PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

Yinson Holdings Bhd ("Yinson") – "An Ever Transitioning Energy Behemoth"

Recommendation: BUY

Share Price: RM2.45

FINANCIAL SUMMARY

FYE 31 Jan (RM' mil)	2021	2022	2023E	2024F
Revenue	4,849	3,607	4,290	4,500
EBITDA	1,393	1,412	1,750	2,100
EBITDA margin (%)	28.7	39.1	40.8	46.7
Pre-tax profit	580	716	972	1,190
Core net profit	474	411	565	630
Core EPS (sen)	15.9	13.8	19.0	21.0
DPS (sen)	2.6	2.6	1.9	1.9
PER (x)	23.5	17.2	11.5	10.6
Dividend yield (%)	0.9	0.9	1.0	1.0
Net Gearing (%)	101	124	93	78

OTHER KEY DATA

Listing	Main Market
Issued Cap. (m)	2,327
Market Cap. (RM m)	7,479
52 Week Low/High (RM)	1.83/2.61
ROE (%)	3.76
P/BV (x)	0.63
BV/share (RM)	1.38

Major Shareholders

Yinson Legacy Sdn. Bhd.	18.0%
Employees Provident Fund	16.0%
Kumpulan Wang Persaraan	7.1%

Source: Bloomberg & PCM

To fund for its growth expansion Yinson is exploring to list its FPSO segment which is valued at US$2.2bn in Oslo, ~38% higher than its current marketcap. This valuation excludes the FPSO Agogo (AG) project which has received prelim upfront capex funding of US$218m.

We opine that the growth prospect for Yinson is attractive as it is currently trading at FY24 PE of 10.6x as compared to the 5-yr average PE of 20.1x and FY24 EV/EBITDA of 5.6x vs. its 5-yr average value of 9.7x, we recommend YINSON a BUY ON WEAKNESS for its exciting growth and recurring business model.

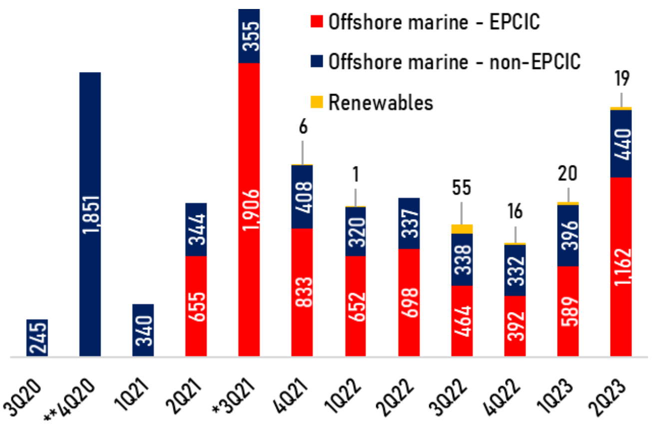
Price Chart of YINSON (Dec' 21 – Dec' 22)

Source: Bloomberg

Highlights:

Background – After successfully transformed into a FPSO player from a logistic company in 2010, YINSON has grown spectacularly to be the 4th largest FPSO owner by fleet size. Upon successful designing and constructing the FPSO (EPCIC), it leases and operates them on an agreed contract period and charter rate (non-EPCIC) with extension option. While the EPCIC revenue can fluctuate considerably, the recurring leasing income stream has been growing steadily. In 2019, it has forayed into the renewables market and green technology which are positive to achieve its ESG footprint and creating a separate engine to drive future growth (Fig. 1).

Fig 1: Revenue breakdown of Yinson by segments

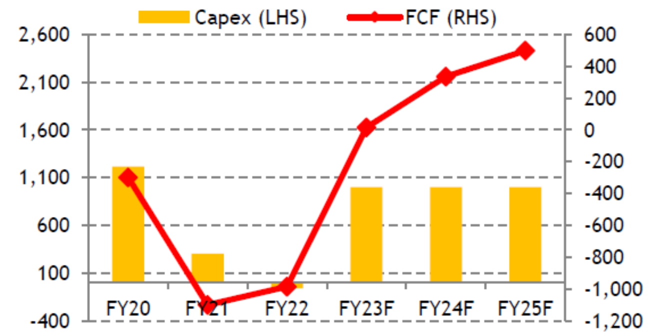


** One-off outright sales of FPSO Abigail-Joseph*
*** One-off outright sales of FPSO Helang*
Source: Company, PCM

Fig 2: Capex and FCF of Yinson

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

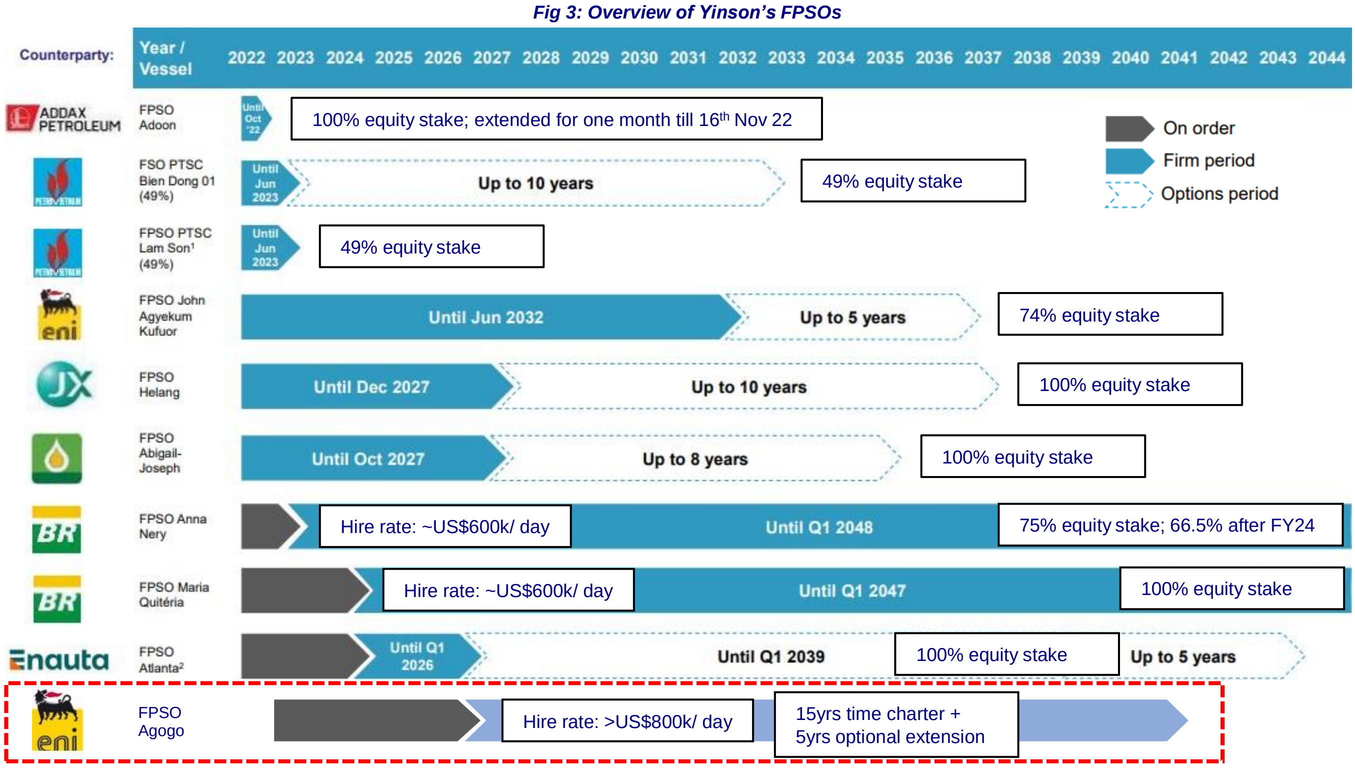
PhillipMutual
It's a Matter of Trust



Source: Company

FPSO Offers Recurring Long-term Income Stream – Yinson's recent FPSO contracts span more than 15yrs and an extension option of up to 10yrs. As the owner, Yinson is paid a fixed, daily hire rate which is not subjected to the oil and gas prices volatility nor the reservoir performance on which the FPSO operates, making the cash flow relatively stable and predictable. In the case of a downtime, the charterer is obligated to honour the hire payment as long as the downtime is less than 180days, providing Yinson a protected income stream. Since FY19, its FPSOs' technical uptime has been above 98%.

Fig 3: Overview of Yinson's FPSOs



Source: Company, PCM (Dec 22)

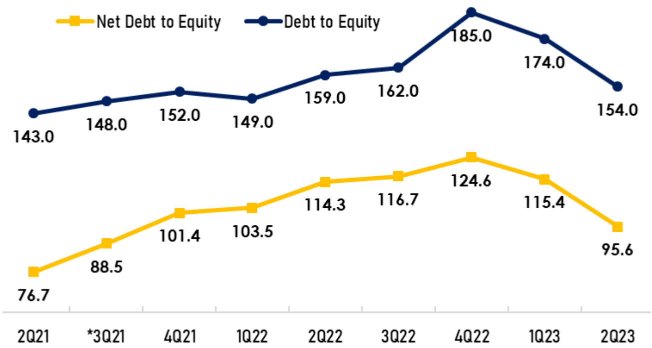
Lower Equity Funding under Tight Market - Oil majors continue to press forward investment to take advantage of current elevated oil prices, causing imbalance of FPSO supply and demand as the industry was facing years of underinvestment after the 2014 oil sump. The scenario is further exacerbated by the recent Russia-Ukraine war, which has raised energy security concern. Due to substantial conversion contracts in hand and deteriorating balance sheets in some FPSO players, FPSO builders are now experiencing capacity constraint to accept new orders. As such, FPSO players are in a better position to request the oil and gas producers to bear a big chunk of the FPSO capex.

Multiple FPSOs in the pipeline – Yinson has three ongoing FPSO projects, namely FPSO i) Anna Nery (AN) that expects first oil in Jan 23; ii) Maria Quteria (MQ); and iii) Atlanta (AT) which were secured in late-21. As time charter contribution from FPSO AN commences, the sustainable and recurring non-EPCIC revenue will increase whereas the EPCIC segment will see a replenishment from FPSO AG. With a daily hire rate of ~US$600k, the FPSO AN and AT willbe leased at ~30% higher rate than FPSO JAK. The upcoming FPSO AG will see an even higher rate at >US$800k/day and an IRR of >20% which is the highest among all of its past FPSOs (**Fig 3**).

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my
PhillipMutual
It's a Matter of Trust

Improving Balance Sheet and Cash Flow - FPSO players are no stranger to high capex, thus high gearings. YINSON's net gearing has been manageable after the completion of rights issue in May 22 (**Fig. 4**). Its manageable gearing is partly due to its three issues of perpetual loans. Its gearing is expected to continue downtrend as chartering cash flow from FPSO AN kicks in from Jan 23. To lower its finance cost, Yinson has adopted swaps to convert ~55% of the project loans (RM5.5bn) into fixed rates. The remaining floating loans are hedged against rising interest rates. Besides, the A1 and A+ ratings from RAM and MARC have warranted its creditworthiness. This is reflective of the prudent financial management and strong cash flow generation from its FPSO operations.

Fig 4: Gearings of Yinson



Source: Company, PCM (Dec 22)

Recommendation – Yinson is running a recurring business model which can avoid the impact of fluctuating oil prices as faced by many oil and gas companies. Its management has shown prudent track record in risk management. For instance, Yinson has been spreading out risks by accepting projects from different oil producers and has pushed for a 100% upfront funding from Enauta and FEP due to their small sizes and lack of track record. On a positive note, the worrying high gearings are subsiding in an encouraging trend. All in all, we recommend to **BUY ON WEAKNESS** on Yinson for its recurring business and growth prospect coupled with an exceptional management team.

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

APPENDIX

LIST OF STOCKS RECOMMENDED SINCE 2020

Our Picks – 2020/21/22

No	Stock	Sy#	Date	Price*	Price @7/12/22 (RM)	% Change	Comments
1	OCK	Sy	24-Apr-20	0.480	0.435	-9.4%	Still a Buy. DNB's deal with MNOs could spur CAPEX for 5G infra.
2	UMW	Sy	4-Jun-20	2.18	3.35	53.5%	Buy/Hold. SST exemption expiredon Jun 22 might frontload sales.
3	Kelington	Sy	21-Jul-20	0.498	1.420	185.4%	Accumulate. 9M22 results hitting records and orderbook of RM1.6b will the company busy well intoFY24.
4	Genting	Non - Sy	23-Jul-20	3.54	4.35	22.9%	Buy. Finally turned in the black as recovery is ongoing. TauRx's Alzheimer's drug remain a wildcard.
5	Allianz	Non - Sy	26-Aug-20	11.87	13.86	16.8%	LT Buy. Sustainable business growth and trading at undemanding valuation.
6	SWKPLNT	Sy	10-Sep-20	1.42	2.28	60.6%	Hold. FFB growth provides buffers for the recent CPO drawdown and volatility.
7	Dialog	Sy	18-Sep-20	3.66	2.30	-37.1%	Hold/Sell. Terminal tank storagerate is rising and utilization rate improved to 90%.
8	Hibiscus	Sy	21-Oct-20	0.460	1.060	130.4%	Trading Buy/ Hold. Contribution from Repsol assets is positive but volatile oil prices weight on its earnings.
9	KESM	Sy	25-Nov-20	9.80	7.49	-23.5%	Buy/Hold. 1QFY7/23 results missed expectations due to lower demand for burn-in
10	Chin Well	Sy	21 Dec.20	0.903	1.610	78.3%	Buy/Hold. Seeing signs of slowdown in EU sales orders but US market remains. Decent dividend yield of approx. 4-5%.
11	BAuto	Sy	8-Mar-21	1.23	1.99	62.4%	Buy/Hold. SST exemption expiredJun 22 might frontload sales.
12	Panasonic	Non - Sy	11-Mar-21	28.11	23	-18.2%	Buy/Hold. Poor 1QFY3/23 earnings impacted by lower sales and rising raw materials costcaused px to fall
13	Axis Reit	Sy	22-Mar-21	1.79	1.80	0.5%	Buy/Hold. A tug of war between ever-growing fundamental and rising MGS bond yield.

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

14	HPP	Sy	9-Apr-21	0.600	0.430	-28.3%	Buy. Continues to see strong order flow for its products from existing and new customers.
15	Litrak	Sy	16-Apr-21	0.33	0.51	-54.5%	Hold/Sell. Toll concessions disposal has been completed. Special dividend of RM4.57 ex on 10 Nov
16	SKP	Sy	4-Jun-21	1.61	1.67	3.9%	Buy. Outlook remains sanguine with sustained strong demand from its key customer.
17	Lagenda	Sy	21-Jun-21	1.16	1.21	4.4%	Buy. Partnership with Selangor state government to develop 191 acres of land in Bernam Jaya.
18	Gtronic	Sy	29-Jun-21	2.19	1.17	-46.5%	Buy. 9M22 revenue dropped due to linearization low margin quartz crystal and lower production of sensors.
19	GDB	Sy	25-Aug-21	0.451	0.23	-49.0%	Hold. GDB unit sueing KSK Land to recover RM120m owed.
20	Airport	Non-Sy	27-Aug-21	6.42	6.37	-0.8%	Buy on recovery. Passenger movement is picking up. On track to turn profitable in CY2023.
21	Dpharma	Sy	24-Sep-21	1.84	1.55	-15.6%	Buy. 9M22 results satisfactory driven by higher demand from public health sector and ethical classic market.
22	SIME	Sy	28-Sep-21	2.22	2.20	-0.7%	Buy. Distribution of BYD's EV is positive.
23	Able Global (formerly Johore Tin)	Sy	27-Oct-21	1.71	1.32	-22.6%	Buy. To benefit from recent ease in raw material price and Mexico JV to receive export permit soon.
24	TM	Sy	29-Nov-21	5.24	5.4	3.1%	Buy. A beneficiary of JENDELA and digital economy.
25	MATRIX	Sy	29-Nov-21	1.36	1.51	11.3%	Buy. Expect strong 2HF23 result back by: Strong unbilled sales RM1.4b and strong pipeline with high take-up rate.
26	MFlour	Sy	28-Dec-21	0.615	0.85	38.2%	Buy. Successfully turnaround in poultry business for 2 consecutive quarters.
27	OCK	Sy	29-Dec-21	0.455	0.435	-4.4%	Still a Buy. DNB's deal with MNOs could spur CAPEX for 5G infra.

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust

28	MFCB	Sy	25-Feb-22	3.53	3.35	-5.1%	Buy. Don Sahong Hydro Power Plant continues to benefit from stronger USD.
29	CTOS	Sy	30-Mar-22	1.55	1.42	-8.2%	Buy. Growing number of Fintech players is another upside catalyst.
30	TGuan	Sy	31-Mar-22	2.30	2.39	4.1%	Buy. 3Q22 results continued to exhibit growth driven by increase in volume and ASP for stretch film and industrial packaging.
31	Armada	Non-Sy	29-Apr-22	0.430	0.485	12.8%	Buy. To continue benefit from tight FPSO market and disposal of loss-making OSVs.
32	OPTIMAX	Sy	13-May-22	0.580	0.805	38.8%	Buy/Hold. Transferred to Main Market Board. Liquidity should improve.
33	InNature	Sy	8-Jun-22	0.525	0.545	3.8%	Buy. Consumer retail spending remains strong.
34	SWIFT	Sy	23-Aug-22	0.535	0.48	-10.3%	Buy. A proxy to Malaysia's compelling trade activities as evidenced by close correlation between port throughput and GDP growth.
35	Vitrox	Sy	26-Aug-22	7.31	7.55	3.3%	Buy.3Q22 results still going strong.
36	Kawan	Sy	26-Sep-22	2.21	2.13	-3.6%	Buy. New mainstream customer from US is the next growth driver.
37	MPI	Sy	30-Sep-22	28.64	30	4.7%	Buy. 1QFY6/23 results started on a soft note attributed to slowdown from consumer electronics market and China.
38	Lagenda	Sy	28-Oct-22	1.19	1.21	1.7%	Buy. Partnership with Selangor state government to develop 191 acres of land in Bernam Jaya.
39	Coastal	Sy	31-Oct-22	2.02	2.53	25.2%	Buy. Papan project will contribute RM900m income in 1H23, more than double its current income.

**Price adjusted for dividend, bonus and rights*

PHILLIP MUTUAL BERHAD
Company No. 200201002746 (570409-K)
Tel: (603) 2783 0300 | Fax: (603) 2166 6417
Webpage: www.phillipmutual.com | E-mail: phillipmutual@phillipcapital.com.my

PhillipMutual
It's a Matter of Trust