

24 March 2023

# Yinson Holdings

## EPCIC Works Bolster Profits

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YINSON's FY23 results beat expectations, thanks to stronger EPCIC profits. Looking forward, the FPSO market is promising with supply staying tight as most of the well-established contractors' capacities are almost filled to the brim. We believe YINSON will now focus on project execution and delivery, and the next new contract may only be secured in the later part of the year. We raise our FY24F net profit by 19% but maintain our TP of RM3.65 and OUTPERFORM call

**FY23 exceeded expectations.** FY23 core PATAMI of RM739m beat our forecast and consensus estimate by a whopping 47% and 41%, respectively. The variance against our forecast came largely from stronger EPCIC profits.

**Steady earnings.** FY23 core PATAMI jumped 80% YoY, largely thanks to stronger EPCIC profits driven by further progress on FPSO Maria Quiteria and FPSO Atlanta. This was partially offset by lower contribution from FPSO Anna Nery as the project progresses closer to sail-away.

**Focused on project delivery.** The FPSO market remains promising. Global oil and gas offshore exploration and production capex remain on an up-trending track, while supply for FPSO remains tight as most of the well-established contractors' capacities are largely filled up. That said, given YINSON's recent win of the Agogo project, we believe the group will now focus on project delivery of its jobs at hand. As such, we believe the next new contract win may only come during the later part of the year.

**Forecasts.** We raise our FY24F earnings by 19% and introduce our FY25F numbers.

**Maintain OUTPERFORM,** with an unchanged SoP-TP of RM3.65. Note that our valuations have also factored in our in-house 4-star ESG rating (refer to page 4 below).

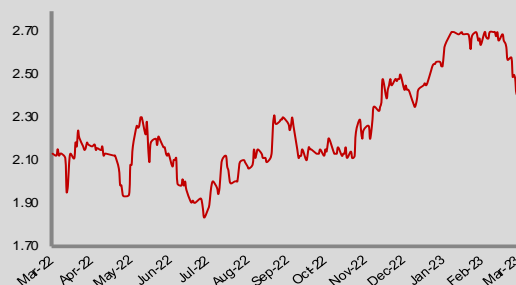
We continue to like YINSON for: (i) its strong market position, with a fleet of nine FPSOs (including three on order) – making them the fourth largest FPSO player in the world and the largest amongst Malaysia-based players, (ii) its strong management team, given its excellent track record of project 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.

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

**OUTPERFORM** ↔

Price : **RM2.42**  
Target Price : **RM3.65** ↔

### Share Price Performance



KLCI 1,410.98  
YTD KLCI chg -5.7%  
YTD stock price chg -0.4%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	7,033.8
Shares Outstanding	2,906.5
52-week range (H)	2.77
52-week range (L)	1.83
3-mth avg daily vol:	3,476,445
Free Float	40%
Beta	0.9

### Major Shareholders

Yinson Legacy Sdn Bhd	19.7%
Employees Provident Fund	17.1%
Kumpulan Wang Persaraan	6.6%

### Summary Earnings Table

FY Jan (RM m)	2023F	2024F	2025F
Revenue	6,324	5,691	5,329
EBIT	1,438	1,107	1,403
PBT	845	820	927
<b>Net Profit (NP)</b>	<b>586</b>	<b>603</b>	<b>731</b>
<b>Core Net Profit</b>	<b>739</b>	<b>603</b>	<b>731</b>
Consensus (NP)		765	883
Earnings Revision (%)		+19.4	NEW
Core EPS (sen)	25.5	20.8	25.2
CNP growth (%)	79.8	-18.4	21.2
DPS (sen)	2.0	2.0	2.0
BV/Share (RM)	1.43	1.62	1.87
Core PER (x)	10.6	13.0	10.7
Price/BV (x)	1.9	1.7	1.4
Net-gearing (x)	2.0	2.0	2.0
Dividend Yield (%)	0.7	0.7	0.7

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Income Statement								
FY Jan (RM m)	4Q FY23	3Q FY23	Q-o-Q	4Q FY22	Y-o-Y	12 FY23	12 FY22	Y-o-Y
Revenue	1,962	1,737	13.0%	741	164.8%	6,324	3,607	75.3%
Direct expenses	(1,459)	(1,232)	18.4%	(420)	247.4%	(4,485)	(2,299)	95.1%
<b>Gross profit</b>	<b>503</b>	<b>505</b>	<b>-0.4%</b>	<b>321</b>	<b>56.7%</b>	<b>1,839</b>	<b>1,308</b>	<b>40.6%</b>
Other operating income	37	23	60.9%	56	-33.9%	97	101	-4.0%
Administrative expenses	(215)	(105)	104.8%	(106)	102.8%	(498)	(312)	59.6%
<b>Profit from operations</b>	<b>325</b>	<b>423</b>	<b>-23.2%</b>	<b>271</b>	<b>19.9%</b>	<b>1,438</b>	<b>1,097</b>	<b>31.1%</b>
Finance costs	(172)	(161)	6.8%	(112)	53.6%	(577)	(388)	48.7%
JV and associates	(3)	(4)	-25.0%	(4)	-25.0%	(16)	7	-328.6%
<b>Profit before tax</b>	<b>150</b>	<b>258</b>	<b>-41.9%</b>	<b>155</b>	<b>-3.2%</b>	<b>845</b>	<b>716</b>	<b>18.0%</b>
Income tax expense	(41)	(81)	-49.4%	(61)	-32.8%	(257)	(192)	33.9%
Non-controlling interests	59	(22)	-368.2%	(29)	-303.4%	(2)	(123)	-98.4%
Net profit	168	155	8.4%	65	158.5%	586	401	46.1%
<b>Core Net profit</b>	<b>341</b>	<b>150</b>	<b>127.3%</b>	<b>74</b>	<b>360.8%</b>	<b>739</b>	<b>411</b>	<b>79.8%</b>
Gross margin	25.6%	29.1%		43.3%		29.1%	36.3%	
Operating margin	16.6%	24.4%		36.6%		22.7%	30.4%	
PBT margin	7.6%	14.9%		20.9%		13.4%	19.9%	
Net margin	8.6%	8.9%		8.8%		9.3%	11.1%	
Core net margin	17.4%	8.6%		10.0%		11.7%	11.4%	
Effective tax rate	27.3%	31.4%		39.4%		30.4%	26.8%	

Source: Company, Kenanga Research

## YINSON'S Sum-of-Parts Valuation

Division	RM'm	Valuation Basis
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%
FPSO Atlanta	967.2	Based on discounting rate of 6%
FPSO Maria Quitéria	2,599.5	Based on discounting rate of 7%
Agogo FPSO	4,115.5	Based on discounting rate of 6%
Estimated holding co net investment costs	(5,924.0)	
<b>Total</b>	<b>10,066.6</b>	
Number of shares	2,895.7	
ESG premium / discount	5%	
<b>SoP value per share (RM)</b>	<b>3.65</b>	

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.
<b>Stocks Under Coverage</b>																	
BUMI ARMADA BHD	OP	0.610	0.750	22.95%	3,610.0	N	12/2023	13.1	13.6	1.0%	3.5%	4.6	4.5	0.6	13.9%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.33	1.90	42.86%	1,539.8	Y	12/2023	11.2	12.6	12.0%	11.8%	11.8	10.6	1.0	8.6%	3.0	2.3%
DIALOG GROUP BHD	OP	2.31	3.10	34.20%	13,034.4	Y	06/2023	9.5	9.9	5.1%	4.8%	24.4	23.3	2.4	10.2%	2.8	1.2%
MISC BHD	MP	7.16	7.50	4.75%	31,960.4	Y	12/2023	47.0	48.9	-11.6%	4.1%	15.2	14.6	0.8	5.6%	33.0	4.6%
PETRONAS CHEMICALS GROUP BHD	MP	6.80	7.80	14.71%	54,400.0	Y	12/2023	65.3	52.2	-18.9%	-20.0%	10.4	13.0	1.3	12.9%	33.0	4.9%
PETRONAS DAGANGAN BHD	MP	20.96	24.00	14.50%	20,822.8	Y	12/2023	83.2	87.6	11.0%	5.2%	25.2	23.9	3.6	14.4%	83.3	4.0%
PETRON MALAYSIA REFINING	MP	4.45	4.35	-2.25%	1,201.5	Y	12/2023	81.9	91.9	-26.6%	12.2%	5.4	4.8	0.5	9.6%	16.0	3.6%
UZMA BHD	OP	0.625	0.900	44.00%	220.0	Y	06/2023	7.7	9.9	85.0%	28.5%	8.1	6.3	0.4	5.1%	0.0	0.0%
VELESTO ENERGY BHD	UP	0.195	0.190	-2.56%	1,602.0	Y	12/2023	0.7	1.3	-36.1%	73.3%	26.3	15.2	0.7	2.6%	0.0	0.0%
WAH SEONG CORP BHD	OP	0.775	0.970	25.16%	600.1	Y	12/2023	10.7	12.8	6.1%	19.1%	7.2	6.1	0.9	13.4%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.42	3.65	50.83%	7,033.7	N	01/2024	20.8	25.2	-18.4%	21.2%	11.6	9.6	1.5	13.7%	2.0	0.8%
<b>Sector Aggregate</b>					<b>136,024.8</b>					<b>-11.7%</b>	<b>-5.9%</b>	<b>12.9</b>	<b>13.7</b>	<b>1.2</b>	<b>10.0%</b>		<b>1.9%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

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

☆ 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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