

28 May 2024

# Keyfield International

## Smooth Sailing

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**KEYFIELD's 1QFY24 results beat expectations on higher charter rates and vessel utilisation. Its 1QFY24 core net profit more than quadrupled on fleet expansion, higher charter rates and utilisation. We raise our FY24-25F net profit forecasts by 15% and 42%, respectively, lift our TP by 42% to RM2.69 (from RM1.90) and maintain our OUTPERFORM call.**

KEYFIELD's 1QFY24 core profit of RM30.3m exceeded expectation at 24.5% of full-year forecast, driven by higher-than-anticipated daily charter rates (DCRs) and vessel utilisation during the monsoon season. The company also declared an interim dividend per share (DPS) of RM0.01, corresponding to a payout ratio of 37%.

**YoY**, its 1QFY24 revenue almost doubled driven by: (i) an addition of four vessels, namely, Lestari, Blooming Wisdom, Helms 1, and IMS Aman), (ii) a 25% increase in average DCR, and (iii) higher vessel utilisation of 64.8% (vs. 47.1% a year ago). Its core profit more than quadrupled as operating cost rose much less than the charter rate.

**QoQ**, its topline declined by 11% due to lower vessel utilisation during the rough weather season, partially cushioned by a 12% rise in DCR. However, its core profit surged 37%, similarly, as operating cost (including staff cost) rose much less than the charter rate.

**Outlook.** We expect stronger quarters in 2QFY24 and 3QFY24 for KEYFIELD as vessel activity normalises post the monsoon season, with all vessels expected to operate near full capacity. The majority of its accommodation work boats (AWB) are currently engaged in medium-term charters of six to nine months. Should demand for AWBs remain robust, we project that the group could secure higher DCR for FY25 by the end of FY24. Given the tight supply of offshore support vessels (OSV) in Malaysia and increasing operational activities, we expect DCRs to continue rising in the coming months.

**Forecasts.** We raise our FY24-25F net profit forecasts by 15% and 42%, respectively, having lifted our average DCR assumptions to RM105,000 to RM124,000 (from RM97,000 to RM102,000).

**Valuations.** We upgrade our TP by 42% to RM2.69 (from RM1.90) pegged to unchanged 11x FY25F PER, which is at slight premium to 10.2x median OSV multiple due to its younger fleet and higher fleet specifications.

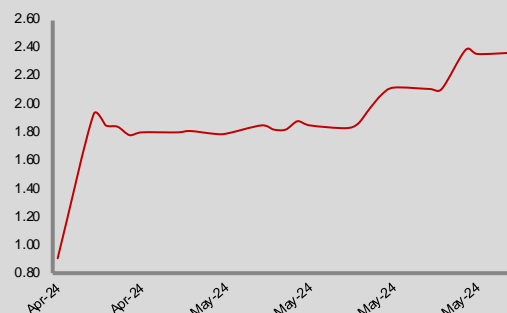
**Investment case.** We like KEYFIELD due to: (i) its presence in the booming AWB subsector on tight supply, (ii) its relatively young fleet age of eight years and DP2-rated vessels which are preferred by clients, and (iii) a strong war chest by virtue of a debt-free balance sheet. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) significant decline in Brent crude prices, (ii) unexpected vessel downtime due to unplanned maintenance, and (iii) decline in oil producers' capex planned.

# OUTPERFORM ↔

**Price:** RM2.36  
**Target Price:** RM2.69 ↑

### Share Price Performance



KLCI	1,618.27
YTD KLCI chg	11.2%
YTD stock price chg	262.2%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	KEYFIELD MK Equity
Market Cap (RM m)	1,896.0
Shares outstanding	800.0
52-week range (H)	2.42
52-week range (L)	1.70
3-mth avg. daily vol.	Na
Free Float	45%
Beta	na

### Major Shareholders

Lavin Group Sdn Bhd	27.0%
Kee Chit Huei	22.7%
Ooi Soo Ping	4.3%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	430.5	456.7	552.0
EBIT	160.5	193.5	274.9
PBT	146.5	193.0	274.6
<b>Net Profit (NP)</b>	<b>105.5</b>	<b>142.5</b>	<b>202.8</b>
<b>Core NP (CNP)</b>	<b>105.5</b>	<b>142.5</b>	<b>202.8</b>
Consensus (CNP)	-	-	-
Earnings Revision (%)	-	+15.4	+42.0
Core EPS (sen)	12.7	17.2	24.5
EPS Growth (%)	98.3	35.1	42.3
DPS (sen)	-	3.4	4.9
BV/Share (RM)	0.3	0.8	1.0
PER (x)	18.5	13.7	9.6
PBV (x)	6.8	2.9	2.3
Net-Gearing (x)	0.7	-0.1	-0.2
Div. Yield (%)	-	1.5	2.1

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Results Highlights					
	1Q	4Q	Q-o-Q	1Q	Y-o-Y
	FY24	FY23		FY23	
<b>FYE Dec (RM m)</b>					
Revenue	106.4	119.5	-11.0%	55.4	92.0%
Cost of sales	-55.3	-73.7	-25.0%	-37.4	48.0%
<b>Gross profit</b>	<b>51.1</b>	<b>45.8</b>	<b>11.6%</b>	<b>18.0</b>	<b>183.2%</b>
Other income	0.5	0.4	3.6%	0.2	136.8%
Operating Cost	-5.7	-9.2	-37.9%	-3.6	61.5%
Other expenses	-1.2	-1.7	-30.8%	-0.9	30.2%
<b>Operating profit</b>	<b>44.7</b>	<b>35.3</b>	<b>26.5%</b>	<b>13.8</b>	<b>223.8%</b>
Finance costs	-2.9	-3.2	-10.0%	-2.4	18.7%
<b>Profit/(loss) before tax</b>	<b>41.8</b>	<b>32.1</b>	<b>30.1%</b>	<b>11.3</b>	<b>268.1%</b>
Taxation	-11.1	-9.2	20.8%	-4.1	174.7%
Non-controlling interest	0.3	0.8	-55.5%	0.1	187.2%
<b>Net profit</b>	<b>30.3</b>	<b>22.1</b>	<b>37.0%</b>	<b>7.2</b>	<b>322.2%</b>
EI	0.0	0.0	nm	0.0	nm
<b>Core net profit</b>	<b>30.3</b>	<b>22.1</b>	<b>37.0%</b>	<b>7.2</b>	<b>322.2%</b>
EPS	3.7	2.7	37.0%	0.9	322.2%
Core EPS	3.7	2.7	37.0%	0.9	322.2%
Vessel utilisation (%)	64.9	72.3		47.1	
Gross margin	48.0%	38.3%		32.6%	
EBIT margin	42.0%	29.6%		24.9%	
PBT margin	39.3%	26.9%		20.5%	
Net margin	28.5%	18.5%		13.0%	
Core net margin	28.5%	18.5%		13.0%	
Effective tax rate	26.6%	28.7%		35.7%	

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	0.545	0.580	6.4%	3,227.9	N	12/2024	13.8	12.6	144%	-9%	3.9	4.3	0.5	13.4%	0.0	0.0%
DIALOG GROUP BHD	OP	2.11	3.10	46.9%	11,905.8	Y	06/2024	9.3	10.3	4%	11%	22.7	20.4	2.0	9.1%	4.2	2.0%
KEYFIELD INTERNATIONAL	OP	2.36	2.69	14.0%	1,896.0	N	12/2024	17.2	24.5	35.1%	42.3%	13.7	9.6	2.9	26.1%	3.0	1.4%
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	4.0%
PETRONAS CHEMICALS GROUP	MP	6.94	6.88	-0.9%	55,520.0	Y	12/2024	44.9	45.9	111%	2%	15.5	15.1	1.3	8.7%	22.4	3.2%
PETRONAS DAGANGAN BHD	OP	19.96	23.70	18.7%	22,074.5	Y	12/2024	99.7	109.8	1%	10%	22.3	20.2	3.7	16.9%	79.8	3.6%
PETRON MALAYSIA REFINING	MP	4.59	4.74	3.3%	1,239.3	Y	12/2024	99.6	89.6	-1%	-10%	4.6	5.1	0.5	10.6%	20.0	4.4%
VELESTO ENERGY BHD	OP	0.280	0.340	21.4%	2,300.4	Y	12/2024	1.8	2.1	47%	17%	15.8	13.4	0.9	5.7%	0.0	0.0%
WASCO BHD	OP	1.18	1.48	25.4%	913.7	Y	12/2024	12.1	14.8	20%	23%	9.8	8.0	1.1	12.5%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.41	3.39	40.7%	7,006.0	N	01/2024	12.9	18.4	25%	43%	18.7	13.1	1.7	9.4%	3.87	1.6%
<b>SECTOR AGGREGATE</b>					<b>141,051.9</b>					<b>42%</b>	<b>5%</b>	<b>15.1</b>	<b>14.4</b>	<b>1.3</b>	<b>9.9%</b>		<b>1.7%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Transition to Low-Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	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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