

COMPANY RESULTS

Yinson (YNS MK)

9MFY24: In Line, FPSO Performance Can Sustainably Fund Transition Projects

9MFY24 core profit is in line, as the upside on FPSO profits (rate escalations) is able to offset some project hiccups in the non-O&G ventures, while keeping in check the spike in non-O&G opex. Fortunately, some of Yinson’s non-O&G businesses have promising potential, even though none are major near-term earnings catalysts yet. Further delivering two more FPSOs (Atlanta and PDB) on time in 2024 will ease its balance sheet position. Retain BUY. Target price: RM3.75.

9MFY24 RESULTS

Year to 31 Jan (RMm)	3QFY24	qoq % chg	yoy % chg	9MFY24 (RMm)	yoy % chg	Comments
Revenue	2,813.0	(9.6)	61.9	8,944.0	105.0	
EBIT	592.0	(7.9)	40.0	1,736.0	56.0	3Q/ 9MFY24 EPCIC: RM165m/ RM553m
EBIT margin (%)	21.0%	0.4%	-2.8%	19.4%	-6.9%	3Q/ 9MFY24 FPSO: RM190m/ RM453m
Finance costs	(244.0)	20.8	51.6	(647.0)	59.8	Reflecting higher loan and interest rates
Associates	5.0	(37.5)	(225.0)	9.0	(169.2)	
Pre-tax profit	353.0	(21.4)	36.8	1,098.0	172.5	Qoq increase of RM36m
Reported profit	230.0	0.0	60.8	686.0	160.8	from Anna Nery and JAK
Core profit	224.0	48.3	44.5	489.5	53.9	We add back RM34m solar impairment

\*Note: We do not forecast EPCIC FL gains given the complex nature of forecasting construction progress  
Source: Yinson, UOB Kay Hian

RESULTS

- **9MFY24 core profit in line, at 78%/70% of our/consensus forecasts.** 3QFY24 was a relatively “quiet” quarter as there were no major expiries/start up on projects. But, Yinson’s non-EPCIC income saw qoq growth, contributed by: a) FPSO Anna Nery (+RM25m), and b) rate escalation for the operation & maintenance of the FPSO John Agyekum Kufuor (+RM11m). Yinson has again maintain its FPSO fleet’s solid execution, and this offset the renewable RE segments, which recorded RM4m LBITDA and RM30m loss ytd (1HFY24: RM5m LBITDA; RM27m loss). In our core profit computation, we added back RM34m impairments incurred in 3QFY24 for the Nokh Solar Park in India. The impairment reflects higher costs increases and later-than-expected start date (of the second plant).
- **Balance sheet.** Loan base surged qoq from RM11b to RM14b, and net gearing increased slightly to 1.5x. If the RM1.8b perpetual securities are treated as debt, the adjusted net gearing would reflect 4.3x vs 3.4x qoq. Yinson’s adjusted net debt/EBITDA (including associates) went up slightly from 3.7x to 4.3x, but is still very healthy relative to peers and standard covenants of 5x. The loan drawdown was in tandem with its project progress (especially FPSO Anna Nery, FPSO PDB, ad FPSO Agogo) and capex ytd of RM5b-6b (under cash capex classified in operating cash flow for finance lease accounting).

KEY FINANCIALS

Year to 31 Jan (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	3,607	6,324	2,599	3,052	4,291
EBITDA	1,391	1,448	1,938	2,347	3,116
Operating profit	1,086	1,137	1,540	1,890	2,288
Net profit (rep./act.)	401	588	624	798	1,038
Net profit (adj.)	403	467	624	798	1,038
EPS (sen)	11.8	13.6	18.2	23.3	30.3
PE (x)	21.1	18.2	13.6	10.7	8.2
P/B (x)	3.5	2.1	2.0	1.8	1.6
EV/EBITDA (x)	11.4	10.9	8.2	6.7	5.1
Dividend yield (%)	4.0	4.0	4.0	4.0	4.0
Net margin (%)	11.1	9.3	24.0	26.1	24.2
Net debt/(cash) to equity (%)	138.7	136.3	149.8	165.8	166.0
Interest cover (x)	3.6	2.5	3.0	3.1	3.7
ROE (%)	10.1	11.6	10.4	12.8	15.5
Consensus net profit	-	-	703	778	845
UOBKH/Consensus (x)	-	-	0.89	1.03	1.23

Source: Yinson, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.48
Target Price	RM3.75
Upside	+51.0%

COMPANY DESCRIPTION

One of the largest global Floating, Production, Storage and Offloading (FPSO) operators, with Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) capabilities.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	YNS MK
Shares issued (m):	2,906.9
Market cap (RMm):	7,209.0
Market cap (US\$m):	1,531.9
3-mth avg daily t'over (US\$m):	1.5

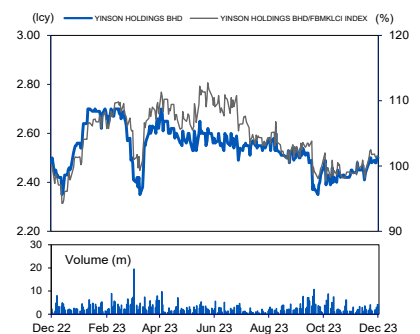
Price Performance (%)

52-week high/low	RM2.70/RM2.35			
1mth	3mth	6mth	1yr	YTD
2.5	(2.0)	(3.9)	0.4	2.1

Major Shareholders

Yinson Legacy	16.6
EPF	16.0
FY24 NAV/Share (RM)	1.25
FY24 Net Debt/Share (RM)	2.66

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Incoming operational FPSOs on track.** The FPSO Atlanta naming ceremony in Dubai was completed recently, and this lends good confidence for the project to be on track for 2024 sailaway, and first oil by Aug 24. FPSO Atlanta has a capacity of 50,000bpd, and its design has many adaptations (such as an efficient carbon management process) that help Enauta execute swiftly a deepwater project from phase zero. The other Brazil FPSO, FPSO Maria Quitera (dubbed as PDB), is also on track for 2024 first oil.
- Non-O&G projects are also progressing well, and control on costs.** Earlier, one of our key concerns for valuing Yinson (even though we do not forecast EPCIC lump sum revenues/profits), was that the “transition costs” to mature Yinson’s non-O&G businesses may become uncontrollable. Fortunately, Yinson Greentech appeared to have “contained” its costs in 3QFY24, as it incurred losses of RM7m/RM20m/RM8m in the first three quarters of FY24. Also, the second Nokh solar plant officially started up on 3 Nov 23, providing new EBITDA of RM12m on top of the existing plant’s RM10m. Some other key updates are tabled below.

EARNINGS REVISION/RISK

- No changes to FY24-26 forecasts.**

VALUATION/RECOMMENDATION

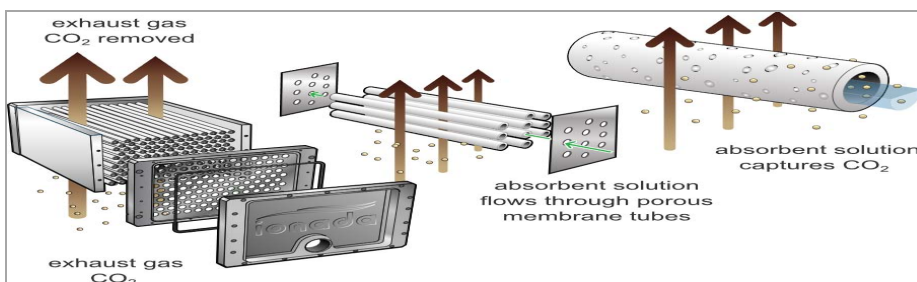
- Maintain BUY with SOTP-based target price of RM3.75.** This implies 21x FY24F PE, or 8x long-term PE once FPSO Aqogo contributes to earnings fully by FY26 (lifting earnings base to about RM2b). We continue to favour Yinson for its execution and bold ESG strategy to be a winner in the energy transition, although we acknowledge current price may remain undervalued, discounted by transition costs and gearing level).

PROGRESS OF NON-O&G/ ENERGY TRANSITION RELATED BUSINESSES

Unit	Description	Important Date
FPSO	To create a world-first post combustion carbon capture and storage (CCS) plant on FPSO Agogo. The unit will perform partial capture of CO2 from the gas turbine exhaust, using amine-based capture technology	Jun 23 – appointed Carbon Circle End-Sep 23 – First steel cut 3Q24 – Delivery date
Carbon	Became strategic investor via Series A-round on Ionada – that develops post-combustion carbon capture systems, with high 95% efficiency and with modular concept (suitable for small industries)	NA
Solar	Inecosolar, an 80% owned subsidiary and a solar player in Indonesia, signed a landmark agreement with Lazada Indonesia to install 396kWp of solar panels at largest logistics facility in Cimanggis, Depok, West Java.	NA
MarineEV	The all-electric cargo vessel, HydroMover, commenced operations for Singapore Port under the Goal Zero Consortium. The passenger craft, HydroGlider is targeted for readiness by end 2023	3Q23 - HydroMover End-23 – HydroGlider
ChargEV	Installed 359 chargers. Note that its sister company, Handal Indah (private unit of the Yinson family), also launched the Kempower chargers. Yinsons have roaming agreements with Gentari, JomCharge and Handal Indah	Owns 270 out of 510 charters on roaming in Malaysia. Singapore roaming may add another 600
Renewables	Interested in the renewable energy (RE) export business opportunities, but requires a partner for Battery Energy Storage System (BESS)	NA

Source: UOB Kay Hian

IONADA CARBON CAPTURE TECHNOLOGY



Source: Ionada

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<b>Environmental</b>
- <b>Advanced in carbon (CO2) reduction.</b> Outlined climate goals roadmap to reach carbon-neutral status by 2030 and net-zero carbon status by 2050.
- <b>Advanced in non-O&amp;G diversification.</b> Targets 3GW renewable energy (RE) pipeline by end-22, and 5-10GW operating portfolio by 2029.
- <b>Safety (HSE).</b> Nil Lost Time Injury (LTI) Frequency in FY21 (FY20: 0.71)
<b>Social</b>
- Ranked top for active stakeholder engagements with bankers/clients/investors.
<b>Governance</b>
- Most advanced in self-monitoring and reporting of its environmental contribution.
- 50% of its board members are independent despite having family representation.

GEARING MOVEMENT, QUARTERLY



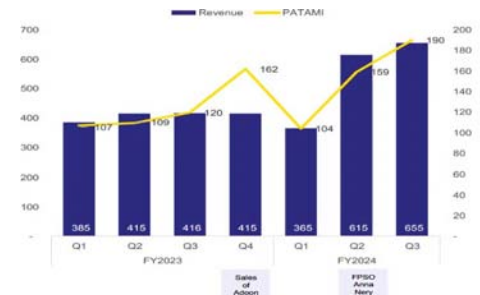
Source: Yinson

SOTP VALUATION @ RM4.30/US\$; 8.2% WACC

FY23F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm contract only	DCF (IRR 14%, 74% stake)	0.75
FPSO Helang (Layang), firm	DCF, US\$280m capex + US\$50m residual value	0.29
FPSO Abigail-Joseph (AJ), firm	DCF (IRR 25%)	0.34
MOPU	11x PE	0.02
Lam Son	Redeployment	0.07
FPSOs Anna Nery and PDB	DCF (IRR 17%, both assume 75% stake)	2.51
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.41
Enauta, PAJ and others	Include chance of more contract wins	1.22
(-) Minus net debt	Refinanced loan of FPSO JAK, FPSO Helang, and all perpetuals	(2.98)
<b>SOTP (diluted)</b>	<b>RM3.4b shares include warrants conversion</b>	<b>3.75</b>
<b>Implied FY24F PE</b>	-	<b>20.6x</b>
<b>Implied FY26F PE</b>	-	<b>14.3x</b>

Source: UOB Kay Hian

FPSO NON-EPCIC REVENUE/ INCOME



Source: Yinson

FPSO EPCIC REVENUE/ INCOME



Source: Yinson

### PROFIT & LOSS

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
Net turnover	6,324	2,599	3,052	4,291
EBITDA	1,448	1,938	2,347	3,116
Deprec. & amort.	312	398	457	828
EBIT	1,137	1,540	1,890	2,288
Total other non-operating income	424	0	0	0
Associate contributions	(16)	(4)	(4)	(4)
Net interest income/(expense)	(577)	(655)	(768)	(846)
<b>Pre-tax profit</b>	<b>847</b>	<b>880</b>	<b>1,117</b>	<b>1,437</b>
Tax	(257)	(224)	(273)	(337)
Minorities	(2)	(33)	(47)	(63)
<b>Net profit</b>	<b>588</b>	<b>624</b>	<b>798</b>	<b>1,038</b>
Net profit (adj.)	467	624	798	1,038

### CASH FLOW

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>(1,226)</b>	<b>1,602</b>	<b>1,257</b>	<b>1,798</b>
Pre-tax profit	845	880	1,117	1,437
Tax	448	(224)	(273)	(337)
Deprec. & amort.	312	398	457	828
Associates	16	4	4	4
Working capital changes	(3,184)	544	(49)	(135)
Other operating cashflows	338	0	0	0
<b>Investing</b>	<b>(1,056)</b>	<b>(1,697)</b>	<b>(1,824)</b>	<b>(1,800)</b>
Capex (growth)	(1,357)	(2,300)	(2,500)	(2,000)
Investments	301	0	0	0
Others	0	603	676	200
<b>Financing</b>	<b>793</b>	<b>235</b>	<b>327</b>	<b>(289)</b>
Dividend payments	(157)	(343)	(343)	(343)
Issue of shares	0	0	0	0
Proceeds from borrowings	668	1,758	2,007	1,559
Loan repayment	(926)	(1,194)	(1,355)	(1,531)
Others/interest paid	1,208	13	19	25
<b>Net cash inflow (outflow)</b>	<b>(1,489)</b>	<b>140</b>	<b>(240)</b>	<b>(291)</b>
Beginning cash & cash equivalent	2,859	1,507	1,647	1,407
Changes due to forex impact	137	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>1,507</b>	<b>1,647</b>	<b>1,407</b>	<b>1,116</b>

### BALANCE SHEET

Year to 31 Jan (RMm)	2023	2024F	2025F	2026F
Fixed assets	4,266	6,171	8,137	9,222
Other LT assets	11,798	11,298	11,298	11,898
Cash/ST investment	1,507	1,647	1,407	1,116
Other current assets	1,688	1,144	1,194	1,329
<b>Total assets</b>	<b>19,259</b>	<b>20,261</b>	<b>22,036</b>	<b>23,565</b>
ST debt	1,194	1,355	1,531	1,721
Other current liabilities	1,446	1,037	924	1,966
LT debt	8,390	9,404	10,505	10,984
Other LT liabilities	1,767	1,833	2,097	1,320
Shareholders' equity	5,927	6,083	6,412	6,982
Minority interest	535	548	567	592
<b>Total liabilities &amp; equity</b>	<b>19,259</b>	<b>20,261</b>	<b>22,036</b>	<b>23,565</b>

### KEY METRICS

Year to 31 Jan (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	22.9	74.5	76.9	72.6
Pre-tax margin	13.4	33.9	36.6	33.5
Net margin	9.3	24.0	26.1	24.2
ROA	3.4	3.2	3.8	4.6
ROE	11.6	10.4	12.8	15.5
<b>Growth</b>				
Turnover	75.3	(58.9)	17.4	40.6
EBITDA	4.1	33.8	21.1	32.8
Pre-tax profit	18.3	3.9	26.9	28.6
Net profit	46.7	6.0	27.9	30.1
Net profit (adj.)	15.9	33.5	27.9	30.1
EPS	15.9	33.5	27.9	30.1
<b>Leverage</b>				
Debt to total capital	59.7	61.9	63.3	62.7
Debt to equity	161.7	176.9	187.7	182.0
Net debt/(cash) to equity	136.3	149.8	165.8	166.0
Interest cover (x)	2.5	3.0	3.1	3.7

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