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UUE sees stronger profits from S'pore operations

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PETALING JAYA: UUE Holdings Bhd's prospects are rosier as its Singapore operations are currently operating at full capacity, while its Malaysian business is posting higher margins.

RHB Research, in a report, stated the company has 10 teams and one sub-contractor now fully deployed in Singapore after achieving resolution of prior permit issues and a temporary stop-work order arising from an accident unrelated to the company.

"UUE's management expects Singapore billings to increase by 10% to 20% sequentially as these operations ramp up," the research house added.

This shift significantly impacts the group's earnings mix, as Singaporean contracts typically command higher gross profit margins of 30% to 35% due to their complexity.

Domestic contracts from companies like Tenaga Nasional Bhd (TNB) yield lower margins of 15% to 20%, the research house noted in its latest report on the company.

UUE serves as a one-stop centre for utility engineering, offering specialised services like horizontal directional drilling (HDD), utility mapping, and high-density polyethylene (HDPE) pipe manufacturing.

Its HDPE segment recently saw margins of about 35% due to favourable raw material pricing, though these are expected to normalise towards the 25% to 30% range.

UUE's domestic business is performing strongly with wider margins recorded in the first quarter of financial year 2027 (1Q27) driven by a favourable project mix featuring more high-margin private contracts.

Its order book remains healthy, with year-to-date new wins totalling RM79mil, including a recent RM14mil HDD project.

"We maintain our FY27 orderbook replenishment target of RM320mil (RM337mil in FY26 based on our count), supported by opportunities from major electric utility players, including SP Power and TNB, as well as further private sector projects," RHB Research stated.

RHB maintained a "buy" call on UUE with a new target price of 66 sen a share.