

Icon Offshore

Bags Short-Term Workboat Charter

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ICON has secured a short-term charter for an accommodation work boat for an undisclosed sum. Based on a recent contract won by its listed peer, we believe the implied daily charter rate (DCR) could range between RM90,000 to RM120,000. The win is within our assumptions. We maintain our forecasts, TP of RM0.80 and OUTPERFORM call.

ICON has secured a contract to supply an accommodation workboat to Petrolanpan Sdn Bhd for an undisclosed sum. The initial contract duration is 45 days with an option for a 15-day extension. This workboat will be utilised specifically for hook-up and commissioning work activities (HUC).

Although the contract value was not disclosed, based on recent similar contract wins by its OSV peers, we estimate the DCR to be in the range of RM90,000 to RM120,000. Due to the short duration of the contract, we consider the win to be within our assumptions of an average DCR of RM74,000 and utilisation of 79% in FY24.

Forecasts. Maintained.

Valuations. We maintain our TP at RM0.80 pegged to an unchanged CY25F 10x fully-diluted PER. This valuation aligns with the median forward PER of 10.2x observed amongst Malaysian and Singaporean-listed OSV companies during the 2010-2014 upcycle. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

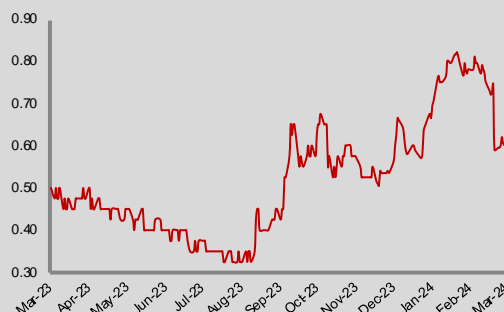
Investment case. We like ICON due to: (i) it being a beneficiary of the incoming upcycle of the local OSV market as the supply deficit of vessels persists, (ii) its improving balance sheet which leaves room for future asset expansion, and (iii) its stable cost base which entails significant margin expansion on higher charter rates. Maintain **OUTPERFORM**.

Risks to our call include: (i) premature end to upstream services industry upcycle following a dip in oil prices, (ii) weaker than expected vessel utilisation due to unexpected breakdowns, and (iii) inability to renew vessel charters with rates more consistent with the current spot charter market.

OUTPERFORM ↔

Price : **RM0.61**
Target Price : **RM0.80** ↔

Share Price Performance



KLCI	1,543.75
YTD KLCI chg	6.1%
YTD stock price chg	3.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	ICON MK EQUITY
Market Cap (RM m)	327.7
Shares Outstanding	541.6
52-week range (H)	0.83
52-week range (L)	0.30
3-mth avg. daily vol.	3,664,977
Free Float	35%
Beta	1.3

Major Shareholders

Hallmark Odyssey Sdn	56.0%
Hashim Hadian	4.4%
Ta Unit Trust Manage	2.8%

Summary Earnings Table

FY June (RM m)	2023A	2024F	2025F
Turnover	199.8	287.3	318.1
EBIT	33.6	82.8	110.2
PBT	12.9	50.0	76.6
Net Profit	4.9	28.9	44.2
Core Net Profit	-7.5	28.9	44.2
Consensus (NP)		22.6	38.1
Earnings Revision (%)	-	-	-
EPS (sen)	0.9	5.3	8.1
EPS Growth (%)	-97.2	493.1	53.1
DPS (sen)	5.0	0.0	0.0
BV/share (RM)	4.9	5.2	5.4
PER (x)	68.1	11.5	7.5
P/BV (x)	0.1	0.1	0.1
Net-Gearing (x)	0.3	0.3	0.2
Div. Yield (%)	8.2	0.0	0.0

15 March 2024

Income Statement						Financial Data & Ratios					
FY Jan (RM'm)	2021A	2022A	2023A	2024F	2025F	FY Jan (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	300.6	282.6	199.8	287.3	318.1	Growth (%)					
EBIT	80.3	232.3	33.6	82.8	110.2	Revenue	41.7	-6.0	-29.3	43.8	10.7
Interest	-37.2	-31.9	-20.7	-32.8	-33.6	EBIT	42.3	189.4	-85.5	146.6	33.0
Associate	0.0	0.0	0.0	0.0	0.0	PBT	1.2	365.2	-93.6	288.1	53.1
PBT	43.1	200.4	12.9	50.0	76.6	Net Profit	64.0	-153.6	-125.4	494.2	53.1
Taxation	-14.0	-25.2	-6.2	-13.0	-19.9	Profitability (%)					
MI	29.1	175.1	6.7	37.0	56.7	Operating Margin	26.7	82.2	16.8	28.8	34.6
Net Profit	22.7	171.6	4.9	28.9	44.2	PBT Margin	14.3	70.9	6.5	17.4	24.1
Core Profit	35.6	-19.1	-7.5	28.9	44.2	Net Margin	11.9	-6.8	2.4	10.0	13.9
Balance Sheet						Effective Tax Rate	32.4	12.6	47.9	26.0	26.0
FY Jan (RM'm)	2021A	2022A	2023A	2024F	2025F	ROA	3.7	-2.5	0.7	3.7	5.3
Fixed Assets	737	519	492	488	484	ROE	9.5	-5.2	1.4	7.7	10.6
Intangible	7	0	0	0	0	DuPont Analysis					
Other LT assets	49	48	19	19	19	Net Margin (%)	11.85	-6.76	2.43	10.04	13.89
Inventories	1	3	4	2	2	Assets Turnover (x)	0.31	0.37	0.28	0.37	0.38
Receivables	105	61	48	94	105	Leverage Factor (x)	2.58	2.06	2.10	2.08	2.00
Other CA	2	3	16	16	16	ROE (%)	9.51	-5.21	1.41	7.71	10.56
Cash	68	122	147	158	209	Leverage					
Total Assets	969	755	726	778	835	Debt/Asset (x)	0.3	0.4	0.3	0.4	0.3
Payables	46	35	43	33	33	Debt/Equity (x)	0.9	0.8	0.7	0.7	0.7
ST Borrowings	48	24	249	24	24	N. Debt/(Cash) Debt/Equity (x)	252.3	164.3	101.4	115.5	64.7
Other ST Liability	176	6	34	34	34	Valuations					
LT Borrowings	272	263	0	250	250	EPS (sen)	4.2	31.7	0.9	5.3	8.1
Other LT Liability	18	22	24	24	24	DPS (sen)	0.0	6.7	5.0	0.0	0.0
Minorities Int.	34	39	32	40	53	BVPS (RM)	4.4	4.9	4.9	5.2	5.4
Perpetual	0	0	0	0	0.0	PER (x)	14.4	1.9	67.5	11.4	7.4
Net Assets	375	366	345	374	418	Div. Yield (%)	0.0	11.1	8.3	0.0	0.0
Share Capital	1147	1147	318	318	318	P/BV (x)	0.1	0.1	0.1	0.1	0.1
Reserves	-772	-781	27	56	100						
Equity	375	366	345	374	418						
Cashflow Statement											
FY Jan (RM'm)	2021A	2022A	2023A	2024F	2025F						
Operating CF	86.2	113.0	81.3	26.0	90.8						
Investing CF	-188.8	370.5	-18.4	-40.0	-40.0						
Financing CF	87.9	-427.5	-66.7	24.7	0.0						

15 March 2024

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	MP	0.550	0.580	5.5%	3,257.5	N	12/2024	13.8	12.6	144%	-9%	4.0	4.4	0.5	13.4%	-	0.00%
DIALOG GROUP BHD	OP	2.20	3.10	40.9%	12,413.7	Y	06/2024	9.3	10.3	4%	11%	23.7	21.3	2.1	9.1%	4.2	1.90%
ICON OFFSHORE	OP	0.605	0.800	32.2%	327.7	Y	12/2024	5.3	8.1	285%	53%	11.4	7.4	0.9	8.0%	-	0.00%
MISC BHD	MP	7.50	7.51	0.1%	33,478.1	Y	12/2024	51.9	53.9	7%	4%	14.5	13.9	0.8	5.8%	30.0	4.00%
PETRONAS CHEMICALS GROUP BHD	MP	6.87	6.88	0.1%	54,960.0	Y	12/2024	44.9	45.9	111%	2%	15.3	15.0	1.3	8.7%	22.4	3.26%
PETRONAS DAGANGAN BHD	MP	21.34	23.70	11.1%	21,200.3	Y	12/2024	99.7	109.8	1%	10%	21.4	19.4	3.6	16.9%	79.8	3.74%
PETRON MALAYSIA REFINING	MP	4.53	4.74	4.6%	1,223.1	Y	12/2024	99.6	89.6	-1%	-10%	4.5	5.1	0.5	10.6%	20.0	4.42%
UZMA BHD	OP	1.21	1.45	19.8%	468.5	Y	06/2024	13.4	14.1	33%	6%	9.0	8.6	0.9	9.9%	-	0.00%
VELESTO ENERGY BHD	OP	0.285	0.310	8.8%	2,341.4	Y	12/2024	1.8	2.1	47%	17%	16.0	13.7	0.9	5.7%	-	0.00%
WASCO CORP BHD	OP	1.24	1.48	19.4%	960.1	Y	12/2024	12.1	14.8	20%	23%	10.3	8.4	1.2	12.5%	-	0.00%
YINSON HOLDINGS BHD	OP	2.47	3.39	37.2%	7,180.5	N	01/2024	12.9	18.4	25%	43%	19.1	13.4	1.8	9.4%	3.87	1.57%
Sector Aggregate					140,531.7					42%	5%	15.0	14.3	1.3	9.9%		1.68%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	ESG Framework & Policies	★	★	★		
	Earnings Sustainability & Quality	★	★			
	Balance Sheet	★	★	★		
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★	☆	
	Corporate Governance	★	★	★	☆	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★	★		
	Effluent Waste Management	★	★	★		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Supply Chain Management	★	★	★	☆	
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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