Beng Kuang Marine

Non-rated

Share price (S$)	**0.335**
Target price (S$)	**-**
Up / downside (%)	**-**

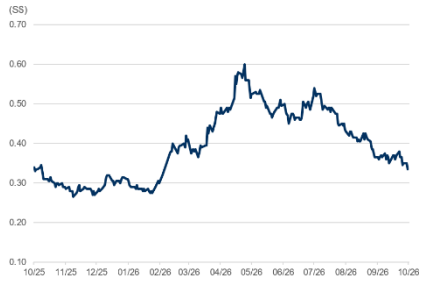
Company Profile
Beng Kuang Marine Limited is an SGX Mainboard-listed provider of engineering and corrosion-prevention services to the offshore energy and marine industries, providing in-situ maintenance, repair and life extension services to floating production storage and offloading vessels (FPSOs) and floating storage and offloading vessels (FSOs).

Ticker	BKM SP
Market cap (S$m)	100.6
3M ADV (S$'000)	224.1
Free float (m shares)	210.6
Total shares outstanding (m)	300.4
52W High / Low (S$)	0.60 / 0.26

Top shareholders	**(%)**
iSustainability Pte Ltd	9.5
SPPG Pte Ltd	9.5

Price performance (%)

1M	3M	12M
(8.2)	(35.6)	1.5



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Acquisition of ASOM ends the minority leakage

Investment Highlights

- **We initiate non-rated coverage on Beng Kuang Marine.** We like that BKM has become asset-light, embedded on 19 FPSOs and FSOs with recurring maintenance needs, and will consolidate all of ASOM's earnings from 2H26 onwards. However, the FY27 earnings uplift is largely mechanical, with FY27 being the first full year without minorities post its recent ASOM acquisition.
- Given the recent de-rating, the market is more likely to close the valuation gap between BKM and its peers once it strengthens its balance sheet post-acquisition along with higher growth from ASOM, in our view. Notably, the marine sector (along with the rest of the SMIDs) has corrected on the back of inflation fears, higher treasury yields as well as profit-taking as investors derisk, increasingly adopting a wait-and-see approach.
- **Turnaround into a services-based business.** BKM's earlier expansion efforts had left the firm with four largely capital-intensive divisions tied to shipyard activity, including a fleet of two livestock carriers and 14 tugs and barges. The firm reset through shedding assets like Asian Sealand Engineering in 2019, a leadership change in 2021, cutting losses by closing livestock shipping and Singapore steel fabrication, and selling around 58% of its Batam yard in 2023-24. What's left is a service-based business. By FY23, it turned profitable, helped by land-sale gains, and was no longer flagged as a going concern risk.
- **Ageing FPSOs required to undergo inspection to remain in service**. ABS rules typically require the tanks of an FPSO to be examined internally every five years, and keeping a unit in service beyond its design life requires a class assessment covering hull corrosion rates, rapid-corrosion areas and mooring fatigue. Per ABS, which classed almost 60% of the global operating FPSO fleet, more than half of ship-type FPSOs were over 30 years old and a quarter over 40 as of Aug 21, and 55 units were due to reach the end of their design life within five years. Companies are more inclined to invest in life-extension services compared to funding new builds given the large difference in cost. **This makes demand for life-extension and inspection services sticky and somewhat recurring.**

Key Financials (YE 31st Dec, S$m)	FY21	FY22	FY23	FY24	FY25	1H26
Revenue	51.3	59.1	79.2	111.9	98.2	55.7
Gross Profit	11.9	12.5	24.9	38.7	36.4	14.6
EBITDA (cont. ops)	4.6	2.7	11.5	20.6	19.3	7.8
PATMI	(13.2)	(21.8)	3.4	11.5	5.3	3.5
CFO	3.9	7.4	5.5	14.8	26.6	(8.6)
EPS (S cents)	(8.7)	(11.0)	1.7	5.8	2.6	1.4
DPS (S cents)	-	-	-	0.6	0.6	-
Dividend yield (%)	-	-	-	1.8	1.8	-
Net gearing (%)	62.7%	206.6%	20.5%	Net cash	Net cash	Net cash
P/E (x)	n.m.	n.m.	29.4	8.7	18.9	14.2
P/B (x)	3.6	16.4	10.6	4.8	3.8	9.0
ROE (%)	(40.9)	(128.4)	43.7	75.6	22.5	37.7
ROA (%)	(19.4)	(34.6)	13.2	30.9	16.3	14.0

Source: Evolve Capital, Company

Company Background

Beng Kuang Marine Limited (BKM) is an SGX Mainboard-listed provider of engineering and corrosion-prevention services to the offshore energy and marine industries, providing in-situ maintenance, repair and life extension services to floating production storage and offloading vessels (FPSOs) and floating storage and offloading vessels (FSOs). The firm describes its model as asset-light: it deploys crew, materials and engineering to customers' operating vessels and is paid on purchase orders as scopes arise. Some of its key customers include SBM Offshore, MODEC, BW Offshore and Seatrium, amongst others. It has presence in Southeast Asia, West Africa and South America. Refer to the snippet below for a more comprehensive list of their customers.



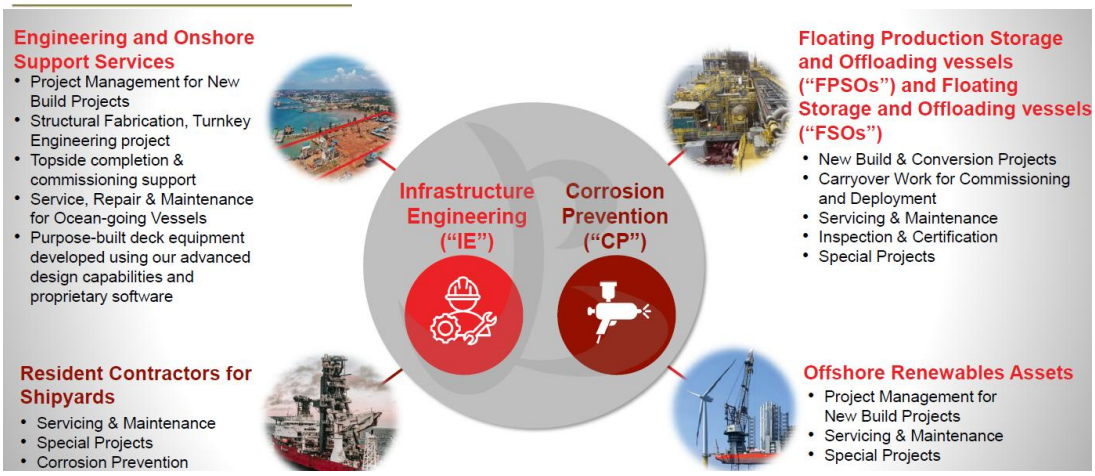
Source: Company

The firm reports two core segments:

Infrastructure Engineering (IE), which covers repairs, maintenance and asset-integrity work on floating production platforms, onshore and offshore marine fabrication, and the production and supply of customised pedestal cranes and deck equipment. The segment's earnings engine is Asian Sealand Offshore and Marine (ASOM), which provides offshore in-situ turnkey services for operating FPSOs and FSOs.

IE also houses shipbuilding and repair at the group's Kabil yard in Batam through PT Nexus Engineering Indonesia (NEI), deck equipment through International Offshore Equipments (IOE) and, since Aug 25, specialised industrial cleaning through Clean Concept Works. **This segment accounted for 80% of FY25 and 85% of 1H26 revenue, respectively.**

Corrosion Prevention (CP), which covers surface preparation, blasting and protective-coating application for marine and offshore assets, carried out as a resident contractor at shipyards in Singapore and Batam, along with equipment rental. **This segment accounted for 20% of FY25 and 15% of 1H26 revenue, respectively.**



Source: Company

ASOM was working on 19 FPSOs and FSOs across seven countries (Angola, Guyana, Malaysia, Ghana, Brazil, China and Singapore) as of Aug 26. The following table shows some of the FPSOs / FSOs (out of the 19) that BKM is currently working on, as far as we could ascertain through public sources. Note that P-80, P-82 and P-83 entries are new-build integration work rather than lifecycle service, and P-80 and P-82 were still at Seatrium's yard in Singapore in late Aug 26, per World Oil.

Country	FPSO / FSO (Owner / Operator)	Work described by ASOM	Status
Angola	N'Goma FPSO (SBM Offshore / Azule Energy)	Life extension, tank repairs and offshore maintenance campaigns; SPS deck replacement	Since 2022
Angola	FPSO Saxi Batuque (SBM Offshore / ExxonMobil)	Topside modifications and piping installation for operational life extension	Since 2023
Ghana	FPSO Prof John Evans Atta Mills (MODEC)	Operational maintenance and commissioning support	Since 2023
Guyana	FPSO Liza Unity (SBM Offshore / ExxonMobil)	Structural modifications and in-situ SPS applications	Since 2024
Brazil	FPSO Bacalhau (MODEC / Petrobras)	Integration, commissioning and maintenance	Since 2025
Malaysia	FPSO Kikeh (MISC)	Deck replacement and structural weight reduction using SPS	Since 2025
Brazil	FPSOs P-80, P-82 and P-83 (Petrobras / Seatrium)	Module integration, commissioning and project management	Since 2026

Source: ASOM

The business was founded by the Chua brothers, with Chua Beng Kuang starting it in 1990 as a sole proprietorship providing corrosion-prevention services to shipyards. The company was incorporated in Singapore in 1994, listed on SGX SESDAQ on 15th Oct 04 and moved to the Mainboard on 19th Dec 07, per SGX.

It then broadened into engineering, building barges, tugs and patrol vessels at its Batam yard from 2009, extending into in-situ repairs of offshore platforms and support vessels in 2014, and investing in a pedestal-crane and deck-equipment maker in 2015. By FY16, it also distributed marine hardware under its own brands

through its Supply and Distribution (SD) division and ran a shipping division of livestock carriers, tugs and barges. ASOM, incorporated in Mar 07, was already 51%-owned by 2015. The firm has reported only IE and CP since FY23 and took full ownership of ASOM in May 26.

In terms of shareholding, as of 6th Oct 26, the former ASOM minority shareholders, iSustainability and SPPG, each have a stake of around 9.5%, while Chan Kwan Bian has a stake of 9.4%. CEO Yong Jiunn Run and Executive Chairman Chua Beng Yong owned around 4% and 3.9% of the firm, respectively.

Industry Outlook & Macro Backdrop

Ageing FPSOs required to undergo inspection to remain in service

Per ABS, which classed almost 60% of the global operating FPSO fleet, more than half of ship-type FPSOs were over 30 years old and a quarter over 40 as of Aug 21, and 55 units were due to reach the end of their design life within five years, with five already on life extension and a further 19 under evaluation, per World Oil.

ABS rules typically require the tanks of an FPSO to be examined internally every five years, and keeping a unit in service beyond its design life requires a class assessment covering hull corrosion rates, rapid-corrosion areas and mooring fatigue under the ABS life-extension guide issued in Dec 21, per Maritime Executive. BKM's two largest 2026 awards, worth US$28.6m in Jun 26, were tank-services orders for the life extension of two FPSOs in West Africa. That said, ABS now allows qualifying FPSOs to stretch tank entry to once every 10 years under a programme launched in May 25, but per our understanding, the general rule of thumb remains that inspections are required every 2.5-5 years. Notably, companies are more inclined to invest in life-extension services compared to funding new builds given the large difference in cost.

Angola offers the clearest example. On 10th Jul 25, the Block 15 partners agreed with Angola's oil agency to extend their production licence to 2037 and, subject to a final investment decision, the life of four FPSOs to 2032-37. SBM Offshore extended the leases of the 1970s-built Mondo and Saxi-Batuque hulls to 2032, with life-extension work starting in 2026, per World Oil. ASOM lists Saxi Batuque as a 2026 life-extension project, which links the firm to at least one of these programmes.

On the other hand, Azule Energy's N'Goma FPSO, which ASOM lists as ongoing life-extension work, is nearing the end of its design life, with production to be diverted to the newer Agogo FPSO. **In our view, the backdrop is a genuine tailwind for tank, hull and structural work on old vessels, but each life-extension programme does have a finite window.**

New FPSO supply widens the installed base, but adds little near-term work

Energy Maritime Associates counted more than 300 floating production units in operation against more than 40 on order, with eight FPSOs awarded in the eight months to Apr 26. However, the order book is small relative to the installed base: the 40-plus units on order equal only around 13% of the 300-plus in operation, by our estimate, and new vessels need little heavy maintenance in their early years. **We read new supply as a long-dated addition to BKM's addressable base, while the existing ageing fleet remains the driver for the rest of the decade.**

Investment Merits

Cutting losses and shedding assets into a services-based business

By FY16, BKM's earlier expansion efforts had left the firm with four largely capital-intensive divisions tied to shipyard activity, including a fleet of two livestock carriers and 14 tugs and barges. The 2015-17 offshore and marine downturn cut the shipyard work that CP and fabrication relied on. In shipping, Indonesia's export ban on untreated minerals idled the tugs and barges, which led to BKM reducing its fleet to two tugs by FY19.

On the other hand, its livestock carriers suffered an accident in Oct 20, a naval detention in Oct 21 and a charterer in financial difficulty. Shipping segment losses totalled S$48.5m over FY16-FY21 and cumulative PATMI losses S$73.1m over FY17-FY22, by our estimates, while NAV per share fell from 57.0 S cents in FY16 to 3.1 S cents in FY22.

The firm reset through shedding assets like Asian Sealand Engineering in 2019, a leadership change in 2021, cutting losses by closing livestock shipping and Singapore steel fabrication, and selling around 58% of its Batam yard in 2023-24. This left a service-based business that mainly deploys crew to customers' vessels rather than owning ships. By FY23, it turned profitable, aided by land-sale gains, and was no longer flagged as a going concern risk. Refer to the table below for a timeline of how the firm turned around post the O&G downturn.

Date	Event	Why it mattered
FY17	IE revenue fell 57.5% as no sizeable contract was secured	Downturn reached the core business
Jun-17	Placed on the SGX watch-list under the minimum trading price criterion	Removed in Jun 20 only because SGX scrapped the criterion
FY17-FY22	Going concern every year	Six years of balance-sheet stress
Jun-19	Asian Sealand Engineering sold for S$14.0m	Proceeds mainly repaid borrowings
Apr-Jun 21	Founder Chua Beng Kuang retired; Yong Jiunn Run, former CEO of CIMB Group Commercial Banking, became CEO on 2nd Jun 21	New management; strategic review prioritised cost cuts, deleveraging, monetising fixed assets and backing higher-potential units, per the firm
FY22	Singapore IE operations moved to the Batam yard	One-off downtime costs, per the firm
4Q22	Livestock shipping exited, with a S$16.6m one-time loss	Shipping segment dropped from FY23 reporting
Jun-23	Placed back on the watch-list, under the financial entry criteria	Three consecutive years of pre-tax losses, among other tests
FY23	Singapore steel fabrication ceased; SD folded into CP; PATMI of S$3.4m, including S$5.4m of disposal gains	Two reported segments; the profit rested on the land-sale gain
Dec 23-Jan 24	58% of the Batam yard sold for S$18.3m	About 46% of the FY22-FY25 swing to net cash, by our estimate
Oct-24	Exited the watch-list	Removed the last SGX flag
May-26	Remaining 49% of ASOM acquired	Ended minority leakage (see below)

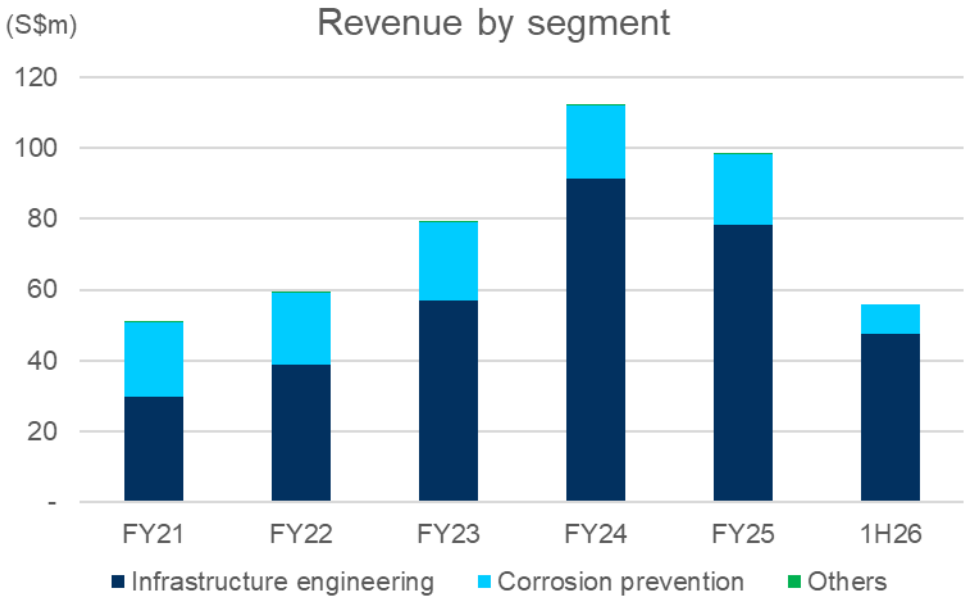
Source: Company, Evolve Capital

To be fair, its growth engine predates the new management. As of FY16, owners were already extending the life of operating FPSOs and FSOs rather than buying new vessels. ASOM's revenue stayed between S$9.0m and S$12.5m a year over FY16-FY20, before rising to S$21.6m in FY21 as business travel reopened, per the firm. **In other words, management essentially stripped away the loss-making businesses and capital around ASOM, which let ASOM's earnings shine through at the group level.**

ASOM has carried the group's growth since FY22

Group revenue almost doubled from FY22 to FY24, fell 12.3% YoY in FY25 and rose 9.7% in 1H26. IE, which houses ASOM, drove both the rise and fall: it grew from S$38.8m to S$91.4m over FY22-FY24 as FPSO and FSO work expanded, then fell 14.1% YoY in FY25 on West African delays in deploying accommodation barges, per the firm. CP, which absorbed its supply and distribution (SD) segment in FY23, held at S$19.6-22.1m a year over FY22-FY25 and fell 12.7% YoY in 1H26 as projects completed. **Put simply, ASOM is the group's profit engine** as ASOM's net profit exceeded the group's (ex. disposal gains) in every year from FY21 to FY25.

Within IE, ASOM's revenue rose by S$48.2m over FY22-FY25 at a net margin of around 18-22%, more than the group's S$39.0m increase, which implies the rest of IE shrank as Singapore fabrication closed, by our estimate. IE's 1H26 growth came mainly from shipbuilding and engineering in Asia, per the firm. Offshore work, by contrast, started late. The firm said the supporting floatel (an offshore accommodation vessel) for a key West Africa Basin campaign was positioned only in Jun 26, delaying the start of work. IE revenue booked to European customers fell to S$21.7m from S$28.9m, which we read as consistent with this delay.



Full ownership of ASOM ends the minority leakage

Over FY22-1H26, non-controlling interests were allocated S$21.8m of group profit, against S$2.0m attributable to shareholders, whose share absorbed S$13.2m of FY22 losses from the discontinued livestock business. Ex. the livestock business, minorities took around 62% of group profit, more than ASOM's 49% stake as the rest of the group lost money, and the group paid them S$15.4m of dividends, including S$4.0m in 1H26, by our calculations.

On 29th May 26, BKM bought the remaining 49% of ASOM from iSustainability and SPPG, vehicles of Leonard Chia Choong Leng and Ng Leng Soo, for up to S$60.0m. The deal was settled through S$20m in cash, part-funded by a S$15m HSBC term loan, 57.1m new shares at S$0.35/share, and up to S$20m of contingent consideration. The price valued ASOM at around S$122m, about 8x its FY25 PAT, per the acquisition announcement. Notably, 1H26 PATMI already rose 20.8% even as net profit fell 15.5%. Hence, the full year contribution from the ASOM acquisition should be much more pronounced from 2H26 onwards.

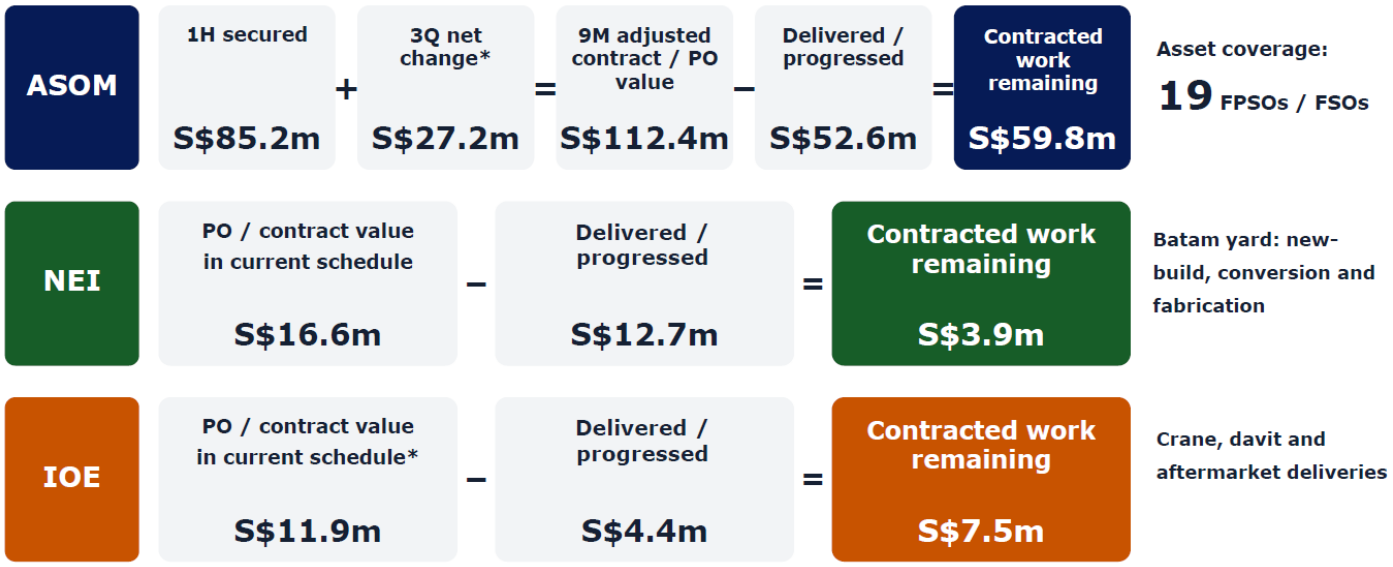
However, the cash benefit arrives later. Per the SPA, the earn-out pays S$10m for each of FY26 and FY27 if ASOM's PAT reaches S$15m, scaling down to nil at S$5m, with a cumulative test if FY26-27 profit exceeds S$30m. The firm recognised the full S$20.0m at 1H26, based on management's assessment of the expected

amount payable, which implies it expects at least S$15m in each year. In cash terms, the up to S$10m a year owed to the vendors in FY26-27 exceeds the S$1.0-4.9m a year paid to minorities over FY22-FY25 and the S$4.0m paid in 1H26. **In our view, the buy-in lifts EPS immediately but improves cash to shareholders only from FY28. Put differently, ASOM can fund the earn-out itself:** its FY25 PAT of S$14.9m and operating cash flow of S$26.3m would each cover the up to S$10m a year owed to the vendors.

Order intake and the FPSO footprint offer visibility, but life extension is lumpy

ASOM secured S$112.4m of contracts and purchase orders in 9M26: S$85.2m in 1H26 and S$27.2m in 3Q26 (incl. currency translation and order revisions). The largest were two West African tank-services orders worth US$28.6m in Jun 26. Across ASOM, NEI and IOE, outstanding contracted work was S$71.2m as of 9M26, as ASOM's rose to S$59.8m (1H26:S$52.3m) while NEI's fell to S$3.9m (1H26: S$7.3m) and IOE's to S$7.5m (1H26: S$11.1m).

ASOM delivered or progressed S$52.6m of work in 9M26. Per our conversation with management, BKM is expected to have more offshore work in 2H26. The order book is built from purchase orders, some of which extend beyond FY26, and at 9M26, it covered around 0.6x of annualised 1H26 revenue. While the work recurs, revenue recognition can remain lumpy depending on when work scopes commence and on customer schedules, as the delayed West Africa Basin scope showed in 1H26.



Source: Company

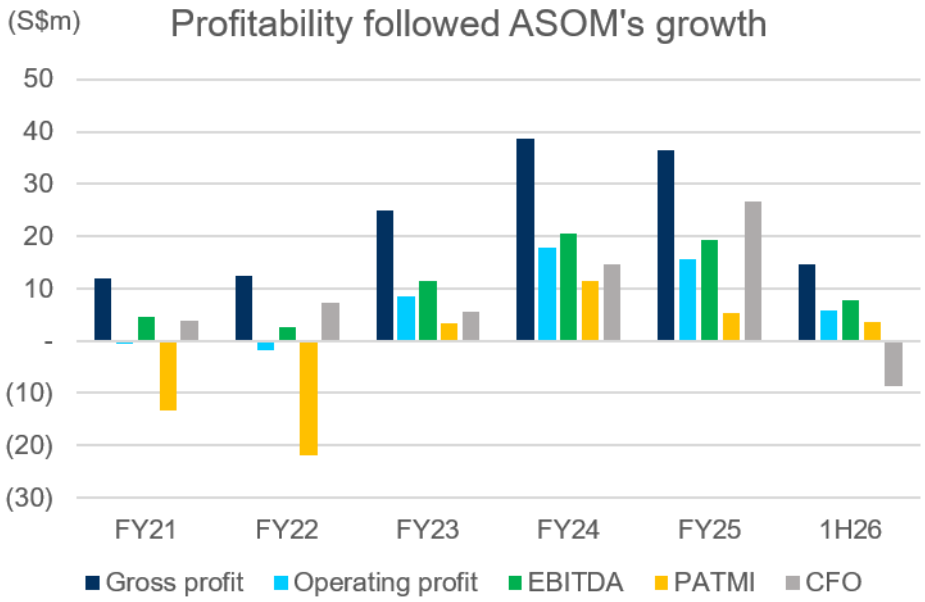
Profitability followed ASOM's growth, but margins reset in 1H26

Gross profit rose 2.9x from FY22 to FY25, with gross margins expanding by 15.9ppts to a high of 37.1% in FY25. On a continuing-operations basis, EBITDA rose 7.3x to S$19.3m over the same period, as EBITDA margins expanded from 4.5% to 19.6%. Note that our measure of EBITDA excludes other gains and losses, so it is not inflated by the S$5.4m and S$5.5m of disposal gains booked in FY23 and FY24, mainly from the Batam land sales.

The expansion came at the gross level rather than from operating leverage, as operating expenses stayed at 19-24% of revenue over FY22-FY25. The firm credits its BKM 2.0 cost cuts and segment exits as ASOM's contribution rose from about 46% to 77% of group revenue.

In 1H26, however, gross margin fell 12.0ppts YoY to 26.2% on a shift towards early-stage shipbuilding and engineering projects and costs incurred ahead of billing milestones, per the firm. IE's operating margin fell to 16.1% (1H25: 25.4%), while CP's rose to 24.5% (1H25: 15.4%), which we attribute to the land gain booked

by a CP subsidiary. Lower administrative expenses cushioned the fall, but EBITDA margin still fell to 13.9% (1H25: 22.2%), while PAT (ex. S$1.43m of disposal gains) fell to S$4.4m from S$6.9m, by our calculations. In our view, the 18-20% EBITDA margin of FY24-FY25 is the yardstick for 2H26. We would keep an eye out on its EBITDA margins in 2H26 to confirm that 1H26 was a timing and mix issue rather than a lasting step down.

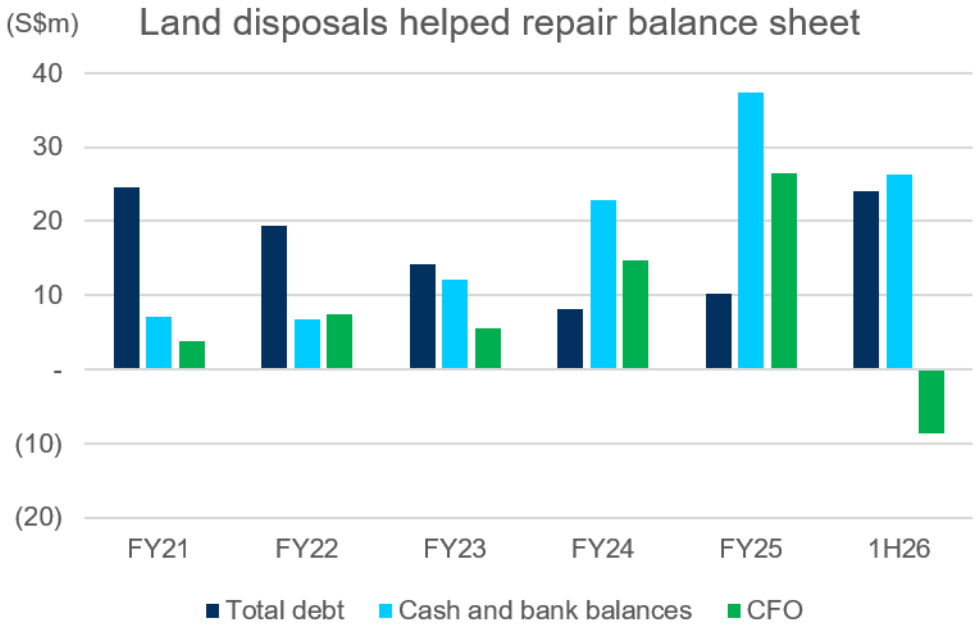


Land sales and operating cash repaired the balance sheet

BKM's waterfront yard in Kabil, Batam, spans 328,956 sqm on a 30-year lease from Apr 07 that has been paid in advance to 2037. With the yard under-utilised after the offshore downturn, the firm sold 58% of it in two tranches as part of its monetisation and deleveraging initiatives. It sold 100,970 sqm to PT Bukit Batu Mulia for S$9.62m, completed in Dec 23, and 90,000 sqm to Oil States Industries (Asia) for S$8.64m, completed in Jan 24. **The two sales brought in S$18.3m, or around S$95-96 per sqm**, and produced disposal gains of S$5.4m and S$5.5m, implying both went for about 2.5x their carrying value plus selling costs, by our estimate.

The balance sheet improved markedly over the same period. Between FY22 and FY25, the group moved from S$12.7m of net debt to S$27.2m of net cash as the firm repaid bank debt and redeemed its bonds (the last in Nov 25). The firm retains the remaining 137,986 sqm, around 42% of the yard, carried at S$1.6m against an independent fair value of S$18.8m at FY24. In 4Q25, it moved this land from leasing into its own shipbuilding and repair, with the lease running until Apr 2037.

The ASOM buyout has since reset the balance sheet. While the firm still remains broadly net-cash neutral**, the key question for investors isn't whether ASOM earns enough, but whether 2H26 cash collection can fund the earn-out and debt service without another round of equity.** From what we gathered from a recent BKM meeting, management intends to prioritise paying down debt and maintaining a steady dividend.



Quick Peer Comparison and Thoughts on Valuation

BKM does not have a direct listed comparable, as no SGX-listed peer derives most of its earnings from in-situ FPSO lifecycle services. We therefore use the same peer set as in our Jul 26 ASL Marine initiation:

- ASL Marine, Marco Polo Marine and Nam Cheong, as the closest SGX-listed offshore and marine names by size
- Seatrium and Yangzijiang Shipbuilding, as larger offshore and marine peers.

Note that ASL and MPM own Batam yards and charter fleets, and Nam Cheong is an OSV owner-charterer, so all three are more capital-intensive compared to BKM, which deploys crew onto customers' vessels. Seatrium, which builds and integrates FPSOs, also appears among BKM's customers.

Per Bloomberg estimates, BKM trades at 3.9x FY27E EV/EBITDA and 6.3x FY27E P/E. Its offshore and marine peers trade at an average of 4.4x FY27E EV/EBITDA and 9.1x FY27E P/E, while the larger peers trade at 6.5x FY27E EV/EBITDA and 10.3x FY27E P/E. At the current price, BKM trades close to ASL in terms of valuations while at a discount of 30-40% to larger peers.

Company name	Price	MCap (S$m)	EV / EBITDA (27E)	EV / EBITDA (28E)	P/E (27E)	P/E (28E)	Rev Growth (27E, %)	Profit Growth (27E, %)
Beng Kuang Marine Ltd	0.335	101	3.9	3.7	6.3	6.0	6.4	76.7
Simple average			**4.4**	**4.0**	**9.1**	**7.9**		
Marco Polo Marine Ltd	0.111	434	6.1	5.4	11.1	9.3	24.3	11.1
Nam Cheong Ltd	0.845	339	3.2	3.0			16.1	
ASL Marine Holdings Ltd	0.24	247	3.9	3.8	7.1	6.5	1.7	5.3
Larger offshore & marine peers			**6.5**	**6.3**	**10.3**	**9.5**		
Seatrium Ltd	1.82	6,143	6.9	6.8	12.4	11.2	(11.5)	(8.1)
Yangzijiang Shipbuilding	5.03	19,796	6.1	5.7	8.2	7.7	13.9	14.2

Source: Bloomberg, Company, Evolve Capital

However, the FY27 earnings uplift is largely mechanical, with FY27 being the first full year without minorities. While we like that BKM has become asset-light, embedded on 19 FPSOs and FSOs with recurring maintenance needs, and consolidates all of ASOM's earnings from 2H26 onwards, the market is more likely to close the valuation gap between BKM and its larger peers once it strengthens its balance sheet post-

acquisition along with higher growth from ASOM. Notably, the marine sector (along with the rest of the SMIDs) has corrected on the back of inflation fears, higher treasury yields as well as profit-taking as investors derisk, increasingly adopting a wait-and-see approach.

Hence, BKM shares have already de-rated, falling about 28% from S$0.465 at the time of our ASL Marine initiation in Jul 26 to S$0.335, as general sentiment has turned more negative. While valuations aren't all that demanding, **we remain non-rated on BKM at the moment**.

Key Risks

Concentration and FX risk

Four customers accounted for 72.5% of FY25 revenue. While the firm does not identify them or disclose revenue by customer or vessel, per a recent BKM meeting, management is aware of the concentration and intends to broaden its customer base. Offshore purchase orders are priced in USD, against SGD reporting. FX swung from a S$1.19m loss in 1H25 to a S$0.09m gain in 1H26, and the firm had no outstanding forward contracts of 1H26.

Dilution and key-person timing considerations

Shares in issue have risen 50.8% since FY24 to 300.4m, and 39.4m of the bonus warrants issued in Sep 24, exercisable at S$0.22 until 3rd Sep 27, could add a further 13.1%. The 24-month moratorium on the consideration shares and the vendors' two-year service agreements with ASOM both lapse around mid-2028, after which we would watch for a share overhang and for retention at ASOM. Per the SPA, the moratorium also falls away if the Executive Chairman and CEO cease to be directors, while a vendor leaving within the lock-in may lose part or all of its earn-out.

Execution beyond ASOM

The rest of the group has yet to earn an adequate return on its own. CP's operating result margin ranged from 9.4% to 16.0% over FY22-FY25 and rose to 24.5% in 1H26, as reported. However, we attribute the rise to the S$0.96m gain on a Batam land parcel sold by PT Nexelite CP Indonesia, a wholly owned corrosion-prevention subsidiary.

Excluding it, we estimate CP's 1H26 margin would have been around 13%. CP's revenue also ticked down from FY24 to 1H26. IOE carried net liabilities of S$12.2m at FY25. NEI's Batam shipbuilding order book fell to S$3.9m as of 9M26 from S$15.8m in 1Q26, with no new NEI awards disclosed in 3Q26. The firm also notes that competitive conditions in shipbuilding remain challenging due to pricing pressure, particularly for standard marine fabrication. In our view, the firm should show that its other segments aren't dragging ASOM down, otherwise a divestment might be more suitable. A sustained fall in oil prices may also raise the risk of operators deferring discretionary scopes.

SWOT Analysis

Strengths	Weaknesses
1. Embedded on 19 FPSOs and FSOs across seven countries, with repeat orders, including in Angola 2. ASOM net margin of around 18-22% over FY22-FY25; 100% of its profit now accrues to BKM 3. Loss-making livestock shipping and Singapore fabrication exited; two segments since FY23 4. S$71.2m of outstanding contracted work of 9M26, of which ASOM S$59.8m	1. Group profit heavily reliant on ASOM, whose net profit exceeded the group's (ex-disposal gains) in every year over FY22-FY25 2. Concentration risk as four customers made up 72.5% of FY25 revenue 3. Margins reset in 1H26: EBITDA margin of 13.9% (1H25: 22.2%) on an early-stage shipbuilding mix
Opportunities	**Threats**
1. Angola Block 15 licence extended to 2037, with FPSO life extensions planned 2. Class surveys and life-extension assessments on an ageing FPSO fleet 3. Remaining Kabil yard valued at S$18.8m at FY24 against a S$1.6m carrying value 4. 2H26 offshore ramp-up and conversion of S$23.0m of contract assets could restore margins and cash generation	1. Life-extension revenue lumpy and timed by customer schedules; N'Goma FPSO nearing the end of its design life 2. 39.4m warrants (13.1%); vendor moratorium and service agreements lapse around mid-2028 3. NEI order book down to S$3.9m; pricing pressure in Batam shipbuilding

Source: Evolve Capital, Company

Key Financial Items

Income statement

YE 31st Dec, S$m	FY21	FY22	FY23	FY24	FY25	1H26
Revenue	51.3	59.1	79.2	111.9	98.2	55.7
Gross profit	11.9	12.5	24.9	38.7	36.4	14.6
Operating profit	(0.6)	(1.8)	8.4	17.7	15.7	5.9
EBITDA (cont. ops)	4.6	2.7	11.5	20.6	19.3	7.8
PATMI	(13.2)	(21.8)	3.4	11.5	5.3	3.5
Margins (%)						
Gross profit	23.2%	21.2%	31.5%	34.6%	37.1%	26.2%
Operating profit	(1.2%)	(3.0%)	10.6%	15.8%	16.0%	10.5%
EBITDA (cont. ops)	8.9%	4.5%	14.5%	18.4%	19.6%	13.9%
PATMI	(25.8%)	(36.9%)	4.3%	10.3%	5.4%	6.4%
YoY Growth (%)						
Revenue		15.2%	33.9%	41.3%	(12.3%)	9.7%
Gross profit		5.2%	98.9%	55.5%	(6.0%)	(24.8%)
Operating profit		n.m.	n.m.	110.5%	(11.4%)	(38.2%)
EBITDA (cont. ops)		(42.1%)	331.7%	79.9%	(6.6%)	(31.2%)
PATMI		n.m.	n.m.	237.0%	(53.8%)	20.8%

Source: Evolve Capital, Company

Balance sheet

YE 31st Dec, S$m	FY21	FY22	FY23	FY24	FY25	1H26
PPE	40.4	21.7	13.8	10.6	15.7	15.3
Inventories	3.5	3.4	2.0	1.1	1.8	1.5
Trade and other receivables	21.2	17.6	21.8	25.0	15.5	18.9
Cash and cash equivalents	7.0	6.7	12.2	22.9	37.4	26.3
Contract assets	6.3	7.3	10.1	12.7	9.2	23.0
Others	1.0	0.7	3.1	1.8	0.2	0.8
Total assets	**79.4**	**57.4**	**63.0**	**74.1**	**79.8**	**85.9**
Non-current liabilities						
Borrowings	2.6	0.5	0.3	0.9	4.2	15.0
Bonds	3.5	3.7	-	3.0	-	-
Lease liabilities	0.4	0.8	1.2	0.5	2.0	1.4
Others	0.6	0.0	2.1	1.0	1.6	10.9
Current liabilities						
Borrowings	14.6	10.9	5.6	2.5	2.3	6.1
Bank overdrafts	2.4	2.4	2.0	-	0.005	-
Bonds	-	-	3.8	-	-	-
Lease liabilities	0.9	1.1	1.2	1.1	1.6	1.5
Trade and other payables	33.1	28.7	32.5	31.7	27.5	40.7
Others	2.3	4.3	2.3	4.8	4.4	5.5
Total liabilities	**60.6**	**52.4**	**51.1**	**45.6**	**43.6**	**81.2**
Share capital	54.1	54.1	54.1	54.1	55.9	84.7
Other reserves	(2.0)	(1.9)	(2.0)	(2.0)	(2.4)	(48.3)
Accumulated losses	(24.2)	(46.1)	(42.6)	(31.1)	(27.0)	(25.2)
Total shareholders' equity	**27.9**	**6.1**	**9.5**	**21.0**	**26.4**	**11.2**
Non-controlling interests	(9.0)	(1.2)	2.3	7.5	9.7	(6.4)
Total equity	**18.8**	**5.0**	**11.9**	**28.5**	**36.1**	**4.7**

Source: Evolve Capital, Company

Cash flows

YE 31st Dec, S$m	FY21	FY22	FY23	FY24	FY25	1H26
CFO	3.9	7.4	5.5	14.8	26.6	(8.6)
CFI	(1.1)	(0.2)	12.1	6.0	(3.6)	(0.7)
CFF	0.3	(7.4)	(11.8)	(8.3)	(8.1)	(1.7)
Net change in cash and cash equivalents	3.1	(0.2)	5.9	12.5	14.9	(11.1)
Cash and cash equivalents	4.7	4.4	9.9	22.4	36.8	25.7

Source: Evolve Capital, Company

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