



## Company report

## YINSON HOLDINGS

(YNS MK EQUITY, YINS.KL)

29 Sep 2020

Accelerated EPCIC margin from Anna Nery FPSO

BUY

(Maintained)

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Rationale for report: Company result

Price	RM5.64
Fair Value	RM7.20
52-week High/Low	RM7.42/RM4.24

## Key Changes

Fair value	↔
EPS	↓

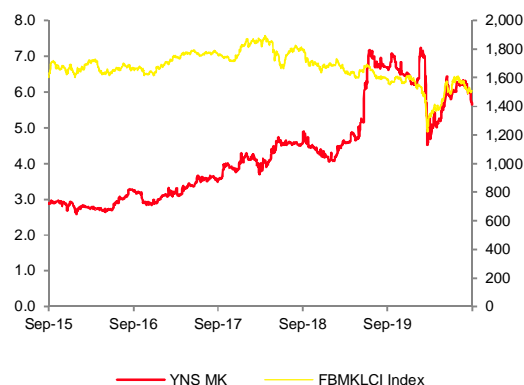
YE to Jan	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	2,519.3	2,653.7	2,845.6	2,846.3
Core net profit (RM mil)	209.9	434.7	487.8	495.2
FD Core EPS (sen)	19.2	39.7	44.6	45.2
FD Core EPS growth (%)	(25.4)	107.1	12.2	1.5
Consensus Net Profit (RM mil)	-	372.1	407.6	427.3
DPS (sen)	6.0	6.0	6.0	6.0
PE (x)	29.4	14.2	12.7	12.5
EV/EBITDA (x)	11.7	8.5	8.1	8.3
Div yield (%)	1.1	1.1	1.1	1.1
ROE (%)	6.2	10.6	12.1	11.1
Net Gearing (%)	73.3	84.2	85.5	86.6

## Stock and Financial Data

Shares Outstanding (million)	1,094.7
Market Cap (RM mil)	6,174.4
Book Value (RM/share)	3.18
P/BV (x)	1.8
ROE (%)	6.2
Net Gearing (%)	73.3

Major Shareholders	Lim Han Weng (22.8%) EPF (15.5%) KWAP (10.0%)
Free Float	50.5
Avg Daily Value (RM mil)	6.6

Price performance	3mth	6mth	12mth
Absolute (%)	(4.2)	6.4	(15.8)
Relative (%)	(5.7)	(5.5)	(11.8)



## Investment Highlights

- We maintain our BUY recommendation on Yinson Holdings (Yinson) with an unchanged sum-of-parts based fair value of RM7.20/share, which implies a FY22F PE of 18x.
- While our fair value is unchanged, we have raised FY21F–FY23F earnings by 13%–17% largely due to the accelerated profit recognition from the charter of Petrobras' floating production, storage and offloading (FPSO) vessel Anna Nery (formerly known as Marlim 2). This stems from the progressive recognition of engineering, procurement, construction, installation and commissioning (EPCIC) profit until project completion under the finance lease accounting adoption.
- This is unlike Yinson's operating lease treatment, which recognises a more stable profit profile only after achieving first oil, for the John Agyekum Kufour (JAK) FPSO in Ghana and Knock Adoon in Nigeria.
- The group may also be recognising a lumpy one-off EPCIC profit for the Abigail–Joseph FPSO in 3QFY21, as the fully completed vessel has been on a standby charter rate since July this year until it achieves first oil (likely next month) at the Anyala & Madu fields in Block OML 83 & 85, off Nigeria. However, this could be offset by the US\$20mil loss of deposit for the aborted acquisition of Singapore-based Ezion Ltd.
- Yinson's 1HFY21 core net profit of RM243mil (excluding impairments, forex and RM20mil one-off compensation gain for the commencement delay of Abigail–Joseph FPSO) came in above expectations, accounting for 65%–66% of our and consensus' FY21F earnings vs. only 46%–47% in the previous 2 years. The group declared an interim dividend 4 sen, unchanged YoY and within our expectations.
- Yinson's 2QFY21 core net profit rose 29% QoQ to RM137mil mainly from the surprising contribution of Anna Nery's maiden EPCIC earnings given that the charter contract was only signed in March this year.
- On a YoY comparison, Yinson's 1HFY21 core net profit surged 2.4x from the commencement of FPSO Helang in November last year together with Anna Nery's EPCIC contribution, partly offset by loan refinancing costs for JAK in April this year and RM42mil contract acquisition cost.
- Meanwhile, Yinson is still poised to secure a second huge FPSO charter for the Parque das Baleias (PDB or Whale Park) revitalisation field off Brazil as the only bidder. This could add RM1.65/share to our SOP to RM8.85/share, assuming a 65% equity stake in the project, capex of US\$1bil and project IRR of 15%.

- Given the group's net debt/EBITDA of 3x, we expect the group to proceed with a rights issue upon successfully securing the PDB charter. Assuming a RM700mil rights issue to fund this substantive capex and a 40% discount to the current market price, we estimate that the theoretical ex-SOP price could drop to a still compelling and value-accretive RM7.80/share.
- Underpinned by a strong outstanding order book of RM42bil (US\$10.3bil), which translates to 16x FY21F revenue, the stock currently trades at an attractive FY22F PE of 13x. This is at a 43% discount to its 5-year peak of 23x in February this year.

## EXHIBIT 1: RESULTS SUMMARY

YE 31 Jan (RMmil)	1HFY20	1HFY21	YoY (%)	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)
Revenue	422.4	1,339.3	>100	213.4	343.7	995.6	>100	>100
<b>EBITDA</b>	<b>343.2</b>	<b>569.5</b>	65.9	<b>167.2</b>	<b>278.8</b>	<b>367.2</b>	31.7	>100
Net interest expense	(79.4)	(157.9)	>100	(42.7)	(87.2)	(70.7)	(18.9)	65.6
Depreciation & amortization	(116.1)	(153.0)	31.7	(59.1)	(75.8)	(77.2)	1.8	30.5
Associates & JV	11.8	(4.7)	(>100)	6.2	(2.2)	(2.4)	7.3	(>100)
Exceptionals	(8.2)	(14.8)		0.0	(47.5)	(43.8)		
<b>Pre-tax Profit</b>	<b>151.2</b>	<b>239.1</b>	58.1	<b>71.5</b>	<b>66.1</b>	<b>173.1</b>	>100	>100
Taxation	(34.6)	(65.3)	88.8	(16.6)	(20.1)	(45.2)	>100	>100
Minorities	(25.6)	(26.7)	4.3	(13.8)	0.8	(27.5)	(>100)	99.3
<b>Net Profit</b>	<b>91.0</b>	<b>147.1</b>	61.6	<b>41.1</b>	<b>46.7</b>	<b>100.4</b>	>100	>100
<b>Core Net Profit *</b>	<b>99.2</b>	<b>242.6</b>	>100	<b>41.1</b>	<b>105.8</b>	<b>136.7</b>	29.2	>100
EPS (sen)	8.3	13.5	62.2	3.8	4.3	9.2	>100	>100
Gross DPS (sen)	4.0	4.0	0.0	4.0	-	4.0	n/a	0.0
BV/Share (RM)	1.59	1.68	5.7	1.59	1.51	1.68	11.3	5.7
EBITDA margin (%)	81.2	42.5		78.3	81.1	36.9		
Pretax margin (%)	35.8	17.9		33.5	19.2	17.4		
Effective tax rate (%)	22.9	27.3		23.2	30.4	26.1		

\* from Yinson's investor slide less MI

Source: Bursa Malaysia

## EXHIBIT 2: RESULTS BREAKDOWN

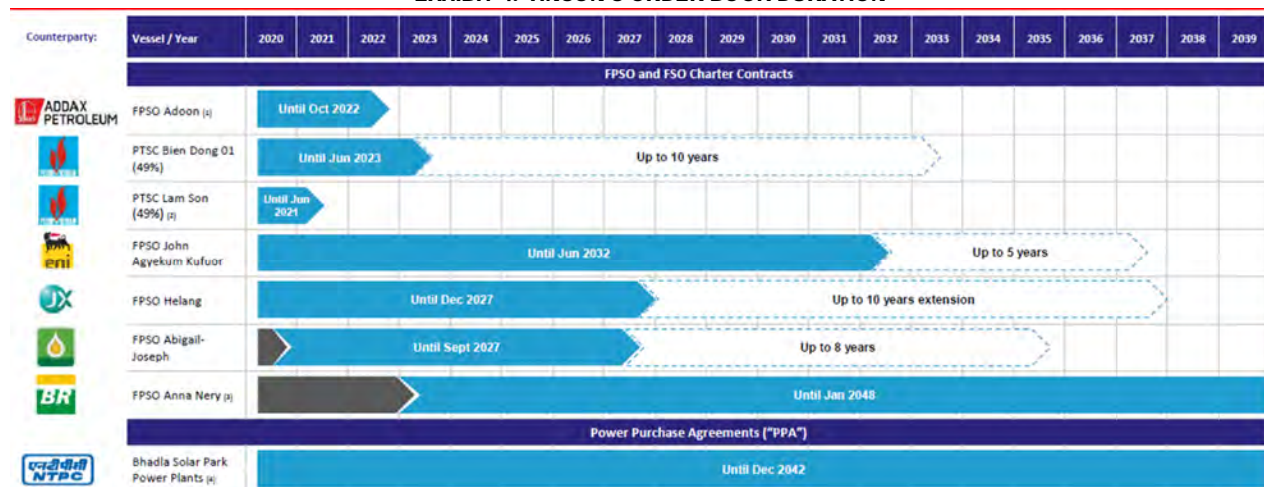
YE 31 Jan (RMmil)	1HFY20	1HFY21	YoY (%)	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)
EPCIC	-	654.6	n/a	-	-	654.6	n/a	n/a
Non-EPCIC	-	684.6	n/a	-	340.5	344.1	1.1	n/a
<b>Offshore Production &amp; Marine</b>	<b>410.3</b>	<b>1,339.2</b>	>100	<b>206.9</b>	<b>340.5</b>	<b>998.7</b>	>100	>100
Other operations	12.1	0.2	(98.6)	6.6	3.3	(3.1)	n/a	n/a
<b>Revenue</b>	<b>422.4</b>	<b>1,339.3</b>	>100	<b>213.4</b>	<b>343.7</b>	<b>995.6</b>	>100	>100
EPCIC	-	117.6	n/a	-	-	117.6	n/a	n/a
Non-EPCIC	0.0	326.6	n/a	-	159.4	326.6	>100	n/a
<b>Offshore Production &amp; Marine</b>	<b>221.8</b>	<b>444.1</b>	>100	<b>110.2</b>	<b>159.4</b>	<b>284.7</b>	78.7	>100
Other operations	9.6	(27.8)	(>100)	3.7	1.0	(28.8)	(>100)	(>100)
Renewables	0.0	(3.3)	n/a	0.0	0.0	(3.3)	n/a	n/a
<b>EBIT</b>	<b>231.4</b>	<b>413.0</b>	78.5	<b>113.9</b>	<b>160.3</b>	<b>252.7</b>	57.6	>100
<b>EBIT margin (%)</b>	<b>54.8</b>	<b>30.8</b>		<b>53.3</b>	<b>46.6</b>	<b>25.4</b>		
EPCIC	-	18.0		-	-	18.0		
Non-EPCIC	-	47.7		-	46.8	94.9		
Offshore Production & Marine	54.0	33.2		53.3	46.8	28.5		

Source: Bursa Malaysia

**EXHIBIT 3: SUM-OF-PARTS BREAKDOWN**

	Effective stake	Valuation Methodology
	%	RMmil
FPSO Adoon	100.0	348.0 WAC of 6.5% for cashflows up to Oct 2023.
FSO PTSC Bien Bong 01	49.0	191.9 WAC of 6.5% for cashflows up to June 2023.
FPSO PTSC Lam Son	49.0	58.4 WAC at 6.5% for \$50k daily charter to June 2021
FPSO John Agyekum Kufuor in OCTP, Ghana	74.0	1,378.1 Assumed capex of US\$1bil, WAC of 6.5%, project IRR of 12%, fixed contract term 15 years until June 2032
FPSO Helang, Block SK10, Sarawak	100.0	1,180.1 Assumed capex of US\$380m, WACC of 6.5% and project IRR of 12% with firm charter until Dec 2027 plus 10 year extension options
FPSO Abigail-Joseph (Anyala & Madu), Nigeria	100.0	1,386.7 Assume zero capex, cashflows until Sep 2027 and WACC of 6.5% until Sept 2027
FPSO Marlim 2, Brazil (Anna Nery)	65.0	2,531.3 Assumed capex of US\$1bil, WAC of 7.5%, project IRR of 18%, fixed contract term 25 years until Jan 2048
Rising Son solar power plant, India	95.0	66.7 140MW capacity, WACC of 10% until Dec 2042
<b>Operating units</b>		<b>7,141.1</b>
Holding company's shareholders' funds as at 31 January 2020		1,466.5
Less: Investment cost of subsidiaries and associates		(927.0)
Add: US\$49mil sale for 8.5%-10% stake in Marlim 2 to K Line		200.9
<b>Sum-of-parts valuation (RMmil)</b>		<b>7,881.5</b>
No of shares (mil)		1,094.7
<b>SOP/share (RM/share)</b>		<b>7.20</b>
<b>Implied FY22F PE</b>		<b>18</b>

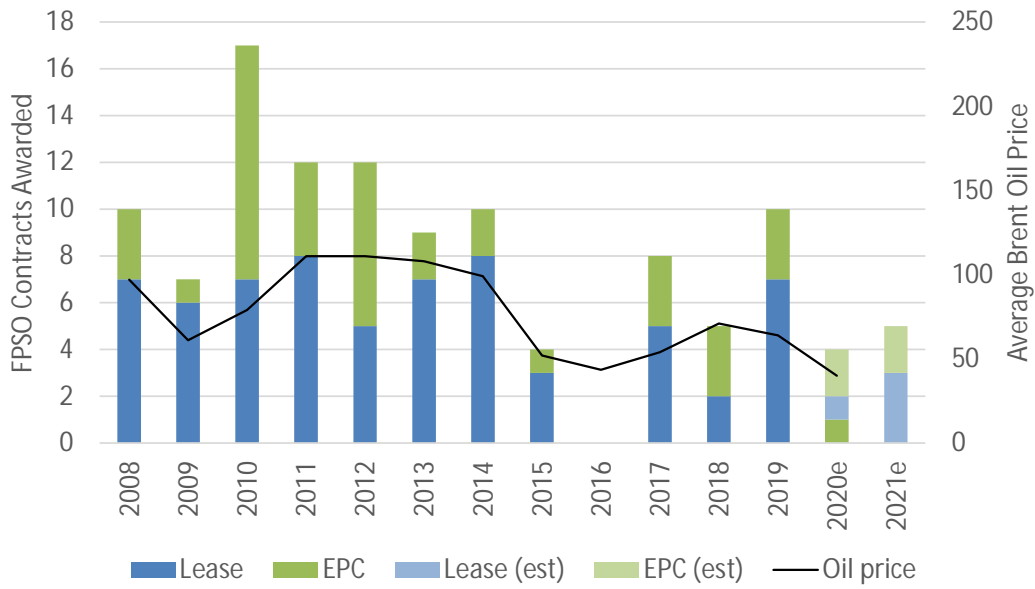
Source: AmInvestment Bank

**EXHIBIT 4: YINSON'S ORDER BOOK DURATION**

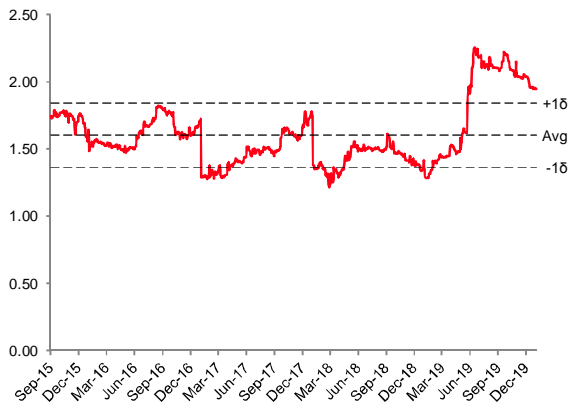
Source: Yinson's IR slide

**EXHIBIT 5: FPSO ORDERS**

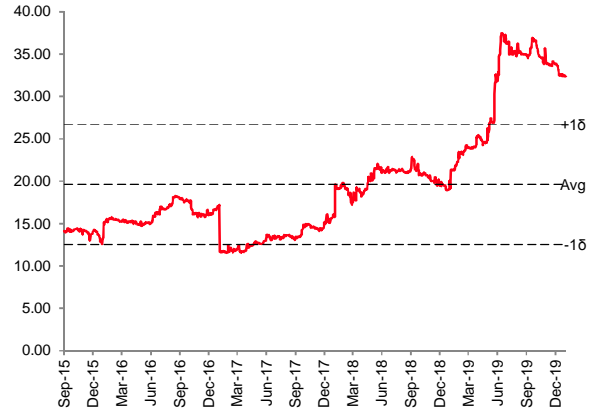
**FPSO Contract Awards Per Year**



**EXHIBIT 6: PB BAND CHART**



**EXHIBIT 7: PE BAND CHART**



## EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,034.9	2,519.3	2,653.7	2,845.6	2,846.3
EBITDA	828.5	748.2	1,102.7	1,206.1	1,232.5
Depreciation/Amortisation	(284.5)	(251.1)	(272.9)	(288.8)	(294.2)
Operating income (EBIT)	544.0	497.1	829.9	917.3	938.2
Other income & associates	12.8	10.4	24.2	24.2	24.2
Net interest	(167.0)	(176.4)	(217.4)	(232.2)	(239.2)
<b>Exceptional items</b>	<b>(45.9)</b>	<b>-</b>	<b>(47.5)</b>	<b>-</b>	<b>-</b>
Pretax profit	343.9	331.1	589.1	709.2	723.2
Taxation	(79.5)	(69.8)	(140.0)	(156.0)	(159.1)
<b>Minorities/pref dividends</b>	<b>(29.5)</b>	<b>(51.4)</b>	<b>(61.9)</b>	<b>(65.4)</b>	<b>(68.9)</b>
Net profit	234.9	209.9	387.2	487.8	495.2
Core net profit	280.8	209.9	434.7	487.8	495.2
Balance Sheet (RMmil, YE 31 Jan)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	5,298.2	4,843.6	6,070.7	7,081.9	8,087.7
Intangible assets	401.5	394.8	375.1	356.4	338.5
<b>Other long-term assets</b>	<b>534.8</b>	<b>1,990.6</b>	<b>1,956.4</b>	<b>1,925.8</b>	<b>1,898.5</b>
Total non-current assets	6,234.5	7,229.0	8,402.3	9,364.0	10,324.7
Cash & equivalent	1,217.3	1,276.2	1,472.8	1,514.4	1,656.9
Stock	9.9	22.1	24.3	26.7	29.4
Trade debtors	282.1	321.4	337.5	354.3	372.0
<b>Other current assets</b>	<b>339.5</b>	<b>666.7</b>	<b>700.1</b>	<b>735.1</b>	<b>771.8</b>
Total current assets	1,848.8	2,286.4	2,534.6	2,630.6	2,830.1
Trade creditors	371.2	493.4	518.1	544.0	571.2
Short-term borrowings	401.4	476.0	523.6	576.0	633.6
<b>Other current liabilities</b>	<b>546.1</b>	<b>544.8</b>	<b>667.0</b>	<b>713.1</b>	<b>742.1</b>
Total current liabilities	1,318.7	1,514.3	1,708.8	1,833.2	1,946.9
Long-term borrowings	2,748.4	3,354.4	4,154.4	4,554.4	5,054.4
<b>Other long-term liabilities</b>	<b>392.2</b>	<b>872.9</b>	<b>916.5</b>	<b>962.3</b>	<b>1,010.4</b>
<b>Total long-term liabilities</b>	<b>3,140.6</b>	<b>4,227.2</b>	<b>5,070.9</b>	<b>5,516.7</b>	<b>6,064.8</b>
Shareholders' funds	3,321.3	3,483.6	3,805.1	4,227.3	4,656.8
Minority interests	302.7	290.2	352.1	417.5	486.4
BV/share (RM)	3.04	3.18	3.48	3.86	4.25
Cash Flow (RMmil, YE 31 Jan)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	343.9	331.1	589.1	709.2	723.2
Depreciation/Amortisation	284.5	251.1	272.9	288.8	294.2
Net change in working capital	484.8	(257.7)	95.2	17.7	(1.0)
<b>Others</b>	<b>(295.3)</b>	<b>214.7</b>	<b>(380.3)</b>	<b>(410.1)</b>	<b>(419.2)</b>
Cash flow from operations	817.9	539.2	576.8	605.7	597.2
Capital expenditure	(1,047.5)	(296.5)	(1,500.0)	(1,300.0)	(1,300.0)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flow from investing	(1,047.5)	(296.5)	(1,500.0)	(1,300.0)	(1,300.0)
Debt raised/(repaid)	(29.6)	(75.8)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(65.6)	(65.7)	(65.7)	(65.7)	(65.7)
<b>Others</b>	<b>(167.0)</b>	<b>(176.4)</b>	<b>(217.4)</b>	<b>(232.2)</b>	<b>(239.2)</b>
<b>Cash flow from financing</b>	<b>(262.2)</b>	<b>(317.9)</b>	<b>(283.1)</b>	<b>(297.9)</b>	<b>(304.9)</b>
<b>Net cash flow</b>	<b>(491.8)</b>	<b>(75.2)</b>	<b>(1,206.3)</b>	<b>(992.2)</b>	<b>(1,007.7)</b>
<b>Net cash/(debt) b/f</b>	<b>(3,307.6)</b>	<b>(3,491.0)</b>	<b>(3,234.2)</b>	<b>(4,053.9)</b>	<b>(4,628.0)</b>
Net cash/(debt) c/f	(3,799.4)	(3,566.2)	(4,440.5)	(5,046.1)	(5,635.7)
Key Ratios (YE 31 Jan)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	13.7	143.4	5.3	7.2	-
EBITDA growth (%)	21.9	(9.7)	47.4	9.4	2.2
Pretax margin (%)	33.2	13.1	22.2	24.9	25.4
Net profit margin (%)	22.7	8.3	14.6	17.1	17.4
Interest cover (x)	3.3	2.8	3.8	4.0	3.9
Effective tax rate (%)	23.1	21.1	23.8	22.0	22.0
Dividend payout (%)	27.9	31.3	17.0	13.5	13.3
Debtors turnover (days)	108	44	45	44	47
Stock turnover (days)	3	2	3	3	4
Creditors turnover (days)	123	63	70	68	72

Source: Company, AmInvestment Bank Bhd estimates

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