

Stock Snippet – YINSON

Yinson’s 1QFY14 core net profit of RM15.4m registered 44% growth as compared with previous year corresponding quarter of RM10.7m. The improvement was mainly contributed by its marine segment and earnings from the new floating storage & offloading vessels (FSO) from its joint venture with PetroVietnam Technical Services Corporation (PetroVietnam).

Revenue Dropped 14% y-o-y

For the 1QFY14, Yinson’s revenue dropped by RM35.9m (-14% y-o-y) to RM228m compared to RM264m for the corresponding quarter in FY2013. This was mainly due to weaker sales from its transport and trading segments. The trading’s sales dropped 16% y-o-y on lower demand and dropped in unit price of trading materials while the weaker transport segment (-10% y-o-y) was due to decreased in demand for the Group’s transportation services. The weaker Group’s sales was also resulted in lower earnings before interest & tax (EBIT) (-14% y-o-y) for the Group during the same period.

RM8.9m Profit from JV

Despite weaker revenue contribution in 1QFY14, Yinson’s PBT grew 28% y-o-y to RM18m as compared to previous year’s quarter of RM14m as the contribution from JV and improved result from marine segment have mitigated the weaker performance from the transport and trading segments. The share of the results of the JV increased significantly to RM8.9m which was contributed by the new FSO from JV compared to loss of RM2 thousand for the corresponding quarter.

Marine Segment Still the Main Growth Catalyst

During the quarter under review, its marine segment was the only core segment that contributed growth to the Group’s revenue and bottom-line result. Its marine’s revenue was recorded as RM17m (+14% y-o-y) as compared with corresponding quarter of RM14.9m. The increase in revenue was mainly due to increase in contribution from the chartering of 2 new vessels during the period. This has also increased EBIT for the marine segment by RM0.9m (+19% y-o-y) to RM5.8m as compared to RM4.9m in 1QFY13. Going forward, the marine segment will take over as the main earnings driver which contribution will mainly come from the chartering of FSO & FPSO. To recap, the FPSO (JV with PetroVietnam) with total contract value worth up to USD737m for 10 years term is targeted to contribute next year.

Proposed Acquisition of Fred. Olsen Production

We are positive on the recent proposed acquisition of Fred. Olsen Production (FOP) by Yinson which is targeted to be completed by November 2013. The acquisition will lift the Group’s capabilities as an international FPSO player given that it will be inheriting a seasoned international management and enhance its geographical presence. The acquisition will also raise the Group’s floating production fleet size to 5 units (from 2 units) that come with long term contracts that have firm and option periods till 2022-2029.

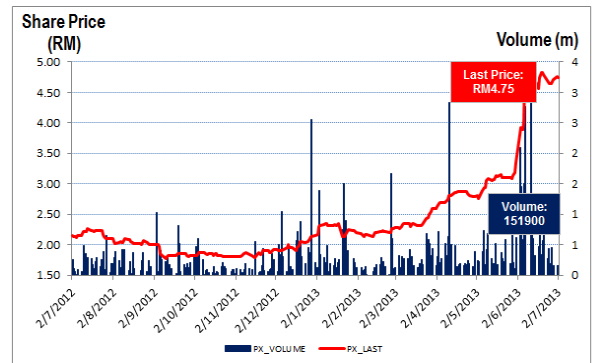
Reiterate ‘Buy’

We continue to favour Yinson with FY2015F’s PER of 12.5x given that with the coming on stream of the FSO & FPSO operations, the Group shall strive to sustain a satisfactory performance for the coming year. Its strong links to PetroVietnam will also benefit it to have more Vietnamese opportunities going forward. Furthermore, the proposed acquisition of FOP may also further strengthen the Group’s prospect and enhance its geographical presence as an international FPSO player.

Summary

Share Price (RM)	4.75
52-Week Low/High (RM)	1.77 – 5.15
Market Value (RM m)	1,046.9
Shares Outstanding (RM1.00 par)	220.4m
Dividend Yield	0.5%
Return on Equity	15.5%
FY2015F EPS	38 sen
P/E	12.5x

Chart 1: Price and Volume (1 Yr)

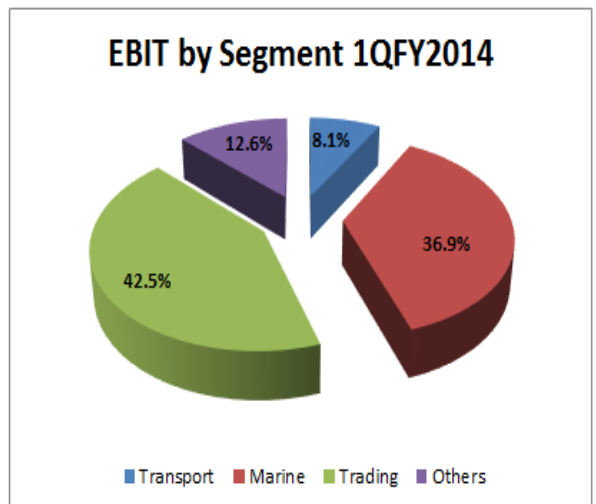


Source: Bloomberg

Financial (FYE 31 Jan)

	2009	2010	2011	2012	2013
Revenue (RMm)	600	433	628	716	863
EPS (sen)	18.7	11.6	27.0	36.7	17.3
Dividend (sen)	1.2	1.2	1.2	1.9	2.5

Source: Bloomberg



Source: Company, PCM

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