

LIANSON FLEET GROUP

(LFG MK EQUITY, LFG.KL)

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LFG strikes big, JV with PV Drilling boosts future earnings with 5-year CAGR of 38%

Company Report

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BUY

Price: RM1.99
 Target Price: RM3.00

Rationale for report: Company Update

YE to Dec	FY24	FY25F	FY26F	FY27F
FD Core EPS (sen)	7.3	5.9	8.3	9.7
PE (x)	27.2	33.9	24.0	20.5

Source: AmInvestment Bank Bhd

Quick Take

- Lianson Fleet Group (LFG) and Petrovietnam Drilling (PVD) have entered a non-binding term sheet to form 51:49 jack-up rig JV, with an initial asset target of two jack-up rigs intended to be deployed in Malaysia.
- The partnership validates two core pillars of our thesis, highlighted in our initiation:
 - LFG's pivot beyond OSVs into upstream energy services via state-linked partners,
 - Long-term ambition into an ASEAN energy and power infrastructure enabler, positioning for multi-year drilling and cross-border grid opportunities.
- It is a win-win deal with PVD gains Malaysian market access through LFG, while LFG gains PVD's rig expertise to accelerate its upstream expansion.
- Assuming progressive rig activation from 1 to 6 rigs over FY27F-FY34F, 87%-99% utilisation and annual 6% day rates increase from US\$85k/day to US\$128k/day, the venture could deliver RM31mil to RM270mil p.a to future profits (5-year CAGR of 38%).
- Each additional rig boosts group earnings by 26% FY27F onwards, transforming LFG's earnings profile to multi-year cashflow trajectory.
- The JV is most likely to lease or charter-in rigs initially, allowing minimal capex and shorter payback profile, while selectively acquiring rigs on attractive terms and stable cashflows once contract is secured.
- The JV will be incorporated in Malaysia, with a 6-member board (3 LFG, 3 PVD), reflecting balanced governance and shared operational influence.
- The announcement derisks the energy-services value embedded in our TP and strengthens re-rating case toward energy-infra multiples. To remain prudent, we will revise our TP upon definitive SHA execution and confirmed drilling contracts.
- **Maintain BUY with TP RM3.00 (+51% upside)**, pegged to our blended SOTP applying 8x PE for OSV, 9x PE for marine transport, 13x PE for energy services and 17x PE for ASEAN power-infrastructure optionality.

EXHIBIT 1: SOTP VALUATIONS

Segment	Metric	PAT	Valuation (RM mil)
OSV	8x PE × FY27F	77	614
Marine	9x PE× FY27F	41	368
Energy services	PV of (13x PE × earnings steady state) × 50%	552	950
Infra	17x PE × Avg PAT × 65%	141	1,554

Equity Value	3,486
(+) Cash (full conversion of warrants)	107
Adjusted Equity Value (post-conversion)	3,593

Shares Outstanding (full warrants conversion)	1,212
Target Price (RM/share)	3.00

Current Market Price* (RM/share)	1.99
Upside/(Downside)	51%

Source: AmlInvestment Bank

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	199.8	235.8	285.7	388.3	435.3
Core net profit (RM mil)	(8.1)	45.7	71.2	100.4	117.6
FD Core EPS (sen)	(1.5)	7.3	5.9	8.3	9.7
FD Core EPS growth (%)	165.9	(592.2)	(19.8)	41.0	17.1
Consensus Net Profit (RM mil)	-	-	81.5	90.7	93.4
DPS (sen)	5.0	-	4.0	4.8	5.7
PE (x)	(133.7)	27.2	33.9	24.0	20.5
EV/EBITDA (x)	23.3	22.9	11.2	7.5	6.4
Div yield (%)	3.0	-	2.4	2.9	3.4
ROE (%)	1.3	11.2	11.8	12.6	13.7
Net Gearing (%)	49.0	26.2	nm	nm	nm

Source: Company, AmlInvestment Bank Bhd estimates

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