



T7 Global Berhad

“Attractive growth prospects”

Bloomberg: T7G MK | Reuters: TGLO | Stock Code: 7228

Main Board

Energy

BUY

TP: RM0.61

Last Closing Price: RM0.41

Valuation / Recommendation

We recommend a BUY on T7 Global Berhad with a TP of RM0.61 based on FY24F EPS of 5.1 sen and a PE of 12x, in line with its peer’s average.

We like the stock for its attractive expansion and diversification plans, The target price represents a potential return of 48.8% over the current price.

Investment Highlights

MOPU projects a growth catalyst. About 3 years ago, the company secured a MOPU leasing contract from Petronas Carigali for Bayan Gas Phase 2 Redevelopment. The Bayan MOPU project is expected to contribute positively to revenue in 2H23 and will provide earnings visibility for the next 10 years.

In 2022, the company secured the Nong Yao MOPU project which is currently under construction and is expected to be fully operational and contribute positively to revenue by 1Q24. The Nong Yao MOPU is expected to provide earnings visibility for the next 5 years. Moving forward, we expect the EPC (MOPU) and IWS segment to be the main revenue drivers for the company’s energy division.

IWS & facility decommissioning. Under the umbrella contracts on the IWS and facility decommissioning, the company has approximately 30% market share and is expected to be maintainable going forward. As of May 2023, the company has completed 2 IWS projects which is the Pulai-A and M3 Fields, arriving at a total of 15 wells. The facility decommissioning and ESG solutions such as Rig to Reef initiative is expected to boost the ESG rating of the company.

Expanding aerospace & construction segment. Going forward, the company intends to achieve optimum utilization rate for its MST facility which is currently approximately 15-20% utilized and promote high tech defence systems in Malaysia and ASEAN region. The company also plans to pursue high value infrastructure and building projects in Malaysia and incorporate digital and automated solutions into future projects. The company is currently involved in the design, supply, installation, testing and commissioning of state-of-the-art Baggage Handling System for Terminal 1, KL International Airport which is expected to provide earnings visibility for the next 3 years.

Strong order book. The company has a strong order book of about RM2.5bn which is expected to be fully recognised within the next 10 years. The company also has a tender book of approximately RM2.0bn and a tender success rate of about 30% that if successful, will strengthen its order book. Going forward, the company expects more plug and abandon (P&A) jobs due to spending by Petronas to plug and abandon more wells in the near future.

Experienced management team. The company is managed by CEO Tan Kay Zhuin along with key senior management team who has more than 20 years of experience in the oil & gas industry. The company was able to achieve a 2-year revenue CAGR of 38.9% from FY20 to FY22.

Risk factors. (1.) Skilled labour shortages (2.) Slower-than-expected contract flow.

Business Overview

T7 Global Berhad provides services to the oil and gas sector. The company offers topside maintenance, engineering, construction, installation, procurement, commissioning, project management, structural fabrication, marine, underwater, and subsea services, and aerospace engineering, skilled manpower, and property investment and development services.

Stock Return Information

KLCI (pts)	1,386.77
Expected Share Return (%)	48.8
Expected Dividend Yield (%)	-
Expected Total Return (%)	48.8

Share Information

Market Cap (RM m)	303.3
Issued Shares (m)	739.7
52W High (RM)	0.445
52W Low (RM)	0.290
Estimated Free Float (%)	51.5
Beta vs FBM KLCI	0.4
3-month Average Vol. (m)	43.1

Top 3 Shareholders (%)

Tan Kean Soon	11.23
Abyssina Res Sdn Bhd	7.45
Hiong Siong Law	5.11

Price Performance

	1M	3M	12M
Absolute (%)	-2.4	-4.6	13.9
Relative to Index (%)	-0.5	-0.9	24.8



Source: Bloomberg

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INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	189.4	305.5	365.6	457.1	548.5
EBITDA (RM m)	17.0	30.7	49.7	71.0	79.9
PAT	3.1	13.0	20.1	32.7	37.7
Net Profit Margin (%)	1.6	4.3	5.5	7.2	6.9
EPS (sen)	0.4	1.8	2.7	4.4	5.1
EPS Growth (%)	-	322.7	54.8	62.5	15.1
BV Per Share (sen)	23.5	35.9	39.5	43.9	49.0
PE (x)	98.5	23.3	15.1	9.3	8.0
Net Gearing (%)	Net Debt	Net Debt	Net Debt	Net Debt	Net Debt
ROA (%)	0.6	1.6	2.0	2.8	2.9
ROE (%)	1.8	4.9	6.9	10.1	10.4

Sources: Mercury Securities, Company

RESULTS (RM m) FYE	1Q23	4Q22	qoq %	1Q22	yoy %	Comments
Revenue	94.0	170.4	-44.8	61.9	51.9	
Cost of sales	-65.8	-124.5	-47.2	-47.5	38.5	
Gross profit	28.2	45.9	-38.6	14.4	95.8	
Other operating income	0.2	0.7	-71.4	0.4	-50.0	
Operating expenses	-16.9	-22.2	-23.9	-10.0	69.0	
Finance cost	-3.2	-4.2	-23.8	-1.2	166.7	
Pretax profit	8.3	20.2	-58.9	3.7	124.3	
Tax	-4.2	-8.9	-52.8	-1.0	320.0	
Profit after tax	4.1	11.3	-63.7	2.7	51.9	
EPS (sen)	0.6	1.5	-60.0	0.4	50.0	

Sources: Mercury Securities, Company

Peers Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Dialog Malaysia	DLG MK	2.15	12,131.5	22.9	20.9	9.4	10.3	4.3%	9.6%	2.2	2.1
Marine Dayang	MMHE MK	0.55	872.0	10.9	7.9	5.0	6.9	15.2%	38.0%	0.5	0.5
Average	DEHB MK	1.19	1377.7	7.4	6.8	16.0	17.5	34.6%	9.4%	0.8	0.8

Sources: Mercury Securities, Bloomberg, Company



PROFIT & LOSS (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Net Revenue	189.4	305.5	365.6	457.1	548.5
Gross Profit	41.4	63.3	91.0	121.0	141.4
Other Operating Income	4.9	3.8	1.7	5.5	6.6
EBIT	12.3	22.7	42.2	63.5	72.4
Administrative Expenses	39.1	44.0	50.6	63.1	75.7
Profit from operations	9.7	23.1	42.1	63.4	72.3
Interest Income	1.2	0.0	0.0	0.0	0.0
Interest Expense	3.4	4.1	9.0	13.0	14.3
Profit Before Tax	7.5	19.0	33.1	50.4	58.0
Exceptional Items	-	-	-	-	-
Taxation	4.4	6.0	12.9	17.6	20.3
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax	3.1	13.0	20.1	32.7	37.7
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	3.1	13.0	20.1	32.7	37.7
BALANCE SHEET (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Cash & Equivalents	62.6	93.3	32.2	64.9	102.6
Trade & Other Receivables	87.8	130.6	91.9	104.8	97.7
Inventories	37.2	67.5	136.5	85.0	130.2
Other Current Assets	3.2	64.2	22.4	9.0	4.0
Current Assets	190.7	355.7	282.9	263.7	334.5
Property, Plant & Equipment	240.6	422.2	687.9	830.2	922.6
Other Non-Current Assets	50.5	51.4	61.9	57.6	40.8
Non-Current Assets	291.1	473.6	749.7	887.8	963.4
Trade & Other Payables	57.8	101.2	80.0	101.4	123.2
Other Current Liabilities	98.8	158.8	193.4	218.0	248.8
Current Liabilities	157.7	260.9	275.3	321.2	373.6
Other Non-Current Liabilities	150.2	302.5	465.5	510.3	559.6
Non-current Liabilities	150.2	302.5	465.5	510.3	559.6
Share Capital	167.8	250.0	250.0	250.0	250.0
Retained Profits	19.4	26.1	52.2	85.0	122.7
Other Equity	13.3	10.2	10.3	10.3	10.3
Total Equity	173.9	265.9	291.9	324.6	362.3
CASH FLOW (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Profit before tax (PBT)	7.5	19.0	33.1	50.4	58.0
Non-cash items	6.6	12.0	6.9	7.1	7.5
Non-operating items	-2.3	5.4	12.6	12.0	11.0
Changes in working capital	67.8	-81.4	-20.7	81.6	-3.3
Cash generated from/(used in) operations	79.6	-45.0	31.9	151.1	73.1
Other operating cash flow	-5.7	6.0	13.4	-17.6	-20.3
Operating cash flow	73.9	-38.9	45.2	133.4	52.8
Purchases of PPE	-98.2	-181.4	-281.3	-150.0	-100.0
Other investing cash flow	-30.4	3.8	-0.6	0.1	0.1
Investing cash flow	-128.5	-177.6	-281.9	-149.9	-99.9
Dividends paid	0.0	-3.1	0.0	0.0	0.0
Other financing cash flow	65.2	241.6	189.0	174.9	167.1
Financing cash flow	65.2	238.5	189.0	174.9	167.1

Sources: Mercury Securities, Company

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