

25 June 2020

Yinson Holdings Bhd

1QFY21 Boosted by FPSO Helang

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YINSON posted a strong set of 1QFY21 core earnings, thanks to the commencement of FPSO Helang. Results deemed above expectation, in anticipation of stronger quarters ahead as FPSO Abigail-Joseph is set for commencement in 2HFY21. Overall, we feel YINSON stands among the more resilient names within our sector universe, despite the current oil down-cycle, given the “ironclad” nature of its FPSO contracts and project-financing debts with minimal risks of defaults. Maintain **OUTPERFORM**, with TP of RM7.10.

1QFY21 deemed above expectations. YINSON posted 1QFY21 core net profit of RM94.7m, coming in at 29% and 27% of our and consensus full-year forecasts, respectively. *Note that in computation of our core net profit, we have excluded various non-recurring items, which include: (i) forex gains of RM35.5m, (ii) impairments of RM6.5m, (iii) one-off transaction costs for loan refinancing of RM41.6m, and (iv) contract acquisition costs written off of RM34.9m, among other non-core items.* We deem the set of 1QFY21 results as above expectations, given the higher-than-forecasted contribution from FPSO Helang, as well as in anticipation of stronger earnings ahead as FPSO Abigail-Joseph is set to commence in 2HFY21. No dividends were announced, as expected.

Results lifted by commencement of FPSO Helang. YoY, 1QFY21 core earnings leapt 81%, mainly thanks to the commencement of FPSO Helang in December 2019. QoQ, 1QFY21 also improved 26%, similarly thanks to a full quarter contribution from FPSO Helang, coupled with lower opex as 4QFY20 recognised a warranty costs (RM10.3m) and JV’s insurance claims expenses (RM4.6m). The massive fall-off in revenue sequentially was due to the recognition of one-off sale revenue of FPSO Helang in 4QFY20, but this was mostly an accounting measure and had a neutral bottom-line impact.

Resiliency within the oil and gas sector. Despite the recent turmoil in the global oil and gas landscape, we feel YINSON is among the more resilient names. That is because (i) YINSON’s FPSO contracts are “ironclad” in nature, with termination clauses in place to safeguard against any premature termination of contracts, and (ii) most of YINSON’s borrowings are project financing in nature, ring-fenced around the project asset and guaranteed by the client, thus providing a very low risk of default. Meanwhile, earnings are also expected to be given another boost later in the year once FPSO Abigail-Joseph commences in 2HFY21.

Maintain OUTPERFORM, with SoP-TP of RM7.10. Post-results, we raised our FY21/22E earnings by 20%/19%, after factoring in higher contributions from FPSO Helang. Subsequent to the earnings upgrade, our SoP-TP is also raised to RM7.10, from RM6.55.

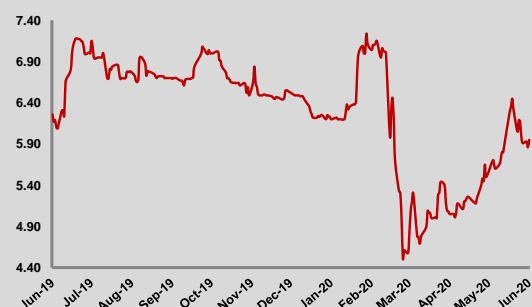
Within our SoP, the Parque das Baleias FPSO remains as the only contract that is still yet to be awarded (contributes ~RM1.60/share in our SoP), and thus would naturally pose as the highest risk of facing deferment/termination. Meanwhile, we believe other secured contracts at hand in the order-book carry relatively low risk of termination.

Risks to our call include: (i) project execution risk, and (ii) weaker-than-expected margins, and (iii) termination of contracts.

OUTPERFORM ↔

Price : RM5.95
Target Price : RM7.10 ↑

Share Price Performance



KLCI	1,502.63
YTD KLCI chg	-5.4%
YTD stock price chg	-8.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	6,340.7
Shares Outstanding	1,065.7
52-week range (H)	7.42
52-week range (L)	4.24
3-mth avg daily vol:	1,982,415
Free Float	56%
Beta	1.4

Major Shareholders

Employees Provident Fund	16.9%
Yinson Legacy Sdn Bhd	16.6%
Kumpulan Wang Persaraan	10.3%

Summary Earnings Table

FY Jan (RM m)	2020A	2021E	2022E
Revenue	2519.3	1847.1	1827.1
EBIT	519.1	735.5	799.7
PBT	331.1	543.0	573.5
Net Profit (NP)	209.9	388.3	409.0
Core Net Profit	220.0	388.3	409.0
Consensus (NP)		345.4	390.3
Earnings Revision (%)		20.3	19.1
Core EPS (sen)	20.1	35.5	37.4
CNP growth (%)	-17.4	76.5	5.3
DPS (sen)	6.0	6.0	6.0
BV/Share (RM)	1.50	1.79	2.11
Core PER (x)	29.6	16.7	15.9
Price/BV (x)	4.0	3.3	2.8
Gearing (x)	1.6	1.3	1.2
Dividend Yield (%)	1.0	1.0	1.0

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Income Statement								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FY Jan (RM m)	FY21	FY20	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	343.7	1,855.9	-81.5%	209.0	64.5%	343.7	209.0	64.5%
Direct expenses	(139.0)	(1,655.2)	-91.6%	(88.5)	57.0%	(139.0)	(88.5)	57.0%
Gross profit	204.8	200.7	2.0%	120.5	70.0%	204.8	120.5	70.0%
Other operating income	45.3	0.0	N.M.	14.1	221.0%	45.3	14.1	221.0%
Administrative expenses	(89.8)	(48.5)	85.2%	(17.0)	427.7%	(89.8)	(17.0)	427.7%
Profit from operations	160.3	152.3	5.3%	117.6	36.4%	160.3	117.6	36.4%
Finance costs	(92.0)	(54.8)	67.9%	(43.5)	111.4%	(92.0)	(43.5)	111.4%
JV	(2.2)	(1.3)	75.5%	5.6	-140.0%	(2.2)	5.6	-140.0%
Profit before tax	66.1	96.2	-31.3%	79.7	-17.1%	66.1	79.7	-17.1%
Income tax expense	(20.1)	(19.3)	4.1%	(18.0)	11.9%	(20.1)	(18.0)	11.9%
Non-controlling interests	0.8	(11.9)	-106.4%	(11.8)	-106.4%	0.8	(11.8)	-106.4%
Net profit	46.7	64.9	-28.1%	49.9	-6.3%	46.7	49.9	-6.3%
Core Net profit	94.7	57.6	64.5%	52.3	81.0%	94.7	52.3	81.0%
Gross margin	59.6%	10.8%		57.6%		59.6%	57.6%	
Operating margin	46.6%	8.2%		56.3%		46.6%	56.3%	
PBT margin	19.2%	5.2%		38.1%		19.2%	38.1%	
Net margin	13.6%	3.5%		23.9%		13.6%	23.9%	
Core net margin	27.5%	3.1%		25.0%		27.5%	25.0%	
Effective tax rate	30.5%	20.1%		22.6%		30.5%	22.6%	

Source: Company, Kenanga Research

Sum-of-Parts valuations		
	RM m	Valuation basics
FPSO Adoon	531.4	Based on discounting rate of 5.0%
FPSO PTSC Lam Son (49%)	449.3	Based on discounting rate of 6.0%
FPSO PTSC Bien Dong 01 (49%)	249.4	Based on discounting rate of 5.1%
FPSO John Agyekum Kufour (74%)	2,511.7	Based on discounting rate of 6.0%
FPSO Helang	1,357.5	Based on discounting rate of 5.3%
FPSO Abigail-Joseph	1,305.6	Based on discounting rate of 5.0%
FPSO Anna Nery (75%)	2,136.5	Based on discounting rate of 7.0%
Parque das Baleias FPSO (75%)	1,705.6	Based on discounting rate of 8.0%
Expected net debt	(2,490.5)	
Total	7,756.4	
Number of shares	1,093.0	
SoP value per share (RM)	7.10	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUMI ARMADA BHD	0.230	1,353.8	N	12/2020	1.4%	4.8%	10.3%	12.5%	4.8	4.3	3.9	0.4	0.4	9.2%	0.0%	0.300	OP
DAYANG ENTERPRISE HLDGS BHD	1.32	1,439.5	Y	12/2020	-25.9%	7.7%	-38.7%	9.5%	6.5	10.6	9.7	1.0	0.9	8.8%	0.0%	1.30	MP
DIALOG GROUP BHD	3.63	20,467.1	Y	06/2020	17.7%	6.1%	4.5%	9.7%	38.2	36.6	33.3	5.4	5.1	14.4%	1.1%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.405	648.0	Y	12/2020	3.2%	28.4%	-72.2%	23.2%	N.A.	68.2	55.4	0.3	0.3	0.4%	0.0%	0.450	MP
MISC BHD	7.80	34,817.2	Y	12/2020	3.4%	5.4%	33.2%	-19.5%	21.6	16.2	20.2	1.0	1.0	6.1%	3.8%	8.85	OP
PANTECH GROUP HOLDINGS BHD	0.410	304.5	Y	02/2021	-41.9%	57.1%	-47.6%	79.8%	9.3	17.8	9.9	0.5	0.5	2.8%	2.4%	0.310	UP
PETRONAS CHEMICALS GROUP BHD	6.43	51,440.0	Y	12/2020	-16.5%	10.4%	-33.1%	36.2%	18.3	27.3	20.0	1.7	1.7	6.2%	1.8%	5.75	MP
PETRONAS DAGANGAN BHD	21.64	21,498.3	Y	12/2020	-16.7%	12.2%	-42.7%	68.5%	26.2	45.7	27.1	3.6	3.5	7.8%	1.7%	17.95	UP
SAPURA ENERGY BHD	0.095	1,518.0	Y	01/2021	-11.4%	10.8%	-173.7%	-223.0%	N.A.	N.A.	N.A.	0.2	0.2	-11.2%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.59	5,360.8	Y	12/2020	15.0%	15.0%	9.6%	12.1%	10.8	9.8	8.8	2.2	1.7	19.5%	3.5%	2.70	OP
UZMA BHD	0.605	193.6	Y	06/2020	14.6%	2.3%	186.6%	10.1%	20.0	7.0	6.3	0.4	0.4	5.6%	0.0%	0.670	MP
VELESTO ENERGY BHD	0.155	1,273.4	Y	12/2020	-9.9%	0.0%	-19.4%	24.4%	39.8	49.4	39.7	0.5	0.4	0.9%	0.0%	0.140	UP
WAH SEONG CORP BHD	0.520	402.6	Y	12/2020	-56.3%	45.5%	-203.6%	-148.5%	5.7	N.A.	N.A.	0.4	0.4	-7.2%	0.0%	0.510	UP
YINSON HOLDINGS BHD	5.95	6,340.7	Y	01/2021	-26.7%	-1.1%	76.5%	5.3%	29.6	16.7	15.9	4.0	3.4	22.0%	1.0%	7.10	OP
Simple Average					-10.7%	14.6%	-22.2%	-7.1%	19.2	25.8	20.8	1.5	1.4	6.1%	1.1%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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