Beng Kuang Marine (BKM SP)

1H26: Results In Line; Expect Higher Service Demand In 2H26

Highlights

- BKM reported 1H26 revenue of S$55.7m (+9.7% yoy), representing 51% of our forecast. PATMI came in at S$3.5m, in line at 35% of our forecast.
- BKM secured S$85.2m of new contracts in 1H26, while its outstanding orderbook stood at S$70.7m.
- We remain positive on BKM, expecting an earnings uplift in 2H26 on higher job demand and ASOM consolidation. Maintain BUY and target price of S$0.75.

1H26 Results

Year to 31 Dec (S$m)	1H25	1H26	yoy%
Revenue	50.8	55.7	9.7%
Gross Profit	19.4	14.6	(24.8%)
Gross profit margin (%)	38.2%	26.2%	(12.0)ppt
Net Profit	6.9	5.8	(15.5%)
PATMI	2.9	3.5	20.8%
PATMI margin (%)	5.8%	6.4%	0.6ppt

Source: BKM, UOB Kay Hian

Analysis

- **1H26 revenue in line.** Beng Kuang Marine (BKM) reported 1H26 revenue of S$55.7m (+9.7% yoy), meeting expectations at 51% of our 2026 forecast. Growth was driven by stronger engineering and shipbuilding activity under the infrastructure engineering (IE) division. On the other hand, gross margin eased to 26.2% (1H25: 38.2%) due to project timing and execution mix, with higher-margin offshore lifecycle work being a smaller share of the revenue mix as early-stage shipbuilding and engineering activity scaled up.
- **PATMI to see significant uplift in 2H26 from higher job demand.** PATMI rose 20.8% yoy to S$3.5m, accounting for 35% of our 2026 forecast. Although reported PATMI included S$1.4m of non-recurring disposal gains, this remains in line with our estimates as 1H26 included only around one month of full Asian Sealand Offshore and Marine (ASOM) ownership. Further offshore mobilisation and full consolidation are expected to lift BKM's earnings in 2H26 meaningfully.
- **Contract wins and orderbook continue to support earnings visibility.** BKM secured S$85.2m of new contracts in 1H26 across offshore lifecycle services, shipbuilding, engineering and deck equipment, implying an order intake-to-revenue ratio of 1.5x. The outstanding orderbook stands at S$70.7m (ASOM's: S$52.3m), providing earnings visibility for 2H26.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	111.9	98.2	109.1	115.5	122.4
EBITDA	26.3	17.1	19.5	24.3	25.7
Operating profit	26.3	17.1	19.5	24.3	25.7
Net Profit (rep./act.)	21.2	12.5	14.5	18.1	19.2
PATMI (adj.)	11.5	5.3	10.2	18.1	19.2
EPS (S$ cent)	5.8	2.6	3.0	5.3	5.6
PE (x)	8.2	18.3	15.9	8.9	8.4
P/B (x)	4.5	3.7	3.8	2.6	2.0
EV/EBITDA (x)	4.3	6.6	5.8	4.6	4.4
Dividend yield (%)	0.0	1.3	1.3	1.5	1.5
Net margin (%)	10.3	5.4	9.3	15.7	15.7
Net debt/(cash) to equity (%)	(69.9)	(101.7)	(70.0)	(80.7)	(85.8)
Interest cover (x)	27.8	28.0	47.3	48.2	47.7
ROE (%)	75.6	22.5	29.3	34.8	27.1
Consensus net profit (S$m)	-	-	11.2	18.1	19.2
UOBKH/Consensus (x)	-	-	0.9	1.0	1.0

Source: BKM, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$0.475
Target Price	S$0.750
Upside	57.9%

Stock Data

Sector	Industrials
Bloomberg ticker	BKM SP
Shares issued (m)	300.0
Market cap ({{Curr}}m)	142.5
Market cap (US$m)	111.2
3-mth avg daily t'over (US$m)	0.4

Price Performance (%)

52-week high/low S$0.600 /S$0.230

1mth	3mth	6mth	1yr	YTD
(5.9)	(17.4)	72.7	106.5	48.4

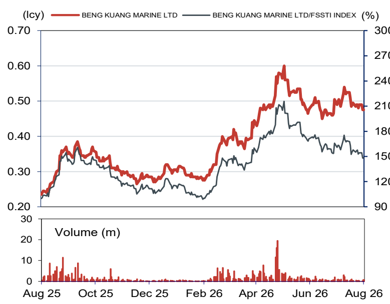
Major Shareholders (%)

Chan Kwan Bian	12.1
Yong Jiunn Run	5.3

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.13
FY26 Net Cash/ Share (S$)	0.09

Price Chart



Source: Bloomberg

Company Description

Beng Kuang Marine provides corrosion prevention and infrastructure engineering services. The group offers hydro-jet cleaning and tank cleaning services. Beng Kuang Marine trades copper slag and waste management in Asia..

- **Segment performance diverged.** By business segment, IE revenue grew 15.0% yoy to S$47.34m on stronger engineering and shipbuilding activity, though segment profit fell 26.9% yoy to S$7.73m on mix and execution stage. Within the IE division, PT Nexus Engineering Indonesia (NEI) Batam's shipbuilding resumed at scale but remained in early stage execution, with mobilisation and fabrication costs weighing on margin, while International Offshore Equipment's (IOE) deck equipment and crane revenues stayed project driven, improving vs early in the year but requiring utilisation discipline to sustain profitability. Corrosion Prevention (CP) revenue declined 12.7% yoy to S$8.37m on project completions and uneven work volumes, but segment profit rose 41.9% yoy to S$1.89m, aided by a one-off gain from the disposal of a parcel of land in Batam.
- **Revenue and earnings uplift in 2H26.** As newly secured offshore projects progress into execution and ASOM's contribution ramps up following the end-May acquisition, both revenue and margins are expected to strengthen in 2H26. Management noted 2Q26 was already ahead of 1Q26 (revenue rose from S$25.7m to S$30.0m, while PBT rose from S$3.0m to S$4.3m), supporting the improving trend into 2H26. Management's focus is now on converting secured work into earnings and cash flow as projects progress through execution. This also re-emphasises BKM 2.0's strategy to transition towards a more asset-light business model, with ASOM's capital-light offshore lifecycle and asset integrity business providing a platform for sustainable growth.
- **Recurring offshore lifecycle demand.** Management highlighted that its established relationships with FPSO owners and operators continue to generate recurring opportunities in maintenance, life-extension and related engineering services, supported by long-term asset integrity and production reliability needs. With an active footprint across 19 FPSOs globally, West Africa Basin scopes having commenced following floatel positioning in June, and further offshore mobilisation expected in 3Q26, we see scope for additional order wins and stronger orderbook replenishment ahead.
- **Balance sheet position remains healthy.** BKM ended 1H26 with a cash position of S$26.3m, broadly offsetting its gross borrowings to come close to a net debt-neutral position. Borrowings rose in 1H26 in order to fund the acquisition consideration and project working capital for ASOM. This balance sheet position is likely to improve with the completion of ASOM consolidation in May 26.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of S$0.75, implying 57.9% upside. Our target price is pegged to 14.0x 2027F PE, +1.5SD above historical averages. We expect re-rating to continue as we expect the full consolidation of ASOM to provide a significant earnings uplift in 2H26, alongside strength in its underlying business and market leadership.
- BKM currently trades around 8.9x 2027F PE, below peers' average of 11.2x 2027F PE, highlighting BKM's undervaluation. We believe its strong fundamentals, underpinned by a superior ROE of 29.8% vs the industry average of 19.7% and a healthy balance sheet position, continue to support the case for valuation re-rating.

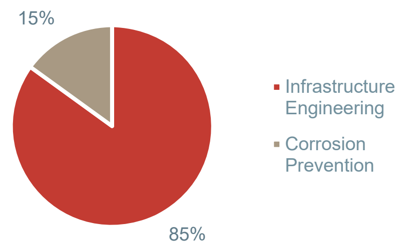
Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

- Higher revenue and profit recognition from ASOM following consolidation.
- Winning of more high-value FPSO extension-of-life jobs.

Revenue Breakdown By Segments (1H26)



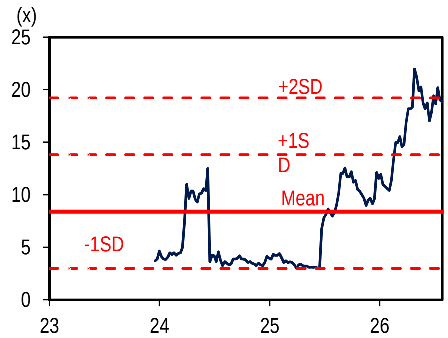
Source: BKM, UOB Kay Hian

Revenue Forecasts (2025-2028F)

(S$'m)	2025	2026F	2027F	2028F
Infrastructure Engineering	78.5	88.5	94.1	100.2
Corrosion Prevention	19.6	20.6	21.4	22.1
Others	0.0	0.0	0.0	0.0
Total	98.2	109.1	115.5	122.4

Source: BKM, UOB Kay Hian

Historical PE Band



Source: BKM, Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	98.2	109.1	115.5	122.4
EBITDA	17.1	19.5	24.3	25.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	17.1	19.5	24.3	25.7
Total other non-operating income	0.0	(0.0)	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.6)	(0.4)	(0.5)	(0.5)
Pre-tax profit	16.5	19.0	23.8	25.2
Tax	(3.9)	(4.5)	(5.7)	(6.0)
Minorities	(7.2)	(4.4)	0.0	0.0
Net profit	12.5	14.5	18.1	19.2
PATMI (adj.)	5.3	10.2	18.1	19.2

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	15.7	14.9	14.4	14.1
Other LT assets	0.2	0.2	0.3	0.3
Cash/ST investment	37.4	36.9	58.9	79.2
Other current assets	26.5	36.2	38.4	40.6
Total assets	79.8	88.3	111.9	134.2
ST debt	4.2	2.8	3.9	4.2
Other current liabilities	31.6	37.1	39.8	42.1
LT debt	6.2	4.1	5.8	6.2
Other LT liabilities	1.6	1.4	1.5	1.6
Shareholders' equity	26.4	42.9	61.0	80.2
Minority interest	9.7	0.0	0.0	0.0
Total liabilities & equity	79.8	88.3	111.9	134.2

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	26.6	13.4	21.9	22.5
Pre-tax profit	16.5	19.0	23.8	25.2
Tax	(3.9)	(4.5)	(5.7)	(6.0)
Deprec. & amort.	3.6	3.1	3.0	2.9
Associates	0.0	0.0	0.0	0.0
Working capital changes	10.1	(4.9)	(0.4)	(0.1)
Non-cash items	0.1	(0.2)	(0.2)	(0.2)
Other operating cashflows	0.3	0.9	1.4	0.8
Investing	(3.6)	(2.1)	(2.2)	(2.4)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.2	0.1	0.1	0.1
Others	(3.9)	(2.2)	(2.3)	(2.4)
Financing	(8.1)	(11.8)	2.3	0.1
Dividend payments	(5.6)	0.0	0.0	0.0
Proceeds from borrowings	10.9	17.6	8.7	8.9
Loan repayment	(12.7)	(8.9)	(5.8)	(8.2)
Others/interest paid	(0.6)	(20.4)	(0.5)	(0.5)
Net cash inflow (outflow)	14.9	(0.5)	22.0	20.3
Beginning cash & cash equivalent	22.4	37.4	36.9	58.9
Changes due to forex impact	(0.5)	0.0	0.0	0.0
Ending cash & cash equivalent	36.8	36.9	58.9	79.2

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.4	17.8	21.0	21.0
Pre-tax margin	16.8	17.5	20.6	20.6
Net margin	5.4	9.3	15.7	15.7
ROA	6.9	12.1	18.1	15.6
ROE	22.5	29.3	34.8	27.1
Growth				
Turnover	(12.3)	11.2	5.9	5.9
EBITDA	(35.2)	14.0	24.7	5.9
Pre-tax profit	(35.2)	15.8	24.7	5.9
Net profit	(53.8)	90.4	78.2	5.9
Net profit (adj.)	(53.8)	90.4	78.2	5.9
EPS	(55.2)	15.1	78.2	5.9
Leverage				
Debt to total capital	22.5	13.8	13.7	11.4
Debt to equity	39.7	16.0	15.9	12.9
Net debt/(cash) to equity	(101.7)	(70.0)	(80.7)	(85.8)
Interest cover (x)	28.0	47.3	48.2	47.7