoY, underpinned by a record TNB order book of RM344 million as at August 2025 after securing multiple 2+1 contracts.

Looking ahead, PublicInvest Research said the group's earnings outlook remains supported by its robust order book.

Domestically, workflow is driven by TNB's stepped-up capital expenditure under RP4, which continues to support demand for underground utilities works, particularly in distribution infrastructure.

In Singapore, the group stands to benefit from sustained capital spending by SP Group on power grid renewal and system resilience, which should continue to support project replenishment and execution momentum.

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