Yinson Holdings (YNS MK)

1QFY27 ER Review: Higher Cost To Stay Ahead Of Competition

BUY (Maintained)	
Share Price	RM1.92
Target Price	RM2.40
Upside	+25.0%
Previous TP	RM2.75

Analyst(s)
Kong Ho Meng
homeng@uobkh.com
+603 2147 19888

Highlights

- **1QFY27 Enterprise Reporting (ER) disclosure reveals cost inflation; profit below expectation.** Contrary to the IFRS accounts revealed in Jun 26, the ER disclosure of Yinson Production's (YP) profit was lower than expected, primarily due to higher opex and depreciation. The ER finance costs have remained consistent since 3QFY26 after FPSO Agogo's first oil. YP attributed the increased opex to higher tender costs, which implies a change in dynamics in the FPSO bidding environment, even though it still remains a contractor market.
- **Value remains strong, driven by superb project execution.** Although we conservatively assume that the higher costs may be structural, resulting in our FY27F-29 earnings forecasts being cut by 17%/24%/16% respectively, we believe Yinson will be able to adapt with new strategic collaborations, as it is already in the same league (execution-wise) as Brazil FPSO giants such as SBM Offshore and Modec. We remain positive on its long-term FPSO value, as long as its project execution remains better than its peers. Retain BUY, with SOTP-based target price adjusted to RM2.40 (from RM2.75).

Yinson Production (YP) Results In IFRS And ER formats

Year to 31 Jan	--------- IFRS ---------		---------- ER ----------		Comments
(US$m)	1QFY27	1QFY26	1QFY27	1QFY26	***For comparison, figures stated for 1QFY27/1QFY26***
Revenue	250	256	297	236	ER includes US$6m/nil non-recurring revenue
EBIT	120	98	110	116	ER operating expenses were US$68m/US$37m
EBITDA	140	114	193	174	ER sales/admin (SG&A) expense: US$41m/US$28m
*Adjusted EBITDA	-	-	187	117	ER depreciation were US$83m/US$58m
Finance costs	(79)	(67)	(93)	(57)	Huge surge due to FPSO Agogo financing post-first oil
Associates	16	14	-	-	AN ER EBITDA/ profit: US$42m/US$7m
Pre-tax profit	71	57	23	64	MQ ER EBITDA/ profit: US$47m/US$3m
Reported profit	52	45	4	48	FY26 adjusted EBITDA restated to US$638m
Reported PATAMI	46	40	4	44	Core ER profit for YNS in 1QFY27: US$9m

**Note: Enterprise Reporting (ER). Effective FY25, YP adopted ER as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease and apply proportional consolidation based on YP's share in assets. ER profits include progress milestone and bonus incentives for early delivery (for the case of FPSO Agogo), whereas Adjusted ER EBITDA excludes these items.*
Source: Yinson (YNS), Yinson Production (YP). UOB Kay Hian

Analysis

- **1QFY27 ER profit review: Below expectations.** 1QFY27 ER revenue was lower qoq at US$309m due to lower non-recurring income, despite FPSO charter revenue being higher qoq at US$291m vs US$286m. FPSO opex, SG&A expenses and depreciation on ER-basis surged beyond normal quarterly run-rates, attributable mainly to higher tendering costs. Although we are unable to confirm, we are more inclined to believe the ER format is clearer in showing potentially a structural cost inflation in the FPSO industry, rather than a one-off impact. In contrast, the IFRS disclosure showed a decline in direct costs due to the absence of EPCIC costs after FPSO Agogo's first oil, which led to a yoy boost in gross profit.

Key Financials

Year to 31 Jan (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	7,605	5,375	4,295	4,710	4,781
EBITDA	2,052	3,189	3,477	3,568	3,645
Operating profit	1,675	2,812	3,032	3,086	3,198
Net profit (rep./act.)	1,075	771	642	665	759
Net profit (adj.)	510	899	642	665	759
PE	12.9	7.3	10.2	9.9	8.7
P/B	1.2	1.3	1.3	1.2	1.2
EV/EBITDA	9.9	6.4	6.2	6.6	7.1
Dividend yield	1.6	2.6	2.6	2.6	2.6
Net margin	14.1	14.3	14.9	14.1	15.9
Net debt/(cash) to equity	176.4	150.1	159.8	176.4	191.5
Interest cover	1.2	1.8	2.0	2.0	2.1
ROE	18.2	11.6	9.6	9.8	10.9
Consensus net profit	-	-	-	510	579
UOBKH/Consensus (x)	-	-	-	1.51	1.50

*Source: Yinson, Bloomberg, UOB Kay Hian * Past financials are based on IFRS FL; core profits excluded FL construction effects*

Stock Data

GICS Sector	Energy
Bloomberg ticker	YNS MK
Shares issued (m)	3,220.4
Market cap (RMm)	6,178.0
Market cap (US$m)	1,506.8
3-mth avg daily t'over (US$m)	4.0

Price Performance (%)

52-week high/low: RM2.53/RM1.83

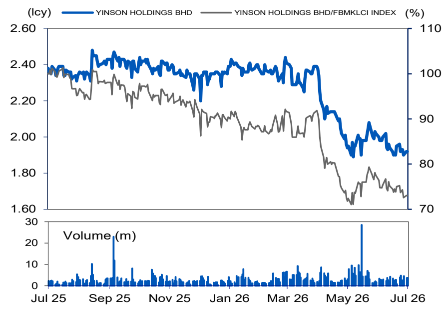
1mth	3mth	6mth	1yr	YTD
(5.0)	(18.9)	(19.7)	(19.0)	(18.6)

Major Shareholders	%
Yinson Legacy	27.1
EPF	17.1

Balance Sheet Metrics

FY27 NAV/Share (RM)	1.50
FY27 Net Debt/Share (RM)	4.58

Price Chart



Source: Bloomberg

Company Description

One of the largest global Floating, Production, Storage and Offloading (FPSO) operators. It has Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) capabilities, and may record EPCIC income under Finance Lease (FL) method, as dictated by the International Financial Accounting Standards (IFRS). It also holds an associate stake in Offshore Support Vessels (OSV). Lately, its FPSO subsidiary Yinson Production (YP), begun adopting Enterprise Reporting (ER), as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease method and applied proportional consolidation based on YP's share in assets.

- **ER financing cost base stable qoq at US$90m-100m.** 1QFY27's ER finance cost is consistent with 3Q/4QFY26 base of US$84m/US$93m (for 4QFY26, normalised after excluding a US$30m deferred cost), reflecting the FPSO Agogo's interest cost post-first oil is no longer capitalised.
- **Significant improvement in debt amortisation.** The short-term repayments for FY27/FY28 horizon are not material and can be easily covered by cash flow generation from the largest FPSO (FPSO Agogo) alone, which is capable of generating EBITDA of US$200m-250m p.a.. This dwarfs even the EBITDA generation of the Brazil FPSOs AN and MQ (US$175m-225m each) and FPSO John Agyekum Kufuor (US$120m-160m). To recap, FPSO Agogo's construction was funded by a US$1.3b multi-tranche loan, backed by a consortium of 13 lenders (led by Standard Chartered) and private investors like Gramecy. The loan had an innovative structure containing three pari-passu tranches with staggering maturities up to FY36 (10 years after first oil).
- **Agogo loan turned fully non-recourse; further optimisation by FY28.** A key condition for all three tranches to turn non-recourse was achieved in 29 May 26, in tandem with receiving the most important final document (certificate of project completion) that represents a successful delivery and operational acceptance. Thereafter YP began to disclose Agogo's balloon repayments, with the first tranche amounting to US$436m in FY29, followed by US$400m in FY30 and US$391m in FY36. YP believes that it will have plenty of debt headroom by FY28 to refinance, prepay the Agogo debt or stagger its corporate bond maturities.
- **Another potential early delivery achievement is underway.** The completion rates for FSO Lac Da Vang (LDV) and FSO Block B was at 82%/26% vs 76%/17% qoq. The target startups are still guided for 4Q26 and 3Q27 respectively, but YP signalled the FSO LDV may have early startup in 3Q26, as the project had a naming ceremony on 24 June 26. FSO Block B had an earlier-than-expected keel laying ceremony on 22 May 26.
- **Higher costs may imply a structural shift in FPSO bidding environment.** Yinson's track record and strategy has proved the company is able to deliver on Petrobras-grade scope, placing it in the same league as incumbents SBM Offshore and Modec. Brazil remains the hottest market for new FPSO demand, but this time with a standardised template – with hulls being constructed in China, topside integration at Singapore or Dubai, and hookup commissioning in Brazil itself. Although the FPSO market still favours contractors, with as many as 70 new FPSO demand over the next five years, the shifts in FPSO demand alongside existing supply chain and financing constraints may delay project sanctions and delivery timelines, which will ultimately increase costs for owners and contractors alike.
- **Structural shifts include:** a) projects secured through direct negotiations have surged to 45% of tender mix in the last five years; b) a rising mix of gas FPSOs in tandem with rising energy security demand for gas development projects like Tangkulo (Indonesia), and c) 80% of new FPSOs are newbuild hulls vs conversions, due to the larger capacity required. FPSO contractors like Yinson may have to adapt with strategic collaborations with new stakeholders and strong technical partners such as gas turbine players like Caterpillar.

Valuation/Recommendation

- **Maintain BUY with adjusted SOTP-based target price of RM2.40 (from RM2.75).** Our SOTP valuation implies 13x FY27F PE, and is adjusted for a slightly higher net debt assumption, to factor in a higher operating cost environment while FPSO capex funding remains challenging. We also retain key operational assumptions such as: a) a 10% discount on the Brazil FPSOs (MQ and AN), b) zero value for energy transition/non-O&G operations, and c) potential 15% divestment of FPSO Agogo.

Earnings Revision/Risk

- **Cut FY27-29 earnings by 17%/24%/16% respectively.** Our ER-based forecasts are adjusted for higher opex (assuming a more challenging FPSO bidding environment) and finance costs (to be more aligned to the new base after FPSO Agogo's first oil).

YP's Adjusted EBITDA, ER basis (US$m)

	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Previous	117	135	193	195	na
Restated	117	135	194	192	187
EBITDA margin (%)					
Previous	49.5	51.7	66.0	63.1	Na
Restated	49.5	51.7	68.6	63.8	63.0

Above: Previous; Below: Restated *Source: YP*

YP: ER profit, Reported (US$m)

	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Previous	48	37	169	16	na
Restated	48	37	161	6	4

Source: YP

YP: ER Profit, Adjusted (US$m)

1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
48	65	81	36	9

**Note: Adjusted for US$30m deferred financing costs in 2Q/4QFY26 respectively. Adjusted for US$80m EPCIC Brava gain in 3QFY26; Adjusted for US$5m one-off JV works in 1QFY27*
Source: YP

FPSO AN, Adjusted ER EBITDA (US$m)

1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
44	47	40	55	42

Source: YP

FPSO MQ, Adjusted ER EBITDA (US$m)

1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
41	33	42	49	47

Source: YP

YP's 1QFY27 Results: Other Takeaways

- 1QFY27 ER profit fell to US$4m, mainly due to
- a) Surge in SG&A and depreciation costs. 1QFY27 ER SG&A cost was US$41m (FY26: 116m). A key reason was higher tender costs incurred for new project bids. Depreciation was US$83m (4Q/FY26: US$77m/US$277m).
- b) Surge in opex, and restated FPSO Agogo opex. 1QFY27 ER was US$68m (FY26: US$194m). YP readjusted downwards 3QFY26 ER profit and 4QFY26 ER profit by US$8m/ US$10m respectively, mainly due to FPSO Agogo's inventory costs of RM14m for the FY26 adjustment.
- c) Surge in finance costs yoy, but stable qoq
- 1QFY27 ER revenue for FPSO charter was US$291m, higher vs US$286m qoq. However, overall ER revenue was lower qoq on non-recurring revenue of US$6m vs US$23m qoq (the latter was FPSO Agogo's milestone payment)
- FPSO MQ updates: Standby period from 10 Dec 25 until 6 Feb 26 at the request of Petrobras, and received 95% of charter and Operation & Maintenance (O&M) rate. Uptime and commercial performance averaged 100.5% and 99.4%
- FPSO AN updates: Average oil production was maintained at 47k bpd vs qoq (67% of capacity). Uptime and commercial performance averaged 99.8%

Source: YP

Environmental, Social, Governance (ESG) Updates

Environmental
- Carbon (CO_2) reduction. Outlined climate goals roadmap to reach carbon-neutrality and net-zero carbon by 2030
- Non-O&G diversification. Targets 5GW of operating portfolios of Renewable Energy (RE) capacities by 2035
- Safety (HSE). Lost Time Injury (LTI) Frequency of 0 in FY26 (FY25: 0.13), superior to industry benchmark of 0.25

Social
- Ranked top for active stakeholder engagements with bankers/ clients/ investors

Governance
- 50% of its board members are independent despite having family representation

Source: YNS

Profit & Loss

Year to 31 Jan (RMm)	2026	2027F	2028F	2029F
Net turnover	5,375	4,295	4,710	4,781
EBITDA	3,189	3,477	3,568	3,645
Deprec. & amort.	377	445	482	447
EBIT	2,812	3,032	3,086	3,198
Total other non-operating income	-	0	0	0
Associate contributions	328	82	99	119
Net interest income/(expense)	(1,769)	(1,749)	(1,775)	(1,731)
Pre-tax profit	1,117	1,365	1,410	1,585
Tax	(276)	(440)	(468)	(542)
Minorities	(70)	(283)	(276)	(283)
Net profit	899	642	665	759

Balance Sheet

Year to 31 Jan (RMm)	2026	2027F	2028F	2029F
Fixed assets	3,396	4,210	4,987	5,799
Other LT assets	16,847	16,947	16,947	16,947
Cash/ST investment	4,528	4,392	2,661	1,237
Other current assets	2,851	2,274	3,735	5,181
Total assets	29,182	29,194	29,769	30,615
ST debt	779	303	379	231
Other current liabilities	2,589	2,230	2,609	2,847
LT debt	15,433	16,829	16,613	16,951
Other LT liabilities	337	284	298	298
Shareholders' equity	8,988	9,176	9,387	9,692
Minority interest	259	372	483	596
Total equity and liabilities	29,182	29,194	29,769	30,615

Cash Flow

Year to 31 Jan (RMm)	2026	2027F	2028F	2029F
Operating	(412)	(92)	510	610
Pre-tax profit	1,029	1,365	1,410	1,585
Tax	(237)	(440)	(468)	(542)
Deprec. & amort.	377	445	482	447
Associates	(328)	(82)	(99)	(119)
Working capital changes	(2,934)	(1,381)	(814)	(761)
Other operating cashflows	1,681	(0)	0	0
Investing	(1,298)	(500)	(500)	(500)
Capex (growth)	(2,040)	(500)	(500)	(500)
Investments	112	0	0	0
Others	630	0	0	0
Financing	4,440	456	(1,741)	(1,534)
Dividend payments	(140)	(171)	(171)	(171)
Issue of shares	2,080	0	0	0
Proceeds from borrowings	3,892	(3,986)	(1,680)	(4,476)
Loan repayment	(1,205)	4,500	0	3,000
Others/interest paid	(187)	113	111	113
Net cash inflow (outflow)	2,730	(136)	(1,731)	(1,424)
Beginning cash & cash equivalent	2,679	4,528	4,392	2,661
Changes due to forex impact	(881)	0	0	0
Ending cash & cash equivalent	4,528	4,392	2,661	1,237

Key Metrics

Year to 31 Jan (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	59.3	81.0	75.7	76.2
Pre-tax margin	20.8	31.8	29.9	33.2
Net margin	14.3	14.9	14.1	15.9
ROA	3.5	2.9	3.0	3.3
ROE	11.6	9.6	9.8	10.9
Growth				
Turnover	49.0	19.1	30.6	32.5
EBITDA	212.3	240.6	249.5	257.0
Pre-tax profit	56.0	90.6	96.9	121.3
Net profit	92.2	60.1	65.9	89.3
Net profit (adj.)	92.2	60.1	65.9	89.3
EPS	92.2	60.1	65.9	89.3
Leverage				
Debt to total capital	194.9	199.6	194.8	192.4
Debt to equity	200.5	207.7	204.8	204.3
Net debt/(cash) to equity	150.1	159.8	176.4	191.5
Interest cover (x)	1.8	2.0	2.0	2.1