

16 August 2024

# Keyfield International

## Another Record-Breaking Quarter

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**KEYFIELD's 1HFY24 results beat expectations on higher charter rates and vessel utilisation. Its 1HFY24 core net profit expanded significantly due to higher charter rates, vessel utilisation and contribution from third-party vessels. We raise our FY24-25F net profit forecasts by 26% and 4%, respectively, lift our TP by 4% to RM3.18 (from RM3.06) and maintain our OUTPERFORM call.**

KEYFIELD's 1HFY24 core profit of RM100.3m exceeded expectation at 66.2% of our full-year forecast, driven by higher-than-anticipated daily charter rates (DCRs) and vessel utilisation. The company also declared an interim dividend per share (DPS) of RM0.03, bringing its cumulative DPS to a total of RM0.04.

**YoY**, 1HFY24 revenue surged by 89%, driven by: (i) higher daily charter rates (DCR) (which improved by an estimated 20% YoY) as some vessels commenced new charters in 2QFY24, (ii) increased vessel utilisation of 96.9% (compared to 93.8% a year ago), and (iii) higher third-party vessel revenue, with charter days surging 257% YoY due to the ramp-up in demand for anchor handling tug & supply (AHTS) vessels from Petronas after the group was appointed as the AHTS panel contractor in April 2024. Core profit improved by 169% as its gross profit margin expanded to 52.3% in 1HFY24 from 42.8% a year ago.

**QoQ**, topline also surged by 87%, driven by seasonally higher vessel utilisation (post-monsoon season in 1QFY24) and higher DCR. Core profit increased by 131%, with operating costs (including staff costs) rising at a much slower pace.

**Outlook.** KEYFIELD is currently in the peak season of the OSV market (typically 2Q and 3Q of the year), and we expect vessel utilisation to remain strong going into 3QFY24. The group took delivery of Keyfield Itqan (formerly known as Belait Barakah), a 239-pax accommodation work barge, on 3rd July 2024, and the vessel is currently being prepared for deployment. Keyfield Aulia (a second-hand AHTS vessel) was also added to the company's fleet after being delivered on 13th August 2024. These vessels are expected to contribute to income from 4QFY24 onwards, further driving earnings growth. Overall, we maintain that DCRs will continue to trend upwards in the local OSV market, as supply remains tight while client demand continues to increase.

**Forecasts.** We raise our FY24-25F net profit forecasts by 26% and 4%, respectively, having lifted our average DCR assumptions to RM120,300 (from RM109,000) for FY24F, and RM130,300 for FY25F (from RM128,500).

**Valuations.** We upgrade our TP by 4% to RM3.18 (from RM3.06) pegged to unchanged 11x FY25F PER, which is at slight premium to 10.2x median OSV multiple due to its younger fleet and higher fleet specifications.

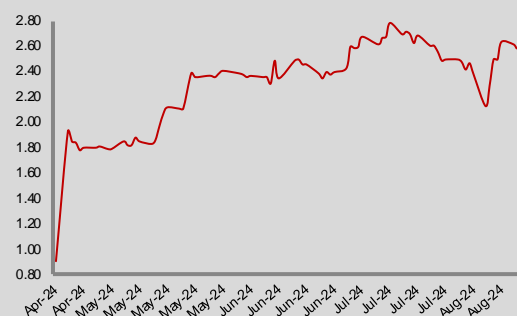
**Investment case.** We like KEYFIELD due to: (i) its exposure to the booming local OSV industry, (ii) its relatively young fleet age of eight years and DP2-rated vessels which are preferred by clients, and (iii) its inclusion as a panel contractor for AHTS for Petronas which could open doors for more third party AHTS charters. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) significant decline in Brent crude prices, (ii) unexpected vessel downtime due to unplanned maintenance, and (iii) decline in oil producers' capex planned.

**OUTPERFORM** ↔

**Price:** RM2.70  
**Target Price:** RM3.18 ↑

### Share Price Performance



KLCI	1,612.94
YTD KLCI chg	10.9%
YTD stock price chg	70.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KEYFIELD MK Equity
Market Cap (RM m)	2,165.5
Shares outstanding	802.0
52-week range (H)	2.79
52-week range (L)	1.70
3-mth avg. daily vol.	1,868,514
Free Float	46%
Beta	na

### Major Shareholders

Lavin Group Sdn Bhd	27.0%
Dato Kee Chit Huei & spouse	27.0%
Mohd Erwan	10.0%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	430.5	522.6	625.3
EBIT	160.5	259.4	323.9
PBT	146.5	258.9	323.6
<b>Net Profit (NP)</b>	<b>105.5</b>	<b>191.2</b>	<b>239.0</b>
<b>Core NP (CNP)</b>	<b>105.5</b>	<b>191.2</b>	<b>239.0</b>
Consensus (CNP)	-	-	-
Earnings Revision (%)	-	+26.1	+3.7
Core EPS (sen)	12.7	23.1	28.9
EPS Growth (%)	98.3	81.3	25.0
DPS (sen)	0.0	4.6	5.8
BV/Share (RM)	0.3	0.9	1.1
PER (x)	21.2	11.7	9.4
PBV (x)	7.8	3.1	2.5
Net-Gearing (x)	0.7	-0.1	-0.2
Div. Yield (%)	0.0	1.7	2.1

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Results Highlights								
	2Q	1Q	Q-o-Q	2Q	Y-o-Y	1H	1H	Y-o-Y
	FY24	FY24		FY23		FY23	FY22	
<b>FYE : Dec (RM m)</b>								
Revenue	199.0	106.4	87.0%	106.6	86.7%	305.4	162.0	88.5%
Cost of sales	-90.3	-55.3	63.3%	-55.3	63.4%	-145.6	-92.6	57.2%
<b>Gross profit</b>	<b>108.7</b>	<b>51.1</b>	<b>112.7%</b>	<b>51.3</b>	<b>111.9%</b>	<b>159.8</b>	<b>69.4</b>	<b>130.4%</b>
Other income	0.7	0.5	49.5%	0.8	-18.9%	1.1	1.0	10.1%
Operating Cost	-9.3	-5.7	61.4%	-5.1	82.3%	-15.0	-8.6	73.8%
Other expenses	-3.2	-1.2	180.2%	-2.6	24.9%	-4.4	-3.5	26.3%
<b>Operating profit</b>	<b>96.9</b>	<b>44.7</b>	<b>116.9%</b>	<b>44.5</b>	<b>117.9%</b>	<b>141.6</b>	<b>58.3</b>	<b>142.9%</b>
Finance costs	-1.5	-2.9	-46.8%	-4.0	-61.8%	-4.4	-6.5	-31.5%
<b>Profit(loss) before tax</b>	<b>95.3</b>	<b>41.8</b>	<b>128.3%</b>	<b>40.4</b>	<b>135.8%</b>	<b>137.1</b>	<b>51.8</b>	<b>164.8%</b>
Taxation	-25.1	-11.1	125.6%	-9.7	159.5%	-36.2	-13.7	164.0%
Non-controlling interest	0.2	0.3	-44.3%	0.6	-68.5%	-0.5	-0.6	-11.2%
<b>Net profit</b>	<b>70.0</b>	<b>30.3</b>	<b>131.2%</b>	<b>30.2</b>	<b>132.2%</b>	<b>100.9</b>	<b>38.0</b>	<b>165.1%</b>
EI	0.0	0.0	NM	1.5	-100.0%	0.5	0.7	-26.3%
<b>Core net profit</b>	<b>70.0</b>	<b>30.3</b>	<b>131.2%</b>	<b>31.6</b>	<b>121.4%</b>	<b>100.3</b>	<b>37.3</b>	<b>168.7%</b>
EPS	8.5	3.7	131.2%	3.6	132.2%	12.1	4.5	168.7%
Core EPS	8.5	3.7	131.2%	3.8	121.4%	12.1	4.7	158.5%
Vessel utilisation (%)	96.9	64.9	49.3%	93.8	3.3%	80.9	70.5	14.8%
Gross margin	54.6%	48.0%		48.1%		52.3%	42.8%	
EBIT margin	48.7%	42.0%		41.7%		46.4%	36.0%	
PBT margin	47.9%	39.3%		37.9%		44.9%	32.0%	
Net margin	35.2%	28.5%		28.3%		33.0%	23.5%	
Core net margin	35.2%	28.5%		29.7%		32.9%	23.1%	
Effective tax rate	26.3%	26.6%		23.9%		26.4%	26.5%	

Source: Company, Kenanga Research

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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.				
<b>Stocks Under Coverage</b>																	
BUMI ARMADA BHD	MP	0.495	0.580	17.2%	2,934.3	N	12/2024	13.8	12.6	144.4%	-8.8%	3.6	3.9	0.4	13.4%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	2.71	3.31	22.1%	3,137.6	Y	12/2024	20.8	25.4	10.1%	22.4%	13.0	10.7	1.7	13.7%	2.0	0.7%
DIALOG GROUP BHD	OP	2.36	3.37	42.8%	13,316.6	Y	06/2024	11.1	11.8	13.9%	4.1%	22.4	21.2	2.2	10.0%	4.7	1.8%
KEYFIELD INTERNATIONAL	OP	2.50	3.18	27.2%	2,003.5	Y	12/2024	23.1	28.9	81.3%	25.0%	11.7	9.4	3.1	31.4%	4.6	1.6%
MISC BHD	MP	8.43	8.09	-4.0%	37,629.4	Y	12/2024	52.9	52.3	9.7%	-1.2%	15.9	16.1	0.9	5.9%	30.0	3.6%
PETRONAS CHEMICALS GROUP	MP	5.47	6.28	14.8%	43,760.0	Y	12/2024	34.8	41.9	71.3%	20.3%	15.7	13.1	1.0	6.8%	17.4	3.2%
PETRONAS DAGANGAN BHD	OP	17.80	23.70	33.1%	17,683.5	Y	12/2024	99.7	109.8	1.1%	10.1%	17.9	16.2	3.0	16.9%	79.8	4.5%
PETRON MALAYSIA REFINING	MP	4.44	4.74	6.8%	1,198.8	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.5	5.0	0.5	10.6%	20.0	4.5%
VELESTO ENERGY BHD	OP	0.215	0.340	58.1%	1,766.4	Y	12/2024	1.8	2.3	46.6%	28.8%	12.1	9.4	0.7	5.7%	0.0	0.0%
WASCO BHD	OP	1.17	1.70	45.3%	905.9	Y	12/2024	13.0	16.4	251.0%	26.6%	9.0	7.1	1.1	13.3%	2.0	1.7%
YINSON HOLDINGS BHD	OP	2.39	3.04	27.2%	7,112.2	N	01/2025	14.7	14.8	22.1%	1.1%	16.3	16.1	1.4	8.6%	4.0	1.7%
<b>SECTOR AGGREGATE</b>					<b>132,506.1</b>					<b>33.1%</b>	<b>8.9%</b>	<b>14.8</b>	<b>13.6</b>	<b>1.4</b>	<b>11.5%</b>		<b>1.8%</b>

Source: Kenanga Research

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**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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