

05 June 2026

# Velesto Energy

## Thai Win for 2H26

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**VELESTO won a charter from NGP for Naga 6 rig, but no contract value was announced. The job could take five months to complete just for the firm portion, but should ensure no idle time once the current charter for the rig ends. Thus on a fully year basis, we deem it within our expectations as we have assumed 85% utilisation and USD100,000/day DCR for Naga 6 in FY26F. Maintain forecasts with TP unchanged at RM0.32 pegged to unchanged 1.2x FY27F PBV multiple justified by clearer intention by VELESTO to pay higher than PAT dividends. Maintain MARKET PERFORM call.**

VELESTO announced that it has received a letter of award from Northern Gulf Petroleum Pte Ltd (NGP) (Thailand) for the provision of a Jack Up drilling rig (Naga 6). No contract value was announced. The contract will commence in 3Q26 and the job is for four infill wells, three exploration wells for firm, and with an option for 1+1 exploration wells.

The job could take five months to complete for just the firm part of the contract and we deem it within our expectations as we have assumed 85% rig utilisation for FY26F with a DCR of USD100,000/day, consistent with the market rate.

**Forecasts.** Maintained.

**Valuations** We maintain our TP at RM0.32 pegged to unchanged 1.2x FY27F PBV as we are more confident of the company's intention to pay dividend above PAT to match closer to its operating cash flows (c. RM300m per annum).

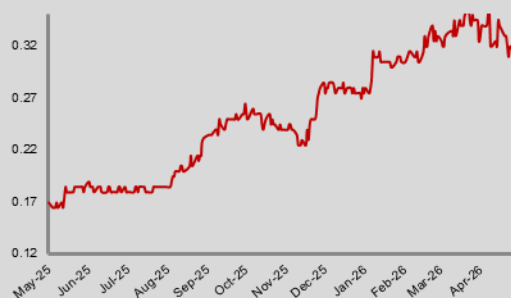
**Investment case.** We like VELESTO due to: (i) strong free cash flow trajectory moving forward as less capex is being planned for the medium term, (ii) rig utilisation will be stronger YoY offsetting potential downsides in DCRs in FY26, and (iii) the group's ability to pay above PAT level for dividends without affecting its cash position. The 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 : **RM0.30**  
Target Price : **RM0.32** ↔

### Share Price Performance



KLCI 1,727.27  
YTD KLCI chg 2.8%  
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:	44,076,400
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	794.7	830.0
EBIT	238.4	198.1	233.4
PBT	235.7	189.0	225.3
<b>Net Profit (NP)</b>	<b>202.2</b>	<b>141.7</b>	<b>169.0</b>
<b>Core NP</b>	<b>174.2</b>	<b>141.7</b>	<b>169.0</b>
Consensus CNP		125.9	142.3
Earnings revision (%)		-	-
Core EPS (sen)	2.1	1.7	2.1
C. EPS Growth (%)	-16.1	-18.6	19.2
DPS (sen)	3.0	2.8	2.9
BVPS (RM)	0.3	0.3	0.3
Core PER (x)	14.1	17.4	14.6
Price/BV (x)	1.0	1.1	1.1
Net Gearing (x)	-0.1	-0.1	-0.1
Div. Yield (%)	9.9	9.2	9.6



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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	794.7	830.0	<b>Growth (%)</b>					
EBIT	161.5	293.2	238.4	198.1	233.4	Revenue	109.1	12.0	-33.9	-11.6	4.4
Finance costs	-44.5	-33.2	-8.3	-10.2	-10.2	EBIT	-389.2	81.5	-18.7	-16.9	17.8
PBT	121.2	267.0	235.7	189.0	225.3	PBT	-246.2	120.3	-11.7	-19.8	19.2
Taxation	-21.7	-59.3	-33.5	-47.2	-56.3	Net profit	-198.0	108.7	-2.7	-29.9	19.2
Minority Interest	0.0	0.0	0.0	0.0	0.0	Core Net Profit	-198.0	108.7	-16.1	-18.6	19.2
Net Profit	99.5	207.7	202.2	141.7	169.0	<b>Profitability (%)</b>					
<b>Core Net Profit</b>	<b>99.5</b>	<b>207.7</b>	<b>174.2</b>	<b>141.7</b>	<b>169.0</b>	EBIT margin	13.3	21.5	26.5	24.9	28.1
<b>Balance Sheet</b>						PBT Margin	10.0	19.6	26.2	23.8	27.1
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	Core Net Margin	8.2	15.3	19.4	17.8	20.4
Fixed Assets	2,422	2,366	2,124	2,050	1,981	Effective Tax Rate	17.9	22.2	14.2	25.0	25.0
Intangible Assets	0	0	0	0	0	ROE	4.0	8.1	7.3	6.1	7.5
Other FA	10	6	13	14	16	ROA	3.2	6.8	6.1	5.2	6.4
Inventories	179	125	98	87	91	<b>DuPont Analysis</b>					
Receivables	367	315	291	262	262	Net Margin (%)	8.2	15.3	19.4	17.8	20.4
Other CA	9	2	60	60	60	Assets T/over (x)	0.4	0.4	0.3	0.3	0.3
Cash	126	248	254	253	248	Leverage Factor(x)	1.3	1.2	1.2	1.2	1.2
<b>Total Assets</b>	<b>3,112</b>	<b>3,063</b>	<b>2,840</b>	<b>2,725</b>	<b>2,658</b>	ROE (%)	4.0	8.1	7.3	6.1	7.5
Payables	264	294	294	264	264	<b>Leverage</b>					
ST Borrowings	114	178	114	114	114	Debt/Asset (x)	0.1	0.1	0.0	0.0	0.0
Other ST Liability	10	18	33	33	33	Debt/Equity (x)	0.1	0.1	0.0	0.0	0.1
LT Borrowings	244	0	0	0	0	Net Debt/(Cash) Net	233	-70	-140	-139	-134
Other LT Liability	3	2	7	7	7	Debt/Equity (x)	0.1	0.0	-0.1	-0.1	-0.1
Minorities Int.	0	0	0	0	0	<b>Valuations</b>					
<b>Net Assets</b>	<b>2,476</b>	<b>2,572</b>	<b>2,393</b>	<b>2,308</b>	<b>2,240</b>	Core EPS (sen)	1.2	2.5	2.1	1.7	2.1
Share Capital	1,845	1,845	645	645	645	DPS (sen)	0	1.3	3.0	2.8	2.9
Other Reserves	631	727	1,748	1,663	1,595	BVPS (RM)	0.30	0.31	0.29	0.28	0.27
<b>Equity</b>	<b>2,476</b>	<b>2,572</b>	<b>2,393</b>	<b>2,308</b>	<b>2,240</b>	Core PER (x)	24.8	11.9	14.1	17.4	14.6
<b>Cashflow Statement</b>						Div. Yield (%)	0	4.2	9.9	9.2	9.6
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	P/BV (x)	1.0	1.0	1.0	1.1	1.1
Operating CF	383.2	602.4	407.9	315.7	321.5						
Investing CF	-121.8	-229.7	-178.3	-90.0	-90.0						
Financing CF	-270.2	-232.5	-252.0	-226.8	-236.6						

Source: Kenanga Research

### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliance	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	MP	0.320	0.360	12.5%	1,897.0	Y	12/2026	4.0	3.6	-27.0%	-10.6%	8.0	9.0	0.4	5.2%	1.0	3.1%
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	2.03	2.63	29.6%	11,454.6	Y	06/2026	10.4	11.8	31.4%	12.8%	19.5	17.3	1.9	9.9%	5.0	2.5%
LIANSON FLEET GROUP BHG	OP	1.70	1.91	12.4%	1,977.8	Y	12/2026	20.6	27.3	142.4%	32.3%	8.2	6.2	1.0	13.2%	4.0	2.4%
KEYFIELD INTERNATIONAL	OP	1.58	2.00	26.6%	1,276.1	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.5	8.8	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.20	9.00	9.8%	36,602.7	Y	12/2026	51.1	53.4	7.6%	4.5%	16.1	15.4	1.1	6.6%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.45	5.40	-0.9%	43,600.0	Y	12/2026	29.5	13.2	275.0%	-55.4%	18.5	41.4	1.2	6.5%	15.0	2.8%
PETRONAS DAGANGAN BHD	OP	18.78	21.20	12.9%	18,657.1	Y	12/2026	116.9	116.5	5.7%	-0.4%	16.1	16.1	3.0	19.1%	94.0	5.0%
UZMA BHD	OP	0.420	0.700	66.7%	253.5	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	0.300	0.320	6.7%	2,479.7	Y	12/2026	1.7	2.1	-18.7%	19.3%	17.4	14.6	1.1	6.0%	3.0	10.0%
WASCO BHD	OP	0.790	1.32	67.1%	611.7	Y	12/2026	1.4	1.7	-37.5%	23.1%	57.9	47.0	5.0	9.0%	5.0	6.3%
YINSON HOLDINGS BHD	OP	2.04	2.84	39.2%	5,961.6	N	01/2027	16.6	20.4	20.3%	22.3%	12.3	10.0	1.2	10.1%	6.0	2.9%
<b>SECTOR AGGREGATE</b>					<b>126,890.5</b>					<b>71.7%</b>	<b>-11.0%</b>	<b>16.1</b>	<b>18.0</b>	<b>1.6</b>	<b>9.5%</b>		<b>4.1%</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.**

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