

## BENG KUANG MARINE

**BUY**

Share Price: \$0.365  
 Target Price: \$0.535  
 Upside: +46.6%

### COMPANY DESCRIPTION

Beng Kuang Marine Limited, and together with our subsidiaries ("Beng Kuang Group"), is a Singapore-based company with an established track record in the marine and offshore energy industries.

	BENG KUANG MARINE LTD
Name	LTD
Bloomberg Code	BKM SP EQUITY
3M Avg Daily Trading Vol (k)	848.2
3M Avg Daily Trading Val (\$'000)	299.7
Major Shareholder / Holdings	Chua Family (c.18%)
Shares Outstanding (m)	224.6
Market Capitalisation (\$M)	81.9

### STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	4.3	32.7	73.8

### PRICE CHART



Source : Bloomberg

### Full acquisition of its remaining Crown Jewel

Ever since CEO Yong Jiunn Run took the helm at Beng Kuang Marine in 2021, he has turned a loss-making, leveraged shipyard operator into a profitable, asset-light O&M provider. Under the BKM 2.0 strategy, BKM has shifted away from capital-heavy shipyard operations toward higher-margin, recurring services. As part of this shift, BKM has proposed acquiring the remaining 49% stake in ASOM, which would allow the group to fully consolidate ASOM's recurring earnings and cash flows.

We thus initiate coverage on Beng Kuang Marine with a BUY recommendation and a target price of S\$0.535, based on 12x blended FY26F/FY27F P/E. BKM is set to deliver NPAT of \$12.1m in FY26F and \$18.1m in FY27F respectively. This valuation approach represents a small discount to its peers and also reflects the timing of earnings consolidation, as full contribution from ASOM will only be reflected from 2HFY26F onwards.

We have the following investment thesis:

1. FPSO servicing remains key in the O&G value chain, as ageing vessels must meet international standards to stay operational, amidst tight FPSO supply. Middle East conflict is also a net positive in the medium term
2. Post-acquisition, BKM will fully consolidate ASOM's earnings, with valuations dropping from FY25 PE of 15.5x to 10.2x and 6.9x in FY26F and FY27F. On a like for like FY25 EPS of c.2.6 cents would have risen to c.4.8 cents pro-forma (+c.84%yoy).
3. The acquisition is both earnings and valuation accretive. We see no teething issues given BKM's initial stake, while the structure of the transaction is sound and current ASOM mgmt. remains incentivised to continue delivering for BKM.
4. Investors can now better understand ASOM's business, which was previously a black box. This added visibility could support a valuation re-rating as BKM is now essentially a recurring offshore service provider. **ASOM provides predictable, steady and recurring income backed by cash flows.**
5. Continued value unlocking by CEO Yong, including growth in the Deck Equipment and Shipbuilding under the IE segment, which secured \$14.2m and \$7.8m of contracts in FY25.
6. BKM operates in structural infrastructure maintenance, not contracting, and thus benefits from rising energy security investments that drive marine compliance, inspection, and corrosion prevention.
7. BKM's net cash position (32% of mkt cap) provides financial flexibility to pursue asset-backed marine investments through joint ventures, creating additional earnings streams beyond its core engineering services.

### KEY FINANCIALS

DEC YE	FY23	FY24	FY25	FY26F	FY27F
Revenue (\$m)	79.2	111.9	98.2	110.3	115.4
Gross Profit (\$m)	24.9	38.7	36.4	40.8	42.7
EBITDA (\$m)	11.5	20.6	19.2	24.3	20.8
EBITDA Margin (%)	14.5	18.4	19.6	22.0	18.0
Net Income (\$m)	3.4	11.5	5.3	12.1	18.1
Net Margin (%)	4.3	10.3	5.4	11.0	15.7
EPS (S cts)	1.7	5.8	2.6	3.6	5.3
Dividend Per Share (S cts)	0.0	0.6	0.6	0.6	0.7
Dividend Yield (%)	0.0	1.6	1.6	1.6	1.9
PE (x)	21.4	6.4	14.3	10.2	6.9
PB (x)	8.3	3.7	3.1	2.6	2.0

Source: Beng Kuang Marine, Lim & Tan Research

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**Beng Kuang Marine**

**About Beng Kuang Marine**

BKM was founded in 1994 and has been listed on SGX since 2004. It's two core operating segments are Infrastructure Engineering and Corrosion Prevention.

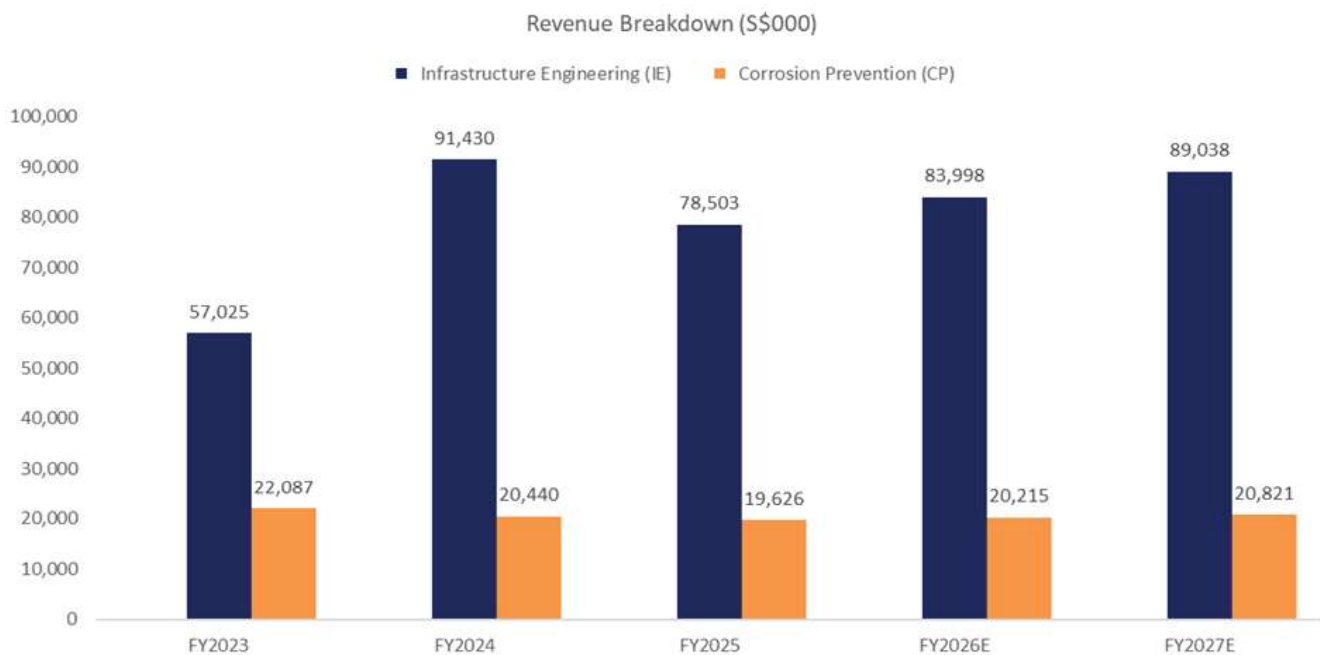
- Infrastructure Engineering (IE)** – This houses ASOM, which is BKM's crown jewel. ASOM offers a comprehensive range of services to FPSOs, FSOs and other offshore assets. It usually repairs and maintains them, and also does inspection services. ASOM mainly operates in Africa and South America.

In FY25, IE contributes about 80% of BKM's revenue. Excluding corporate services, IE forms 90% of operating profit, with bulk of earnings coming from ASOM, it's crown jewel. In it's latest FY25 results, ASOM reported a 14.1%yoy decline in revenue due to delays in contract execution within the Offshore Asset Integrity business, particularly in the Group's West Africa operations.

This impacted the timing of revenue recognition during the year. These delays were mainly operational in nature, including logistical challenges associated with the deployment of accommodation barges required to support FPSO service and maintenance work orders and we expect this decline to be one-off. We understand work has thus fully resumed.

- Corrosion Prevention (CP)** – CP provides essential corrosion prevention services to vessels across multiple shipyards in Singapore and Batam (Indonesia). Although much smaller than ASOM, it is more predictable than ASOM earnings as vessels require regular maintenance to meet regulatory standards.

**Exhibit 1: BKM Revenue Breakdown**



Source: LTS Research

**BENG KUANG MARINE**

BKM also boasts global customers such as Modec, BW Offshore, etc amongst others and has a global presence.

Exhibit 2: BKM Key customers and presence

**Key Customers**



**Our Global Presence**



Source: Beng Kuang Marine

## Investment Thesis

### Macro - ASOM

ASOM supports more than 20 offshore floating assets globally, within a structurally ageing FPSO fleet where a significant share of vessels are beyond 30 years of age. The macro outlook for ASOM is exceptionally strong because they are servicing an ageing global fleet of FPSOs. With over half the world's fleet now exceeding 30 years in age, structural decay and rust are no longer optional fixes. This creates a massive, non-discretionary market for ASOM, as operators are forced to invest in life-extension work which costs only 30–50% of the price of a new build (which can cost between US\$1bln – US\$3bln. According to Energy Maritime Associates (EMA), historical and forward-looking data consistently shows that converted tankers have been the backbone of the industry. In recent market outlooks, the “converted” segment is cited as holding between 53% and 66% of the total global market share by type.

Upcoming supply of FPSOs also remain tight, with 3 units coming into the market each year from 2026 to 2028.

Financially, ASOM is shielded from the typical boom-and-bust cycles of the oil industry because their revenue is compliance-driven. Unlike new construction projects that get cancelled when oil prices dip, ASOM's services are funded by the annual operating budgets (OPEX) of oil majors.

Since regulatory bodies like ABS and DNV mandate inspections and repairs every 2.5 to 5 years to prevent production suspensions, ASOM enjoys “sticky,” recurring demand regardless of the broader economic climate.

ASOM is also strategically expanding its “addressable market” by moving beyond Southeast Asia into the world's most active oil basins, including Brazil and West Africa. ASOM has a long line of track record, with having direct engagements with giants like ExxonMobil and Petrobras and having satisfactorily serviced them, this allows ASOM to generate recurring income, reflecting deepening client embeddedness.

### ASOM Deal Terms

BKM's purchase of ASOM is compelling as it values the entire ASOM business at \$122mln which represents 8x PE. With a current stake of 51%, BKM will acquire the remaining 49% stake for up to S\$60mln for a full 100% stake.

BKM reported FY2025 EPS of c.2.6 cents, which rises to c.4.8 cents on a pro-forma basis following full consolidation of Asian Sealand Offshore and Marine, representing c.84% EPS uplift. More importantly, the deal improves earnings quality, with a larger share of recurring offshore lifecycle revenue.

This will be paid via the following structure

1. \$20mln - 57.14m new shares of ASOM at S\$0.35/shares
2. \$20mln - Cash outlay funded via placement, internal cash and bank facilities
3. \$10mln – Paid from ASOM's FY26F earnings with ASOM achieving \$15mln PAT
4. \$10mln – Paid from ASOM's FY27F earnings with ASOM achieving \$15mln PAT

With 3 and 4, ASOM **essentially pays for itself** (given it's c.\$32mln cash in ASOM), making this a good deal for BKM. We do not see current management of ASOM as cashing out given that they have taken a new 20% stake in BKM, and will play active management roles of ASOM, ensuring continuity in leadership, operational oversight and customer relationships

Upon completion of the ASOM acquisition, BKM's earnings base will materially expand while shifting towards recurring offshore asset lifecycle services, improving earnings visibility and supporting a structural re-rating of the group

#### **ASOM's Business**

ASOM is a specialized maintenance and repair team for offshore oil and gas rigs (specifically "brownfield" assets like FPSOs) that are already in the middle of the ocean producing oil. ASOM provides non-negotiable services as these repairs are legally required for safety and production, and oil companies must hire them, regardless of whether oil prices are high or low.

Instead of bringing a massive rig back to a shipyard, ASOM goes out to the rig to fix it while it's still working. They focus on three main things:

1. Structural Repairs: Fixing rust and cracks in the steel of the hull and topside to make sure the rig doesn't fall apart.
2. Mandatory Inspections: Performing the "legal check-ups" required by international regulators every 2.5 to 5 years. If these aren't done, the rig is legally forced to stop working.
3. Live Maintenance: Fixing things while the rig is "live" (producing oil 24/7) so the owners don't lose money by shutting down.

We understand that being an asset light player, PAT Margins stand in the 20% range and gross margins stand at low 40% range, with less than \$0.5mln in PPE.

**Post-acquisition, BKM will eliminate minority leakage and consolidate 100% of ASOM's earnings and cash flows, significantly enhancing the Group's margin profile.** In FY2025, 49% of ASOM's S\$14.9M net profit (c. S\$7.3M) leaked to minorities. On a pro forma basis, the acquisition would have increased BKM's EPS by 84%yoy from 2.61 cents to 4.80 cents.

A few of ASOM's past projects include tank inspection and repairs for SBM Offshore N'GOMA FPSO, where the team inspected the vessel in Angola

**Exhibit 3: SBM Offshore N'GOMA FPSO**



Source: Beng Kuang Marine

Another notable project was MODEC FPSO Kwame Nkrumah MV21, where the team executed repair works amongst others in Ghana

**Exhibit 4: MODEC FPSO Kwame Nkrumah MV21**



Source: Beng Kuang Marine

▶ **Middle East Conflict a Net Positive in Medium Term**

The escalation in the US/Israel-Iran conflict and potential disruptions to Gulf energy infrastructure introduce near-term volatility in oil markets, but the overall structural implications for BKM remain positive.

In the short term, the key risk is a demand shock rather than supply disruption. Heightened geopolitical uncertainty could tighten liquidity or strain FPSO owners' balance sheets, leading to project deferrals or mobilisation delays, similar to the timing slippages experienced in West Africa during FY2025. However, BKM's asset-light operating model provides a natural buffer. BKM can quickly demobilise and redeploy crews with minimal fixed-cost burden, allowing it to preserve margins and remain flexible during temporary slowdowns.

Over the medium term, the outlook is more constructive. A sustained rise in oil prices, driven by supply concerns and tightening FPSO availability should typically lead to oil majors prioritising brownfield optimisation over newbuild projects. Operators tend to focus on extending field life, accelerating regulatory compliance work, and increasing spending on asset integrity and maintenance.

This directly benefits BKM as its core capabilities within ASOM and the Corrosion Prevention division are aligned with non-discretionary lifecycle services required to keep offshore assets operational and compliant. Demand for these services is structurally supported by regulatory inspection cycles such as ABS and DNV requirements every 2.5 to 5 years. As a result, BKM's revenue base is more resilient and less sensitive to oil price volatility compared to traditional oilfield service contractors that rely on new project approvals.

In a higher oil price environment, especially if prices trend toward US\$100 per barrel, operators are further incentivised to maximise output from existing assets. This drives additional spending on maintenance, refurbishment, and efficiency improvements across FPSOs, strengthening demand visibility for BKM's services.

While a sharp and sustained drop in oil prices below US\$50 per barrel remains a tail risk that could weaken spending on upgrades and life-extension projects, the current backdrop of higher oil prices and constrained FPSO supply is a net positive for BKM.

#### ► **Macro – Corrosion Prevention**

According to the Association for Materials Protection and Performance (AMPP), the global cost of corrosion is estimated at \$2.5 trillion annually, representing roughly 3.4% of global GDP. Within the maritime sector, direct costs are estimated between \$50 billion and \$80 billion per year, excluding indirect costs such as unplanned downtime and environmental risks. AMPP research further indicates that implementing proven corrosion control practices could save up to 35% of these costs. This provides an opportunity for BKM as these figures highlight a non-discretionary market where corrosion prevention is a mandatory operational requirement rather than a variable expense.

According to ResearchIntelco, the global offshore wind corrosion protection market is expected to grow from US\$3.8bn in 2024 to US\$10.2bn by 2033, representing a 11.4% CAGR. This growth is driven by the harsh operating conditions faced by offshore wind assets, which are permanently stationed in C5-M (high salinity) environments and require specialized coating systems to achieve a 25–30 year design life.

BKM's CP division is already benefiting from this structural trend. Based on FY25 results, BKM stated that its Singapore operations have seen increased participation in both offshore wind farm projects and higher-margin FPSO module works, supporting stronger margins for the segment.

At the same time, the ageing global offshore fleet continues to drive demand for asset life extension (ALE) services. Industry data suggests that over 70% of offshore oil and gas infrastructure is now more than 30 years old, and in the current environment of capital discipline, operators are prioritising maintenance and upgrades over new builds.

#### ► **Balance sheet**

BKM's balance sheet will remain strong, even after the acquisition of ASOM. Pre-acquisition, BKM has c.\$37.4mln of cash and \$10.5mln of bank borrowings, equating to \$26.9mln of net cash (32.8% of market cap).

We note that ASOM standalone's net cash is c.\$32mln. This means that the acquisition of ASOM can be self funded in terms of cash(\$20mln cash upfront and up to \$10mln in cash for next 2 years if profit of ASOM crosses \$15mln)

#### ▶ **BKM's land**

BKM's shipyard is located in Batam and spans 328,956 sqm, with a sea frontage of c.23.3k sqm. This lease expires in April 2037 and has been fully paid in advance, with options to extend for 20-30 years. Due to the underutilization of the yard since 2014 given the O&G downturn, BKM has sold part of it and is now actively pursuing opportunities to generate profit on the remaining land.

In April 2023, BKM sold a third of their land (90,000 sqm) for S\$8.64 million. At that time, the net book value was approximately S\$631k, meaning the consideration represented an S\$7.7 million excess over book value. In June 2023, BKM sold another portion of the land (100,970 sqm) for S\$9.89 million, resulting in a recorded gain on disposal of approximately S\$5.21 million.

Combining both tranches: roughly 58% of the 328,956 sqm yard was sold for a total of S\$18.53 million. The Batam shipyard was already underutilized, so the sale did not have a detrimental effect on operations. BKM retains roughly 42% of the original Batam yard (c.138k sqm), which it has recently reclassified back to leasehold property for active shipbuilding and CP operations. Based on the 2023 independent valuation of S\$35.3 million for the entire site, this remaining ~42% portion is estimated to be worth approximately S\$14.8 million.

#### ▶ **BKM's turn around story**

Beng Kuang's turnaround began in FY2021, when the group started shifting towards an asset-light strategy. This followed key leadership changes, including the appointment of CEO Yong Jiunn Run, and a strategic review to move away from capital-intensive shipyard operations towards a more service-centric business model.

In FY2022, the group strengthened this repositioning by focusing on its core Infrastructure Engineering and Corrosion Prevention segments, which provide more recurring revenue streams. At the same time, management streamlined operations by exiting non-core and capex-heavy businesses, including the livestock carrier segment.

By FY2023, the turnaround began to gain traction and was finally profit-making. With the asset-light and service-oriented model taking shape, supported by its two core divisions, Beng Kuang returned to profitability. The group also undertook asset monetisation initiatives, including partial land sales, as part of its broader deleveraging efforts.

FY2024 was another good year for BKM when it completed another partial land sale, exited the SGX watchlist, and strengthened its balance sheet through the redemption of outstanding bonds (S\$3.5mln). BKM subsequently paid dividends of 0.6 Scts.

In FY2025, the group continued advancing its BKM 2.0 strategy. While revenue moderated due to project timing delays, BKM continue to remain profitable with strong margins and solid operating cash flow generation. BKM also increased its cash position and continued to focus strategically on FPSO lifecycle services, maintenance, and after-market support, which provide more stable and recurring earnings.

#### CEO Yong

CEO Yong has truly been transformational. To further grow BKM, CEO Yong has successfully expanded it's IE division by securing new contracts in Deck Equipment and Shipbuilding worth \$14.2mln and \$7.8mln respectively. While this shipbuilding consists of tugs, we understand that BKM intends to enter into more complex shipbuilding projects. We note that BKM has experience in complex projects in the hay days before the 2014 oil rout, having built offshore barges and patrol vessels.

#### JV – Start of something new?

On March 6, 2026, Beng Kuang Marine (BKM) teamed up with a partner, Epsilon Navigation, to start a new 50/50 joint company called "Offshore Collective." They are starting with S\$1.4 million in the bank to buy and manage offshore energy equipment.

The SPV is intended to execute a repeatable marine asset monetisation platform strategy structured as Build → Charter → Optimise → Monetise → Reinvest

The primary objective of this joint venture is to capitalize on opportunities within the offshore energy sector by investing in and managing marine assets. The partnership aims to implement a "Repeatable Marine Asset Monetisation Platform," and the model is designed to drive growth by pursuing vessel-related projects and maritime logistics, focusing on high-utilization sectors.

This move aligns with broader trends in the Mobile Offshore Production Unit (MOPU) market, where there has been a notable surge in activity and capital expenditure. As global FPSO demand remains steady with an active fleet of 217 units and a significant orderbook in place for the coming years, the entry into this specialized asset management space is intended to enhance the group's competitive positioning. The partnership is anticipated to contribute positively to net tangible assets and earnings per share for the financial year ending December 31, 2026.

## BENG KUANG MARINE

### Valuations

Post acquisition, BKM would trade at a sizable discount to its peers. While some discount is warranted for smaller market cap and lower trading liquidity, the current gap is substantial. BKM's turn around, operational track record, net cash position, and improving revenue quality compare favourably to several larger peers that trade on higher multiples but carry more leverage.

We thus value BKM based on 12x blended FY26F/FY27F P/E (small discount to peers), bringing our target price to \$0.535. BKM is set to deliver NPAT of \$12.1mln and S\$18.1mln in FY26F and FY27F respectively. This valuation approach reflects the timing of earnings consolidation, as the full contribution from ASOM will only be reflected from 2HFY26F onward. Should the full acquisition be completed earlier, BKM's earnings for FY26F can be even higher.

Based on the table below, BK is cheap in comparison at 10.2x forward P/E, which represents a 14% discount to peers. Based on this, we think that BKM can trade upwards to 12x PE, which represents a small discount.

Exhibit 5: BKM trades at discount to peers

Name	Market Cap (\$bn)	Stock Perf YTD%	PE (x)	Forward PE(x)	EV/ EBITDA (x)	P/B(x)	ROE(x)	Div Yield
<b>BENG KUANG MARINE LTD</b>	<b>0.1</b>	<b>29.7%</b>	<b>14.3</b>	<b>10.2</b>	<b>4.2</b>	<b>3.0</b>	<b>22%</b>	<b>1.6%</b>
CH OFFSHORE LTD	0.0	-6.3%	--	--	1.7	0.5	-5%	--
MARCO POLO MARINE LTD	0.6	-8.9%	20.7	15.3	7.6	2.4	28%	1.0%
ASL MARINE HOLDINGS LTD	0.3	14.3%	60.4	10.3	5.4	3.2	4%	1.0%
YANGZIJIANG SHIPBUILDING	16.1	17.8%	10.1	9.0	6.8	2.7	30%	2.9%
PENGUIN INTERNATIONAL LTD	0.4	40.2%	11.0	--	6.3	1.4	13%	2.7%
NAM CHEONG LIMITED	0.6	55.3%	6.6	9.7	5.3	2.2	39%	--
KIM HENG LTD	0.1	1.1%	--	--	17.6	1.5	-19%	--
RH PETROGAS LTD	0.2	35.5%	54.9	16.5	5.6	2.3	4%	--
MERMAID MARITIME PCL	0.2	-4.7%	21.7	--	5.6	0.8	3%	--
SEATRIUM LTD	8.2	12.0%	25.3	16.4	11.2	1.2	5%	0.6%
<b>Median</b>		<b>14.3%</b>	<b>20.7</b>	<b>12.8</b>	<b>5.6</b>	<b>2.2</b>	<b>4.9%</b>	<b>1.3%</b>
<b>Average</b>		<b>16.9%</b>	<b>25.0</b>	<b>12.9</b>	<b>7.0</b>	<b>1.9</b>	<b>11.4%</b>	<b>1.6%</b>

Source: LTS Research

 **Risks**

1. **Oil price sensitivity** - While FPSO maintenance is non-discretionary, a sustained decline in oil prices below US\$50/barrel could lead to reduced FPSO newbuild orders, slower fleet growth, and pressure on operators to defer non-essential upgrade and life extension work. This would primarily impact the IE division's project pipeline rather than ongoing maintenance and corrosion prevention activities.
2. **Customer concentration** - BKM services a limited number of FPSO/FSO operators. The loss of one or two major customer relationships could meaningfully impact revenue. Mitigation comes from the sticky nature of the relationships and the geographic diversification achieved through ASOM's expansion.

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