

26 June 2024

Keyfield International

Adding Two Work Boats

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KEYFIELD is acquiring a second-hand accommodation work boat (AWB) and building a new one in China. The second-hand vessel is expected to start to contribute in FY25, while the new build will be delivered in FY26. We raise our FY25F net profit forecast by 6%, lift our TP by 6% to RM2.85 (from RM2.69) and maintain our OUTPERFORM call.

KEYFIELD is acquiring a second-hand DP2-enabled AWB named 'MV Belait Barakah' for USD6m (RM28.3m) with a 152-passenger capacity from Belait Barakah Sdn Bhd. The vessel is currently idle and laid up in Miri, Sarawak. KEYFIELD will spend an additional RM10m to bring the vessel back to working conditions within 90 to 120 days after the completion of the deal in 3QCY24.

Separately, KEYFIELD has placed an order for a new dynamic positioning 2 (DP2) AWB with Jingjiang Nanyang Shipbuilding Co Ltd (JNS) and Nantong Shunyang Trade and Development Co Ltd (NTSD) in China for USD30.5m (RM143.7m). The AWB can accommodate 239 passengers and uses a diesel-electric propulsion system.

The total capital outlay of RM182m will turn KEYFIELD from a net cash of RM39m as at end-1QFY24 to a net debt and gearing of RM143m and 0.2x which are still highly manageable.

Outlook. We expect strong 2Q and 3Q ahead as all its vessels will be operating near full capacity post the monsoon season. The majority of its AWB are currently engaged in medium-term charters of six to nine months. Should demand for AWBs remain robust, we project that the group could secure higher daily DCR for FY25. Given the tight supply of offshore support vessels (OSV) in Malaysia on robust activities, we expect DCRs to continue rising in coming months.

Forecasts. We raise our FY25F net profit forecast by 6% after factoring in contribution from MV Belait Barakah. We assume 75% vessel utilisation with a DCR of RM110,000.

Valuations. We upgrade our TP by 6% to RM2.85 (from RM2.69) pegged to an unchanged 11x FY25F PER, which is at slight premium to 10.2x median OSV multiple due to its younger fleet and higher fleet specifications.

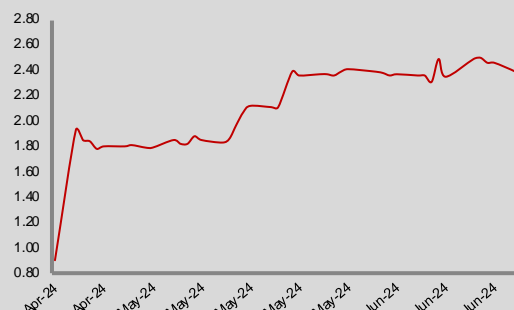
Investment case. We like KEYFIELD due to: (i) its presence in the booming AWB subsector on tight supply, (ii) its relatively young fleet age of eight years and DP2-rated vessels which are preferred by clients, and (iii) a strong war chest by virtue of a low net gearing. Maintain **OUTPERFORM**.

Risks to our call include: (i) significant decline in Brent crude prices, (ii) unexpected vessel downtime due to unplanned maintenance, and (iii) decline in oil producers' capex planned.

OUTPERFORM ↔

Price: RM2.35
Target Price: RM2.85 ↑

Share Price Performance



KLCI	1,618.27
YTD KLCI chg	11.2%
YTD stock price chg	161.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KEYFIELD MK Equity
Market Cap (RM m)	1,880.0
Shares outstanding	800.0
52-week range (H)	2.53
52-week range (L)	1.70
3-mth avg. daily vol.	Na
Free Float	45%
Beta	na

Major Shareholders

Lavin Group Sdn Bhd	27.0%
Kee Chit Huei	22.7%
Ooi Soo Ping	4.3%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	430.5	456.7	580.9
EBIT	160.5	193.5	290.6
PBT	146.5	193.0	290.3
Net Profit (NP)	105.5	142.5	214.4
Core NP (CNP)	105.5	142.5	214.4
Consensus (CNP)	-	-	-
Earnings Revision (%)	-	-	+5.7
Core EPS (sen)	12.7	17.2	25.9
EPS Growth (%)	98.3	35.1	50.4
DPS (sen)	-	3.4	5.2
BV/Share (RM)	0.3	0.8	1.0
PER (x)	18.4	13.7	9.1
PBV (x)	6.7	2.9	2.3
Net-Gearing (x)	0.7	-0.1	-0.2
Div. Yield (%)	-	1.5	2.2

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Income Statement

FY Jan (RM m)	2021A	2022A	2023A	2024F	2025F
Revenue	139.8	236.2	430.5	456.7	580.9
EBIT	28.7	73.7	160.5	193.5	290.6
Interest Exp	-3.7	-8.7	-13.9	-0.5	-0.3
Associate & JV	0.0	0.0	0.0	0.0	0.0
PBT	25.0	65.0	146.5	193.0	290.3
Taxation	-7.0	-15.2	-39.4	-48.2	-72.6
MI	0.4	1.0	1.6	2.2	3.3
Net Profit	17.6	48.9	105.5	142.5	214.4
Core Profit	23.3	53.2	105.5	142.5	214.4

Balance Sheet

FY Jan (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	233	369	501	581	599
Intangible Assets	-	-	-	-	-
Other LT assets	15	21	16	16	16
Inventories	2	2	3	4	4
Receivables	65	88	94	181	231
Other CA	3	1	4	4	4
Cash	21	23	73	49	160
Total Assets	338	504	691	835	1014
Payables	34	34	41	63	70
ST Borrowings	43	52	3	3	0
Other ST Liability	18	22	50	14	14
LT Borrowings	50	27	6	6	6
Other LT Liability	47	176	298	70	70
Minorities Int.	3	4	6	8	12
Perpetual	0	0	0	0	0.0
Net Assets	141	188	288	671	843
Share Capital	125	125	125	394	394
Reserves	16	63	163	277	449
Equity	141	188	288	671	843

Cashflow Statement

FY Jan (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	21.6	62.5	184.5	119.2	216.7
Investing CF	-29.7	-11.2	-29.0	-120.0	-60.0
Financing CF	2.6	-49.0	-104.1	-23.1	-45.5

Financial Data & Ratios

FY Jan	2021A	2022A	2023A	2024F	2025F
Growth (%)					
Revenue	85.8	69.0	82.2	6.1	27.2
EBIT	52.2	156.5	117.6	20.6	50.2
PBT	42.7	159.8	125.4	31.7	50.4
Net Profit	30.4	177.4	115.8	35.1	50.4
Profitability (%)					
EBIT	20.6	31.2	37.3	42.4	50.0
PBT Margin	17.9	27.5	34.0	42.3	50.0
Net Margin	16.7	22.5	24.5	31.2	36.9
Effective Tax Rate	28.0	23.3	26.9	25.0	25.0
ROA	6.9	10.6	15.3	17.1	21.1
ROE	16.5	28.3	36.6	21.2	25.4
DuPont Analysis					
Net Margin (%)	16.7	22.5	24.5	31.2	36.9
Assets Turnover (x)	0.4	0.5	0.6	0.5	0.6
Leverage Factor (x)	2.4	2.7	2.4	1.2	1.2
ROE (%)	16.5	28.3	36.6	21.2	25.4
Leverage					
Debt/Asset (x)	0.4	0.5	0.4	0.0	0.0
Debt/Equity (x)	0.8	1.1	0.7	-0.1	-0.2
N. Debt/(Cash	109.0	205.8	199.6	-40.1	-153.9
Net Debt/Equity (x)	0.8	1.1	0.7	-0.1	-0.2
Valuations					
EPS (sen)	2.8	6.4	12.7	17.2	25.9
DPS (sen)	0.0	0.0	0.0	3.4	5.2
BVPS (RM)	0.2	0.2	0.3	0.8	1.0
PER (x)	83.5	36.6	18.4	13.7	9.1
Div. Yield (%)	0.0	0.0	0.0	1.5	2.2
P/BV (x)	13.8	10.4	6.7	2.9	2.3

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
BUMI ARMADA BHD	MP	0.555	0.580	4.5%	3,290.0	N	12/2024	13.8	12.6	144.4%	-8.8%	4.0	4.4	0.5	13.4%	0.0	0.0%
DIALOG GROUP BHD	OP	2.40	3.18	32.5%	13,542.3	Y	06/2024	10.2	10.6	13.9%	4.1%	23.6	22.7	2.3	10.0%	4.3	1.8%
KEYFIELD INTERNATIONAL	OP	2.35	2.85	21.0%	1,880.0	Y	12/2024	17.2	25.9	35.1%	50.1%	13.7	9.1	2.8	29.7%	3.4	1.5%
MISC BHD	MP	8.55	8.09	-5.4%	38,165.0	Y	12/2024	52.9	52.3	9.7%	-1.2%	16.2	16.4	0.9	5.9%	30.0	3.5%
PETRONAS CHEMICALS GROUP	MP	6.49	6.28	-3.2%	51,920.0	Y	12/2024	34.8	41.9	71.3%	20.3%	18.6	15.5	1.2	6.8%	17.4	2.7%
PETRONAS DAGANGAN BHD	OP	17.20	23.70	37.8%	17,087.4	Y	12/2024	99.7	109.8	1.1%	10.1%	17.2	15.7	2.9	16.9%	79.8	4.6%
PETRON MALAYSIA REFINING	MP	4.60	4.74	3.0%	1,242.0	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.6	5.1	0.5	10.6%	20.0	4.3%
VELESTO ENERGY BHD	OP	0.250	0.340	36.0%	2,053.9	Y	12/2024	1.8	2.3	46.6%	28.8%	14.1	10.9	0.8	5.7%	0.0	0.0%
WASCO BHD	OP	1.39	1.48	6.5%	1,076.3	Y	12/2024	12.1	14.8	20.0%	22.6%	11.5	9.4	1.3	12.5%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.36	3.41	44.5%	7,072.3	N	01/2025	17.4	19.4	45.2%	11.0%	13.5	12.2	1.4	10.2%	5.0	2.1%
SECTOR AGGREGATE					141,543.5					33.6%	8.8%	15.9	14.6	1.5	11.1%		1.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	Energy Efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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