

Riding on OSV Wave

Investment Overview

A leading OSV player with the youngest fleet in Malaysia. Nam Cheong operates a fleet of 39 mid-sized offshore support vessels (OSVs) with an average age of just over eight years. This represents a strong competitive advantage, as peer fleets average 13-15 years of age. The company benefits from strong earnings visibility due to captive demand from Petronas and a strategic shift towards 60%-70% long-term charters. Nam Cheong is also diversifying its geographic presence and product offerings to tap into the buoyant Middle Eastern and Japanese markets, as well as growing demand for green offshore solutions.

Double-digit growth ahead; potential revival of OSV newbuild orders adds tailwind. Utilisation in 1H25 was weaker y/y due to vessel downtime for preparations related to long-term charters. Utilisation normalises in 2H25 reaching ~70%, vs. ~60% in 1H25 and expected to sustain above 70% on average into 2026-2027, supported by relatively stable charter rates amid tight supply. Further earnings upside expected from successful redeployment of idling workboats and newbuild orders. The OSV industry faces increasing pressure to rejuvenate its ageing fleet, ideally keeping vessels under 20 years old. This revived demand for newbuilds will benefit Nam Cheong's Miri shipyard, potentially generating RM30-200mn in profit.

Valuation remains undemanding. While stock has done well, Nam Cheong's valuation remains undemanding at only ~8x FY26 PE, an unwarranted, steep discount of 20%-50% to closest peers such as Singapore-based Macro Polo (16x PE), Pacific Radian (10x), ASL Marine (9x) and Malaysia-based Lianson (22x). We believe Nam Cheong's fair value should be SGD1.60, based on 10x FY26 PE. This does not reflect the full potential valuation of its Miri Shipyard, which could add SGD0.13-1.15/share when OSV newbuilds make a comeback. Reiterate BUY.

Risks

Oil price plunge, charter contract cancellation

Forecasts and Valuation

FY Dec (MYRmn)	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	475.3	684.7	619.7	756.5	884.1
EBITDA	156.6	335.0	291.4	308.5	341.1
Pre-tax Profit	204.0	845.9	313.0	294.4	331.1
Net Profit	175.0	785.2	269.2	240.2	270.2
Net Pft (Pre Ex.)	75.5	219.6	179.5	190.2	220.2
Net Pft Gth (Pre-ex) (%)	nm	190.8	(18.3)	6.0	15.7
EPS (S cts)	62.3	60.9	21.4	19.6	22.1
EPS Pre Ex. (S cts)	26.9	17.0	14.2	15.5	18.0
EPS Gth Pre Ex (%)	nm	(36.6)	(16.5)	9.1	15.7
Diluted EPS (S cts)	62.3	60.9	21.4	19.6	22.1
Net DPS (S cts)	0.00	0.00	0.00	0.00	0.00
BV Per Share (S cts)	nm	43.5	64.8	86.3	108.4
PE (x)	2.3	2.3	6.6	7.2	6.4
PE Pre Ex. (x)	5.3	8.4	10.0	9.2	7.9
P/Cash Flow (x)	43.0	13.0	14.9	8.0	9.0
EV/EBITDA (x)	8.5	6.1	6.8	5.8	4.8
Dividend Yield (%)	nm	nm	nm	nm	nm
P/Book Value (x)	nm	3.3	2.2	1.6	1.3
Net Debt/Equity (x)	cash	0.6	0.3	0.0	cash
ROAE (%)	(31.4)	2,182.1	39.1	25.6	22.7

Source: DBS

BUY

Last Traded Price: SGD1.42

Price Target 12-mth: SGD1.60

Analyst

Pei Hwa Ho | peihwa@dbs.com

What's New

- Growing optimism of OSV replacement cycle to kickstart newbuild demand; Fleet expansion plans to stay ahead of the curve
- Middle East vessels (~10% of earnings) are unaffected by ongoing US-Iran war at the moment; insurance coverage in place in case of damage to vessels
- Reiterate BUY and TP SGD1.60

Key Financial Data (FY Dec)

Bloomberg Ticker	NCL SP
Sector	Energy
Market Cap (USDbn)	0.3
3m Avg. Daily Val (USDmn)	3.4

Closing Price as of 02/03/2026

Source: Twelve Data, DBS, Visible Alpha

Nam Cheong Limited Share Price



Source: Twelve Data

What's New

03 Mar 2026

Intact OSV fundamentals

- Growing optimism of OSV replacement cycle to kickstart newbuild demand; Fleet expansion plans to stay ahead of the curve
- Middle East vessels (~10% of earnings) are unaffected by ongoing US-Iran war at the moment; insurance coverage in place in case of damage to vessels
- Reiterate BUY and TP SGD1.60

Nam Cheong (NCL) management remains upbeat on the OSV outlook, citing replacement demand for aging fleets and offshore E&P capex recovery. Global shipbroker - Fearnley Offshore Supply expects as much as 40% of the Asia-Pacific OSV fleet could exit the market over the next five years, which would tighten supply and support day rates in the years ahead. Management expects utilisation to improve from ~64% in FY25 towards 70% in FY26 with redeployment of idling AHTS and Workboat in 1H26. NCL took delivery of two Geotech vessels and 1 Fast Crew Boat (FCB) from their yard last year and potentially adding three more units this year that should largely be funded by internal resources. Further expansion plans hinge on market and financing conditions. NCL's shipyard secured USD64.5mn newbuild win in Feb-2026 and expect further orderbook expansions. We have fine-tuned our numbers which only marginally changed, as the incremental contribution from the 4 newbuild projects, was offset by higher staff cost (share grant cost increased alongside share price) etc.

Middle East tensions create short-term volatility/uncertainty. US-Iran war escalates, with Iran missiles hitting Gulf Cooperation Council (GCC, a regional alliance of six Middle Eastern monarchies: Saudi Arabia, UAE, Qatar, Kuwait, Oman, and Bahrain) bases and threats to block Hormuz, prompting Saudi/UAE to shutter offshore fields preemptively—mirroring 1988 US destruction of Iranian platforms. NCL has 1 workboat, 2 AHTS and 2 FCB currently working at different locations in Middle East, contributing ~10% to profit based on our estimates. The ongoing war could delay some O&G activities there in the meantime. Though, thus far, NCL's vessels in Middle East are not affected. In terms of potential impact, any vessels damage will be covered by insurance. In the event of oilfield temporary closure, loss of income would be borne by company.

Company profile

A leading OSV player with the youngest fleet in Malaysia, and seemingly globally. Nam Cheong operates a fleet of 38 mid-sized OSVs with an average age of just over eight years. Its fleet comprises 20 Anchor Handling Tug Supply (AHTS) vessels, 5 Platform Supply Vessels (PSVs), 3 workboats and a mix of Accommodation Work Barges (AWBs), Maintenance Work Vessels (MWVs), Safety Standby Vessels (SSVs), Landing Craft (LCs), and Fast Crew Boats (FCBs). AHTS, PSV, and other workboats each contribute approximately one-third of the company's revenue.

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Key Assumptions

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Fleet Size	0.00	37.0	38.0	39.0	40.0
Utilisation (%)	0.00	80.5	64.2	70.0	72.0
Dayrates (RM k/day)	0.00	62,982	69,540	68,844	69,533
Key Assumption Name 4	0.00	0.00	0.00	0.00	0.00
Key Assumption Name 5	0.00	0.00	0.00	0.00	0.00

Source: DBS

Segmental Breakdown (MYR, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Shipbuilding	475.3	684.7	619.7	756.5	884.1
Chartering	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
Total Revenue	475.3	684.7	619.7	756.5	884.1

Source: DBS

Income Statement (MYR, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	475.3	684.7	619.7	756.5	884.1
Cost of Goods Sold	(306.7)	(321.4)	(308.3)	(399.5)	(488.4)
Gross Profit	168.6	363.3	311.4	357.0	395.8
Other Opng (Exp)/Inc	(48.3)	(88.7)	(74.5)	(100.9)	(109.4)
Operating Profit	120.3	274.6	236.9	256.1	286.3
Other Non Opg (Exp)/Inc	0.00	0.00	0.00	0.00	0.00
Associates & JV Inc	9.83	22.7	0.11	5.50	6.50
Net Interest (Exp)/Inc	(25.6)	(17.1)	(13.7)	(17.2)	(11.7)
Exceptional Gain/(Loss)	99.5	565.7	89.7	50.0	50.0
Pre-tax Profit	204.0	845.9	313.0	294.4	331.1
Tax	(23.4)	(45.7)	(37.6)	(44.2)	(49.7)
Minority Interest	(5.65)	(15.0)	(6.23)	(10.0)	(11.3)
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Net Profit	175.0	785.2	269.2	240.2	270.2
Net Profit before Except.	75.5	219.6	179.5	190.2	220.2
EBITDA	156.6	335.0	291.4	308.5	341.1
Revenue Gth (%)	30.0	44.1	(9.5)	22.1	16.9
EBITDA Gth (%)	98.5	113.9	(13.0)	5.9	10.6
Opg Profit Gth (%)	173.5	128.2	(13.7)	8.1	11.8
Net Profit Gth (Pre-ex) (%)	10,132.1	190.8	(18.3)	6.0	15.7
Net Prop Inc Margins (%)	35.5	53.1	50.2	47.2	44.8
Opg Profit Margin (%)	25.3	40.1	38.2	33.9	32.4
Net Profit Margin (%)	36.8	114.7	43.4	31.8	30.6
ROAE (%)	(31.4)	2,182.1	39.1	25.6	22.7
ROA (%)	21.6	71.4	19.9	15.5	15.2
ROCE (%)	10.3	24.2	14.0	12.6	13.6
Div Payout Ratio (%)	0.00	0.00	0.00	0.00	0.00
Net Interest Cover (x)	4.7	16.1	17.3	14.9	24.5

Source: DBS

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Balance Sheet (MYR, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Net Fixed Assets	543.8	712.4	782.5	805.5	827.2
Invt in Associates & JVs	18.4	40.7	10.5	36.0	62.5
Other LT Assets	2.59	0.61	0.00	0.00	0.00
Cash & ST Invt	64.2	136.9	202.6	301.3	374.1
Inventory	29.6	93.3	212.9	229.8	281.0
Debtors	254.2	267.0	202.4	290.2	339.1
Other Current Assets	6.70	28.0	8.78	8.78	8.78
Total Assets	919.5	1,279	1,420	1,672	1,893
ST Debt	1,043	35.2	99.5	99.5	99.5
Creditor	267.0	171.3	89.8	153.2	187.3
Other Current Liab	54.5	34.1	33.5	71.7	77.2
LT Debt	0.00	423.1	327.5	227.5	127.5
Other LT Liabilities	36.2	40.6	32.5	32.5	32.5
Shareholder's Equity	(488.8)	560.8	817.0	1,057	1,327
Minority Interests	6.99	13.8	20.0	30.0	41.3
Total Cap. & Liab.	919.5	1,279	1,420	1,672	1,893
Non-Cash Wkg. Capital	(31.1)	182.9	300.9	303.9	364.4
Net Cash/(Debt)	(979.4)	(321.5)	(224.4)	(25.6)	147.2
Debtors Turn (avg days)	166.8	138.9	138.3	118.8	129.9
Creditors Turn (avg days)	349.1	281.9	187.6	125.8	141.2
Inventory Turn (avg days)	28.1	79.0	220.0	229.2	211.9
Asset Turnover (x)	0.6	0.6	0.5	0.5	0.5
Current Ratio (x)	0.3	2.2	2.8	2.6	2.8
Quick Ratio (x)	0.2	1.7	1.8	1.8	2.0
Net Debt/Equity (x)	cash	0.6	0.3	0.0	cash
Capex to Debt (%)	1.6	12.9	nm	21.4	30.8

Source: DBS

Cash Flow Statement (MYR, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Pre-Tax Profit	204.0	845.9	313.0	294.4	331.1
Dep. & Amort.	26.4	37.6	54.3	46.9	48.3
Tax Paid	(21.9)	(34.6)	(31.4)	(5.94)	(44.2)
Assoc. & JV Inc/(loss)	(9.83)	(22.7)	(0.11)	(5.50)	(6.50)
Chg in Wkg.Cap.	(96.3)	(123.9)	(118.2)	(41.2)	(66.0)
Other Operating CF	(77.6)	(511.2)	(104.4)	0.00	0.00
Net Operating CF	24.8	191.1	113.1	288.7	262.8
Capital Exp.(net)	(16.6)	(59.3)	3.65	(70.0)	(70.0)
Other Invt.(net)	0.00	0.00	0.00	0.00	0.00
Invt in Assoc. & JV	(4.91)	(45.9)	0.46	(20.0)	(20.0)
Div from Assoc & JV	0.00	0.00	22.1	0.00	0.00
Other Investing CF	1.76	1.31	1.38	0.00	0.00
Net Investing CF	(19.8)	(103.9)	27.5	(90.0)	(90.0)
Div Paid	0.00	0.00	0.00	0.00	0.00
Chg in Gross Debt	(1.72)	(38.5)	(76.0)	(100.0)	(100.0)
Capital Issues	0.00	30.0	0.00	0.00	0.00
Other Financing CF	(1.44)	(8.16)	0.00	0.00	0.00
Net Financing CF	(3.67)	(16.3)	(73.2)	(100.0)	(100.0)
Currency Adjustments	(0.51)	0.38	2.82	0.00	0.00
Chg in Cash	1.36	70.9	67.5	98.7	72.8
Opg CFPS (S cts)	43.1	24.4	18.4	26.9	26.8
Free CFPS (S cts)	2.91	10.2	9.26	17.9	15.7

Source: DBS

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Target Price & Ratings History - Nam Cheong Limited (NCL_SP_Equity)



#	Date of Report	Closing Price	12-m Target Price	Rating
1	17 Nov'25	0.83	1.25	BUY
2	29 Jan'26	1.20	1.60	BUY

Source: DBS
Analyst: Pei Hwa Ho

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
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*Share price appreciation + dividends

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DBS Regional Research Offices

HONG KONG**DBS Bank (Hong Kong) Ltd**

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaesearch@dbs.com

SINGAPORE**DBS Bank Ltd**

Contact: Andy Lee Khoon SIM
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanukul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: DBSVTresearch@dbs.com
Company Regn. No 0105539127012
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