

# T7 Global Berhad

## “Positive outlook on the horizon”

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

**Main Board**  
**Energy – Oil & Gas**  
**CEASE COVERAGE**  
**Fair value: RM0.59**  
**Last Closing Price: RM0.46**  
**Initiated Price: RM0.41**

### Valuation / Recommendation

Results were below expectations, achieving 43.3% and 31.2% of our full year revenue and profit forecasts for FY23 respectively. This deviation is due to slower-than-expected qoq revenue growth in 2QFY2023 compared to 1QFY2023.

We revise our revenue and earnings estimate for FY23F and FY24F downwards by -4.7% and -4.7%, as well as -16.5% and -9.8% respectively. We will cease coverage on this stock as we are not keen on this energy sub-sector. We propose a fair value of RM0.59 based on FY24F EPS of 4.6 sen and a PE of 12.8x, in line with its peer average.

### Investment Highlights

**MOPU projects a growth catalyst.** TSEVEN ELISE MOPU has achieved first gas on 11<sup>th</sup> July 2023, with leasing and O&M income set to be recognised starting from 3Q2023 and will provide earnings visibility for the next 10 years.

The construction of the Nong Yao MOPU is around 50%-60% completed 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.

**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, with contributions starting from 2H2023.

**Strong order book.** The company has a strong order book of about RM2.4bn as at 30 June 2023, 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.

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

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	189.4	305.5	365.6	435.8	522.9
EBITDA (RM m)	17.0	30.7	49.7	63.4	75.1
PAT	3.1	13.0	20.1	27.3	34.0
Net Profit Margin (%)	1.6	4.3	5.5	6.3	6.5
EPS (sen)	0.4	1.8	2.7	3.7	4.6
EPS Growth (%)	-	322.7	54.8	35.7	24.4
BV Per Share (sen)	23.5	35.9	39.5	43.1	47.7
PE (x)	116.8	27.6	17.9	13.2	10.6
Net Gearing (%)	88.1	128.9	207.6	214.2	205.5
ROA (%)	0.6	1.6	2.0	2.3	2.7
ROE (%)	1.8	4.9	6.9	8.6	9.6

### 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)	1,463.43
Expected Share Return (%)	28.3
Expected Dividend Yield (%)	-
Expected Total Return (%)	28.3

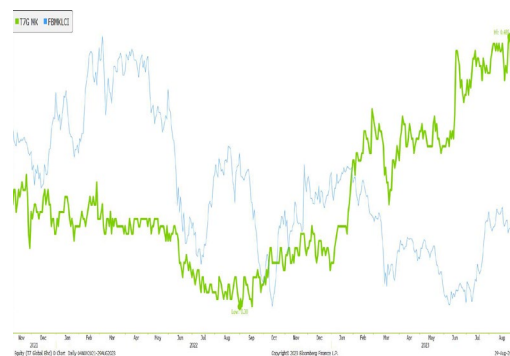
### Share Information

Market Cap (RM m)	348.6
Issued Shares (m)	741.7
52W High (RM)	0.495
52W Low (RM)	0.290
Estimated Free Float (%)	51.6
Beta vs FBM KLCI	0.46
3-month Average Vol. (m)	44.3

### Top 3 Shareholders (%)

Tan Kean Soon	9.88
Abyssina Res Sdn Bhd	7.43
Hiong Siong Law	5.09

Price Performance	1M	3M	12M
Absolute (%)	-3.1	12.0	52.5
Relative to Index (%)	-8.2	6.2	54.2



Source: Bloomberg

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## Results (RM m)

FY Dec	2Q23	1Q23	qoq %	2Q22	yoy %
Revenue	104.0	94.0	10.6	53.0	96.4
Cost of sales	-75.1	-65.8	14.1	-38.9	93.1
Gross profit	28.9	28.2	2.6	14.1	105.7
Other income	0.2	0.2	6.9	0.3	-31.6
Operating expenses	-17.6	-16.9	4.4	-7.3	141.2
Profits from operation	11.5	11.5	-0.1	7.1	63.2
Finance costs	-2.7	-3.2	-15.9	-1.7	55.1
Profit before tax	8.8	8.3	6.0	5.3	65.9
Tax	-2.7	-4.2	-35.0	-2.5	6.8
Net profit	6.1	4.1	47.6	2.8	120.0
EPS (sen)	82.0	56.0	46.4	37.0	121.6
Diluted EPS (sen)	82.0	56.0	46.4	37.0	121.6

Sources: Mercury Securities, Company

## Peer 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
Velesto	VEB MK	0.25	2,053.9	25.0	16.7	1.0	1.6	18.0%	60.0%	0.8	0.8
Dayang	DEHB MK	1.78	1,991.4	12.3	10.9	13.8	16.0	31.8%	15.9%	1.2	1.1
Bumi Armada	BAB MK	0.54	2,961.3	12.3	10.9	10.8	13.2	-12.8%	22.2%	0.5	0.5
Average				16.5	12.8						

Sources: Mercury Securities, Bloomberg, Company



<b>PROFIT &amp; LOSS (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Net Revenue	189.4	305.5	365.6	435.8	522.9
Gross Profit	41.4	63.3	91.0	130.7	156.9
Other Operating Income	4.9	3.8	1.7	0.9	1.6
EBIT	12.0	23.1	42.1	55.8	67.5
Operating Expenses	39.1	44.0	50.6	75.8	91.0
Profit from operations	9.7	23.1	42.1	55.8	67.5
Interest Income	1.2	0.0	0.0	0.0	0.0
Interest Expense	3.4	4.1	9.0	13.7	15.1
<b>Profit Before Tax</b>	<b>7.5</b>	<b>19.0</b>	<b>33.1</b>	<b>42.1</b>	<b>52.3</b>
Exceptional Items	-	-	-	-	-
Taxation	4.4	6.0	12.9	14.7	18.3
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>3.1</b>	<b>13.0</b>	<b>20.1</b>	<b>27.3</b>	<b>34.0</b>
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	3.1	13.0	20.1	27.3	34.0
<b>BALANCE SHEET (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Cash & Equivalents	62.6	93.3	32.2	59.5	93.5
Trade & Other Receivables	87.8	130.6	91.9	111.2	118.1
Inventories	37.2	67.5	136.5	213.8	208.5
Other Current Assets	3.2	64.2	22.4	7.1	7.2
<b>Current Assets</b>	<b>190.7</b>	<b>355.7</b>	<b>282.9</b>	<b>391.6</b>	<b>427.4</b>
Property, Plant & Equipment	240.6	422.2	687.9	730.2	797.6
Other Non-Current Assets	50.5	51.4	61.9	57.3	57.8
<b>Non-Current Assets</b>	<b>291.1</b>	<b>473.6</b>	<b>749.7</b>	<b>787.5</b>	<b>855.4</b>
Trade & Other Payables	57.8	101.2	80.0	88.1	82.4
Other Current Liabilities	98.8	158.8	193.4	320.3	350.8
<b>Current Liabilities</b>	<b>157.7</b>	<b>260.9</b>	<b>275.3</b>	<b>414.9</b>	<b>439.8</b>
Other Non-Current Liabilities	150.2	302.5	465.5	445.5	490.3
<b>Non-current Liabilities</b>	<b>150.2</b>	<b>302.5</b>	<b>465.5</b>	<b>445.5</b>	<b>490.3</b>
Share Capital	167.8	250.0	250.0	250.0	250.0
Retained Profits	19.4	26.1	52.2	79.6	113.6
Other Equity	13.3	10.2	10.3	10.9	10.9
<b>Total Equity</b>	<b>173.9</b>	<b>265.9</b>	<b>291.9</b>	<b>318.7</b>	<b>352.7</b>
<b>CASH FLOW (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Profit before tax (PBT)	7.5	19.0	33.1	42.1	52.3
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	-68.7	-8.5
Cash generated from/(used in) operations	79.6	-45.0	31.9	-7.5	62.4
Other operating cash flow	-5.7	6.0	13.4	-14.7	-18.3
<b>Operating cash flow</b>	<b>73.9</b>	<b>-38.9</b>	<b>45.2</b>	<b>-22.3</b>	<b>44.0</b>
Purchases of PPE	-98.2	-181.4	-281.3	-50.0	-75.0
Other investing cash flow	-30.4	3.8	-0.6	0.0	0.0
<b>Investing cash flow</b>	<b>-128.5</b>	<b>-177.6</b>	<b>-281.9</b>	<b>-50.0</b>	<b>-75.0</b>
Dividends paid	0.0	-3.1	0.0	0.0	0.0
Other financing cash flow	65.2	241.6	189.0	174.1	166.3
<b>Financing cash flow</b>	<b>65.2</b>	<b>238.5</b>	<b>189.0</b>	<b>174.1</b>	<b>166.3</b>

Sources: Mercury Securities, Company

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