

16 April 2025

Keyfield International

Dipping Toes into Cable Laying Barge

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KEYFIELD announced it is acquiring a DP2 cable laying barge for cash consideration of USD20.6m with a bareboat charter for one-year firm and an additional one-year extension. We believe it is a good purchase as it implies a 6.9x PER at our forecasted full-year PAT of RM13.2m while also diversifying the group's income into non-oil & gas related charter business. We increased our FY25-26F earnings by 5-6%, which led to a 3% increase in TP to RM2.12 (from 2.03) and maintain its OUTPERFORM rating.

KEYFIELD announced the acquisition of a cable-laying barge which was build in 2023, to be renamed Keyfield Blessing, for USD20.6m (approximately RM90.8m) from Taizhou Sanfu Ship Engineering. Concurrently, the group has also secured a one-year bareboat charter agreement with a one-year extension option with Dejing Group, with a total contract value of USD9.1m, assuming full-term execution.

Dejing Group, a China-incorporated private company established in June 2008, is principally engaged in power transmission and marine engineering construction. The charter relates to a subcontract from Hengtong Optic-Electric Co., Ltd. for the Farasan Submarine Cable Project in Saudi Arabia, involving the installation of over 300 km of submarine power cables and more than 110 km of bundled submarine fibre optic cables.

The acquisition is value-accretive, in our view, implying a forward PER of 6.9x based on an estimated PAT contribution of RM13.2m, assuming an effective daily charter rate (DCR) of RM56,000 over a full-year period. This compares favourably with our target multiple of 9x, which already reflects the more cautious macro-outlook.

Outlook. Overall, we maintain that DCRs will continue to remain stable or trend slightly lower YoY in the local OSV market despite the worsening global macro conditions, as supply remains tight while client demand continues to increase. Nevertheless, we maintain our positive view on KEYFIELD due to its more competitive fleet of vessels based on age and specifications, and we believe it will be one of the first to capture potential upsides in the OSV markets when the global macro environment recovers. The group is also targeting for its non-oil and gas vessel segment to contribute approximately 20% of its total revenue in the medium term, in line with its strategy to reduce reliance on the upstream oil and gas cycle.

Forecasts. We increase FY25-26F earnings by 5-6% to account for the accretive income from Keyfield Blessing after assuming DCR of RM56,000 for bareboat charter. For charter durations, we assume 8 months and 12 months, respectively, for FY25-26.

Valuations. As a result, we upgrade our TP by 5% to RM2.12 from RM2.03 pegged to unchanged 9x FY25F PER, which is conservatively valuing it at -1SD PER for upstream service companies to account for weaker oil price outlook.

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. 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: **RM1.76**
Target Price: **RM2.12** ↑

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,486.43 |
| YTD KLCI chg | -9.5% |
| YTD stock price chg | -19.3% |

Stock Information

| | |
|-----------------------|--------------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | KEYFIELD MK Equity |
| Market Cap (RM m) | 1,416.5 |
| Shares outstanding | 804.8 |
| 52-week range (H) | 2.90 |
| 52-week range (L) | 1.68 |
| 3-mth avg. daily vol. | 1,397,766 |
| Free Float | 40% |
| Beta | - |

Major Shareholders

| | |
|-----------------------------|-------|
| Lavin Group Sdn Bhd | 27.0% |
| Dato Kee Chit Huei & Spouse | 27.0% |
| Mohd Erwan | 6.0% |

Summary Earnings Table

| FY Dec (RM m) | 2024A | 2025F | 2026F |
|------------------------|--------------|--------------|--------------|
| Revenue | 687.2 | 538.1 | 621.4 |
| EBIT | 309.7 | 264.8 | 359.8 |
| PBT | 304.2 | 264.5 | 359.5 |
| Net Profit (NP) | 226.9 | 195.3 | 265.5 |
| Core NP (CNP) | 226.9 | 195.3 | 265.5 |
| Consensus (CNP) | - | - | - |
| Earnings Revision (%) | - | 4.8 | 5.6 |
| Core EPS (sen) | 27.4 | 23.6 | 32.1 |
| EPS Growth (%) | 115.2 | -13.6 | 35.9 |
| DPS (sen) | 11.0 | 9.4 | 12.8 |
| BV/Share (RM) | 0.9 | 1.0 | 1.1 |
| PER (x) | 6.2 | 7.5 | 5.5 |
| PBV (x) | 2.2 | 1.8 | 1.5 |
| Net-Gearing (x) | 0.0 | -0.2 | -0.3 |
| Div. Yield (%) | 6.3 | 5.4 | 7.3 |

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| Income Statement | | | | | | Financial Data & Ratios | | | | | |
|---------------------------|-------------|--------------|--------------|--------------|--------------|--------------------------|-------|-------|-------|-----------|-----------|
| FY Dec (RM m) | 2022 A | 2023 A | 2024 A | 2025 F | 2026 F | FY Dec | 2022A | 2023A | 2024A | 2025 F | 2026 F |
| Revenue | 236.2 | 430.5 | 625.3 | 538.1 | 621.4 | Growth (%) | | | | | |
| EBIT | 73.7 | 160.5 | 329.8 | 264.8 | 359.8 | Revenue | 69.0 | 82.2 | 21.4 | -13.9 | 15.5 |
| Interest Exp | -8.7 | -13.9 | -0.3 | -0.3 | -0.3 | EBIT | 156.5 | 117.6 | 61.7 | -19.2 | 35.9 |
| Associate & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | PBT | 159.8 | 125.4 | 76.8 | -19.0 | 35.9 |
| PBT | 65.0 | 146.5 | 304.2 | 264.5 | 359.5 | Net Profit | 177.4 | 115.8 | 81.4 | -13.6 | 35.9 |
| Taxation | -15.2 | -39.4 | -64.8 | -66.1 | -89.9 | Profitability (%) | | | | | |
| MI | 1.0 | 1.6 | 3.0 | 3.0 | 4.1 | EBIT | 31.2 | 37.3 | 49.6 | 49.2 | 57.9 |
| Net Profit | 48.9 | 105.5 | 226.9 | 195.3 | 265.5 | PBT Margin | 27.5 | 34.0 | 49.6 | 49.2 | 57.9 |
| Core Profit | 53.2 | 105.5 | 226.9 | 195.3 | 265.5 | Net Margin | 22.5 | 24.5 | 36.6 | 36.3 | 42.7 |
| Balance Sheet | | | | | | Effective Tax Rate | 23.3 | 26.9 | 25.0 | 25.0 | 25.0 |
| FY Dec (RM m) | 2022 A | 2023 A | 2024 A | 2025 F | 2026 F | ROA | 10.6 | 15.3 | 22.9 | 20.4 | 23.7 |
| Fixed Assets | 369 | 501 | 581 | 548 | 550 | ROE | 28.3 | 36.6 | 28.5 | 24.7 | 28.0 |
| Intangible Assets | - | - | - | - | - | DuPont Analysis | | | | | |
| Other LT assets | 21 | 16 | 16 | 16 | 16 | Net Margin (%) | 22.5 | 24.5 | 36.6 | 36.3 | 42.7 |
| Inventories | 2 | 3 | 4 | 4 | 4 | Assets Turnover (x) | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Receivables | 88 | 94 | 208 | 214 | 247 | Leverage Factor (x) | 2.7 | 2.4 | 1.2 | 1.2 | 1.2 |
| Other CA | 1 | 4 | 4 | 4 | 4 | ROE (%) | 28.3 | 36.6 | 28.5 | 24.7 | 28.0 |
| Cash | 23 | 73 | 24 | 171 | 298 | Leverage | | | | | |
| Total Assets | 504 | 691 | 837 | 958 | 1119 | Debt/Asset (x) | 0.5 | 0.4 | 0.0 | 0.0 | 0.0 |
| Payables | 34 | 41 | 63 | 66 | 64 | Debt/Equity (x) | 1.1 | 0.7 | 0.0 | -0.2 | -0.3 |
| ST Borrowings | 52 | 3 | 3 | 0 | 0 | N. Debt/(Cash) | 205.8 | 199.6 | -15.4 | - | - |
| Other ST Liability | 22 | 50 | 14 | 14 | 14 | Net Debt/Equity (x) | 1.1 | 0.7 | 0.0 | -0.2 | -0.3 |
| LT Borrowings | 27 | 6 | 6 | 6 | 6 | Valuations | | | | | |
| Other LT Liability | 176 | 298 | 70 | 70 | 70 | EPS (sen) | 6.4 | 12.7 | 23.1 | 23.6 | 32.1 |
| Minorities Int. | 4 | 6 | 9 | 12 | 16 | DPS (sen) | 0.0 | 0.0 | 9.2 | 9.4 | 12.8 |
| Perpetual | 0 | 0 | 0 | 0.0 | 0.0 | BVPS (RM) | 0.2 | 0.3 | 0.8 | 1.0 | 1.1 |
| Net Assets | 188 | 288 | 672 | 789 | 949 | PER (x) | 27.4 | 13.8 | 7.6 | 7.5 | 5.5 |
| Share Capital | 125 | 125 | 394 | 394 | 394 | Div. Yield (%) | 0.0 | 0.0 | 5.3 | 5.4 | 7.3 |
| Reserves | 63 | 163 | 278 | 395 | 554 | P/BV (x) | 7.8 | 5.1 | 2.2 | 1.8 | 1.5 |
| Equity | 188 | 288 | 672 | 789 | 949 | | | | | | |
| Cashflow Statement | | | | | | | | | | | |
| FY Dec (RM m) | 2022 A | 2023 A | 2024 A | 2025 F | 2026 F | | | | | | |
| Operating CF | 62.5 | 184.5 | 142.6 | 233.6 | 273.3 | | | | | | |
| Investing CF | -11.2 | -29.0 | - | -6.0 | -40.0 | | | | | | |
| Financing CF | -49.0 | 104.1 | -71.1 | -80.8 | 106.2 | | | | | | |

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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 | 0.455 | 0.600 | 31.9% | 2,697.2 | Y | 12/2025 | 8.7 | 8.0 | -22.3% | -7.6% | 5.2 | 5.7 | 0.5 | 10.8% | 0.0 | 0.0% |
| DAYANG ENTERPRISE HLDGS BHD | MP | 1.58 | 1.66 | 5.1% | 1,829.3 | Y | 12/2025 | 25.9 | 18.4 | 37.1% | -28.9% | 6.1 | 8.6 | 1.0 | 17.0% | 6.0 | 3.8% |
| DIALOG GROUP BHD | OP | 1.30 | 1.94 | 49.2% | 7,335.5 | Y | 06/2025 | 8.6 | 8.7 | -19.9% | 1.5% | 15.1 | 14.9 | 1.2 | 8.0% | 4.0 | 3.1% |
| KEYFIELD INTERNATIONAL | OP | 1.76 | 2.12 | 19.9% | 1,416.5 | Y | 12/2025 | 23.6 | 32.1 | 1.4% | 36.4% | 7.5 | 5.5 | 1.9 | 25.6% | 9.0 | 5.1% |
| MISC BHD | MP | 7.06 | 7.78 | 10.2% | 31,514.0 | Y | 12/2025 | 50.1 | 47.0 | 2.9% | -6.2% | 14.1 | 15.0 | 0.8 | 5.9% | 36.0 | 5.1% |
| PETRONAS CHEMICALS GROUP | MP | 3.15 | 3.11 | -1.3% | 25,200.0 | Y | 12/2025 | 27.1 | 39.3 | 84.5% | 45.2% | 11.6 | 8.0 | 0.6 | 5.5% | 14.0 | 4.4% |
| PETRONAS DAGANGAN BHD | MP | 18.94 | 21.20 | 11.9% | 18,816.0 | Y | 12/2025 | 110.4 | 113.0 | -0.8% | 2.3% | 17.2 | 16.8 | 3.0 | 18.0% | 88.0 | 4.6% |
| VELESTO ENERGY BHD | MP | 0.150 | 0.150 | 0.0% | 1,232.3 | Y | 12/2025 | 1.7 | 2.1 | -32.4% | 23.6% | 8.8 | 7.1 | 0.5 | 5.3% | 1.0 | 6.7% |
| WASCO BHD | MP | 0.820 | 0.890 | 8.5% | 634.9 | Y | 12/2025 | 2.3 | 2.3 | -10.8% | -2.0% | 35.3 | 36.0 | 5.8 | 17.8% | 2.0 | 2.4% |
| YINSON HOLDINGS BHD | OP | 1.82 | 3.15 | 73.1% | 5,067.7 | N | 01/2026 | 16.6 | 22.2 | 20.3% | 33.4% | 10.9 | 8.2 | 1.1 | 10.0% | 5.0 | 2.7% |
| SECTOR AGGREGATE | | | | | 96,636.4 | | | | | | | 12.0 | 10.6 | 1.5 | 11.5% | | 3.2% |

Source: Kenanga Research

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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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Published by:

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