

OIL & GAS

NEUTRAL

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Rationale for report: Sector Update

Analyst (s)

Aimi Nasuha Md Nazri

aimi-nasuha.md-nazri@ambankgroup.com

+603 2036 1688

PAO 26-28: A leaner offshore cycle

Petronas' Activity Outlook for 2026–2028 shows Malaysia's upstream sector shifting from chasing large new projects, and toward maintaining existing fields, improving efficiency, and retiring ageing assets. This makes the outlook look less exciting on the surface. Nevertheless, this shift is consistent with a lower oil price environment and tighter capital discipline. Under the new CAPE 2030 plan, projects aimed to be done faster, with fewer people, enabling faster cash generation and lower execution risks. As a result, labour-heavy construction work is scaled down. While it sets the direction for the industry, the exact mechanisms of how this will be implemented on the ground remain relatively unclear. This transition favours lifecycle-driven service providers such as, Dayang and T7 Global. We also see OSVs requirement skewed toward smaller AHTS (<100MT), favouring Perdana Petroleum. On the flip side, upside is capped for jack-up rigs, heavy installation OSVs and floating fabrication players, keeping earnings visibility for Velesto and MISC more selective.

- **Efficiency push means fewer manpower.** Under CAPE 2030, Petronas wants projects to move from discovery to cash much faster, cutting timelines to about 50 months (4 years) from 62 months-72 months (5–6 years) previously. To do this, it is targeting much higher productivity. This has already translated into lower manpower requirements for offshore construction, with peak HUC man-hours reduced by 40% and forward requirements revised down further. While this improves project efficiency and risk profile, it caps upside for labour-intensive contractors. CAPE 2030 clearly sets the direction for the industry, however, the exact mechanisms of how this will be implemented on the ground remain relatively unclear.
- **Winners: gas turbines, seismic and decommissioning players.** The shift toward lifecycle activity supports recurring service demand. Rising gas turbine replacement requirements (from 47 units to 61 units by 2028) benefit **Deleum**, given its after-sales gas turbine support services. Seismic and subsurface evaluation activity is expected to peak in 2026 before normalising. Meanwhile, the decommissioning pipeline has expanded to 42 facilities (2027–2030) from 33 facilities (2026–2029) previously, signalling a structural late-life retirement phase that favours **Dayang** and **T7 Global**.
- **Losers: jack-up rigs, heavy installation OSV and floaters.** Despite higher well counts, jack-up demand has been revised lower, capping utilisation upside for **Velesto**. Offshore vessel demand is increasingly skewed toward smaller AHTS (<100MT), favouring **Perdana Petroleum**, while demand for heavy installation OSVs has softened, might weigh on **Keyfield**. Floating fabrication visibility has also narrowed, with only two near-term awards in 2026 (vs five previously in 2025-2028E), keeping upside for **MISC** more selective.
- **Overall, the outlook reflects a structural shift toward quality over quantity,** pushing the OGSE ecosystem toward integrated, productivity-driven service delivery and favouring players with lifecycle exposure, execution capability and installed-base leverage.

Quick Take

Gas Turbine: Rising Engine Change-Out Demand

Gas Turbine Outlook Shifts Toward Lifecycle Replacement and Emergence of Large-Range Units

In comparison to previous outlook, new unit purchases remain limited in volume, but the mix shifts, with three large-range (>30MW) turbines emerge (2 units in 2027, vs none).

At the same time, engine change-out demand structurally rises (from 47 units to 61 units by 2028), reflecting an ageing installed base entering overhaul cycles rather than greenfield build-out.

Who benefits?

This supports recurring rotating equipment service demand, positioning **Deleum** as a key beneficiary, via its power & machinery (P&M) segment. The opportunity spans across: Gas turbine unit supply and associated parts

- Major overhaul and lifecycle maintenance services
- Technical service and performance optimisation
- Turnkey installation for new units
- Package renewal and retrofit work for ageing fleets

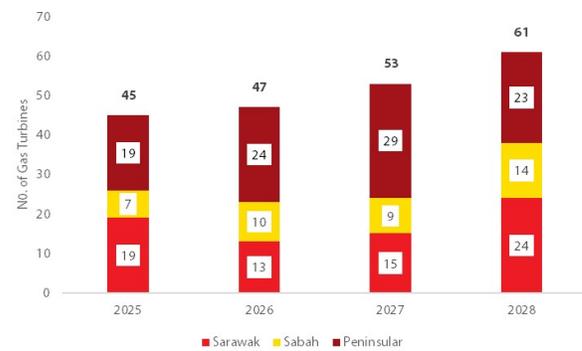
As of Sept 25, Deleum's P&M tenderbook stands at RM1.6bil (vs RM800mil in Dec 24), indicating strong forward visibility supported by replacement-driven requirements from operators.

EXHIBIT 1. Gas Turbine Required for Purchase



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 2. Gas Turbine Required for Change -Out



Source: Company, AmInvestment Bank Bhd.

Decommissioning: Minimal in 2026, back-end loaded >FY27F

Decommissioning Cycle Expands; Back-end loaded to FY27F-FY30.

2025 totals 4 removals (3 subsea + 1 central processing platform (CPP), while 2026 drops to just 2 wellhead platforms (WHP) removals. Meaningful scale only expected from 2027 onwards, when the larger WHP-driven decommissioning wave begins.

The latest PAO pushes the main decommissioning wave further out while increasing total volume. Previously, PETRONAS guided for 33 facilities over 2026–2029, led by 28 WHP removals. The updated PAO now guides for 42 facilities over 2027–2030, implying a larger and longer-cycle retirement pipeline.

The uplift is mainly driven by WHP removals rising to 35 units, alongside CPP increasing to 4 units and FPSO/FSO/MOPU to 3 units.

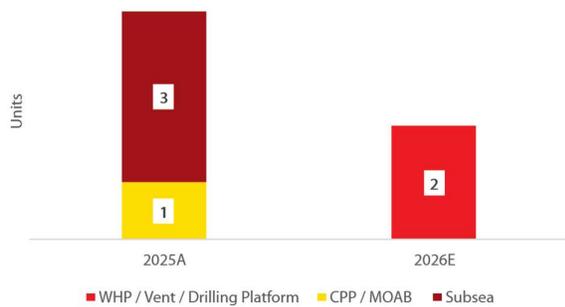
Overall, the new PAO points to a more structural, back-end loaded decommissioning cycle.

Who Benefits?

Dayang Enterprise, given its strong operational presence in Sarawak, where a large portion of late-life asset and decommissioning activity is expected to be concentrated.

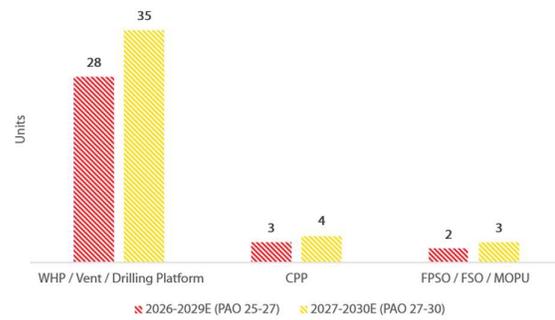
In parallel, **T7 Global** is well positioned from the well abandonment side, supported by its existing plug and abandonment exposure and track record in executing PETRONAS well decommissioning programmes.

EXHIBIT 3. Actual decom project



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 4. Prospective decom project pipeline



Source: Company, AmInvestment Bank Bhd.

Geological & Geophysical

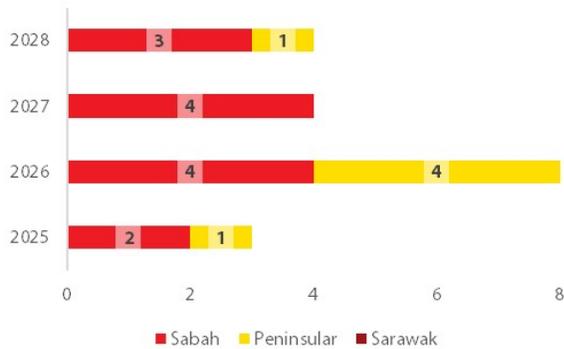
G&G Activity Peaking in 2026 Followed by Normalisation

The gradual recovery in Geological & Geophysical (G&G) activity signals early-cycle upstream spending returning, with benefits flowing first to subsurface and technical service providers before translating into drilling and offshore project execution.

Geographically, Sabah appears to drive much of the forward seismic activity, while Sarawak remains relevant for processing work, reflecting ongoing subsurface optimisation and reservoir management efforts.

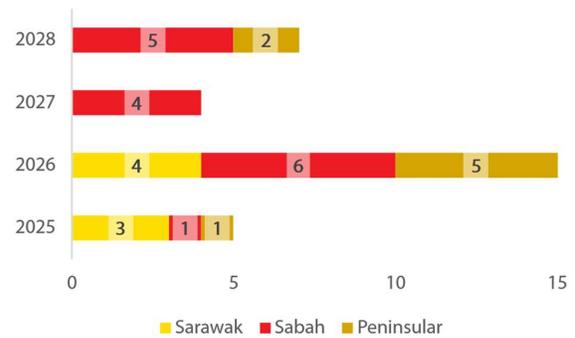
The outlook points to a one-year activity spike in 2026 followed by normalisation, supporting early-cycle technical services in the near term.

EXHIBIT 5. 2D/3D Seismic Data Acquisition



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 6. 2D/3D/4D Data Processing and Reprocessing



Source: Company, AmInvestment Bank Bhd.

Offshore support vessel – tilting towards <100MT AHTS

Shift toward maintenance-led offshore vessel demand

The updated PAO 26–28 outlook shows a clear shift toward lighter offshore support demand and a more maintenance-driven activity cycle.

AHTS <100MT demand remains resilient, with positive revision to 63 vessels (+7%) in 2026E and 67 vessels by 2028E, reflecting sustained production support and logistics requirements across mature fields.

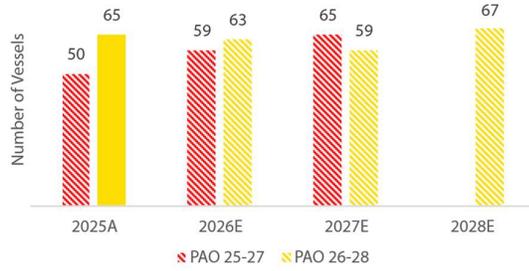
In contrast, AHTS >100MT demand has been revised materially lower, falling from 61 vessels previously to 41 vessels in 2026E (-33%), indicating fewer heavy offshore installation or deepwater campaign requirements.

Similarly, workboat/barge and PSV/SSV demand have also been revised down, with 2026E workboat/barge 35% requirement cut from 40 to 26 vessels and PSV/SSV reduced 20% from 56 to 37 vessels, yet less severe compared to AHTS>100MT.

What’s the impact?

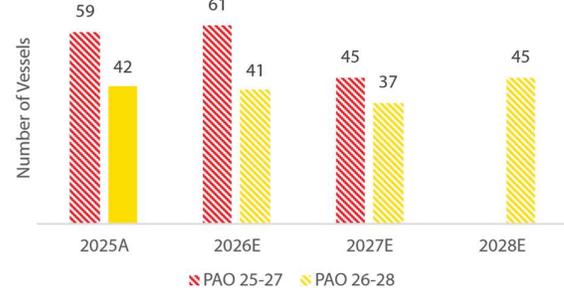
The revised outlook suggests offshore activity is shifting toward brownfield maintenance and production sustainment. We see Dayang’s 64%-owned subsidiary as beneficiary, **Perdana Petroleum** given its AHTS-weighted vessel profile (8 AHTS out of 15 total fleets). While **Keyfield International** may see relatively lower upside from the downward revision in workboat requirements due to its accommodation workboat (AWB)-skewed fleet mix, its modern fleet specs and operational efficiency position it as a front-runner within AWB segment.

EXHIBIT 7. AHTS <100 requirements (prod. & drilling)



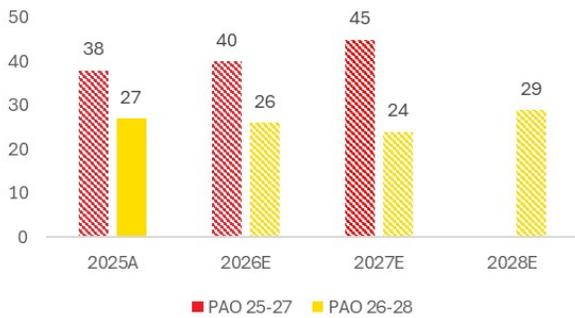
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 8. AHTS >100 requirements (prod & drilling)



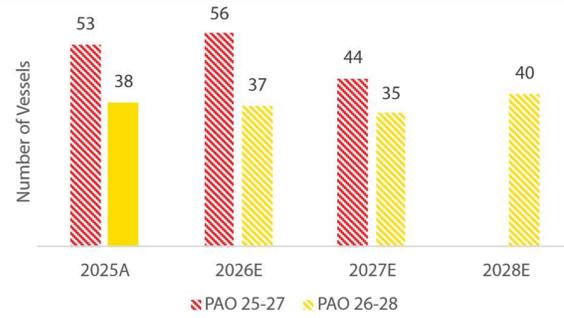
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 9. Workboat/barge requirements



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 10. PSV/SSV requirements



Source: Company, AmInvestment Bank Bhd.

MCM and HUC – Productivity-Led Execution Reset

Malaysia’s offshore services landscape is transitioning from labour-cycle driven earnings toward contract-quality and execution-efficiency

Malaysia offshore is shifting from labour-cycle driven earnings to contract-quality and execution-efficiency driven earnings.

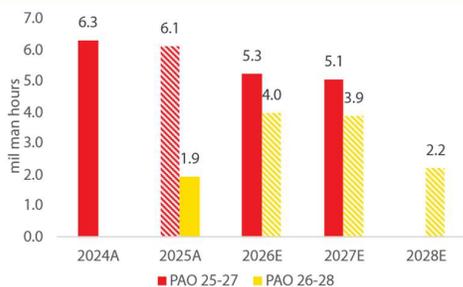
The downward revision in HUC and MCM man-hours is more reflective of an execution model shift, with industry value gradually moving toward efficiency, integration and lifecycle service delivery.

What’s the impact?

This structurally favours players with stronger recurring maintenance and integrated service exposure such as **Deleum** and **Dayang Enterprise**.

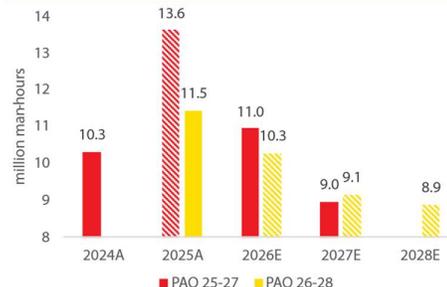
In contrast, contractors with heavier reliance on peak offshore labour intensity cycles, such as **Carimin Petroleum** may face relative pressure unless they successfully pivot toward integrated, multi-scope execution models.

EXHIBIT 11. HUC Man-Hours



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 12. MCM Man Hours



Source: Company, AmInvestment Bank Bhd.

Maintenance, Construction and Modification

For 2025, actual MCM man-hours came in at around 11.5mil, below the earlier expectation of approximately 13.6mil, suggesting that peak recovery-driven execution intensity was lower than initially assumed.

Looking forward, the true revision is more modest. For 2026, MCM requirements are revised from 11mil previously to around 10.3mil. By 2027, workload remains broadly stable at around 9.0-9.1mil, while the introduction of a 2028 outlook of approximately 8.9m suggests the establishment of a steady-state lifecycle maintenance baseline.

Hook-up and Commissioning

In 2025, actual HUC execution came in significantly below earlier expectations, at approximately 1.9mil man-hours versus prior expectations of 6.1mil, suggesting that xx

Looking forward, revisions are more moderate. HUC requirements are adjusted from approximately 5.3m to 4.0m in 2026 and from 5.1m to 3.9m in 2027, implying a roughly 20–25% downward adjustment to forward execution intensity. The introduction of a 2028 baseline at around 2.2m man-hours further supports the transition toward a more campaign-driven HUC execution model rather than sustained peak labour intensity.

Geographically, HUC demand is becoming more concentrated in Sarawak, which contributes roughly 60-85% of total HUC hours in the latest outlook, compared with a more balanced regional split previously.

Floating Demand Turning Selective

Leaner Floater Cycle Beyond 2026

The updated PAO signals a much thinner floating fabrication pipeline post-2026. While the previous PAO guided for 2 floating structures in 2025, and 1 in 2027, the latest outlook removes these, leaving 2026 as the only meaningful fabrication year with 2 FPSO.

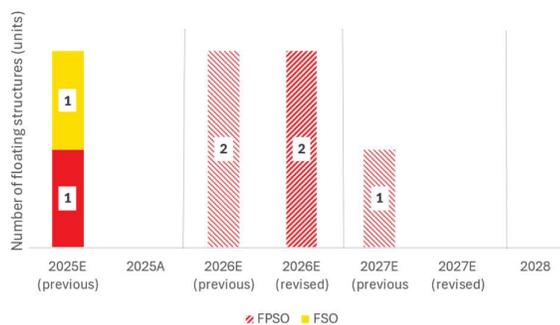
What’s the impact?

Within this space, we believe **MISC** is the prime beneficiary, supported by its active participation in FPSO bid pipelines, access to fabrication capacity via its listed subsidiary Malaysia Marine and Heavy Engineering (MMHE), and strategic alignment given the 51%-ownership linkage to PETRONAS.

Even as Malaysia floater awards become more selective, robust Brazil FPSO project pipeline - provide external demand buffer for MISC.

Wasco as an indirect beneficiary, given its engineering and fabrication yard in Batam, Indonesia, which can undertake EPCC work for selected FPSO modules.

EXHIBIT 13. Floaters Requirements 2025-2028



Source: Company, AmInvestment Bank Bhd.

Softer Jack-up Demand

Well Activity Higher, Jack-up Demand Softens

The latest PAO marks a clear downgrade to near-term jack-up demand versus the previous outlook, with expected jack-up rig requirements in 2026 revised down to nine units from eleven previously, while 2025 remains unchanged at ten units and any recovery is deferred to 2028 (twelve units).

This revision comes despite higher and more sustained well activity under the latest PAO (2026–28), which shows drilling execution stepping up from 2025 and plateauing through 2028, compared with the more subdued mid-cycle profile under the previous PAO (2025–27).

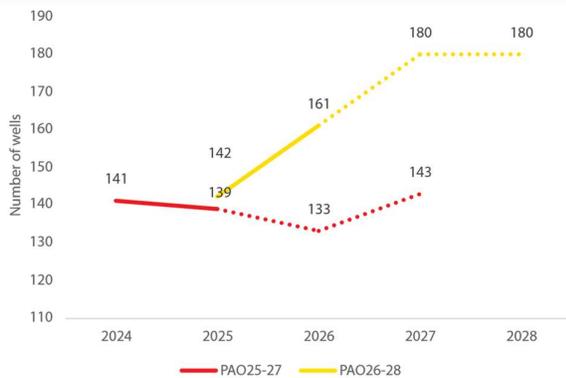
The disconnect reflects a structural shift toward greater use of TADR and other non-jack-up solutions, alongside improved drilling efficiency, meaning the higher well count does not translate into higher jack-up demand, consistent with the revised rig assumptions.

What’s the impact?

For **Velesto**, which remains the largest jack-up operator in Malaysia with six rigs (42% market share), the softer jack-up assumptions imply a more competitive operating environment in the near term, with limited scope for utilisation or day-rate upside.

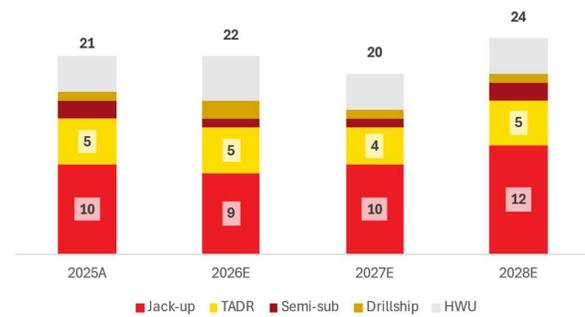
As such, Velesto’s performance over 2025-26 is likely to be driven less by a cyclical uplift in jack-up demand and more by execution, including securing longer-tenure contracts, regional diversification and optimising fleet deployment.

EXHIBIT 14. Number of wells



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 15. Number of rigs required 2025 -2028E

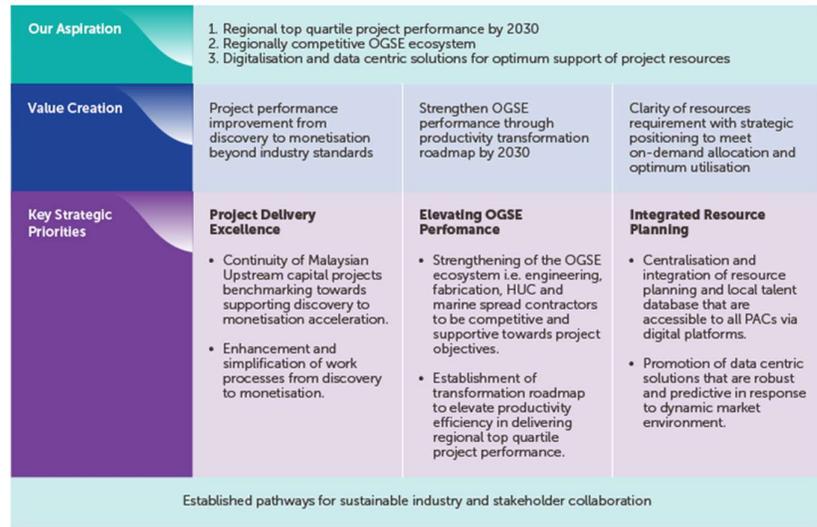


Source: Company, AmInvestment Bank Bhd.

CAPE 2030 Masterplan

Driving Malaysia Upstream Toward Productivity-Led, Lifecycle-Centric Execution

EXHIBIT 16. CAPE 2030 BLUEPRINT



Source: Company, AmInvestment Bank Bhd.

1. Productivity-Led Execution Becomes the New Industry Baseline

CAPE 2030 signals a structural shift toward faster, more efficient project delivery, targeting ~30% productivity uplift and shortening discovery-to-monetisation cycle to ~50 months (vs ~60–72 months historically). This reflects a move away from labour-intensive execution toward automation, digitalisation and standardised delivery, improving cost and schedule predictability across upstream projects.

2. Ecosystem Integration Favors Lifecycle Service OGSE Players

Industry transformation is driving stronger integration across fabrication, HUC-MCM, offshore logistics and marine support through digital tools (iVS, i-PROMPT) and standardised operating frameworks. This shifts value toward OGSE players with integrated, multi-scope and recurring lifecycle service exposure, while reducing reliance on peak offshore manpower-driven earnings cycles.

3. Talent and Asset Optimisation Support Long-Term Lifecycle Activity

Workforce development and specialised skill initiatives (e.g. marine workforce, HWU capability) support Malaysia’s transition toward brownfield optimisation, well intervention and decommissioning. At the same time, floater strategy is shifting toward lifecycle optimisation and utilisation efficiency rather than fleet expansion, reinforcing more stable long-term offshore service demand.

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