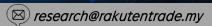
Join Us @

Company Update

13 January 2023



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 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**

2.70	
2.50	//
2.10 hoyama M	in human
1.50	J*
0 0 0 0 0 0 0 0	
they can the top they have here have	State Oly House Older Jack

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

Stock	ntor	mati	on
Sharia	h Co	mpli	ant

No
YNS MK Equity
7,384.0
2,895.7
2.60
1.83
2,376,585
39%
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
Tumover	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

Company Update



13 January 2023

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.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained within does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This is not to be taken in substitution for the exercise of judgement by addressees and further shall not be re-distributed to any other third party. Rakuten Trade Sdn Bhd accepts no liability whatsoever for any direct or consequential loss arising from any use of the contents within or any solicitations of an offer to buy or sell any securities. Rakuten Trade Sdn Bhd and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published:

Kenny Yee Shen Pin Head of Research