

24 September 2021

Yinson Holdings Bhd

Stable 2QFY22 Results

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YINSON's 2QFY22 results remain largely stable (flattish QoQ) – reflecting the minimal changes in its business throughout the quarter, with higher EPCIC contribution offset by higher finance costs. It recently entered into exclusive negotiations with Enauta for the Atlanta FPSO, with an official contract award expected in 1QCY22. Meanwhile, it is still in active bids for Limbayong and Pecan. Maintain OP, with TP of RM6.00.

1HFY22 earnings slightly below our expectations. 1HFY22 core net profit of RM234m came in slightly below our expectation at 43% of our full-year forecasts, as we may have overestimated YINSON's EPCIC profit contribution. Nonetheless, we would like to emphasize that these EPCIC profits arose due to the adoption of finance lease accounting, and hence, are non-cash in nature and do not impact its fundamental valuations. That said, against consensus, 1HFY22 is deemed to be in line with expectations at 50% of earnings forecast. First interim dividend of 4.0 sen per share is also within expectations.

Stable results overall. QoQ, 2QFY22 core net profit of RM118m remains flattish (+2%) – reflecting the stability and minimal changes in its business throughout the quarter. Higher EPCIC revenue from the FPSO Anna Nery conversion was slightly offset by the higher finance costs. Cumulatively, 1HFY22 also saw little changes YoY. Higher revenue from EPCIC and commencement in FPSO Abigail-Joseph in October 2020 was largely offset by the increase in finance costs.

Outlook remains promising. YINSON recently entered into exclusive negotiations with Enauta for the Atlanta Phase 2 FPSO. We expect a formal contract award to materialise by 1QCY22, which will further boost YINSON's order-book to ~USD12b consisting of 8 FPSOs. The group is also eyeing potential bidding opportunities in Vietnam and Angola, as well as secured pre-FEED contracts for two of Total's projects in Angola and Suriname. These aside, YINSON is still in active bids projects in Limbayong, Sabah, and Pecan, Ghana. Meanwhile on a longer-term view, we highlight YINSON to be one of the more promising names within the local oil and gas space in terms of energy transition, with the group eyeing to achieve a total renewable energy capacity of 3-5GW in the coming years.

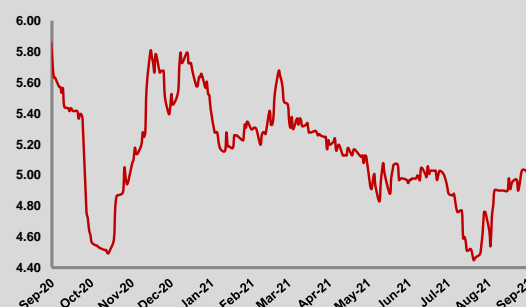
Maintain OUTPERFORM, unchanged SoP-TP of RM6.00. Post results, we trim our FY22E/FY23E earnings by 8%/5% as we lowered our EPCIC profit contribution assumptions. Note that our valuations have not taken into consideration any further new contract wins beyond the recently-awarded Atlanta FPSO.

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

OUTPERFORM ↔

Price : **RM4.90**
Target Price : **RM6.00** ↔

Share Price Performance



KLCI	1,539.34
YTD KLCI chg	-5.4%
YTD stock price chg	-14.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	5,218.0
Shares Outstanding	1,064.9
52-week range (H)	6.00
52-week range (L)	4.37
3-mth avg daily vol:	1,015,870
Free Float	55%
Beta	1.2

Major Shareholders

Yinson Legacy Sdn Bhd	18.4%
Employees Provident Fund	17.4%
Kumpulan Wang Persaraan	9.7%

Summary Earnings Table

FY Jan (RM m)	2021A	2022E	2023E
Revenue	4,849	4,527	3,827
EBIT	928	920	845
PBT	580	694	587
Net Profit (NP)	315	508	416
Core Net Profit	637	508	416
Consensus (NP)		466	429
Earnings Revision (%)		-7.5	-4.8
Core EPS (sen)	58.3	46.5	38.1
CNP growth (%)	189.5	-20.3	-18.0
DPS (sen)	6.0	6.0	6.0
BV/Share (RM)	1.68	2.09	2.47
Core PER (x)	8.4	10.5	12.9
Price/BV (x)	2.9	2.3	2.0
Net-gearing (x)	2.3	2.2	2.5
Dividend Yield (%)	1.2	1.2	1.2

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Income Statement								
FY Jan (RM m)	2Q FY22	1Q FY22	Q-o-Q	2Q FY21	Y-o-Y	1H FY22	1H FY21	Y-o-Y
Revenue	1,054	992	6.3%	995	5.9%	2,046	1,339	52.8%
Direct expenses	(705)	(668)	5.5%	(683)	3.2%	(1,373)	(834)	64.6%
Gross profit	349	324	7.7%	312	11.9%	673	505	33.3%
Other operating income	24	13	84.6%	7	242.9%	37	52	-28.8%
Administrative expenses	(78)	(68)	14.7%	(66)	18.2%	(146)	(144)	1.4%
Profit from operations	295	269	9.7%	253	16.6%	564	413	36.6%
Finance costs	(96)	(84)	14.3%	(77)	24.7%	(180)	(169)	6.5%
JV	9	2	350.0%	(3)	-400.0%	11	(5)	-320.0%
Profit before tax	208	187	11.2%	173	20.2%	395	239	65.3%
Income tax expense	(49)	(42)	16.7%	(45)	8.9%	(91)	(65)	40.0%
Non-controlling interests	(33)	(33)	0.0%	(28)	17.9%	(66)	(27)	144.4%
Net profit	126	112	12.5%	100	26.0%	238	147	61.9%
Core Net profit	118	116	1.7%	137	-13.7%	234	235	-0.3%
Gross margin	33.1%	32.7%		31.4%		32.9%	37.7%	
Operating margin	28.0%	27.1%		25.4%		27.6%	30.8%	
PBT margin	19.7%	18.9%		17.4%		19.3%	17.8%	
Net margin	12.0%	11.3%		10.1%		11.6%	11.0%	
Core net margin	11.2%	11.7%		13.7%		11.4%	17.5%	
Effective tax rate	23.6%	22.5%		26.0%		23.0%	27.2%	

Source: Company, Kenanga Research

Sum-of-Parts valuations		
	<u>RM m</u>	<u>Valuation basics</u>
FPSO Adoon	531.4	Based on discounting rate of 5%
FPSO PTSC Lam Son (49%)	449.3	Based on discounting rate of 6%
FSO PTSC Bien Dong 01 (49%)	251.7	Based on discounting rate of 5%
FPSO John Agyekum Kufour (74%)	2,511.7	Based on discounting rate of 6%
FPSO Helang	1,357.5	Based on discounting rate of 5%
FPSO Abigail-Joseph	1,450.2	Based on discounting rate of 5%
FPSO Anna Nery (65%)	2,288.1	Based on discounting rate of 6%
Atlanta field FPSO	967.2	Based on discounting rate of 6%
Estimated net investment costs	(3,432.0)	
Total	6,374.9	
Number of shares	1,065.4	
SoP value per share (RM)	6.00	

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	0.425	2,510.5	N	12/2021	4.3%	0.0%	8.0%	1.3%	5.2	4.9	4.8	0.8	0.7	15.1%	0.0%	0.530	OP
DAYANG ENTERPRISE HLDGS BHD	0.910	1,053.6	Y	12/2021	-14.5%	20.0%	-18.9%	50.9%	15.8	19.4	12.9	0.6	0.6	3.3%	0.0%	1.20	OP
DIALOG GROUP BHD	2.35	13,259.6	Y	06/2022	-38.1%	28.1%	-7.9%	15.4%	22.0	23.9	20.7	3.2	2.9	12.8%	1.3%	3.50	OP
MISC BHD	6.93	30,933.8	Y	12/2021	20.3%	7.3%	0.2%	1.0%	14.3	14.3	14.2	1.0	0.9	6.6%	4.8%	8.10	OP
PETRONAS CHEMICALS GROUP BHD	8.08	64,640.0	Y	12/2021	48.1%	-8.1%	211.0%	-28.4%	33.7	10.8	15.1	2.1	1.9	18.7%	4.6%	8.55	MP
PETRONAS DAGANGAN BHD	19.04	18,915.4	Y	12/2021	10.2%	10.2%	113.3%	18.9%	66.4	31.1	26.2	3.4	3.4	10.8%	3.2%	18.90	MP
SAPURA ENERGY BHD	0.115	1,837.6	Y	01/2022	16.3%	10.6%	-160.7%	-161.6%	N.A.	N.A.	N.A.	0.2	0.2	-2.1%	0.0%	0.210	OP
SERBA DINAMIK HOLDINGS	0.340	1,261.3	Y	06/2021	96.0%	-28.6%	80.0%	-28.3%	2.5	1.4	2.0	0.5	0.4	31.4%	16.2%	UR	UR
UZMA BHD	0.570	182.4	Y	06/2022	15.2%	15.0%	27.6%	27.4%	8.4	6.6	5.2	0.4	0.4	6.0%	0.0%	0.750	OP
VELESTO ENERGY BHD	0.140	1,150.2	Y	12/2021	-38.2%	33.9%	-304.1%	-118.9%	N.A.	N.A.	N.A.	0.5	0.5	-3.8%	0.0%	0.130	UP
WAH SEONG CORP BHD	0.650	503.3	Y	12/2021	-14.8%	41.7%	-	300.0%	N.A.	N.A.	28.0	0.7	0.7	-0.6%	0.0%	0.650	MP
YINSON HOLDINGS BHD	4.90	5,218.0	Y	01/2022	-6.6%	-15.5%	-20.3%	-18.1%	8.4	10.5	12.9	2.9	2.3	24.7%	1.2%	6.00	OP
Simple Average					8.2%	9.6%	-15.0%	5.0%	19.6	13.7	14.2	1.4	1.3	10.2%	2.6%		

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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Published and printed by:

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