



AmInvestment Bank

Company report

YINSON HOLDINGS

(YNS MK EQUITY, YINS.KL)

23 Dec 2022

Another record-high quarterly earnings on accelerated EPCIC progress

BUY

(Maintained)

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03-2036 2025

Rationale for report: Company results

Price	RM2.43
Fair Value	RM3.89
52-week High/Low	RM2.61/RM1.83

Key Changes

Fair value	↔
EPS	↑

YE to Jan	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	3,607.0	5,971.8	6,609.8	6,041.8
Core net profit (RM mil)	399.0	516.9	821.7	702.3
FD Core EPS (sen)	13.1	16.9	26.9	23.0
FD Core EPS growth (%)	(56.3)	29.5	59.0	(14.5)
Consensus Net Profit (RM mil)	-	404.1	601.5	759.9
DPS (sen)	6.0	6.0	7.0	7.0
PE (x)	18.6	14.4	9.0	10.6
EV/EBITDA (x)	9.7	9.9	8.5	9.3
Div yield (%)	2.5	2.5	2.9	2.9
ROE (%)	10.1	11.1	14.6	10.5
Net Gearing (%)	138.7	140.2	153.3	149.7

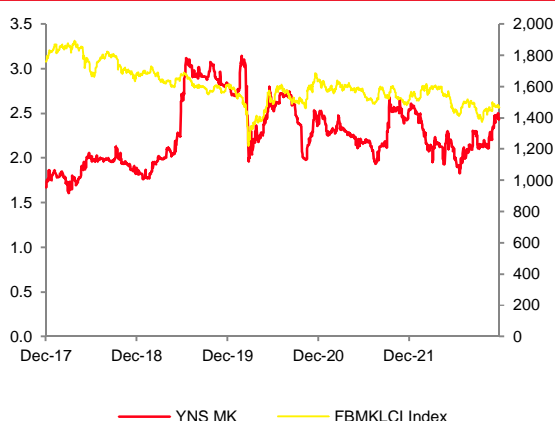
Stock and Financial Data

Shares Outstanding (million)	3,052.6
Market Cap (RM mil)	7,417.8
Book Value (RM/share)	1.39
P/BV (x)	1.7
ROE (%)	10.1
Net Gearing (%)	138.7

Major Shareholders	Lim Han Weng (19.0%)
	EPF (17.2%)
	KWAP (7.1%)

Free Float	56.7
Avg Daily Value (RM mil)	5.3

Price performance	3mth	6mth	12mth
Absolute (%)	5.7	15.7	(4.1)
Relative (%)	3.6	12.8	(2.0)



Investment Highlights

- We reiterate BUY on Yinson Holdings (Yinson) with an unchanged fair value (FV) of RM3.89/share based on an ESG-adjusted sum-of-parts (SOP) valuation. Our fair value incorporates a 3% premium for Yinson's ESG rating of 4-stars. Yinson is the first oil & gas service provider to proactively invest in renewable energy assets.
- We raise FY23-24F earnings by 5-6% after penciling in higher progress for the floating production, storage and offloading (FPSO) conversion for Maria Quitéria and Atlanta. These were slightly offset by increased finance costs. We also fine-tune FY25F earnings to reflect the front-loaded project completion assumptions for the 2 vessels.
- Yinson's 9MFY23 core net profit (CNP) of RM392mil, after stripping off RM26mil net gains on foreign exchange, was above expectations. The results accounted for 81% of our original FY23F net profit and 97% of street estimates. In comparison, 9M accounted for 63-84% of Yinson's FY20-FY22 earnings. The group did not declare dividends in 9MFY23, which is in line with our expectations.
- 9MFY23 revenue soared 52% to RM4.4bil YoY on (i) higher engineering, procurement, construction, installation, and commissioning (EPCIC) progress achieved for FPSO Maria Quitéria and Atlanta; and ii) improved operating & maintenance rates for the existing vessels amid elevated oil prices. Sequentially, 3QFY23 CNP rose by a smaller 18% YoY as increased finance costs and tax expenses negated the higher revenue.
- QoQ, 3QFY23 CNP (after excluding RM8mil net gains on foreign exchange) grew by 4% to RM147mil in tandem with a 7% growth in revenue. This was on the back of higher EPCIC works for FPSO Maria Quitéria and Atlanta. We gather that as of end of 3QFY23, the EPCIC operations were within schedule with the current projects reaching 25% completion for FPSO Maria (2QFY22: 14%) and 30% for FPSO Atlanta (2QFY23: 18%).
- In addition, the FPSO Anna Nery completed its final integration & commissioning works recently and is currently on the way to Petrobras' Marlim field in the Campos basin in Brazil. The vessel is on track to achieve the first oil production in 1QCY23, paving the path for the commencement of charter income.

- Apart from the final charter contract for the Agogo project, there is a number of projects that are up for grabs. We believe that Yinson stands a good chance of winning some of the projects. These include the Petrobras' Albacora project in Brazil, TotalEnergies' Maka project in Suriname and BP's Block 31 SE-PAJ in Angola.
- Although still under evaluation due to unfavorable capital market conditions, Yinson's plan to list its FPSO business in Oslo could unlock the value of the division. The segment has stable recurring revenue and the listing could provide funds for future renewable energy and green tech investments.
- We continue to like Yinson as it is expected to benefit from the thriving FPSO market. Also, there is a scarcity of global FPSO players as many companies have been affected by the downturn in oil prices.
- The stock currently trades at a compelling FY23F PE of 14x vs. its 5-year average of 19x. We believe that the discount is unjustified as Yinson is a global FPSO player with a healthy balance sheet. Yinson's outlook is also bright as it is positioned to expand its outstanding order book of RM66bil (US\$15bil) as of 31 October 2022 (11x FY23F revenue).

EXHIBIT 1: RESULTS SUMMARY

YE 31 Jan (RMmil)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
Revenue	820	1,620	1,737	7.2	111.8	2,866	4,362	52.2
EBITDA	334	460	484	5.2	44.9	1,028	1,309	27.3
Net interest expense	(90)	(125)	(143)	(14.4)	(58.9)	(258)	(373)	(44.6)
Depreciation & amortization	(78)	(84)	(87)	(3.6)	(11.5)	(224)	(254)	(13.4)
Associates & JV	0	(6)	(4)	33.3	-	11	(13)	(>100)
Exceptionals	0	2	8	>100	-	4	26	>100
Pre-tax Profit	166	247	258	4.5	55.4	561	695	23.9
Taxation	(40)	(84)	(81)	3.6	(>100)	(131)	(216)	(64.9)
Minorities	(28)	(20)	(22)	(10.0)	21.4	(94)	(61)	35.1
Net Profit	98	143	155	8.4	58.2	336	418	24.4
Core Net Profit	104	141	147	4.3	41.3	332	392	18.1
EPS (sen)	3.4	4.6	4.8	4.3	41.3	25.7	12.8	(50.0)
Gross DPS (sen)	0.0	0.7	0.0	-	-	1.4	0.7	(50.0)
BV/Share (RM)	1.5	2.1	2.3	6.3	51.4	1.5	2.3	51.4
EBITDA margin (%)	40.7	28.4	27.9			35.9	30.0	
Pretax margin (%)	20.2	15.2	14.9			19.6	15.9	
Effective tax rate (%)	24.1	34.0	31.4			23.4	31.1	

Source: Bursa Malaysia announcement

EXHIBIT 2: RESULTS BREAKDOWN

YE 31 Jan (RMmil)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
EPCIC	464	1,162	1,295	11.4	>100	1,814	3,046	67.9
Non-EPCIC	338	440	422	(4.1)	24.9	995	1,258	26.4
Offshore Production & Marine	802	1,602	1,717	7.2	>100	2,809	4,304	53.2
Renewables	18	18	19	5.6	5.6	56	57	1.8
Other operations	0	0	1	-	-	1	1	0.0
Revenue	820	1,620	1,737	7.2	111.8	2,866	4,362	52.2
EPCIC	86	218	244	11.9	>100	307	572	86.3
Non-EPCIC	202	204	230	12.7	13.9	561	643	14.6
Offshore Production & Marine	288	422	474	12.3	64.6	868	1,215	40.0
Renewables	10	(3)	(8)	(>100)	(>100)	28	(10)	(>100)
Other operations	(36)	(33)	(43)	(30.3)	(19.4)	(70)	(92)	(31.4)
EBIT	262	386	423	9.6	61.5	826	1,113	34.7
EBIT margin (%)	32.0	23.8	24.4			28.8	25.5	
EPCIC	18.5	18.8	18.8			16.9	18.8	
Non-EPCIC	59.8	46.4	54.5			56.4	51.1	
Offshore Production & Marine	35.9	26.3	27.6			30.9	28.2	
Renewable	55.6	(16.7)	(42.1)			50.0	(17.5)	

Source: Bursa Malaysia announcement

EXHIBIT 3: SUM-OF-PARTS BREAKDOWN

	Effective stake	Valuation	Methodology
	%	RMmil	
FPSO Adoon, Nigeria	100.0	123.4	WACC of 6.5% for cashflows up to Oct 2023.
FSO PTSC Bien Bong 01, Vietnam	49.0	117.5	WACC of 6.5% for cashflows up to June 2023.
FPSO PTSC Lam Son, Vietnam	49.0	41.9	WACC at 6.5% for cashflows up to June 2023
FPSO John Agyekum Kufuor, OCTP, Ghana	74.0	1,049.3	Assumed US\$1bil capex, 6.5% WACC, 12% project IRR, 15-year fixed contract term until June 2032
FPSO Helang, Block SK10, Sarawak	100.0	972.4	Assumed US\$380mil capex, 6.5% WACC, 12% project IRR, and firm charter until Dec 2027 plus 10-year extension
FPSO Abigail-Joseph, Anyala & Madu fields, Nigeria	100.0	1,224.2	Assume zero capex, 6.5% WACC, and cashflows until Sept 2027
FPSO Anna Nery, Marlim 2 field, Brazil	65.0	1,866.5	Assumed US\$1bil capex, 7.5% WACC, 15% project IRR, and cashflows until Jan 2048
FPSO Maria Quitéria, Parque das Baleias field, Brazil	100.0	2,464.2	Assumed US\$900mil capex, 8% WACC, 17% project IRR, and 22.5-year fixed contract term until 2046
FPSO Atlanta, Atlanta field, Brazil	100.0	1,085.1	Assumed US\$400mil capex, 8% WACC, 15% project IRR, and 20-year fixed contract term until Feb 2044
FPSO Agogo, Block 15/06, Angola	100.0	2,484.0	Assumed US\$1.5bil capex, 8.5% WACC, 18% project IRR, and cashflows until 2045
Rising Sun's Bhadla solar power plants, India	95.0	69.3	140MW capacity, 10% WACC until Dec 2042
Rising Sun's Nokh solar power plant, India	80.0	67.0	190MW capacity, 10% WACC for 25 years
Operating units		11,565.0	
Holding company's shareholders' funds as at end-FY22		1,613.0	
Rights issue proceeds		1,178.0	
Less: Investment cost of subsidiaries and associates		(2,830.0)	
Sum-of-parts valuation (RMmil)		11,526.0	
Enlarged no of shares (mil)		3,052.6	
SOP/share (RM/share)		3.78	
ESG premium (%)		3.00	
ESG-adjusted SOP/share (RM/share)		3.89	
Implied FY24F PE		15	

Source: AmInvestment Bank

EXHIBIT 4: PB BAND CHART

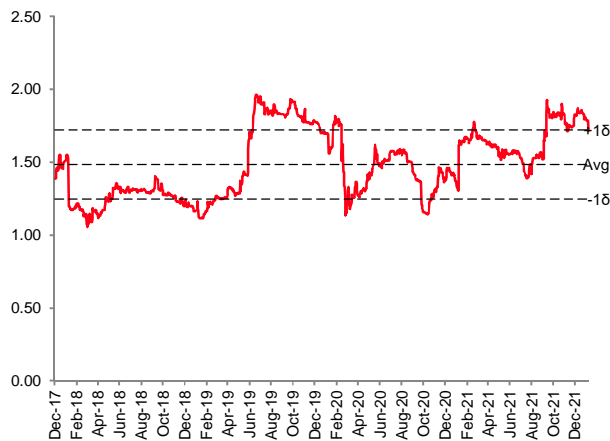


EXHIBIT 5: PE BAND CHART



EXHIBIT 6: ESG RATING

Overall	★	★	★	★	
Zero-carbon initiatives	★	★	★	★	
Health & safety compliance	★	★	★	★	★
Shareholder accountability	★	★	★		
Social responsibility	★	★	★	★	
Pollution control	★	★	★	★	
Supply chain auditing	★	★	★		
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: AmInvestment Bank

EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	4,849.0	3,607.0	5,971.8	6,609.8	6,041.8
EBITDA	1,541.0	1,377.0	1,469.6	1,980.6	1,946.0
Depreciation/Amortisation	(306.0)	(305.0)	(231.4)	(235.4)	(239.1)
Operating income (EBIT)	1,235.0	1,072.0	1,238.2	1,745.2	1,706.8
Other income & associates	(29.0)	7.0	12.1	12.1	12.1
Net interest	(304.0)	(365.0)	(469.2)	(565.0)	(681.2)
Exceptional items	(322.0)	2.0	-	-	-
Pretax profit	580.0	716.0	781.0	1,192.3	1,037.7
Taxation	(168.0)	(192.0)	(195.3)	(298.1)	(259.4)
Minorities/pref dividends	(97.0)	(123.0)	(68.9)	(72.5)	(76.0)
Net profit	315.0	401.0	516.9	821.7	702.3
Core net profit	637.0	399.0	516.9	821.7	702.3
Balance Sheet (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	4,006.0	3,822.0	3,890.6	3,955.2	4,016.1
Intangible assets	338.0	297.0	282.2	268.0	254.6
Other long-term assets	4,864.0	7,490.0	9,619.2	13,175.4	15,502.2
Total non-current assets	9,208.0	11,609.0	13,792.0	17,398.7	19,772.9
Cash & equivalent	1,821.0	2,859.0	2,689.3	2,368.4	2,702.3
Stock	3.0	1.0	1.1	1.2	1.3
Trade debtors	498.0	555.0	582.8	611.9	642.5
Other current assets	356.0	181.0	190.1	199.6	209.5
Total current assets	2,678.0	3,596.0	3,463.2	3,181.0	3,555.7
Trade creditors	817.0	808.0	848.4	890.8	935.4
Short-term borrowings	794.0	648.0	680.4	714.4	750.1
Other current liabilities	241.0	167.0	174.6	194.9	198.0
Total current liabilities	1,852.0	1,623.0	1,703.4	1,800.2	1,883.5
Long-term borrowings	5,312.0	8,110.0	9,140.6	11,149.4	12,710.0
Other long-term liabilities	696.0	732.0	768.6	807.0	847.4
Total long-term liabilities	6,008.0	8,842.0	9,909.2	11,956.4	13,557.4
Shareholders' funds	3,687.0	4,254.0	5,087.7	6,195.8	7,184.4
Minority interests	339.0	486.0	554.9	627.4	703.4
BV/share (RM)	1.73	1.39	1.67	2.03	2.35
Cash Flow (RMmil, YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	580.0	716.0	781.0	1,192.3	1,037.7
Depreciation/Amortisation	306.0	305.0	231.4	235.4	239.1
Net change in working capital	(2,061.0)	(2,359.0)	(2,107.1)	(3,521.1)	(2,308.8)
Others	400.0	351.0	(519.1)	(719.1)	(795.7)
Cash flow from operations	(775.0)	(987.0)	(1,613.8)	(2,812.6)	(1,827.6)
Capital expenditure	(282.0)	(33.0)	(300.0)	(300.0)	(300.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(5.0)	(824.0)	2.0	3.0	4.0
Cash flow from investing	(287.0)	(857.0)	(298.0)	(297.0)	(296.0)
Debt raised/(repaid)	2,117.0	2,338.0	1,063.0	2,042.8	1,596.3
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(64.0)	(64.0)	(183.2)	(213.7)	(213.7)
Others	(536.0)	(312.0)	(517.4)	(610.3)	(721.1)
Cash flow from financing	1,517.0	1,962.0	362.5	1,218.8	661.5
Net cash flow	455.0	118.0	(1,549.3)	(1,890.8)	(1,462.1)
Net cash/(debt) b/f	2,554.0	4,285.0	5,899.0	7,131.7	9,495.5
Net cash/(debt) c/f	4,285.0	5,899.0	7,131.7	9,495.5	10,757.8
Key Ratios (YE 31 Jan)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	92.5	(25.6)	65.6	10.7	(8.6)
EBITDA growth (%)	98.7	(10.6)	6.7	34.8	(1.7)
Pretax margin (%)	12.0	19.9	13.1	18.0	17.2
Net profit margin (%)	6.5	11.1	8.7	12.4	11.6
Interest cover (x)	4.1	2.9	2.6	3.1	2.5
Effective tax rate (%)	29.0	26.8	25.0	25.0	25.0
Dividend payout (%)	40.6	45.7	35.4	26.0	30.4
Debtors turnover (days)	38	53	35	33	38
Stock turnover (days)	1	-	-	-	-
Creditors turnover (days)	49	82	51	48	55

Source: Company, AmlInvestment Bank Bhd estimates

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