

02 March 2026

Lianson Fleet Group

Patience Before Harvest

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LFG's FY25 core profit fell short of expectations due to lower-than-expected OSV utilisations but DPS surprised on the upside for RM0.05/share full-year. FY25 profit was stronger YoY due to stronger overall vessel utilisation and maiden contribution from its newly acquired bulk carriers. In FY26, its OSV business will be largely anchored by sustained strength in AHTS market but growth catalysts would stem from potential third-party rig charters. We cut our FY26F earnings to account for more conservative OSV utilisations, reduce TP to RM2.30, and maintain OURPERFORM.

In FY25, the company reported a core profit of RM46.2m, after excluding EI of RM4.7m unrealised forex gain, RM56.1m gain on disposal of OSV and RM4.1m impairment of vessels). This result was below both our expectations (84%) and the consensus (73%). The significant deviation from expected earnings was primarily due to lower-than-anticipated vessel utilisation. RM0.02/share DPS were declared, bringing FY25F DPS to RM0.05/share (41% of reported profit), above our expectations.

YoY, in 4QFY25, the company's revenue surged by 23% large due to the acquisition of marine assets from Liannex group (five bulk carriers) while being offset by OSV disposals. Core profit leapt by 47% YoY as operating costs increased at a slower rate of 9%.

QoQ, the company's topline improved slightly by 4% due to higher vessel charter days of its marine division (bulk tankers). Core profit declined 93%, however, due to the increase in cost of sales and opex due to seasonality in its OSV business.

Outlook. Its OSV earnings base is expected to remain stable YoY in FY26 as its AHTS fleet is expected to see sustained strength in DCRs while its AWBs are locked into longer term charters. The growth driver will be its newly formed drilling division (JV with PetroVietnam) where the group could target the third-party charter of up to two jack-up rigs in Malaysia. On a longer term, the acquisition of Phu My port and warehouse in Vietnam paves the way for cable manufacturing and potentially laying cables to serve the Vietnam link of AEESEAN power grid project for subsea power cables

Forecasts. FY26F earnings are cut by 14% as we cut our OSV vessel utilisation assumption to 76% from 80%.

Valuations. As a result, our SoP-TP is cut slightly by 4% to **RM2.30** from RM2.40.

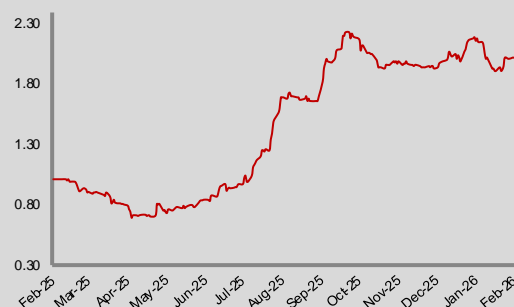
Investment case. We like LFG due to: (i) recycling of capital from selling OSV vessels at favourable pricing and ploughing it into expanding its other businesses, (ii) venture into asset-light drilling business with huge potential due to the lack of local competitors, and (iii) a potential ASEAN Power Grid beneficiary with the group's intention. We now rate the stock at OUTPERFORM.

Risks to our call include: (i) global recession bringing oil prices lower, (ii) significant delay in APG timeline, and (iii) inability to charter in drilling rigs at favourable pricing.

OUTPERFORM ↔

Price: **RM2.00**
Target Price: **RM2.30** ↓

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	-3.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LFG MK Equity
Market Cap (RM m)	2,332.1
Shares outstanding	1,166.0
52-week range (H)	2.25
52-week range (L)	0.70
3-mth avg. daily vol.	1,025,723
Free Float	44%
Beta	1.2

Major Shareholders

Liannex Maritime Sdn Bhd	30.7%
Liannex Corp S Pte	18.0%
Hallmark Odyssey Sdn	2.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	289.7	361.7	365.7
EBIT	125.9	137.2	140.1
PBT	109.5	152.3	201.6
Net Profit (NP)	100.4	112.0	148.2
Core NP (CNP)	46.2	112.0	148.2
Consensus (CNP)	63.5	115.0	118.0
Earnings Revision (%)	-	-13.5	-
Core EPS (sen)	8.7	9.8	12.9
EPS Growth (%)	122.9	11.5	32.3
DPS (sen)	5.0	4.0	4.0
BV/Share (RM)	0.7	0.8	0.9
PER (x)	22.9	20.5	15.5
PBV (x)	2.7	2.5	2.2
Net-Gearing (x)	0.2	0.1	-0.1
Div. Yield (%)	2.5	2.0	2.0

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Results Highlights								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y			Y-o-Y
	FY25	FY25		FY24		FY25	FY24	
FYE : Dec (RM m)								
Revenue	85.6	82.1	4.3%	77.8	10.0%	289.7	235.8	22.9%
Cost of sales	-66.9	-51.8	29.3%	-41.7	60.3%	-198.6	-163.4	21.6%
Gross profit	18.7	30.3	-38.3%	36.1	-48.2%	91.1	72.4	25.8%
Other income	65.0	10.8	499.7%	1.3	5017.8%	86.2	6.5	1222.3%
Operating Cost	-9.3	-8.2	13.5%	-8.0	15.2%	-31.0	-33.9	-8.8%
Other expenses	-18.9	0.0	-	-1.6	1057.4%	-20.2	-1.6	1141.4%
Operating profit	55.6	33.0	68.5%	27.7	100.5%	126.1	43.4	190.9%
Finance costs	-7.0	-3.2	118.1%	-1.8	280.2%	-16.4	-10.5	56.5%
Profit/(loss) before tax	48.5	29.6	63.4%	25.9	87.3%	109.5	32.9	232.8%
Taxation	-2.3	-1.6	42.4%	0.9	-360.4%	-8.4	-5.8	44.8%
Non-controlling interest	8.6	3.8	125.9%	-15.7	-155.0%	0.7	-18.0	-103.7%
Net profit	37.6	24.2	55.0%	42.4	-11.4%	101.1	27.1	273.3%
EI	-36.7	-11.8	209.4%	-15.2	141.4%	-54.2	-13.7	295.7%
Core net profit	0.9	12.4	-92.7%	27.2	-96.7%	46.2	31.3	47.4%
EPS	6.9	4.5	55.0%	7.8	-11.4%	18.5	8.3	122.9%
Core EPS	0.2	2.3	-92.7%	5.0	-96.7%	8.5	5.8	47.4%
Vessel utilisation (%)	78.0	82.0	-4.9%	83.0	-6.0%	71.0	68.5	3.6%
Gross margin	21.8%	36.9%		46.4%		31.4%	30.7%	
EBIT margin	64.9%	40.2%		35.6%		43.5%	18.4%	
PBT margin	56.6%	36.1%		33.2%		37.8%	14.0%	
Net margin	43.9%	29.5%		54.5%		34.9%	11.5%	
Core net margin	1.1%	15.1%		35.0%		15.9%	13.3%	
Effective tax rate	4.7%	5.4%		-3.4%		7.7%	17.7%	

Source: Company, Kenanga Research

Exhibit 2: SoP Valuation

	<u>RM m</u>	<u>Valuation Metric</u>
OSV	571.8	Pegged to 11x FY26F PER
Drilling (40%)	1,134.4	Pegged to 30x FY26F PER
Logistics	473.5	Pegged to 15x FY26F PER
Cable business	629.99	DCF based on 30% stake (WACC: 5.3%)
Warrant conversion proceeds	323.40	Assume full conversion of warrant A and warrant B
Total	3,133.17	
Number of shares (m)	1359.29	
SoP-value per share (RM)	2.30	

Source: Bloomberg

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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	OP	0.315	0.450	42.9%	1,867.3	Y	12/2026	6.1	5.4	-45.7%	-10.9%	5.2	5.8	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.79	1.90	6.1%	2,072.4	Y	12/2026	16.1	18.8	7.8%	17.0%	11.1	9.5	1.1	9.8%	11.0	6.1%
DIALOG GROUP BHD	OP	1.76	2.28	29.5%	9,931.1	Y	06/2026	10.4	11.4	31.4%	9.7%	16.9	15.4	1.6	9.9%	5.0	2.8%
LIANSON FLEET GROUP BHG	OP	2.00	2.30	20.0%	2,332.1	Y	12/2026	8.7	10.3	0.0%	18.7%	23.1	19.5	2.2	11.9%	0.0	0.0%
KEYFIELD INTERNATIONAL	MP	1.45	1.57	8.3%	1,170.7	Y	12/2026	14.0	17.5	-49.6%	24.3%	10.3	8.3	1.5	15.6%	6.0	4.1%
MISC BHD	OP	8.07	8.60	6.6%	36,022.4	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.1	16.3	1.0	6.2%	36.0	4.5%
PETRONAS CHEMICALS GROUP	OP	3.00	4.10	36.7%	24,000.0	Y	12/2026	4.0	4.1	-48.7%	0.6%	74.2	73.8	0.7	0.9%	2.0	0.7%
PETRONAS DAGANGAN BHD	MP	21.98	21.20	-3.5%	21,836.1	Y	12/2026	116.9	116.5	5.7%	-0.4%	18.8	18.9	3.5	19.1%	94.0	4.3%
UZMA BHD	OP	0.395	0.600	51.9%	235.2	Y	06/2026	14.8	15.9	6.9%	7.5%	2.7	2.5	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.305	0.320	4.9%	2,505.8	Y	12/2026	2.0	2.1	-21.5%	7.3%	15.4	14.3	0.9	6.1%	3.0	9.8%
WASCO BHD	OP	1.00	1.32	32.0%	774.3	Y	12/2026	1.5	1.7	-41.5%	9.4%	65.5	59.9	6.3	10.1%	5.0	5.0%
YINSON HOLDINGS BHD	OP	2.35	2.84	20.9%	6,867.6	N	01/2026	16.6	20.4	20.3%	22.3%	14.1	11.5	1.4	10.1%	6.0	2.6%
SECTOR AGGREGATE					109,612.0					12.1%	5.3%	18.7	17.8	1.7	9.8%		3.3%

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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