

26 May 2026

# Lianson Fleet Group

## Deferred Ambitions

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LFG's 1Q26 core profit fell short of expectations due to lower-than-expected OSV utilisations and slower-than-expected third-party rig charter wins. OSV remains flattish YoY while third-party rig jobs are expected to come later in FY27. We cut our FY26-27F forecasts to account for more conservative rig win assumptions, reduce TP to RM1.91 and maintain OUTPERFORM rating.

In 1QFY26, the group recorded a net profit of RM12.6m (after excluding EI of RM7m gain in disposal of vessel and RM1.8m fair value gain in money market funds). It was below our (11%), and consensus (11%), expectation, due to weak OSV activities as well as absence of third-party jack-up rig charters secured YTD. DPS of 1 sen/share was declared, largely in line with our expectation.

YoY, 1QFY26 revenue improved 21% mainly underpinned by enlarged fleet portfolio post-acquisition of its marine vessels (bulkers and barges) albeit being partially offset by lower OSV revenue. Core profit improved 9% as operating costs and finance costs increased YoY as well.

QoQ, the company's topline weakened 19% on reduction in fleet sizes due to the OSV fleet reduction (as a result of four OSVs in FY25). However, core profit surged QoQ as lower cost of sales and opex more than offset the negative top line impact.

**Outlook.** Its OSV earnings base is expected to remain stable in FY26 albeit its fleet is smaller this year after it sold five OSVs (at profit) since the start of FY25. 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. Nevertheless, in contrast to earlier expectations, we expect third-party potential wins could only come in later part of FY26, which means that sizable contribution can only be seen in FY27 onwards. On a longer term, the acquisition of Phu My port and warehouse in Vietnam paves the way for cable manufacturing and potentially laying to serve the Vietnam link of ASEAN power grid project for subsea power cables

**Forecasts.** FY26-27F earnings cut by 41-15% as we reduce contribution from potential third party drilling rig in FY26 (from two rigs for half year previously) and cut our third-party drilling rig assumption to two rigs from three (full year) previously.

**Valuations.** As a result, our SoP-TP is cut by 17% to **RM1.91** from RM2.30 as we roll forward our valuation to FY27. As a result, our drilling target PER is also reduced to 15x (consistent with peers) as we roll into a year where full-year drilling contributions are expected (whereas for FY26, we only included half-year contributions).

**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) its venture into asset-light drilling business with huge potential due to the lack of local competitors, and (iii) it being a potential ASEAN Power Grid beneficiary. We 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: **RM1.68**  
Target Price: **RM1.91** ↓

### Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	-18.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LFG MK Equity
Market Cap (RM m)	1,956.4
Shares outstanding	1,164.6
52-week range (H)	2.24
52-week range (L)	0.75
3-mth avg. daily vol.	1,246,192
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	354.3	365.7
EBIT	125.9	129.7	140.1
PBT	109.5	119.3	171.6
<b>Net Profit (NP)</b>	<b>100.4</b>	<b>87.7</b>	<b>126.1</b>
<b>Core NP (CNP)</b>	<b>46.2</b>	<b>87.7</b>	<b>126.1</b>
Consensus (CNP)	63.5	112.0	148.0
Earnings Revision (%)	-	-40.8	-14.9
Core EPS (sen)	8.7	7.6	11.0
EPS Growth (%)	122.9	-12.6	43.8
DPS (sen)	5.0	4.0	4.0
BV/Share (RM)	0.7	0.8	0.9
PER (x)	19.2	22.0	15.3
PBV (x)	2.3	2.1	2.0
Net-Gearing (x)	0.2	0.1	-
Div. Yield (%)	3.0	2.4	2.4

26 May 2026

### Results Highlights

	1Q FY26	4Q FY25	Q-o-Q	1Q FY25	Y-o-Y
<b>FYE : Dec (RM m)</b>					
Revenue	69.2	85.6	-19.2%	57.3	20.9%
Cost of sales	-44.9	-66.9	-32.9%	-37.5	19.9%
<b>Gross profit</b>	<b>24.3</b>	<b>18.7</b>	<b>29.9%</b>	<b>19.8</b>	<b>22.7%</b>
Other income	9.4	65.0	-85.6%	0.4	2450.8%
Operating Cost	-7.0	-9.3	-23.9%	-6.1	16.0%
Other expenses	0.0	-18.9	-100.0%	0.0	#DIV/0!
<b>Operating profit</b>	<b>26.6</b>	<b>55.6</b>	<b>-52.1%</b>	<b>14.1</b>	<b>88.8%</b>
Finance costs	-4.5	-7.0	-36.5%	-2.1	108.6%
<b>Profit/(loss) before tax</b>	<b>22.1</b>	<b>48.5</b>	<b>-54.5%</b>	<b>12.0</b>	<b>84.4%</b>
Taxation	-2.3	-2.3	0.2%	-1.7	36.7%
Non-controlling interest	-1.6	8.6	-118.1%	-1.1	45.3%
<b>Net profit</b>	<b>21.3</b>	<b>37.6</b>	<b>-43.2%</b>	<b>11.4</b>	<b>87.7%</b>
EI	-8.7	-36.7	-76.2%	0.2	-3656.1%
<b>Core net profit</b>	<b>12.6</b>	<b>0.9</b>	<b>1293.1%</b>	<b>11.6</b>	<b>8.5%</b>
EPS	3.9	6.9	-43.2%	2.1	87.7%
Core EPS	2.3	0.2	1293.1%	2.1	8.5%
Vessel utilisation (%)	78.0	78.0	0.0%	51.0	52.9%
Gross margin	35.1%	21.8%		34.6%	
EBIT margin	38.4%	64.9%		24.6%	
PBT margin	31.9%	56.6%		20.9%	
Net margin	30.8%	43.9%		19.9%	
Core net margin	18.2%	1.1%		20.3%	
Effective tax rate	10.3%	4.7%		14.0%	

Source: Company, Kenanga Research

### Exhibit 2: SoP Valuation

	<u>RM m</u>	<u>Valuation Metric</u>
OSV	625.4	Pegged to 11x FY27F PER
Drilling (40%)	729.3	Pegged to 15x FY27F PER
Logistics	292.1	Pegged to 15x FY27F PER
Cable business	630.0	DCF based on 30% stake (WACC: 5.3%)
Warrant conversion proceeds	323.4	Assume full conversion of warrant A and warrant B
<b>Total</b>	<b>2,600.2</b>	
Number of shares (m)	1,359.3	
<b>SoP-value per share (RM)</b>	<b>1.91</b>	

Source: Bloomberg

26 May 2026

### 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.				
<b>Stocks Under Coverage</b>																	
BUMI ARMADA BHD	OP	0.330	0.410	24.2%	1,956.2	Y	12/2026	4.0	3.6	-27.0%	-10.6%	8.3	9.3	0.4	5.2%	82.0	248.5%
DAYANG ENTERPRISE HLDGS BHD	OP	1.83	2.45	33.9%	2,118.7	Y	12/2026	16.1	18.8	7.8%	17.0%	11.4	9.7	1.1	9.8%	11.0	6.0%
DIALOG GROUP BHD	OP	2.02	2.63	30.2%	11,398.2	Y	06/2026	10.4	11.8	31.4%	12.8%	19.4	17.2	1.8	9.9%	5.0	2.5%
LIANSON FLEET GROUP BHG	OP	1.68	1.91	13.7%	1,956.4	Y	12/2026	9.8	12.9	142.4%	32.3%	10.5	15.5	1.0	13.2%	400.0	238.1%
KEYFIELD INTERNATIONAL	OP	1.59	2.00	25.8%	1,284.1	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.6	8.8	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.25	9.00	9.1%	36,825.9	Y	12/2026	51.1	53.4	-0.4%	4.6%	16.4	15.7	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.34	5.40	1.1%	42,720.0	Y	12/2026	29.5	13.2	275.0%	-55.4%	18.1	40.5	1.1	6.5%	15.0	2.8%
PETRONAS DAGANGAN BHD	MP	17.82	21.20	19.0%	17,703.4	Y	12/2026	116.9	116.5	5.7%	-0.4%	15.2	15.3	2.9	19.1%	94.0	5.3%
UZMA BHD	OP	0.415	0.700	68.7%	250.5	Y	06/2026	14.8	15.9	6.9%	7.5%	2.8	2.6	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.310	0.320	3.2%	2,562.3	Y	12/2026	1.7	2.1	-18.7%	19.3%	18.0	15.1	1.1	6.0%	3.0	9.7%
WASCO BHD	OP	0.830	1.32	59.0%	642.7	Y	12/2026	1.4	1.7	-37.5%	23.1%	60.8	49.4	5.2	9.0%	5.0	6.0%
YINSON HOLDINGS BHD	OP	2.01	2.84	41.3%	5,874.0	N	01/2027	16.6	20.4	20.3%	22.3%	12.1	9.9	1.2	10.1%	6.0	3.0%
<b>SECTOR AGGREGATE</b>					<b>125,292.5</b>					<b>68.1%</b>	<b>-11.3%</b>	<b>16.2</b>	<b>18.3</b>	<b>1.6</b>	<b>9.5%</b>		<b>44.2%</b>

Source: Kenanga Research

26 May 2026

**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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