

Kim Heng Limited

Date: 13 June 2024

Non-Rated

BBG	KHOM SP	
Market Cap (S\$m)	61.5	
Price (S\$)	0.087	
52-week range (S\$)	0.073 - 0.105	
Shares Outstanding (m)	707.1	
Free Float (%)	41.9	
Major Shareholders	KH Group Holdings Pte. Ltd.	40.2%
	UOB Kay Hian Pte Ltd	17.9%

Source: Company data, Bloomberg, SAC Capital

5-Year Share Price



Source: Bloomberg

Analyst

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Steadily Growing

With over 50 years of experience, Kim Heng Limited specializes in engineering, procurement, construction, and installation support for the Offshore Renewable, Marine, and Oil & Gas industries. Leveraging a strong resource base, Kim Heng offers integrated solutions, including marine transportation, towage, mooring installation, subsea cable installation, drilling support, vessel/rig maintenance, and newbuilding. Operating primarily in Singapore with two shipyards, the Group serves renowned customers in 25 countries across regions such as Southeast Asia, the USA, and Europe. Its four business segments are Renewable Energy, Chartering of Vessels, Vessel Sales & Newbuild, and Marine Offshore Support.

FY23 revenue improved 26.7% y/y to S\$101.2m. The sharp increase in revenue was from the retrofitting and upgrading of vessels and from the marine offshore support services. Marine and offshore related services was the largest contributor, representing 40.5% of total revenue. Similarly, gross profit came in at S\$32.8m (+18.4%, y/y). Net profit fell from S\$8.6 to S\$2.3m, due to inflationary pressures and higher tax expenses incurred, while administrative expenses, other expenses, and finance costs have also increased.

On more recent wins, the Group's 50%-owned indirect subsidiary, Thaitan International Pte. Ltd, secured a contract for installing pipe conduits using horizontal directional drilling for optical submarine installation from Alcatel Submarine Networks. Additionally, the Group has been awarded a S\$10.6m shipbuilding contract from TIPC Marine Corporation Ltd and has partnered with Dyna-Mac to capitalize on opportunities in the FPSO module fabrication sector.

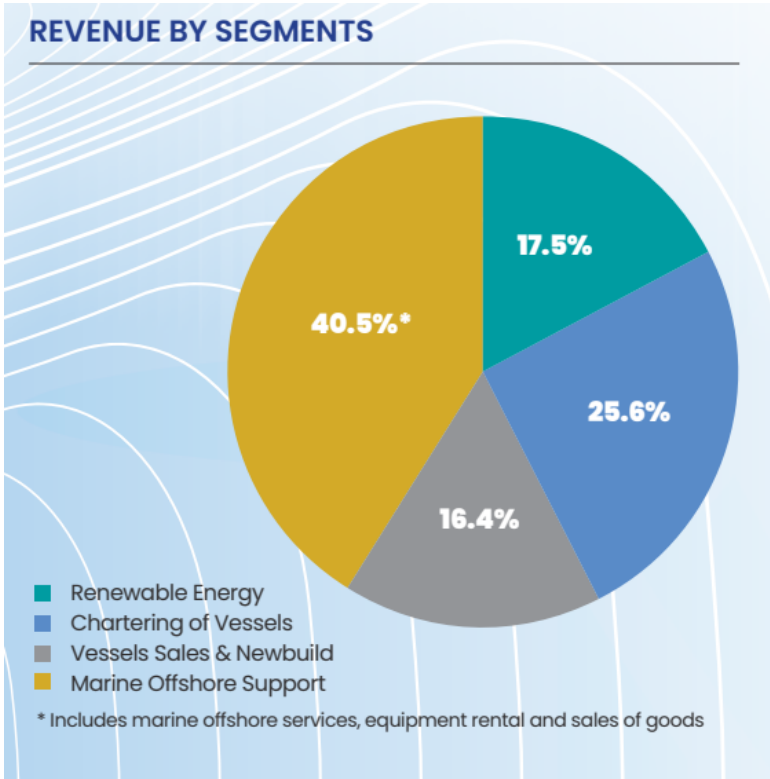
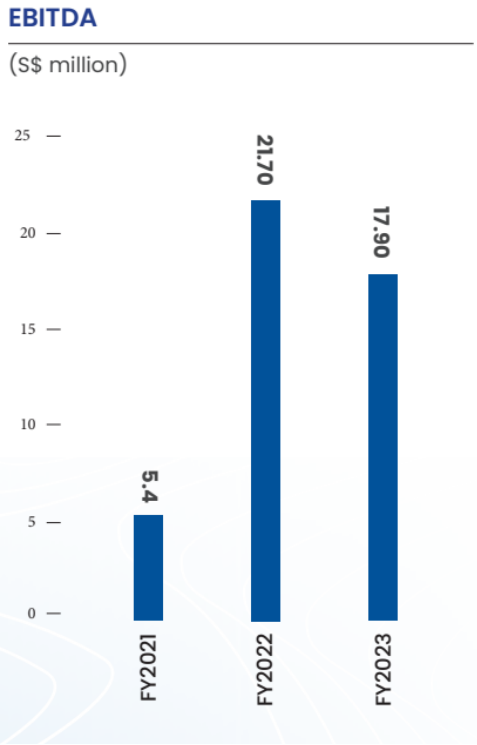
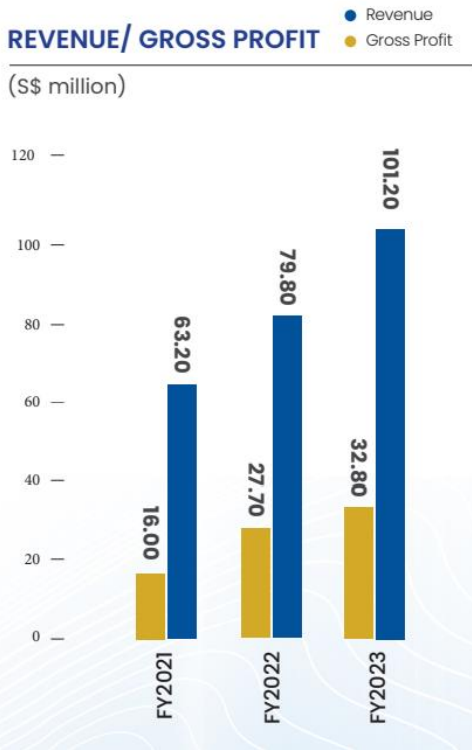
Pivoting into renewables, Adira Renewables Pte Ltd, the wholly-owned subsidiary of Kim Heng, together with Soiltech Engineering Co. Ltd. Korea has signed a vessel framework agreement with an established global offshore windfarm developer in Korea. The Group will provide a geotechnical drilling vessel. Additionally, the Group has secured an award of US\$7.8m of modification and shipbuilding contract from an established construction company in Taiwan in relation to offshore renewable energy construction projects.

The Group's current price-to-book is at 1.0x which trades favourably compared to its peers closer to 2.1x and Catalyst's current price-to-book of 3.1x.

Potential risks include i) market volatility impacting revenue due to fluctuations in oil prices and demand for traditional energy services, ii) regulatory changes increasing operational costs and affecting business sustainability, and iii) environmental challenges such as climate change and extreme weather events disrupting project timelines and operations.

YE Dec (S\$m)	FY21	FY22	FY23
Revenue	63.2	79.8	101.2
% Growth	40.5%	26.3%	26.7%
Gross profit	16.0	27.7	32.8
Gross profit margin (%)	25.4%	34.7%	32.4%
Net profit / (loss)	(5.1)	8.6	2.3
Net profit / (loss) margin (%)	-8.1%	10.8%	2.3%
EPS (S\$ cents)	(0.8)	1.0	0.2

Financial Highlights



Source: Company data

Company Overview



Shipbuilding & Ship Repair

- Newbuilding of vessels (Tugs, Pipe-Lay Barges, Power Barges, Accommodation Work Barges etc)
- Purchase and refurbishment of vessels for onselling
- Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels



Owner & Operator Of Offshore Support Vessels

- Rig towage and mobilisation
- Offshore transportation of extra-large cargo



Offshore Wind Farm Support Services And Horizontal Directional Drilling (“HDD”)

- Fabrication & installation of different offshore turbine foundations, monopiles, tripods, jackets, suction buckets & gravity base structures
- Operation & maintenance services
- Marine transportation of windfarm components
- Experienced turnkey HDD contractor capable to undertake in submarine cable laying and pulling



Oilfield Services

- Construction and fabrication works of components for drilling rigs and vessels
- Installation of offshore production modules and systems
- Supply of offshore drilling and production equipment
- Logistics, general shipping, warehousing & inventory management
- Agency services and crew change



Marine Construction

- Leasing, sale, maintenance, import and export of heavy equipment
- Wide range of equipment and machineries including crawler, lorry and mobile cranes
- Salvage and Diving services

Key Events

2023

- **Award of shipbuilding contract of S\$10.6 million from TIPC Marine Corporation, Ltd.**
- **Award of US\$7.8 million of modification and shipbuilding contract from established construction company in Taiwan in relation to offshore renewable energy construction projects**
- **Award of horizontal directional drilling work for optical submarine installation from Alcatel Submarine Networks**
- **Dyna-Mac Partners with Kim Heng to capitalise on opportunities in FPSO module fabrication sector**

2022

- Signing of Memorandum of Understanding in relation to co-operation in offshore windfarm cable laying
- Award of horizontal directional drilling work for submarine power cable installation from Dong Fang Offshore Co. Ltd.
- Award of US\$35 million of marine spread contracts from established construction companies in Taiwan in relation to offshore renewable energy construction projects

2021

- Change of company's name to Kim Heng Ltd.
- Diversification of its core business into the renewable energy sector
- Memorandum of understanding in relation to provide newbuilt cable lay barge to undertake engineering, procurement, construction, installation and commission scope of marine cable projects in Taiwan
- Completion of purchase of 1250 tonnes crawler crane and award of contract for windfarm project in Vietnam

2020

- Kim Heng's ownership of AHT & AHTS vessels expansion to a fleet size of 11
- Incorporation of a wholly-owned subsidiary in Singapore named Zale Offshore Response Pte Ltd
- Joint venture between Kim Heng Marine & Oilfield Pte Ltd and 蓬豪有限公司, a Taiwan-incorporated company incorporated a 49%-owned subsidiary in Taiwan named Bridgewater Marine (Taiwan) Limited
- Setting up a branch in Taiwan named Thaitan International Pte Ltd (Taiwan Branch) formerly known as Mazu Land and Marine Works Pte Ltd (Taiwan Branch)
- Award of Horizontal Directional Drilling work for submarine cable installation contract from Hung Hua Construction Co. Ltd. and embarked on the Offshore Wind Farm Project in Taiwan

Income Statement

YE Dec (S\$m)	FY21	FY22	FY23
Revenue	63.2	79.8	101.2
Cost of sales	(47.2)	(52.1)	(68.4)
Gross profit	16.0	27.7	32.8
Other income	1.1	8.4	3.0
Distribution expenses	(0.8)	(2.1)	(1.7)
Administrative expenses	(13.0)	(15.4)	(18.3)
Other expenses	(5.1)	(5.3)	(6.6)
Finance costs	(1.8)	(2.4)	(3.1)
Gain/(loss) before tax	(3.6)	10.9	6.1
Tax (expense)/credit	(1.5)	(2.3)	(3.7)
Gain/(loss) for the year	(5.1)	8.6	2.3

Balance Sheet

YE Dec (S\$m)	FY21	FY22	FY23
ASSETS			
Non-Current Assets			
Property, plant and equipment	92.1	83.9	75.3
Right-of-use assets	13.4	17.1	21.9
Club memberships	0.1	0.1	0.1
Total non-current assets	105.6	101.1	97.3
Current Assets			
Inventories	2.1	2.8	28.7
Trade and other receivables	14.7	30.8	20.1
Contract assets	-	-	9.7
Cash and cash equivalents	8.3	13.1	11.0
	25.0	46.7	69.6
Assets held-for-sale	1.0	5.7	0.4
Total current assets	26.0	52.4	70.0
Total assets	131.6	153.5	167.2
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	74.4	74.4	74.4
Treasury shares	(0.2)	(0.3)	(0.3)
Reserves	(33.0)	(33.2)	(33.6)
Retained earnings	8.6	15.9	15.5
Equity attributable to owners	49.8	56.8	56.0
Non-controlling interests	5.6	6.7	7.3
Total equity	55.4	63.6	63.3
Non-Current Liabilities			
Loans and borrowings	29.8	20.8	20.9
Lease liabilities	10.0	10.3	12.0
Deferred tax liabilities	1.9	3.2	5.6
Total non-current liabilities	41.7	34.4	38.5
Current Liabilities			
Contract liabilities	-	-	1.7
Bank overdrafts	1.5	1.4	1.1
Loans and borrowings	15.5	15.0	23.5
Lease liabilities	2.4	2.9	3.8
Trade and other payables	14.6	34.3	34.0
Current tax payable	0.5	0.9	1.4
	34.5	54.6	65.4
Liability directly associated with	-	1.0	-
Total current liabilities	34.5	55.5	65.4
Total liabilities	76.2	89.9	104.0
Total equity and liabilities	131.6	153.5	167.2

Cash Flow Statement

YE Dec (S\$m)	FY21	FY22	FY23
Cash Flows from Operating Activities			
Profit / (loss) before taxation	(3.6)	10.9	6.1
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	7.2	8.4	8.7
Impairment loss recognised on trade and other receivables (net)	-	-	0.1
Impairment loss recognised on property, plant and equipment	-	-	0.2
Gain/(loss) on disposal/ write-off of property, plant and equipment and right-of-use assets	(0.1)	(7.6)	(0.9)
Interest expense	1.8	2.4	3.1
Operating profit before working capital changes	5.3	14.2	17.1
Changes in inventories	(1.6)	(0.7)	(9.6)
Changes in trade and other receivables	-	(10.2)	(4.2)
Changes in trade and other payables	0.6	16.3	3.1
Cash generated from operations	4.4	19.5	6.4
Income tax paid	(0.7)	(0.5)	(0.7)
Net cash generated from operating activities	3.7	19.0	5.7
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment and right-of-use assets	(8.7)	(7.2)	(11.2)
Deposit for purchase of right-of-use assets/property, plant and equipment	(0.1)	(5.2)	(0.2)
Proceeds from disposal of assets held-for-sale	5.9	1.7	6.2
Proceeds from disposal of property, plant and equipment and right-of-use assets	6.3	10.4	1.4
Net cash (used in)/generated from investing activities	3.3	(0.3)	(3.9)
Cash Flows from Financing Activities			
Interest paid	(1.8)	(2.4)	(3.1)
Dividends paid	-	-	(2.0)
Purchase of treasury shares	-	(0.1)	-
Repayment of lease liabilities	(1.7)	(3.1)	(3.4)
Repayment of term loans	(8.5)	(9.3)	(10.9)
(Repayment of)/proceeds from trust receipts	0.3	(0.3)	3.3
Proceeds from term loans	5.4	1.1	12.4
Non-controlling interests arising from increase in paid-up share capital of subsidiaries	0.7	-	-
Net cash generated from/(used in) financing activities	(5.7)	(14.1)	(3.7)
Net increase in cash and cash equivalents	1.4	4.6	(1.9)
Cash and cash equivalents at beginning of year	4.5	6.2	11.1
Effects of exchange rate fluctuations on cash held	0.3	0.3	0.1
Cash and cash equivalents at end of year	6.2	11.1	9.3

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