

03 March 2026

# Velesto Energy

## Secured Long-term Job

By **Lim Sin Kiat, CFA** / [limsk@kenanga.com.my](mailto:limsk@kenanga.com.my)

**VELESTO** has won a 5-year job from **Petronas Carigali** for an implied DCR of **USD86,000/day**. The DCR secured was below our **USD110,000/day** assumption but the higher expected utilisation is expected to be offset with the lower DCR secured. Maintain forecast, kept TP unchanged at **RM0.32** pegged to unchanged **1x FY27F PBV**. Maintain **MARKET PEFORM** call.

**VELESTO** has announced that it has received a letter of award from **Petronas Carigali** for provision of rig (**Naga 2**) for 2026-2030, with a contract value of **USD157m**. The implied DCR based on 100% yearly utilisation is at **USD86,000/day**.

The win is positive but it is below our average assumption of **USD110,000/day**. However, the higher expected rig utilisation is expected to balance out the lower DCR as our assumption of utilisation for **Naga 2** is at 80%. Hence, overall, we deem the win still within our expectation. The win puts 4 out of 5 rigs of **VELESTO** under charter in **FY26** with only **Naga 6** required to secure another charter in **2HFY26F**.

**Forecasts.** Maintained.

**Valuations.** We maintain our TP at **RM0.32** pegged to **1x FY27F PBV** (rolled over by a year) which is already at **+2SD** of its 2-year average due to the company's bigger headroom to pay higher dividends as well as its stronger balance sheet position outlook. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see page 4).

**Investment case.** We like **VELESTO** due to: (i) strong free cash flows trajectory moving forward as less capex are planned in the medium term, (ii) its rig utilisation which will be stronger YoY offsetting potential downsides in DCRs in **FY26**, and (iii) the group's ability to pay above **PAT** level for dividends without affecting its cash position. The dividend payout above **PAT** could not be sustained for more than two years in our view as it will eventually erode its retained earnings should earnings do not improve further. Maintain **MARKET PERFORM**.

**Risks to our call include:** (i) global recession bringing oil prices lower, (ii) higher occurrence of breakdown in its aging rig fleet, and (iii) weaker than expected jack-up rig demand in the Middle East.

## MARKET PERFORM ↔

Price : **RM0.32**  
Target Price : **RM0.32** ↔

### Share Price Performance



KLCI	1,602.69
YTD KLCI chg	-2.4%
YTD stock price chg	64.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	VEB MK Equity
Market Cap (RM m)	2,095.0
Shares Outstanding	8,215.6
52-week range (H)	0.27
52-week range (L)	0.13
3-mth avg daily vol:	24,173,890
Free Float	49%
Beta	0.7

### Major Shareholders

Amanah Saham Nasional	43.8%
Yayasan Pelaburan	7.7%
Urusharta Jamaah	4.2%

### Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	898.6	770.0	812.4
EBIT	238.4	239.6	282.1
PBT	235.7	240.8	284.3
<b>Net Profit (NP)</b>	<b>202.2</b>	<b>180.6</b>	<b>213.2</b>
<b>Core NP</b>	<b>174.2</b>	<b>180.6</b>	<b>213.2</b>
Consensus CNP	-	172.6	177.5
Earnings revision (%)	-	-	-
Core EPS (sen)	2.1	2.2	2.6
C. EPS Growth (%)	-16.1	3.7	18.1
DPS (sen)	3.0	1.5	1.8
BVPS (RM)	0.3	0.3	0.3
Core PER (x)	15.1	14.6	12.3
Price/BV (x)	1.1	1.1	1.0
Net Gearing (x)	-0.1	-0.1	-0.1
Div. Yield (%)	9.3	4.8	5.7





### 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	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%
<b>SECTOR AGGREGATE</b>					<b>109,612.0</b>					<b>12.1%</b>	<b>5.3%</b>	<b>18.7</b>	<b>17.8</b>	<b>1.7</b>	<b>9.8%</b>		<b>3.3%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★	★			
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
<b>SPECIFIC</b>	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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

