

21 January 2025

Keyfield International

Labuan Vessel Visit

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We came away from a visit to KEYFIELD's Labuan operations feeling more confident in the company's operational capabilities. In FY25, its three incoming vessels, in our view, will likely secure charters as soon as they are ready for deployment due to the tight OSV market. During the ongoing monsoon season, five vessels will undergo dry docking, ensuring they are well-prepared for what is expected to be a busy year ahead. We maintain our earnings forecasts, TP of RM3.18 and OUTPERFORM call.

Amid the backdrop of the removal of overhang from the Petronas and PETROS saga, investors are more interested in what lies ahead for KEYFIELD, and we hosted some investors to Labuan to visit two of its vessels, Keyfield Wisdom (formerly known as Blooming Wisdom) and Falcon to witness the day-to-day operations of the vessels and understand more on KEYFIELD's ability to secure more favourable daily charter rates (DCR) by understanding more about its vessel capabilities. The visit has reinforced our positive view of the group's operational standards and vessel maintenance practices.

Three new vessels to drive growth in FY25. We anticipate that KEYFIELD's earnings growth in FY25 will be primarily driven by three key vessels. Aulia, a 5,150 bhp DP1 AHTS, delivered in August 2024, will contribute fully in its maiden year in FY25. Itqan (AWB), currently undergoing retrofitting, is expected to be operational by 2QFY25. Additionally, Gratitude, a DP2-enabled PSV, will be delivered in February 2025 and operational by June 2025. However, we have conservatively factored in earnings contributions only from Aulia and Itqan, as they are secured with term charters, while for Gratitude, it is pending charter announcements.

Busy dry-docking schedule in 2025. From December 2024 to February 2025, five accommodation workboats (AWBs) - Lestari, Compassion, Amanah, Commander, and Itqan (retrofitting) - are scheduled for dry-docking, followed by Laguna Setia 2 from October to December 2025. These dry-docking activities are strategically planned during the monsoon season (typically 1Q and 4Q), minimising disruptions to operations. Given the robust demand for vessels, we expect KEYFIELD to maintain a vessel utilisation rate of 80% or higher in FY25, ensuring consistent operational efficiency.

Outlook. The growth in FY25F earnings will be mainly underpinned by Itqan and Aulia (AHTS)'s maiden contributions to the group. Overall, we maintain that DCRs will continue to trend upward in 2025 in the local OSV market, as supply remains tight while demand continues to increase.

Forecasts. Maintained.

Valuations. We maintain our TP of RM3.18 pegged to unchanged 11x FY25F PER, which is at a 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 exposure to the booming local OSV industry, (ii) its relatively young fleet age of eight years and DP2-rated vessels which are preferred by clients, and (iii) its inclusion as a panel contractor for AHTS for Petronas which could open doors for more third party AHTS charters. 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: RM2.43
Target Price: RM3.18 ↔

Share Price Performance



KLCI 1,572.34
YTD KLCI chg -4.3%
YTD stock price chg 13.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KEYFIELD MK Equity
Market Cap (RM m)	1,992.8
Shares outstanding	803.5
52-week range (H)	2.90
52-week range (L)	1.70
3-mth avg. daily vol.	871,171
Free Float	46%
Beta	N/A

Major Shareholders

Lavin Group Sdn Bhd	27.0%
Dato Kee Chit Huei & Spouse	27.0%
Mohd Erwan	10.0%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	430.5	522.6	625.3
EBIT	160.5	259.4	323.9
PBT	146.5	258.9	323.6
Net Profit (NP)	105.5	191.2	239.0
Core NP (CNP)	105.5	191.2	239.0
Consensus (CNP)	-	-	-
Earnings Revision (%)	-	-	-
Core EPS (sen)	12.7	23.1	28.9
EPS Growth (%)	98.3	81.3	25.0
DPS (sen)	-	9.2	11.5
BV/Share (RM)	0.3	0.8	1.0
PER (x)	19.5	10.8	8.6
PBV (x)	7.1	3.1	2.5
Net-Gearing (x)	0.7	-	-0.1
Div. Yield (%)	-	3.7	4.6

21 January 2025

Keyfield Wisdom. Upon landing, we were transported to the Labuan shipyard where Keyfield Wisdom is berthed and stayed overnight in the accommodation quarters. The rooms were sufficiently spacious for the stay and the air-conditioning system is also more than sufficient to counter the potential heat from the weather particularly when working offshore. During the visit, we also learnt more about the intricacies in operating a large accommodation barge. We understand that a barge with no propulsion will need eight anchors to hold it in place in offshore operations (with the help of AHTS) and these processes could take days to complete, indicating the complexity of offshore operations even just for accommodation barges.

The barge is currently not being drydocked at the yard but it is undergoing normal maintenance while berthing at the Labuan shipyard. Keyfield Wisdom is also loaded with safety redundancies with two offshore-trained medics assigned in a mini-hospital facility and the facility is also equipped with quarantine facilities in the case of any potential virus outbreak. All in all, we believe that Keyfield Wisdom would be an attractive option for its end-users (oil producers like Petronas or Shell) and for major upstream maintenance jobs (which are typically labour-intensive) due to its young age as a complete offering of amenities for personnel on board. We also expect the barge to be busy working in the coming months or years as Petronas and Shell have just announced the Pan Malaysia umbrella maintenance contracts in late Dec 2024.

Timely maintenance key for vessel uptime sustainability. From our perspective, KEYFIELD appears to be maintaining its vessels diligently as the conditions for both Keyfield Wisdom and Falcon remain above average. KEYFIELD Falcon, in particular, is c.seven years old but remains in a pristine condition. We believe that the maintenance works on vessels are highly crucial as they affect vessel uptime, especially when the OSV age exceeds ten years. Therefore, we believe that the group's overall fleet age of 8.5 years on average, coupled with timely preventive maintenance, will ensure that its overall fleet utilisation could be maintained at 80% or above, typically an optimum level for fleet profitability.

Exhibit 1: Keyfield Wisdom External View



Source: Company, Kenanga Research

Exhibit 2: Keyfield Wisdom Crane



Company, Kenanga Research

Exhibit 3: Keyfield Wisdom Cabin View



Source: Company, Kenanga Research

Exhibit 4: Azimuth system (part of DP2 system)



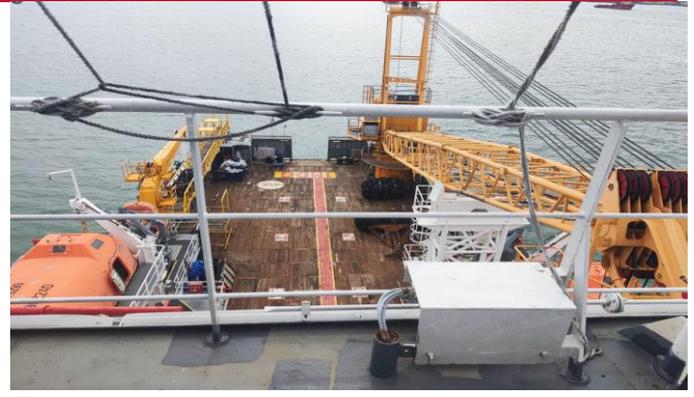
Source: Company, Kenanga Research

Exhibit 5: Keyfield Falcon External View



Source: Company, Kenanga Research

Exhibit 6: Deckview from the Top



Source: Company, Kenanga Research

Keyfield Falcon, a DP2 accommodation work boat. Following our overnight stay on Keyfield Wisdom, we had the opportunity to visit Falcon, KEYFIELD’s DP2-enabled accommodation work boat. Delivered in 2017 and acquired by KEYFIELD in 2021, Falcon offers accommodations for up to 200 personnel, 820 sqm of deck space for equipment, and a 70 MT crane for heavy lifting. Currently anchored at Labuan anchorage for annual maintenance, the vessel is set for deployment for its next charter. A key differentiator for *Falcon* is its diesel-electric hybrid propulsion system, which reduces fuel consumption and emissions of sulphur dioxide and carbon dioxide, positioning it as a more environmentally friendly option compared to conventional diesel-powered vessels.

DP2-vessels are more flexible and less time-consuming to operate. DP2 vessels, such as *Falcon*, provide significant operational flexibility and efficiency by using advanced computer-controlled systems with redundant positioning references (e.g. GPS, acoustic beacons, and laser systems), enabling precise station-keeping without physical anchoring. This capability makes DP2 vessels ideal for deeper waters or challenging seabed conditions where mooring is impractical. Additionally, DP2 vessels offer shorter turnaround times, as they can be mobilised and demobilised without the complexities associated with heavy anchor handling. This efficiency minimises downtime for field operators, translating into potential cost savings despite their higher daily charter rates (DCR). Given the current market climate with increasing upstream activities, we believe that KEYFIELD’s fleet of DP2-enabled AWBs will stand out to clients in FY25, offering operational efficiency and cost advantages.

Exhibit 7: Engine Control Room



Source: Company, Kenanga Research

Exhibit 8: Search Light



Source: Company, Kenanga Research

21 January 2025

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.				
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.680	0.600	-11.8%	4,031.0	Y	12/2024	15.1	11.9	167.5%	-21.6%	4.5	5.7	0.6	14.5%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	2.20	3.80	72.7%	2,547.1	Y	12/2024	25.9	29.1	37.1%	12.7%	8.5	7.5	1.4	17.0%	6.0	2.7%
DIALOG GROUP BHD	OP	2.00	3.37	68.5%	11,285.4	Y	06/2025	11.1	11.8	3.6%	5.6%	18.0	17.0	1.8	10.3%	5.0	2.5%
KEYFIELD INTERNATIONAL	OP	2.48	3.18	28.2%	1,992.8	Y	12/2024	23.1	28.9	81.2%	25.0%	10.7	8.6	2.9	38.3%	5.0	2.0%
MISC BHD	MP	7.18	7.78	8.4%	32,049.7	Y	12/2024	50.7	50.1	5.1%	-1.1%	14.2	14.3	0.8	5.7%	30.0	4.2%
PETRONAS CHEMICALS GROUP	MP	4.74	5.47	15.4%	37,920.0	Y	12/2024	25.1	36.5	23.4%	45.3%	18.9	13.0	0.9	4.9%	13.0	2.7%
PETRONAS DAGANGAN BHD	OP	19.44	21.20	9.1%	19,312.7	Y	12/2024	99.7	109.8	1.4%	10.1%	19.5	17.7	3.2	16.9%	80.0	4.1%
PETRON MALAYSIA REFINING	MP	4.17	4.15	-0.5%	1,125.9	Y	12/2024	65.6	87.4	-34.9%	33.3%	6.4	4.8	0.4	7.0%	20.0	4.8%
VELESTO ENERGY BHD	OP	0.195	0.210	7.7%	1,602.0	Y	12/2024	100.0	100.0	83.0%	-22.9%	0.2	0.2	0.0	7.1%	0.0	0.0%
WASCO BHD	OP	1.22	1.83	50.0%	944.7	Y	12/2024	16.1	17.6	61.5%	9.5%	7.6	6.9	1.1	16.2%	2.0	1.6%
YINSON HOLDINGS BHD	OP	2.43	3.87	59.3%	7,085.3	N	01/2025	16.6	20.3	38.1%	22.1%	14.6	12.0	1.4	9.7%	5.0	2.1%
SECTOR AGGREGATE					120,831.1							14.5	12.8	1.3	12.4%		2.1%

Source: Kenanga Research

Stock ESG Ratings:

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