

Yinson Holdings Bhd

Partial Monetisation of Marlim 2

By Steven Chan / steven.chan@kenanga.com.my

YINSON is set to dispose ~10% of its stake in Marlim 2 FPSO to K Line, for USD49m. This will thereby reduce its equity stake in the project to ~65% (from 75%), as well as lowering its net-gearing to ~1.3x (from 1.6x). We deem valuation of the disposal to be fair and justifiable. Overall, the disposal will allow YINSON to monetise the project while is still in its early phase, and recycle the capital into other ventures – most notably Parque das Baleias FPSO (yet to be awarded). Maintain OUTPERFORM, with SoP-TP of RM7.10. Disposal will not significantly impact SoP-valuation of the share.

Partial disposal of Marlim 2 FPSO. YINSON had announced a proposed disposal of a minority equity interest in Marlim 2 FPSO (officially named as “FPSO Anna Nery”). The deal involves paring down a stake of between 8.5% and 10% to Japan’s Kawasaki Kisen Kaisha Ltd (K Line) for USD49m (or ~RM210m).

Disposal enables recycling of capital to fund other ventures. The disposal would see YINSON’s stake on the Marlim 2 FPSO go down to as low as 65%, from 75% currently, as well as introduce a third equity stake holder into the project, after Sumitomo Corporation’s holding of 25%. The disposal implies a total project valuation of ~RM2.1b, which is slightly below our ascribed valuation on the project of RM2.8b. But nonetheless, we feel that this is acceptable and justifiable, given that the project is still in its early construction phase (market value of the project should appreciate as it gets closer to commencement, reflecting reducing delivery risks). Post-disposal, YINSON’s net-gearing is expected to reduce to ~1.3x, from 1.6x as at end-FY20A.

Overall, we are neutral on the disposal, as it is somewhat expected. Via the disposal, YINSON would be able to monetise the project which is still in its early phase, and recycle the capital into other ventures – most notably, the yet-to-be-awarded Parque das Baleias FPSO project in Brazil.

Maintain OUTPERFORM, with unchanged SoP-TP of RM7.10. No changes to our FY21-22E numbers. Note that despite the disposal, SoP valuation of the share will not significantly change, as the lowered stake in the project will be offset by the reduced net debt value. We kept our SoP unchanged, pending finalisation of the disposal.

Moving forward, aside from the aforementioned disposal, we are also anticipating a possible rights issue, in efforts to raise capital to fund its upcoming Parque das Baleias FPSO project. This may lead to a possible share base dilution of ~10%, which we have yet to factor into our SoP.

We continue to like YINSON, for being a resilient player within the oil and gas sector.

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

OUTPERFORM ↔

Price : RM6.00
Target Price : RM7.10 ↔

Share Price Performance



KLCI 1,583.25
YTD KLCI chg -0.3%
YTD stock price chg -7.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	6,394.6
Shares Outstanding	1,065.8
52-week range (H)	7.42
52-week range (L)	4.24
3-mth avg daily vol:	1,811,245
Free Float	57%
Beta	1.3

Major Shareholders

Yinson Legacy Sdn Bhd	16.6%
Employees Provident Fund	16.2%
Kumpulan Wang Persaraan	10.3%

Summary Earnings Table

FY Jan (RM'm)	2020A	2021E	2022E
Turnover	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)		364.7	404.7
Earnings Revision (%)		-	-
Core EPS (sen)	20.1	35.5	37.4
Core EPS 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)	29.8	16.9	16.0
PBV (x)	4.0	3.3	2.8
Gearing (x)	1.6	1.3	1.2
Dividend Yield (%)	1.0	1.0	1.0



10 July 2020

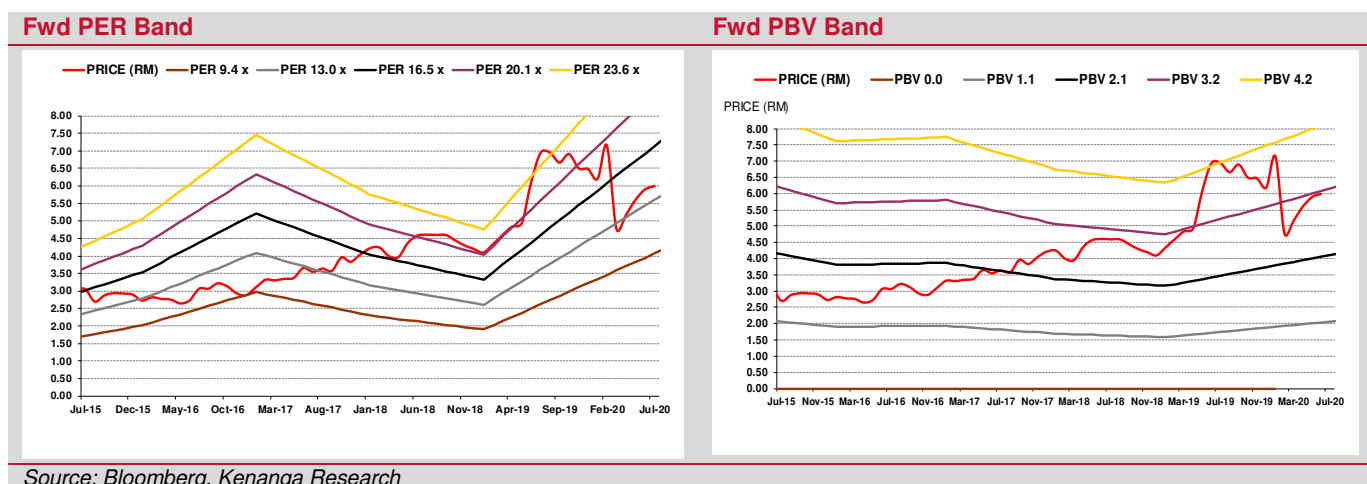
Sum-of-Parts valuations		
	<u>RM m</u>	<u>Valuation basics</u>
FPSO Adoon	531.4	Based on discounting rate of 5.0%
FPSO PTSC Lam Son (49%)	449.3	Based on discounting rate of 6.0%
FSO PTSC Bien Dong 01 (49%)	249.4	Based on discounting rate of 5.1%
FPSO John Agyekum Kufour (74%)	2,511.7	Based on discounting 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		

This space is intentionally left blank

10 July 2020

Income Statement						Financial Data & Ratios					
FY Jan (RM m)	2018A	2019A	2020A	2021E	2022E	FY Jan (RM m)	2018A	2019A	2020A	2021E	2022E
Revenue	910	1035	2519	1847	1827	Growth (%)					
Operating Profit	426	517	519	736	800	Turnover	67.5	13.7	143.4	-26.7	-1.1
Interest Exp	-108	-186	-198	-217	-250	Op. Profit	162.4	21.4	0.5	41.7	8.7
Associate & JV	43	44	10	24	24	PBT	69.7	-5.0	-3.7	64.0	5.6
PBT	362	344	331	543	573	Net Profit	49.9	-22.7	-17.4	76.5	5.3
Taxation	-70	-79	-70	-98	-103	Profitability (%)					
Net Profit	292	235	210	388	409	Oper. Margin	46.8	49.9	20.6	39.8	43.8
Core Net Profit	344	266	220	388	409	PBT Margin	39.7	33.2	13.1	29.4	31.4
Balance Sheet						Net Margin	42.3	37.8	25.7	8.7	21.0
FY Jan (RM m)	2018A	2019A	2020A	2021E	2022E	Eff. Tax Rate	19.3	23.1	21.1	18.0	18.0
Fixed Assets	4535	5298	4844	5344	5844	ROA	5.3	3.3	2.3	3.7	3.6
Int. Assets	24	401	395	395	395	ROE	17.2	15.3	13.4	19.8	17.8
Other FA	644	535	1991	1991	1991	DuPont Analysis					
Inventories	4	10	22	22	22	N. Margin (%)	37.8	25.7	8.7	21.0	22.4
Receivables	385	282	321	321	321	Assets T/O (x)	0.1	0.1	0.3	0.2	0.2
Other CA	244	340	667	667	667	Lev. Factor (x)	3.2	4.6	5.8	5.4	5.0
Cash	637	1217	1276	1840	2175	ROE (%)	17.2	15.3	13.4	19.8	17.8
Total Assets	6473	8083	9515	10579	11415	Leverage					
Payables	354	400	493	734	726	Debt/Asset (x)	0.5	0.4	0.4	0.4	0.4
ST Borrowings	363	373	476	476	476	Debt/Equity (x)	1.1	0.9	1.1	1.1	1.2
Other ST Lia.	67	546	545	545	545	N. Debt/(Cash)	2373.0	1904.0	2554.2	2490.5	2655.0
LT Borrowings	2647	2748	3354	3854	4354	N. D/Equity (x)	1.2	1.1	1.6	1.3	1.2
Other LT Lia.	134	392	873	873	873	Valuations					
Minorities Int.	1	303	290	290	290	EPS (sen)	31.5	24.4	20.1	35.5	37.4
Perpetual Sec.	632	1576	1848	1848	1848	DPS (sen)	6.0	6.0	6.0	6.0	6.0
Net Assets	2000	1745	1636	1959	2302	BVPS (RM)	1.8	1.6	1.5	1.8	2.1
Share Capital	1099	1101	1107	1107	1107	PER (x)	19.0	24.6	29.8	16.9	16.0
Reserves	901	644	529	852	1196	Div. Yield (%)	1.0	1.0	1.0	1.0	1.0
Equity	2000	1745	1636	1959	2302	P/BV (x)	3.3	3.8	4.0	3.3	2.8
Cashflow Statement											
FY Jan (RM m)	2018A	2019A	2020A	2021E	2022E						
Operating CF	497	530	737	986	1050						
Investing CF	-791	-733	-1231	-500	-500						
Financing CF	90	627	711	78	-214						

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

10 July 2020

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 (RM'm)	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	0.235	1,383.2	N	12/2020	1.4%	4.8%	10.3%	12.5%	4.9	4.4	3.9	0.4	0.4	9.2%	0.0%	0.300	OP
DAYANG ENTERPRISE HLDGS BHD	1.31	1,516.7	Y	12/2020	-25.9%	7.7%	-38.7%	9.5%	6.5	10.5	9.6	1.0	0.9	8.8%	0.0%	1.30	MP
DIALOG GROUP BHD	3.87	21,820.2	Y	06/2020	17.7%	6.1%	4.5%	9.7%	40.7	39.0	35.5	5.8	5.5	14.4%	1.0%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.400	640.0	Y	12/2020	3.2%	28.4%	-72.2%	23.2%	N.A.	67.4	54.7	0.3	0.3	0.4%	0.0%	0.450	MP
MISC BHD	7.85	35,040.4	Y	12/2020	3.4%	5.4%	33.2%	-19.5%	21.8	16.3	20.3	1.0	1.0	6.1%	3.8%	8.85	OP
PANTECH GROUP HOLDINGS BHD	0.385	286.0	Y	02/2021	-41.9%	57.1%	-47.6%	79.8%	8.7	16.7	9.3	0.5	0.5	2.8%	2.6%	0.310	UP
PETRONAS CHEMICALS GROUP BHD	6.44	51,520.0	Y	12/2020	-16.5%	10.4%	-33.1%	36.2%	18.3	27.3	20.1	1.7	1.7	6.2%	1.8%	5.75	MP
PETRONAS DAGANGAN BHD	20.46	20,326.1	Y	12/2020	-16.7%	12.2%	-42.7%	68.5%	24.8	43.2	25.7	3.4	3.3	7.8%	1.8%	17.95	UP
SAPURA ENERGY BHD	0.095	1,518.0	Y	01/2021	-11.4%	10.8%	-124.0%	-249.3%	N.A.	N.A.	N.A.	0.2	0.2	-3.5%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.71	5,765.4	Y	12/2020	15.0%	15.0%	9.6%	12.1%	11.6	10.6	9.4	2.4	1.8	19.5%	3.2%	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	0.150	1,232.3	Y	12/2020	-9.9%	0.0%	-19.4%	24.4%	38.5	47.8	38.4	0.4	0.4	0.9%	0.0%	0.140	UP
WAH SEONG CORP BHD	0.500	387.2	Y	12/2020	-56.3%	45.5%	-203.6%	-148.5%	5.5	N.A.	N.A.	0.4	0.4	-7.2%	0.0%	0.510	UP
YINSON HOLDINGS BHD	6.00	6,394.6	Y	01/2021	-26.7%	-1.1%	76.5%	5.3%	29.8	16.9	16.0	4.0	3.5	22.0%	1.0%	7.10	OP
Simple Average					-10.7%	14.6%	-18.6%	-9.0%	19.3	25.6	20.8	1.6	1.4	6.6%	1.1%		

Source: Bloomberg, Kenanga Research

10 July 2020

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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

