# Beng Kuang Marine (BKM SP)

3Q26: Higher Offshore Activities Drive Robust Growth

## Highlights

- 9M26 revenue of S$84.3m and PATMI of S$7.8m met 77.3% and 76.6% of our 2026 forecasts respectively, slightly ahead of expectations.
- 3Q26 gross margin recovered and jumped to 38.1%, while S$71.2m of remaining contracted work supports revenue visibility beyond 2026.
- Maintain BUY with a lower S$0.70 target price on 13.1x 2027F PE, 1.0 SD above its historical mean, representing an 84% upside.

### 3Q26/9M26 Results

| (S$m) | 3Q26 | 3Q25 | yoy % | 2Q26 | qoq % | 9M26 | 9M25 | yoy % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **28.6** | **26.0** | **10.1** | **30.0** | **(4.6)** | **84.3** | **76.8** | **9.8** |
| **Gross profit** | **10.9** | **9.4** | **16.0** | **7.8** | **39.8** | **25.5** | **28.8** | **(11.5)** |
| Gross margin (%) | 38.1 | 36.0 | 2.1ppt | 25.9 | 12.2ppt | 30.2 | 37.5 | (7.3)ppt |
| **Profit before tax** | **5.2** | **4.5** | **15.1** | **4.3** | **21.6** | **12.5** | **13.6** | **(8.1)** |
| **Net profit (PATMI)** | **4.2** | **1.6** | **174.6** | **2.3** | **87.0** | **7.8** | **4.5** | **73.9** |
| Net profit margin (%) | 14.8 | 6.0 | 8.9ppt | 7.6 | 7.3ppt | 9.2 | 5.8 | 3.4ppt |

*Source: Beng Kuang Marine, UOB Kay Hian*

## Analysis

- **Offshore execution restores margins.** 3Q26 revenue rose 10.1% yoy to S$28.6m and PATMI surged 174.6% to S$4.2m, meeting 26.2% and 41.8% of our 2026 forecasts respectively. West Africa Basin execution and later-stage Batam deliveries, alongside higher operational efficiencies, lifted 3Q26 gross profit 16.0% to S$10.9m and 3Q26 PBT 15.1% to S$5.2m, while 3Q26 EBITDA margin excluding other gains and losses reached 22.8% (3Q25: 18.2%). 9M26 revenue and PATMI grew 9.8% and 73.9% yoy to S$84.3m and S$7.8m respectively, meeting 77.3% and 76.6% of our full-year forecasts, slightly ahead of expectations.
- **Full ASOM ownership boosts earnings attribution.** 3Q26 was the first full quarter of 100% ownership following the May acquisition of the remaining 49%. Non-controlling interests fell to S$0.04m from S$1.51m in 3Q25, helping PATMI outpace PBT growth. We expect 3Q26 results to be a good baseline to annualise Beng Kuang Marine's (BKM) full-year result for 2027. 2027 will be the first full year of full ASOM earnings ownership.

## Key Financials

| Year to 31 Dec (S$m) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 111.9 | 98.2 | 109.1 | 115.5 | 122.4 |
| EBITDA | 29.2 | 20.6 | 22.6 | 27.2 | 28.6 |
| Operating profit | 26.3 | 17.1 | 19.5 | 24.3 | 25.7 |
| Net profit (rep./act.) | 11.5 | 5.3 | 10.2 | 18.1 | 19.2 |
| Net profit (adj.) | 11.5 | 5.3 | 10.2 | 18.1 | 19.2 |
| EPS (S$ cent) | 5.8 | 2.6 | 3.0 | 5.3 | 5.6 |
| PE (x) | 6.6 | 14.6 | 12.7 | 7.1 | 6.7 |
| P/B (x) | 3.6 | 2.9 | 3.0 | 2.1 | 1.6 |
| EV/EBITDA (x) | 2.9 | 4.1 | 3.7 | 3.1 | 2.9 |
| Dividend yield (%) | 0.0 | 1.6 | 1.6 | 1.8 | 1.8 |
| 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) | 30.9 | 33.8 | 55.0 | 54.2 | 53.1 |
| ROE (%) | 75.6 | 22.5 | 29.3 | 34.8 | 27.1 |
| Consensus net profit (S$m) | - | - | 10.2 | 18.1 | 19.2 |
| UOBKH/Consensus (x) | - | - | 1.0 | 1.0 | 1.0 |

*Source: Beng Kuang Marine, UOB Kay Hian*

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**BUY (Maintained)**

| | |
|---|---|
| Share Price | S$0.38 |
| Target Price | S$0.70 |
| Upside | 84.2% |
| Previous TP | S$0.75 |

### Stock Data

| | |
|---|---|
| **Sector** | Offshore & Marine |
| **Bloomberg ticker** | BKM SP |
| **Shares issued (m)** | 300.4 |
| **Market cap (S$m)** | 114.1 |
| **Market cap (US$m)** | 89.3 |
| **3-mth avg daily t'over (US$m)** | 0.2 |

### Price Performance (%)

| **52-week high/low** | | | | S$0.60/S$0.26 |
|---|---|---|---|---|
| **1mth** | **3mth** | **6mth** | **1yr** | **YTD** |
| 8.6 | (22.4) | (26.2) | 24.6 | 18.8 |

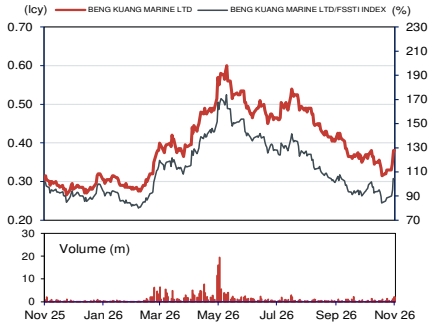
### Major Shareholders (%)

| | |
|---|---|
| Isustainability | 9.5 |
| 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 offshore lifecycle services, infrastructure engineering and corrosion prevention. Its operations include FPSO and FSO maintenance, shipbuilding and fabrication in Batam, and marine cranes and deck equipment.

- **Infrastructure engineering drives growth.** In 3Q26, external infrastructure engineering (IE) revenue rose 18.4% yoy to S$24.8m, supported by offshore activity, barges and cranes. Segment profit rose 17.2% to S$6.2m, while group gross profit less administrative expenses rose 46.0% to S$5.6m. Management reported positive contributions from Batam shipbuilding and cranes as execution progressed.
- **Corrosion prevention prioritises cash discipline.** In 3Q26, external corrosion prevention (CP) revenue fell 24.0% yoy to S$3.9m and segment PBT declined to S$0.5m. Management deliberately reduced Indonesian exposure amid prolonged collections and currency weakness, while Singapore yard consolidation adds pressure. Productivity and S$2.5m of intercompany work, eliminated on consolidation, support utilisation.
- **Recurring orders support visibility.** The company indicated that around 80% of revenue is typically recurring, supported by repeat FPSO servicing and maintenance work, with higher-value life-extension projects providing additional upside. ASOM secured S$112.4m of work in 9M26, leaving S$59.8m outstanding at end-Sep 26, up S$7.5m from Jun 26. Some work extends beyond 2026, supporting revenue visibility into 2027.
- **Adjacent businesses add to delivery.** BKM's other core operating subsidiaries, PT. Nexus Engineering Indonesia (NEI) and International Offshore Equipments (IOE), had S$3.9m and S$7.5m of work remaining respectively, taking the combined balance with ASOM to S$71.2m. Management reported positive contributions from Batam shipbuilding and cranes, while highlighting delivery schedules, logistics and cost control as priorities.
- **Cash conversion and debt reduction remain priorities.** Contract assets fell S$4.3m in 3Q26 as certification and billing advanced. Management reported improved operating cash flow and intends to use liquidity to reduce acquisition-related borrowings in 2027. Converting certified billings into cash remains key to funding this repayment.
- **Outlook supported by offshore execution.** Management expects stronger execution to support 4Q26 and 2027 as life-extension work progresses, aided by accommodation capacity mobilised in September. It is pursuing 1-2 additional FPSO engagements and exploring other basins and asset types, creating opportunities for follow-on work. Management cautioned that 3Q gross margin was already high, with further efficiency gains sought through integration and cost control.

## Valuation/Recommendation

- **Maintain BUY with a lower target price of S$0.70 (previously S$0.75),** implying 84.2% upside, pegged to BKM at 13.1x 2027F PE, 1.0SD above its historical forward mean, supported by stronger offshore execution, recurring work and full ASOM earnings ownership. The multiple is below our previous 14.0x peg, reflecting a broader sector de-rating.

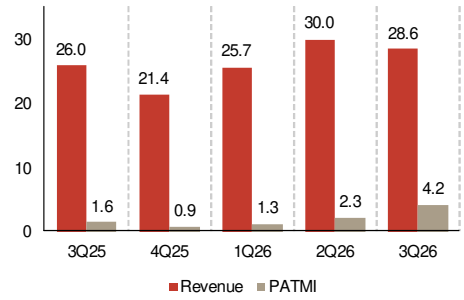
## Earnings Revision/Risks

- No change to our earnings forecasts. Key risks include project delays, adverse work mix, customer concentration, collection delays, currency movements and acquisition-related payments.

## Share Price Catalyst

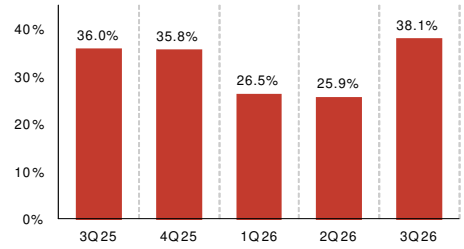
- Sustained offshore margin recovery.
- further FPSO maintenance and life-extension awards.
- timely barge and crane deliveries.
- and stronger conversion of contract assets into cash.

### Quarterly Revenue And PATMI (S$m)



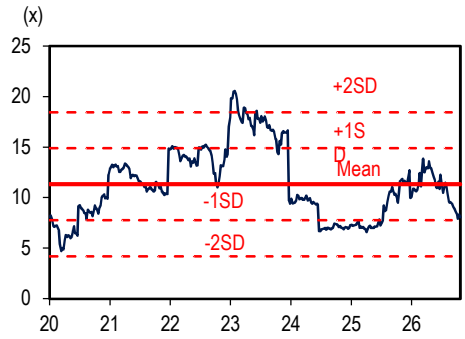

*Source: Beng Kuang Marine*

### Gross Margin Recovery (%)




*Source: Beng Kuang Marine*

### Historical PE Band




*Source: Bloomberg*

## Profit & Loss

| Year to 31 Dec (S$m) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Net turnover** | **98.2** | **109.1** | **115.5** | **122.4** |
| EBITDA | 20.6 | 22.6 | 27.2 | 28.6 |
| Deprec. & amort. | 3.6 | 3.1 | 3.0 | 2.9 |
| 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 Metric

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 21.0 | 20.7 | 23.6 | 23.4 |
| 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 | (29.5) | 9.6 | 20.5 | 4.9 |
| 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) | 33.8 | 55.0 | 54.2 | 53.1 |

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