Beng Kuang Marine (BKM SP)

Strong FPSO Contract Wins Underappreciated By The Market

	BUY (Maintained)
Share Price	S$0.49
Target Price	S$0.75
Upside	+53.1%

Analyst(s)
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Highlights

- ASOM has secured two FPSO life extension contracts worth US$28.6m (~S$36.6m), lifting BKM's pro forma orderbook to approximately S$92.5m.
- We view this positively as the awards validate ASOM's West Africa pipeline, with BKM now capturing 100% of ASOM's post-consolidation earnings.
- Maintain BUY with an unchanged target price of S$0.75, pegged to 14x 2027F PE. The recent share price correction of about 20% and attractive 7x 2027 ex-cash PE present a good buying opportunity.

Analysis

- **Two new life extension purchase orders of US$28.6m.** Beng Kuang Marine's (BKM) wholly-owned subsidiary, Asian Sealand Offshore and Marine (ASOM), has secured two new purchase orders with an aggregate contract value of approximately US$28.6m (~S$36.7m) for FPSO life extension projects on two FPSOs operating in West Africa. The contracts, valued at approximately US$13.2m and US$15.4m respectively, are expected to be executed over the next 12 months. The recent consolidation of ASOM would also allow the group to fully capture the earnings contribution from these contracts. The new orders are expected to significantly enhance revenue visibility and earnings for FY26-27, strengthen orderbook growth, and further reinforce ASOM's position as the group's primary earnings driver under its BKM 2.0 strategy. In addition, successful execution of these initial tank service works could position ASOM favourably for subsequent phases of the FPSO life extension programmes, providing potential opportunities for additional contract awards over the coming years.
- **Contracts secured continue to strengthen 2026-27 earnings visibility.** Following BKM's 1Q26 contract update, which reported approximately S$51.2m of secured FY26 revenue and an orderbook of S$55.9m, the recent two new FPSO life extension purchase orders worth US$28.6m (~S$36.6m) lift the group's total orderbook to about S$92.5m, significantly enhancing revenue visibility over the next 12 months. The latest awards further validate management's expectations of additional West Africa FPSO-related opportunities and reinforce ASOM's role as the group's key earnings engine under the BKM 2.0 strategy. The group's revenue base remains increasingly anchored by ASOM's recurring offshore maintenance activities, complemented by NEI's fabrication projects and IOE's equipment business, providing a more diversified and durable earnings profile.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	111.9	98.2	109.1	115.5	122.4
EBITDA	26.3	17.1	19.5	24.3	25.7
Operating profit	26.3	17.1	19.5	24.3	25.7
Net profit (rep./act.)	11.5	5.3	10.2	18.1	19.2
Net profit (adj.)	11.5	5.3	10.2	18.1	19.2
EPS (S$ cent)	5.8	2.6	3.0	5.3	5.6
PE (x)	8.5	18.9	16.4	9.2	8.7
P/B (x)	4.7	3.8	3.9	2.7	2.1
EV/EBITDA (x)	4.4	6.9	6.0	4.8	4.5
Dividend yield (%)	0.0	1.2	1.2	1.4	1.4
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, UOB Kay Hian

Stock Data

GICS Sector	Industrials
Bloomberg ticker	BKM SP
Shares issued (m)	299.9
Market cap (S$m)	146.9
Market cap (US$m)	114.6
3-mth avg daily t'over (US$m)	1.1

Price Performance (%)

52-week high/low				S$0.585 / S$0.172
1mth	3mth	6mth	1yr	YTD
(12.5)	22.5	75.0	169.2	53.1

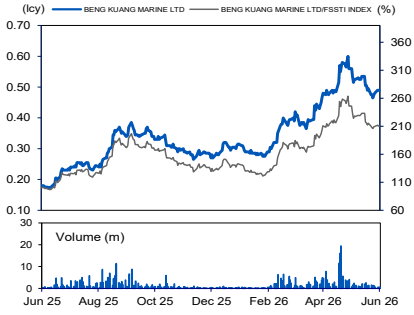
Major Shareholders

	%
Chan Kwan Bian	9.4
Yong Jiunn Run	4.1

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.

Stock Impact

- **Strong business momentum expected in 2Q26.** BKM highlighted stronger business momentum in April and May and expects additional contract awards in 2Q26. In addition, BKM is currently executing five FPSO contracts in Guyana, with a potential pipeline of four more FPSO projects in Central America, which is expected to significantly strengthen FPSO-related revenue contributions in the near term. To support the anticipated ramp-up in operations, deployed FPSO headcount is projected to increase from around 30 currently to approximately 120 between June and September, while the company also plans to deploy a floatel by Sep 26 to support its FPSO operations in Angola.
- **Expect higher revenue recognition in 2H26.** BKM's proposed acquisition of the remaining stake in ASOM is expected to be completed by end-Jun 26. The transaction is expected to significantly boost BKM's 2H26 revenue and is also earnings-accretive, enabling the group to fully capture ASOM's high-margin earnings while strengthening its core engineering segment. This is also in line with the company's strategy to shift towards an asset-light business model under BKM 2.0, given the nature of ASOM's business.
- **Continued shareholders' confidence in BKM.** BKM's founder recently divested part of his stake, attracting strong demand from institutional and reputable investors. At the same time, management reinforced confidence by increasing their shareholdings. We view this transaction positively, as it strengthens the shareholder base and enhances alignment between management and investors as the group advances its BKM 2.0 strategy.
- **Healthy balance sheet position.** BKM remains in a net cash position of S$26.9m as at end-25 with little debt. BKM has been focused on paying down its debt, backed by its strong cash flow from operations of S$26.6m as at end-25. This strong balance sheet is likely to strengthen further as BKM continues to shift towards an asset-light operating model under its BKM 2.0 strategy, positioning the company well to capitalise on any opportunities amid strong industry tailwinds.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of S$0.75,** implying 53.1% upside. Our target price is pegged to 14.0x 2027F PE, +1.5SD above historical averages, and we expect re-rating to continue as BKM continues to gain traction from participation of more institutional and strategic shareholders. This also represents a discount to peers' average despite BKM's market position and higher profitability following the consolidation of ASOM.
- BKM currently trades around 9.2x 2027F PE, below peers' average of 12.5x 2027F PE, highlighting BKM's undervaluation. We believe its strong fundamentals, underpinned by a superior ROE of 38.8% vs the industry average of 17.3% and a strong net cash position, continue to support the case for valuation re-rating. Full-year consolidation of ASOM in 2027 is also expected to boost BKM's profitability significantly.

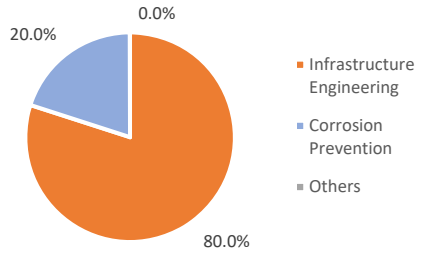
Earnings Revision/Risk

- 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 (2025)



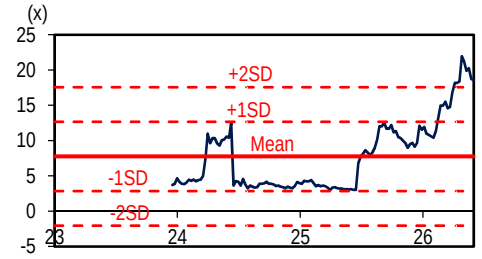
Source: BKM, UOB Kay Hian

Revenue Breakdown And Forecast

(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	5.3	10.2	18.1	19.2
Net profit (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 Metrics

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

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