

Company Update

13 January 2023

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Company Update

Yinson Holdings Bhd

One down, another one in the offing

By Rakuten Trade Research Team

YINSON's FPSO Adoon contract has been successfully completed, after having operated for 16 years, with Addax exercising the option to purchase the FPSO at the end of the contract period. This would allow YINSON to better reallocate its resources to newer upcoming projects (e.g. Agogo FPSO) that will likely be awarded in the coming months. **BUY** with a SoP-TP of RM3.05. Our valuation has already included one new win assumption, based on: (i) capex of ~USD1bn, (ii) IRR of 13%, and (iii) WACC of 6%.

YINSON announced that it has successfully completed its contract for FPSO Adoon, which has been operating at Block OML 123 offshore Nigeria. The contract has already been operating for 16 years, with an original period of 8 years until 2014 coupled with extensions of 8 more years up until 2022. The contract was then further extended by the client Addax Petroleum Development (Nigeria) Limited through consecutive monthly extensions until January 2023. The sale of the FPSO will allow YINSON to recycle its capital and better allocate its resources onto newer upcoming projects (mentioned below), with the FPSO remaining on the field under the operation of the new owners.

We believe an official charter contract award for the Agogo FPSO is likely to be finalised in the coming weeks. According to industry sources, the contract is expected to be 15 firm years plus 5 yearly extensions, with first oil expected in late-2025. We estimate the total capex to be ~USD1.5bn (assuming 100% stake), with total contract value surpassing the USD5bn-mark – thus making it one of YINSON's biggest contracts in its order book. Overall, given how tight the current global FPSO market is at the moment, we believe any new tenders or contract wins would yield attractive returns and financing options.

We continue to like YINSON for: (i) its strong market position, with a fleet of nine FPSOs (including three on order) – making them the fourth largest FPSO player in the world and the largest amongst Malaysia-based players, (ii) its strong management team, given its untainted track record of project deliveries thus far, and (iii) its conscious decision to diversify into non-fossil energy sectors (e.g. solar, battery technology) to future-proof its earnings sustainability.

BUY

Price: **RM2.55**
Target price: **RM3.05**

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,488.66 |
| YTD KLCI chg | -0.5% |
| YTD stock price chg | 4.9% |

Stock Information

| | |
|----------------------|---------------|
| Shariah Compliant | No |
| Bloomberg Ticker | YNS MK Equity |
| Market Cap (RM m) | 7,384.0 |
| Shares Outstanding | 2,895.7 |
| 52-week range (H) | 2.60 |
| 52-week range (L) | 1.83 |
| 3-mth avg daily vol: | 2,376,585 |
| Free Float | 39% |
| Beta | 0.9 |

Major Shareholders

| | |
|--------------------------|-------|
| Yinson Legacy Sdn Bhd | 19.8% |
| Employees Provident Fund | 17.5% |
| Kumpulan Wang Persaraan | 7.1% |

Summary Earnings Table

| FY Jan (RM m) | 2022A | 2023F | 2024F |
|------------------------|------------|------------|------------|
| Turnover | 3,607 | 5,327 | 4,191 |
| EBIT | 1,097 | 950 | 987 |
| PBT | 716 | 692 | 700 |
| Net Profit (NP) | 401 | 502 | 505 |
| Core Net Profit | 411 | 502 | 505 |
| Consensus (NP) | | 472 | 659 |
| Earnings Revision (%) | | - | 4.2 |
| Core EPS (sen) | 14.2 | 17.3 | 17.4 |
| Core EPS growth (%) | -35.5 | 22.2 | 0.5 |
| DPS (sen) | 6.0 | 6.0 | 6.0 |
| BV/Share (RM) | 0.83 | 0.94 | 1.06 |
| Core PER (x) | 18.0 | 14.7 | 14.6 |
| PBV (x) | 3.1 | 2.7 | 2.4 |
| Gearing (x) | 2.5 | 2.8 | 3.0 |
| Dividend Yield (%) | 2.4 | 2.4 | 2.4 |

Source: Kenanga Research

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| COMPANY | Definition |
|--------------------|---|
| Buy | The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months. |
| Trading Buy | Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks. |
| Take profit | The stock return previously recommended has gained by >10% |
| Hold | The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months. |
| Sell | The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months. |
| SECTOR | |
| Overweight | Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |
| Neutral | Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |
| Underweight | Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months. |

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:



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