

25 March 2024

# Yinson Holdings

## First Oil for Two FPSOs in FY25

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**YINSON's FY24 results met our forecast. Its FY24 core net profit rose 21% thanks to contribution from FPSO Anna Nery, partially offset by higher finance cost. It is poised to achieve the first oil for both FPSO Atlanta and Maria Quiteria in FY25F. We fine-tune down our FY25F earnings forecast by 2%, trim our TP by 1% to RM3.41 (from RM3.44) but maintain our OUTPERFORM call.**

Its FY24 core net profit of RM383m (adjusted for RM36m forex gain, RM112m deferred tax expense, and RM647m EPCIC profit) met our forecast. The consensus estimate is not meaningful due the inconsistency with regards to the inclusion of EPCIC profits.

**YoY**, its FY24 revenue surged 84% mainly due to the commencement of oil production by FPSO Anna Nery in May 2023 and higher EPCIC revenue from FPSO Agogo's conversion. However, its core profit (excluding EPCIC profits) only grew 21% due to elevated finance cost as it drew down loans for upcoming projects, and widened losses in other segments, which include higher overheads from project startup expenses for new FPSO projects.

**QoQ**, its 4QFY24 topline saw a 4% decrease mainly due to lower work recognition in FPSO conversion projects. When excluding the EPCIC impact, revenue from FPSO operations remained stable. However, its core profit fell by 11% due to increased interest cost as the group drew down more borrowings (for FPSO Agogo and Maria Quiteria).

Key takeaways from YINSON's results briefing are:-

1. YINSON guided for first oil from FPSO Maria Quiteria by 4QFY25 and FPSO Atlanta by 3QFY25. FPSO Agogo is slated to start operations in FY27.
2. FPSO Agogo achieved a 50% completion rate in 4QFY24, doubling its progress from 25% in 3QFY24, keeping it on track for its scheduled delivery.
3. YINSON's two solar power plants in India, namely Bhadia and Nokh, are operational, yet the renewables segment is still operating at a loss. The Peru solar project, Matarani, is expected to start in 2HFY25, though significant earnings contributions are not anticipated.

**Forecasts.** We fine-tune down our FY25F earnings forecast by 2% after accounting for a slightly higher loan balance assumption. We also introduce FY26F earnings of RM617m, which assumes a full-year contribution from FPSO Maria Quiteria.

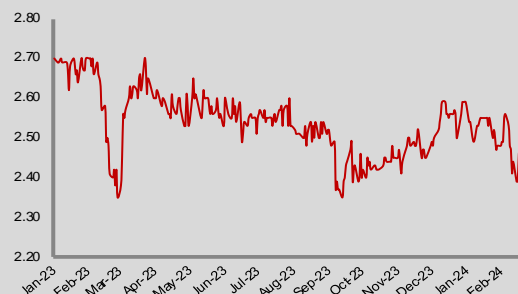
**Valuations.** Correspondingly, we reduce our SoP-TP by 1% to RM3.41 from RM3.44 (see Page 3). Note that our TP reflect a 5% premium given a 4-star ESG rating as appraised by us (see Page 5).

**Investment case.** We continue to favour YINSON due to: (i) a strong FPSO order book pipeline with multiple major FPSO jobs under the conversion stage which provide significant earnings growth in coming years, (ii) its strong project execution track record which positions the company to benefit from strong structural demand for FPSO contractors anticipated in the coming years, and (iii) it being one of the first local oil & gas company invest in green technology companies (solar, e-mobility, etc) which in our view would help with the company's long-term energy transition agenda. Maintain **OUTPERFORM**.

## OUTPERFORM ↔

**Price:** RM2.45  
**Target Price:** RM3.41 ↓

### Share Price Performance



KLCI	1,535.79
YTD KLCI chg	5.6%
YTD stock price chg	-0.8%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	YNS MK Equity
Market Cap (RM m)	7,209.5
Shares Outstanding	2,907.1
52-week range (H)	2.70
52-week range (L)	2.27
3-mth avg. daily vol.	2,860,698
Free Float	35%
Beta	1.1

### Major Shareholders

Yinson Legacy Sdn Bhd	19.7%
Employees Provident Fund	16.1%
Kumpulan Wang Persaraan	6.4%

### Summary Earnings Table

FY Jan (RM m)	2024A	2025F	2026F
Revenue	11646	3852	4234
EBIT	1483.8	1654.0	1966.3
PBT	1695.0	690.0	751.7
<b>Net Profit (NP)</b>	<b>964.0</b>	<b>556.1</b>	<b>617.0</b>
<b>Core Net Profit</b>	<b>383.0</b>	<b>556.1</b>	<b>617.0</b>
Consensus (NP)	-	815.0	968.6
Earnings Revision (%)	-	-1.5	-
Core EPS (sen)	30.2	17.4	19.4
CNP Growth (%)	64.5	-42.3	10.9
DPS (sen)	9.1	5.2	5.8
BV/Share (RM)	1.71	1.79	1.89
Core PER (x)	8.0	13.9	12.6
Price/BV (x)	1.4	1.4	1.3
Net-gearing (x)	2.4	3.4	4.1
Dividend Yield (%)	3.7	2.2	2.4

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**Risks to our call include:** (i) crude oil prices falling below hurdle rates for floating production projects, (ii) regulatory risks and uncertain returns for RE investments that are mainly focused in emerging markets (i.e. South America, India), and (iii) project execution risks including cost overrun, delays and downtimes for FPSO assets.

Income Statement								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y			Y-o-Y
FY Jan (RM m)	FY24	FY23		FY24		FY24	FY23	
Revenue	2,702.0	2,813.0	-3.9%	1,962.0	37.7%	11,646.0	6,324.0	84.2%
Direct expenses	(1,708.0)	(2,052.0)	-16.8%	(1,380.0)	23.8%	(8,346.0)	(4,152.0)	101.0%
<b>Gross profit</b>	<b>994.0</b>	<b>761.0</b>	<b>30.6%</b>	<b>582.0</b>	<b>70.8%</b>	<b>3,300.0</b>	<b>2,172.0</b>	<b>51.9%</b>
Other operating income	106.0	56.0	89.3%	37.0	186.5%	203.0	97.0	109.3%
Administrative expenses	(96.0)	(154.0)	-37.7%	(215.0)	-55.3%	(529.0)	(498.0)	6.2%
<b>Profit from operations</b>	<b>925.0</b>	<b>592.0</b>	<b>56.3%</b>	<b>325.0</b>	<b>184.6%</b>	<b>2,661.0</b>	<b>1,438.0</b>	<b>85.0%</b>
Finance costs	(316.0)	(244.0)	29.5%	(172.0)	83.7%	(963.0)	(577.0)	66.9%
JV and associates	(12.0)	5.0	-340.0%	(3.0)	300.0%	(3.0)	(16.0)	-81.3%
<b>Profit before tax</b>	<b>597.0</b>	<b>353.0</b>	<b>69.1%</b>	<b>150.0</b>	<b>298.0%</b>	<b>1,695.0</b>	<b>845.0</b>	<b>100.6%</b>
Income tax expense	(202.0)	(75.0)	169.3%	(61.0)	231.1%	(553.0)	(257.0)	115.2%
Non-controlling interests	(117.0)	(30.0)	290.0%	(29.0)	303.4%	(178.0)	(2.0)	8800.0%
Net profit	278.0	248.0	12.1%	65.0	327.7%	964.0	586.0	64.5%
EI	170.0	127.0	33.9%	1.4	12042.9%	581.0	268.4	116.5%
<b>Core Net profit</b>	<b>108.0</b>	<b>121.0</b>	<b>-10.7%</b>	<b>166.6</b>	<b>-35.2%</b>	<b>383.0</b>	<b>317.6</b>	<b>20.6%</b>
Gross margin	36.8%	27.1%		29.7%		28.3%	34.3%	
Operating margin	34.2%	21.0%		16.6%		22.8%	22.7%	
PBT margin	22.1%	12.5%		7.6%		14.6%	13.4%	
Net margin	10.3%	8.8%		3.3%		8.3%	9.3%	
Core net margin	4.0%	4.3%		8.5%		3.3%	5.0%	
Effective tax rate	33.8%	21.2%		40.7%		32.6%	30.4%	

Source: Company, Kenanga Research

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**YINSON'S Sum-of-Parts Valuation**

Division	RM m	Valuation Basis
FSO John Agyekum Kufour (74%)	2940.6	Based on discounting rate of 5%
FPSO Helang (100%)	2320.0	Based on discounting rate of 5%
FPSO Abigail-Joseph	2033.8	Based on discounting rate of 5%
FPSO Bien Dong (49%)	181.7	Based on discounting rate of 6%
FPSO Lam Son (49%)	179.3	Based on discounting rate of 6%
FPSO Anna Nery (75%)	5441.3	Based on discounting rate of 7%
FPSO Enuata(100%)	3313.8	Based on discounting rate of 7%
FPSO Maria Quitéria (100%)	5236.6	Based on discounting rate of 7%
FPSO Agogo	7650.8	Based on discounting rate of 9%
Bhada 1 & 2 solar	598.8	Based on discounting rate of 10%
Nokh	363.5	Based on discounting rate of 10%
Other marine business	30260.2	Based on 10x FY25F PER
Net (debt)/cash	(19,898.4)	
<b>Total</b>	<b>10361.8</b>	
Number of shares (m)	3188.2	
ESG premium / discount	5.0%	
<b>SoP value per share (RM)</b>	<b>3.41</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	MP	0.575	0.580	0.9%	3,405.5	N	12/2024	13.8	12.6	144.4%	-8.8%	4.2	4.6	0.5	13.4%	0.0	1.9%
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	0.0%
ICON OFFSHORE	OP	0.690	0.800	15.9%	373.7	Y	12/2024	5.3	8.1	285.3%	52.9%	13.0	8.5	1.0	8.0%	0.0	4.0%
MISC BHD	MP	7.53	7.51	-0.3%	33,612.0	Y	12/2024	51.9	53.9	7.0%	3.9%	14.5	14.0	0.8	5.8%	30.0	3.3%
PETRONAS CHEMICALS GROUP BHD	MP	6.79	6.88	1.3%	54,320.0	Y	12/2024	44.9	45.9	111.1%	2.3%	15.1	14.8	1.3	8.7%	22.4	3.7%
PETRONAS DAGANGAN BHD	MP	21.80	23.70	8.7%	21,657.3	Y	12/2024	99.7	109.8	1.1%	10.1%	21.9	19.9	3.6	16.9%	79.8	4.4%
PETRON MALAYSIA REFINING	MP	4.58	4.74	3.5%	1,236.6	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.6	5.1	0.5	10.6%	20.0	0.0%
UZMA BHD	OP	1.29	1.45	12.4%	499.5	Y	06/2024	13.4	14.1	32.8%	5.6%	9.6	9.1	0.9	9.9%	0.0	0.0%
VELESTO ENERGY BHD	OP	0.285	0.340	19.3%	2,341.4	Y	12/2024	1.8	2.1	46.6%	17.3%	16.0	13.7	0.9	5.7%	0.0	0.0%
WAH SEONG CORP BHD	OP	1.29	1.48	14.7%	998.9	Y	12/2024	12.1	14.8	20.0%	22.6%	10.7	8.7	1.3	12.5%	0.0	1.6%
YINSON HOLDINGS BHD	OP	2.45	3.41	39.2%	7,122.3	N	01/2025	12.9	18.4	24.7%	42.6%	19.0	13.3	1.7	9.4%	3.9	1.7%
<b>Sector Aggregate</b>					<b>141,063.5</b>					<b>41.7%</b>	<b>5.1%</b>	<b>15.1</b>	<b>14.4</b>	<b>1.4</b>	<b>9.9%</b>		<b>1.9%</b>

Source: Kenanga Research

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### 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	★	★	★		
<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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