

Velesto Energy

Asset-light Win in the Bag

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VELESTO won a third-party rig job from HIBISCS to work on P&A and exploration jobs for nine wells (firm) and seven more optional wells, which could take up to 300 days to execute in total. The win is positive as it yields income without balance sheet commitments and it could tentatively yield PAT of RM12m-RM36m per annum depending on the spread secured. Maintain forecasts as more details might surface in the upcoming results briefing, with TP unchanged at RM0.32 pegged to unchanged 1x FY27F PBV. Maintain MARKET PEFORM call.

VELESTO announced that it has received a letter of award from HISBICS for the provision of a jack-up rig and the contract scope cover the drilling of eight plug & abandonment (P&A) wells and one exploration well, with up to seven optional wells. The work is expected to commence in May 2026. Contact value was not announced.

Based on our estimates, the job could take 4-6 months to complete and another 4-6 months if all options are exercised by the client. The job will involve a third-party rig; hence, it's an asset-light job for VELESTO. The spread (VELESTO's profit) for the third-party rig job is also undisclosed but a USD10,000-USD25,000/day would yield a yearly profit of RM12m-RM36m depending on market conditions, and bargaining between the two parties. Hence, the win is a plus to the group.

Forecasts. Maintained, pending more details from the upcoming results briefing.

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 larger room 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).

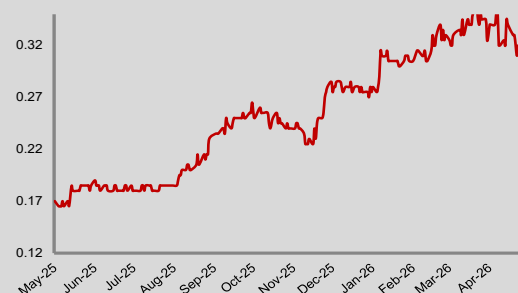
Investment case. We like VELESTO due to: (i) strong free cash flows trajectory moving forward as less capex is planned in the medium term, (ii) stronger rig utilisation YoY offsetting potential downsides in DCRs in FY26, and (iii) the group's ability to pay above PAT level for dividends without affecting its cash position. The higher than PAT dividend payout could not be sustained for more than two years in our view as it will eventually erode its retained earnings if 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 : **RM0.33**
Target Price : **RM0.32** ↔

Share Price Performance



KLCI 1,740.22
YTD KLCI chg 3.6%
YTD stock price chg 20.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	VEB MK Equity
Market Cap (RM m)	2,726.4
Shares Outstanding	8,261.8
52-week range (H)	0.37
52-week range (L)	0.16
3-mth avg daily vol:	43,768,050
Free Float	48%
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
Net Profit (NP)	202.2	180.6	213.2
Core NP	174.2	180.6	213.2
Consensus CNP	-	172.6	177.5
Earnings revision (%)	-	3.2	-
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)	15.6	15.0	12.7
Price/BV (x)	1.1	1.1	1.1
Net Gearing (x)	-0.1	-0.1	-0.1
Div. Yield (%)	9.0	4.7	5.5

18 May 2026

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	FY Dec	2023A	2024A	2025A	2026F	2027F
Revenue	1,214.7	1,360.4	898.6	770.0	812.4	Growth (%)					
EBIT	161.5	293.2	238.4	239.6	282.1	Revenue	109.1	12.0	-33.9	-14.3	5.5
Finance costs	-44.5	-33.2	-8.3	0.0	0.0	EBIT	-389.2	81.5	-18.7	0.5	17.7
PBT	121.2	267.0	235.7	240.8	284.3	PBT	-246.2	120.3	-11.7	2.1	18.1
Taxation	-21.7	-59.3	-33.5	-60.2	-71.1	Net profit	-198.0	108.7	-2.7	-10.7	18.1
Minority Interest	0.0	0.0	0.0	0.0	0.0	Core Net Profit	-198.0	108.7	-16.1	3.7	18.1
Net Profit	99.5	207.7	202.2	180.6	213.2						
Core Net Profit	99.5	207.7	174.2	180.6	213.2	Profitability (%)					
						EBIT margin	13.3	21.5	26.5	31.1	34.7
						PBT Margin	10.0	19.6	26.2	31.3	35.0
						Core Net Margin	8.2	15.3	19.4	23.5	26.2
						Effective Tax Rate	17.9	22.2	14.2	25.0	25.0
						ROE	4.0	8.1	7.3	7.4	8.5
						ROA	3.2	6.8	6.1	6.6	7.7
						DuPont Analysis					
						Net Margin (%)	8.2	15.3	19.4	23.5	26.2
						Assets T/over (x)	0.4	0.4	0.3	0.3	0.3
						Leverage Factor(x)	1.3	1.2	1.2	1.1	1.1
						ROE (%)	4.0	8.1	7.3	7.4	8.5
						Leverage					
						Debt/Asset (x)	0.1	0.1	0.0	0.0	0.0
						Debt/Equity (x)	0.1	0.1	0.0	0.0	0.0
						Net Debt/(Cash)	233	-70	-140	-222	-294
						Net Debt/Equity (x)	0.1	0.0	-0.1	-0.1	-0.1
						Valuations					
						Core EPS (sen)	1.2	2.5	2.1	2.2	2.6
						DPS (sen)	0	1.3	3.0	1.5	1.8
						BVPS (RM)	0.30	0.31	0.29	0.30	0.31
						Core PER (x)	26.4	12.7	15.1	14.6	12.3
						Div. Yield (%)	0	3.9	9.3	4.8	5.7
						P/BV (x)	1.1	1.0	1.1	1.1	1.0
Balance Sheet											
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F						
Fixed Assets	2,422	2,366	2,124	2,109	2,094						
Intangible Assets	0	0	0	0	0						
Other FA	10	6	13	14	16						
Inventories	179	125	98	84	89						
Receivables	367	315	291	233	233						
Other CA	9	2	60	60	60						
Cash	126	248	254	222	294						
Total Assets	3,112	3,063	2,840	2,721	2,785						
Payables	264	294	294	235	235						
ST Borrowings	114	178	114	0	0						
Other ST Liability	10	18	33	33	33						
LT Borrowings	244	0	0	0	0						
Other LT Liability	3	2	7	7	7						
Minorities Int.	0	0	0	0	0						
Net Assets	2,476	2,572	2,393	2,447	2,511						
Share Capital	1,845	1,845	645	645	645						
Other Reserves	631	727	1,748	1,802	1,866						
Equity	2,476	2,572	2,393	2,447	2,511						
Cashflow Statement											
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F						
Operating CF	383.2	602.4	407.9	298.4	311.1						
Investing CF	-121.8	-229.7	-178.3	-90.0	-90.0						
Financing CF	-270.2	-232.5	-252.0	-240.2	-149.2						

Source: Kenanga Research

18 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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.370	0.410	10.8%	2,193.4	Y	12/2026	4.7	4.5	-14.8%	-3.7%	7.9	8.2	0.5	6.1%	95.0	256.8%
DAYANG ENTERPRISE HLDGS BHD	OP	1.93	2.45	26.9%	2,234.5	Y	12/2026	16.1	18.8	7.8%	17.0%	12.0	10.3	1.2	9.8%	11.0	5.7%
DIALOG GROUP BHD	OP	2.13	2.63	23.5%	12,018.9	Y	06/2026	10.4	11.8	31.4%	12.8%	20.4	18.1	1.9	9.9%	5.0	2.3%
LIANSON FLEET GROUP BHG	OP	1.78	2.40	34.8%	2,086.0	Y	12/2026	20.6	27.3	142.4%	32.3%	8.6	6.5	1.1	13.2%	400.0	224.7%
KEYFIELD INTERNATIONAL	OP	1.65	2.00	21.2%	1,332.5	Y	12/2026	10.2	18.0	-25.6%	76.1%	16.2	9.2	1.7	10.5%	6.0	3.6%
MISC BHD	OP	8.20	8.60	4.9%	36,602.7	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.3	16.6	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.59	4.90	-12.3%	44,720.0	Y	12/2026	4.0	4.1	-48.7%	0.6%	138.3	137.5	1.2	0.9%	2.0	0.4%
PETRONAS DAGANGAN BHD	MP	20.30	21.20	4.4%	20,167.1	Y	12/2026	116.9	116.5	5.7%	-0.4%	17.4	17.4	3.3	19.1%	94.0	4.6%
UZMA BHD	OP	0.435	0.700	60.9%	262.6	Y	06/2026	14.8	15.9	6.9%	7.5%	2.9	2.7	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.330	0.320	-3.0%	2,726.4	Y	12/2026	2.2	2.6	3.7%	18.1%	15.0	12.7	1.1	7.5%	2.0	6.1%
WASCO BHD	OP	1.06	1.45	36.8%	820.8	Y	12/2026	1.8	2.0	-15.7%	6.4%	57.6	54.1	6.1	11.3%	6.0	5.7%
YINSON HOLDINGS BHD	OP	1.95	2.84	45.6%	5,698.6	N	01/2027	16.6	20.4	20.3%	22.3%	11.7	9.6	1.2	10.1%	6.0	3.1%
SECTOR AGGREGATE					130,863.5					26.4%	7.8%	22.5	20.9	1.7	9.4%		43.1%

Source: Kenanga Research

18 May 2026

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★	★			
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Diversification from pure O&G	★	★			
	Emission Targets and Climate Goals	★	★	★		
	Occupational Health and Safety	★	★			
	Pollution control	★	★	★		
	Supply chain auditing	★	★	★		
	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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