



Retail Research

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Coastal Contracts

COASTAL 07/11/2022

EMA (Close, 20) - x Indicator: 2.029

EMA (Close, 50) - x Indicator: 1.945



Bursa Code: COASTAL, 5071	Support 1: RM2.10	Last Price: RM2.23
Sector: Energy	Support 2: RM1.95	Entry: RM2.10–2.23
Market Cap: RM1,174.7m	Resistance 1: RM2.40	Target: RM2.40, RM2.60
Shariah Compliant: No	Resistance 2: RM2.60	Exit: RM1.93

Technical Analysis. Coastal Contracts may trend higher after it surged to a new multi-year high and pushed above the key RM2.10 resistance a few sessions ago. As the 20-day and 50-day EMAs have established their bullish crossover since late August, the current uptrend may persist. A bullish bias may emerge above the RM2.10 level, with a stop-loss set at RM1.93, below the 50-day EMA. Towards the upside, the near-term resistance level is seen at RM2.40, followed by RM2.60.

Company Background. Coastal Contracts is a global integrated energy infrastructure and marine services and solutions provider. Its revenues are primarily derived from onshore and offshore gas processing, vessel chartering, shipbuilding and sales of Offshore Support Vessels (OSV) and marine transportation vessels, as well as ship repair and maintenance services.

Prospects. (i) Key segments such as the Jack-up Gas Compression Service Unit (JUGCSU), Perdiz onshore gas conditioning plant and liftboat chartering business have continued to generate robust recurring earnings and cashflow. (ii) Following the success of the Perdiz Plant and EMC Papan Plant (secured the EMC Papan Plant project in Mexico worth RM4.5b in December 2021), the group aspires to embark on more energy infrastructure projects in future. (iii) With the recovery demand of the OSV market, the group is expecting the Vessel Chartering Division to benefit over the coming years.

Financial Performance. In FYE22, the group recorded a greater revenue of RM232.7m (+44% YoY) with a net profit of RM183.6m (+463% YoY). This was mainly due to the income earned from onshore gas conditioning plant project and the contribution from the liftboat chartering business as well as gain on disposal of an OSV during FY22.

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