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09 NOV, 2026

The Malaysian Reserve, Malaysia

UUE's outlook offers better value, 'Buy' upgrade

▶ **Recommendation: Buy**
Target Price: 91 sen
by RHB Investment Bank Bhd (Oct 29)

UPGRADE to 'Buy' from 'Neutral', new 91 sen target price (TP) from 80 sen, 17% upside. Following UUE Holdings Bhd's analyst briefing, we turn more positive in our outlook.

At c.17x for the financial year 2027 (FY27) fully diluted price-to-earnings (P/E), UUE trades broadly in line with the 17.5x peer average, despite superior margins and a 29% FY26 to FY29 (February) earnings compound annual growth rate (CAGR).

Margins are structural. Management expects blended GPM to hold at 25%-30% and a PAT margin of close to 15%. Its Singapore segment's margin is about 30%-35% (1H27 [Feb]: 36.4%) and management sees room for improvement for the Malaysia unit.

The 0.8ppt quarter-on-quarter (QoQ) GPM dip in the second quarter of 2027 (2Q27) reflected lower HDPE pipes manufacturing, after it benefited from cheaper raw materials in 1Q27. Meanwhile, the higher 2Q27 tax rate reflects a one-off under-provision in Singapore.

Replenishment is the swing factor for further upside. Year-to-date (YTD) wins stand at RM133.1m. We cut our FY27 replenishment assumption to RM240m (from RM320m, which is slightly above management's RM200m-plus target), and trim FY27-FY29 revenue by 5%-11%.

Its Malaysian tenderbook of c.RM638m covers Tenaga Nasional Bhd (TNB MK, 'Buy', target price (TP): RM16.50), data centres, solar, water and private horizontal directional drilling (HDD) jobs. This includes a c.RM190m 2+1 framework with TNB, which we expect to be awarded in FY28.

Singapore capacity set to expand. UUE plans to add two HDD teams in Singapore by end-November, bringing the total to 12, and targets 15 teams within 12 months as main contractors push for faster delivery. Labour and permits, rather than machines or work, remain the key constraints. Positively, it indicated that Q3 billing momentum has held after Q2 revenue doubled QoQ to RM20.2m. We pencil in 2H27 group revenue of RM154m (+13% half-on-half [HoH]).

Earnings forecast and valuation. All in, we raise FY27-FY29 earnings by 14%, 11% and 4% — driven by higher GPM assumptions of c.28%-29% (from 23%-24%), in line with management's 25%-30% guidance, offsetting the lower revenue forecast. Existing order-book billings covers the majority of our 2H27-2H28 underground utilities engineering segment revenue forecast, which underpins our FY27-FY28 earnings upgrade.

We maintain our 21x FY27 target price-to-earnings (P/E), a 20% premium to the market-weighted peer average.

UUE HOLDINGS BHD

FYE FEB	2026F	2027F	2028F	2029F
TOTAL TURNOVER (RM mil)	209	291	321	348
RECURRING NET PROFIT (RM mil)	22	42	47	47
RECURRING P/E (x)	26.7	17.0	15.0	15.0
EV/EBITDA (x)	25.6	11.4	9.7	9.2

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