

27 March 2024

Icon Offshore

MGO at RM0.635 per share

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Liannex Maritime Sdn Bhd (Liannex Maritime) has triggered a mandatory general offer (MGO) for ICON shares at RM0.635 and warrants at RM0.001 on the heels of its acquisition of a 50.2% stake in ICON. We believe the offer prices are unattractive. We maintain our forecasts, TP of RM0.80 and rationalise our call to REJECT OFFER (from OUTPERFORM).

Liannex Maritime, a private company owned by substantial shareholders of YINSON (OP; TP: RM3.41) Mr. Lim Han Weng and Madam Bah Kim Lian, has triggered an MGO for ICON shares and warrants it has not already owned on the heels of its acquisition of a 50.2% stake in ICON from state-owned private equity firm Equinas for RM172.7m or RM0.635/share.

The MGO is for:

- (i) 269.6m ICON shares at an offer price of RM0.635/share
- (ii) 130.9m warrants at a cash offer price of RM0.001 per warrant.

The offer price translates to 7.8x FY25F P/E, which is at a discount to the median forward PER of 10.2x observed amongst Malaysian and Singaporean-listed OSV companies during the 2010-2014 upcycle.

In terms of asset value, the deal values ICON at 0.9x FY23 PBV, which is at a discount to the 2x for Malaysian and Singaporean-listed OSV companies during the 2010-2014 upcycle. However, we are aware that the PBV recorded back in 2010-2014 was significantly higher due to the peak OSV market and typically PBV is more relevant for valuation during downcycles. To compare, PERDANA's FY23 PBV is at 1x, which is 10% higher.

The offeror intends to maintain ICON's listing status. Given that the offeror's controlling shareholders are in the oil & gas business, they may be able to add value in terms of helping ICON to secure more charter contracts and optimize its fleet.

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).

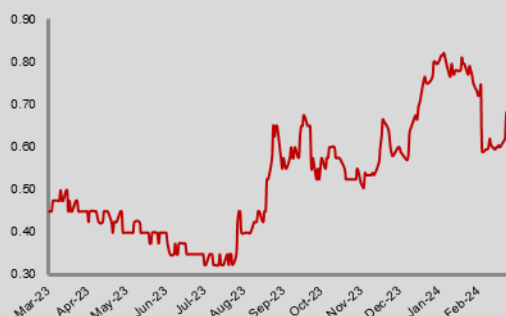
Investment case. We like ICON due to: (i) it being a beneficiary of the incoming upcycle of the local OSV market as the supply deficit of vessels persists, (ii) its improving balance sheet which leaves room for future asset expansion, and (iii) its stable cost base which entails significant margin expansion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

REJECT OFFER

Price : RM0.73
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	-	-
BV/share (RM)	0.7	0.8	0.9
PER (x)	81.5	13.7	9.0
P/BV (x)	1.1	0.9	0.8
Net-Gearing (x)	0.3	0.3	0.2
Div. Yield (%)	6.8	-	-

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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	MP	0.565	0.580	2.7%	3,346.3	N	12/2024	13.8	12.6	144.4%	-8.8%	4.1	4.5	0.5	13.4%	0.0	0.0%
DIALOG GROUP BHD	OP	2.26	3.10	37.2%	12,752.2	Y	06/2024	9.3	10.3	4.0%	11.0%	24.3	21.9	2.2	9.1%	4.2	1.9%
ICON OFFSHORE	REJECT	0.730	0.800	9.6%	395.4	Y	12/2024	5.3	8.1	285.3%	52.9%	13.7	9.0	1.1	8.0%	0.0	0.0%
MISC BHD	MP	7.71	7.51	-2.6%	34,415.5	Y	12/2024	51.9	53.9	7.0%	3.9%	14.9	14.3	0.9	5.8%	30.0	3.9%
PETRONAS CHEMICALS GROUP	MP	6.83	6.88	0.7%	54,640.0	Y	12/2024	44.9	45.9	111.1%	2.3%	15.2	14.9	1.3	8.7%	22.4	3.3%
PETRONAS DAGANGAN BHD	MP	21.76	23.70	8.9%	21,617.6	Y	12/2024	99.7	109.8	1.1%	10.1%	21.8	19.8	3.6	16.9%	79.8	3.7%
PETRON MALAYSIA REFINING	MP	4.61	4.74	2.8%	1,244.7	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.6	5.1	0.5	10.6%	20.0	4.3%
UZMA BHD	OP	1.27	1.45	14.2%	491.8	Y	06/2024	13.4	14.1	32.8%	5.6%	9.5	9.0	0.9	9.9%	0.0	0.0%
VELESTO ENERGY BHD	OP	0.290	0.310	6.9%	2,382.5	Y	12/2024	1.8	2.1	46.6%	17.3%	16.3	13.9	0.9	5.7%	0.0	0.0%
WASCO CORP BHD	OP	1.22	1.48	21.3%	944.7	Y	12/2024	12.1	14.8	20.0%	22.6%	10.1	8.2	1.2	12.5%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.35	3.41	45.1%	6,831.6	N	01/2025	12.9	18.4	24.7%	42.6%	18.2	12.8	1.7	9.4%	3.9	1.6%
Sector Aggregate					141,852.5					41.7%	5.1%	15.2	14.4	1.4	9.9%		1.7%

Source: Kenanga Research

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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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