

06 December 2022

Yinson Holdings

Preliminary Activities for Agogo FPSO

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YINSON has entered into an agreement for preliminary activities with Azule Energy with regards to the Agogo FPSO project, which is a precursor to the official contract award. According to sources, the contract will have lease tenure of 15+5 years with first oil in late-2025. We maintain our forecasts (already assumed one contract win), TP of RM3.15 and **OUTPERFORM** call.

Agreement for preliminary activities for Agogo FPSO. YINSON announced that it has entered into an agreement for preliminary activities with Azule Energy, the largest independent producer of oil and gas in Angola. Azule Energy is the new 50-50 independently joint venture between BP plc and Eni SpA.

Tenure of the agreement is 60 days, with an estimated aggregate value of approximately USD218m. In entering into the agreement, both YINSON and Azule have interests in commencing with the preliminary works to safeguard the project schedule in anticipation of the finalisation of the contract for the provision of the FPSO to be deployed for the Agogo Integrated West Hub Development Project, located in the West Hub part of Block 15/06 in Angola, as well as the operation and maintenance services.

Official contract award closer to finalisation. We see this awarded agreement as a clear sign that the official contract award is very close to finalisation and may come within the next few weeks. According to industry sources, the actual contract will have lease tenure of 15 initial firm years plus 5 one-yearly extensions, with expected first oil in late-2025. We estimate total capex to be ~USD1.5b (assuming 100% stake), with total contract value surpassing the USD5b-mark – thus making it one of YINSON's biggest contracts within its order book, although we foresee YINSON potentially partnering someone else to take up a minority stake in the project in order to ease equity financing burdens.

USD218m seen as part of upfront pre-payments. Meanwhile, the USD218m value as part of the preliminary activities agreement forms the initial part of upfront pre-payments to YINSON as provided by the clients. We are expecting to see further upfront payments upon the official contract award, with total pre-payments expected to reach up to ~30% of total project capex. This is a reflection of the current global FPSO market in general, as supply is tight given limited number of bidders; financing options provided by clients are becoming increasingly favourable.

Overall, we are positive on the announcement as these are further key developments towards a successful contract award.

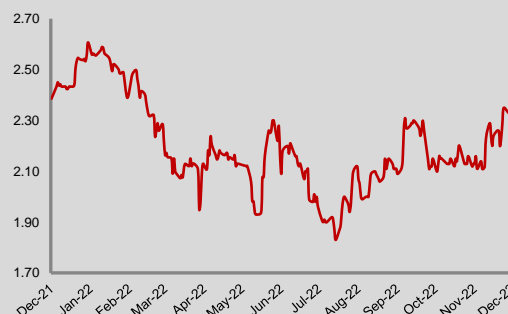
Maintain OUTPERFORM, with unchanged forecasts and SoP-TP of RM3.15, as our valuation has already included one new win assumption, based on (i) capex of ~USD1b, (ii) IRR of 13%, and (iii) WACC of 6%. Note that our valuations have also included a 5% ESG premium, based on our in-house 4-star ESG rating (see page 5).

We continue to like YINSON for: (i) its strong market position, with a fleet of nine FPSOs (including three on order) – making them the fourth largest FPSO player in the world and the largest amongst Malaysia-based players, (ii) its strong management team, given its untainted track record of project deliveries thus far, and (iii) its conscious decision to diversify into non-fossil energy sectors (e.g. solar, battery technology) to future-proof its earnings sustainability.

OUTPERFORM ↔

Price : **RM2.39**
Target Price : **RM3.15** ↔

Share Price Performance



KLCI	1,471.56
YTD KLCI chg	-6.1%
YTD stock price chg	-8.3%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	6,924.3
Shares Outstanding	2,897.2
52-week range (H)	2.61
52-week range (L)	1.83
3-mth avg daily vol:	2,296,330
Free Float	39%
Beta	0.9

Major Shareholders

Yinson Legacy Sdn Bhd	19.0%
Employees Provident Fund	17.1%
Kumpulan Wang Persaraan	7.1%

Summary Earnings Table

FY Jan (RM m)	2022A	2023F	2024F
Turnover	3,607	4,827	4,191
EBIT	1,097	920	1,014
PBT	716	662	728
Net Profit (NP)	401	478	527
Core Net Profit	411	478	527
Consensus (NP)		404	594
Earnings Revision (%)		-	-
Core EPS (sen)	38.6	44.8	49.5
Core EPS growth (%)	-35.5	16.2	10.3
DPS (sen)	6.0	6.0	6.0
BV/Share (RM)	2.26	2.65	3.08
Core PER (x)	6.2	5.3	4.8
PBV (x)	1.1	0.9	0.8
Gearing (x)	2.5	2.7	2.7
Dividend Yield (%)	2.5	2.5	2.5

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Risks to our call include: (i) crude oil prices falling below hurdle rates for floating production projects, (ii) counter-party risk for FPSO contracts, (iii) project execution risks including cost overrun, delays and downtimes.

Sum-of-Parts valuations		
Division	RM m	Valuation Basis
FPSO Adoon	531.4	Based on discounting rate of 5%
FPSO PTSC Lam Son (49%)	449.3	Based on discounting rate of 6%
FPSO 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%
FPSO Atlanta	967.2	Based on discounting rate of 6%
FPSO Maria Quitéria	2,599.5	Based on discounting rate of 7%
New win assumption	2,421.3	Based on discounting rate of 6%
Estimated holding co net investment costs	(6,174.0)	
Total	8,653.8	
Number of shares	2,903.9	
ESG premium / discount	5%	
SoP value per share (RM)	3.15	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.500	0.630	26.00%	2,959.0	N	12/2022	12.4	11.7	7.9%	-5.1%	4.0	4.3	0.6	16.8%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.38	1.70	23.19%	1,597.7	Y	12/2022	10.2	11.2	170.1%	10.1%	13.5	12.3	1.1	8.6%	0.0	0.0%
DIALOG GROUP BHD	OP	2.30	3.10	34.78%	12,977.9	Y	06/2023	9.5	9.9	5.1%	4.8%	24.3	23.2	2.4	10.2%	2.8	1.2%
MISC BHD	MP	7.18	7.30	1.67%	32,049.7	Y	12/2022	43.1	33.8	1.9%	-21.6%	16.7	21.2	0.9	5.6%	33.0	4.6%
PETRONAS CHEMICALS GROUP BHD	OP	8.50	11.00	29.41%	68,000.0	Y	12/2022	87.2	68.8	-3.9%	-21.1%	9.7	12.4	1.8	19.0%	43.6	5.1%
PETRONAS DAGANGAN BHD	MP	22.90	23.90	4.37%	22,750.1	Y	12/2022	70.4	74.0	27.6%	5.2%	32.5	31.0	4.1	12.5%	70.4	3.1%
PETRON MALAYSIA REFINING & MARKETING BHD	MP	4.32	4.65	7.64%	1,166.4	Y	12/2022	161.1	98.1	82.8%	-39.1%	2.7	4.4	0.5	20.1%	16.0	3.7%
UZMA BHD	OP	0.565	0.670	18.58%	198.9	Y	06/2023	6.6	7.3	57.9%	11.4%	8.6	7.7	0.4	4.3%	0.0	0.0%
VELESTO ENERGY BHD	OP	0.165	0.160	-3.03%	1,355.6	Y	12/2022	(0.7)	1.1	-135.6%	41.3%	N.A.	15.7	0.6	-2.8%	0.0	0.0%
WAH SEONG CORP BHD	OP	0.640	0.800	25.00%	495.6	Y	12/2022	6.2	8.8	101.7%	43.1%	10.4	7.3	0.8	7.8%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.39	3.15	31.80%	6,924.3	N	01/2023	21.9	24.1	16.3%	10.3%	10.9	9.9	1.9	18.3%	6.0	2.5%
Simple Average								38.9	31.7	30.1%	3.6%	13.3	13.6	1.4	11.0%		1.8%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★	★	★
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	★	
SPECIFIC	Diversification from pure O&G	★	★	★	★	★
	Emission Targets and Climate Goals	★	★	★	★	★
	Occupational Health and Safety	★	★	★		
	Pollution control	★	★	★		
	Supply chain auditing	★	★	★	★	
	Energy efficiency	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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