

Steel Hawk Berhad

Solid As Steel, Rising Like A Hawk

- Incorporated in 2012, Steel Hawk Berhad primarily involved in EPCC services and facilities improvement or maintenance, installation and maintenance of oilfield equipment, as well as supply of oilfield equipment.
- Going forward, we project Steel Hawk's revenue to grow by 8.3-9.6%, reaching RM78.6m-RM94.4m for FY24-26f, while its core net profit is expected to increase by 6.4-65.0% to RM11.9m-RM13.6m, supported by the overall expansion plans coupled with projected growth in domestic Petronas's CapEx.
- We estimate a fair value of RM0.39, representing an upside of 160.0% against the IPO price of RM0.15 for Steel Hawk. The fair value is derived by pegging a P/E ratio of 15x to the FY25f EPS of 2.59 sen, which we believe is justified with the average P/E ratio of 15.9x of the Bloomberg GICS Industry – Energy Equipment and Services sector.

Investment Highlights

OGSE sector, a prime beneficiary of Petronas domestic CapEx. Petronas, as a custodian of Malaysia's petroleum resources, is a crucial driver of growth in the Oil & Gas Services and Equipment (OGSE) industry. In 2023, Petronas' domestic Capital Expenditure (CapEx) grew by 40.86% YoY from RM18.6b to RM26.2b, underpinned by Petronas' investments in key projects like (i) Nearshore Floating LNG, (ii) Kasawari Gas Field development, and (iii) Carbon Sequestration, coupled with a favourable high crude oil prices environment. Therefore, OGSE players stand to benefit from the increased demand services related to these projects.

Strong momentum ahead. According to IMR Report, Petronas' domestic CapEx is projected to grow at CAGR of 1.34% to RM28.0b by FY28, driven mainly by initiatives such as (i) Facilities Improvement Plans (FIPs), (ii) decommissioning approximately 150 matured assets and reassessing disused asset, (iii) expansion of LNG bunkering and (iv) Petronas' automotive fluid solutions for electric vehicles (EVs), as well as the recent discovery of potential hydrocarbon reserves in the Langkasuka Basin. As such, given its strong relationship with Petronas of more than 10 years, the group is well-positioned to capitalise on this growth.

Diverse customer portfolio. Since listing on the Leap Market, the group expanded its customer base by securing 9 new customers in the FY22. As a result, the revenue contributed by Petronas to the group has decreased to 54.47%, 45.64% and 61.39% of the group's revenue in FY22, FY23, and FPE24, respectively, indicating steady revenue growth. Moving forward, the group intends to continue its strategy by fostering collaboration and strengthening relationship with existing customers while expanding its customer base through tender activities.

Tapping into Renewable Energy (RE) industry. With over 10 years of experience serving as an Engineering, Procurement, Construction, and Commissioning (EPCC) provider in the O&G sector, Steel Hawk intends to enter the Renewable Energy (RE) industry, focusing on solar and hydroelectric energy. This new venture will provide the group with an additional income stream and reduce its reliance on the O&G segment.

IPO Note – Not rated

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Non-Rated

Share price	RM0.15
Target price	RM0.39
Previous TP	-
Capital upside	160.0%
Dividend return	-
Total return	160.0%

Company profile

The group primarily involved in engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance, installation and maintenance of oilfield equipment, as well as supply of oilfield equipment.

Stock information

Bursa Code	0320
Bloomberg ticker	SKHAWK MK
Listing market	ACE
Share issued (m)	490.0
Market Cap (m)	73.5
Shariah compliant	YES

Major shareholders

	%
Radiant Capital Sdn Bhd	36.40
Dato' Sharman K. Michael	9.99
Datin Annie A/P Sinniah	9.99

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	10.3	17.0	16.7
EPS (sen)	1.47	2.43	2.59
P/E (x)	10.2	6.2	5.8

Timetable of IPO

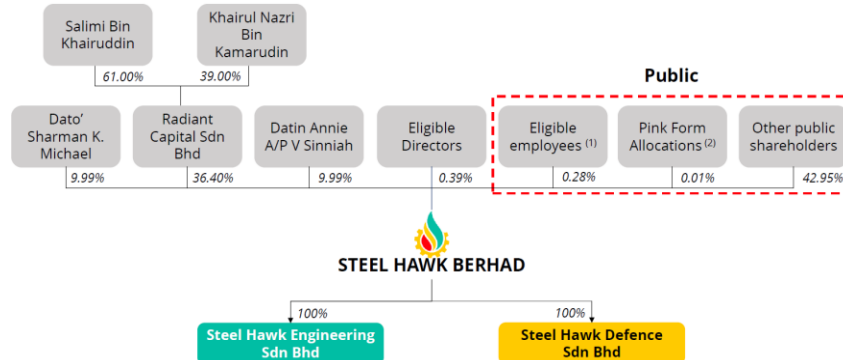
Opening of application	16 August
Closing of application	23 August
Balloting of application	27 August
Allotment of the IPO shares	3 September
Listing on the ACE market	5 September



Company Background

Through its wholly owned subsidiaries, the group is primarily involved in providing EPCC services, facilities improvement and maintenance, installation and maintenance of oilfield equipment, and supplying oilfield equipment.

Fig #1 Post-IPO company structure



Source: Steel Hawk Berhad

Fig #2 Corporate Milestones

Year	Milestones
2012	Obtained its first Petroleum Nasional Berhad (“PETRONAS”) license which enables the group to supply products and services to the upstream, midstream, and downstream segments of O&G in Malaysia.
2013	Secured its first one-off fixed contract from PETRONAS Carigali Sdn Bhd (“PCSB”) for the provision of EPCC services for 9 chemical injection skids at 3 offshore platforms located within PETRONAS Carigali’s Sarawak Operations.
2015	Secured its first Price Agreement from PCSB to provide EPCC services for chemical injection skids to 124 offshore platforms across Peninsular Malaysia, Sabah and Sarawak.
2017	Secured its first Price Agreement from PCSB to provide EPCC services for the supply, delivery, installation, and maintenance of fire rated doors at its onshore and offshore O&G facilities.
2019	Secured its first Price Agreement from PCSB involving the provision of onshore facilities maintenance, construction and modification services (involving EPCC services and facilities improvement maintenance).
2021	Listed on LEAP Market.
-	Continued to grow and expand its customer base and secured new customers like Sigma Water and PBH Engineering.
2024	

Source: Steel Hawk Berhad

Fig #3 Utilisation of Proceeds

Use of proceeds	RM'm	%	Estimated time frame
Construction of the Proposed Teluk Kalung Facility 2	7.0m	51.9	Within 24 months
Working capital	2.0m	14.8	Within 18 months
Repayment of bank borrowings	1.0m	7.4	Within 6 months
Estimated expenses for the Transfer	3.5m	25.9	Within 3 months
Total	13.5m	100.0	

Source: Steel Hawk Berhad



Business overview

EPCC services and facilities improvement / maintenance (91.91% of FY23 revenue).

This segment has always been the main driver for Steel Hawk's revenue, contributing over 70% of the group's revenue for FY21-23. The group provides EPCC services for chemical injection skids installed at both onshore and offshore exploration and production facilities, along with facility improvement and maintenance.

Installation and maintenance of oilfield equipment (7.97% of FY23 revenue). The group involve in (i) oilfield equipment survey, (ii) repair and refurbishment, (iii) procurement of oilfield equipment as well as parts and components, and (iv) replacement of oilfield equipment and parts of components.

Supply of oilfield equipment (2.52% of FY23 revenue). The group supplies specific oilfield equipment and components, such as (i) pig trap system, (ii) fire rated doors, and (iii) oil spill recovery equipment.

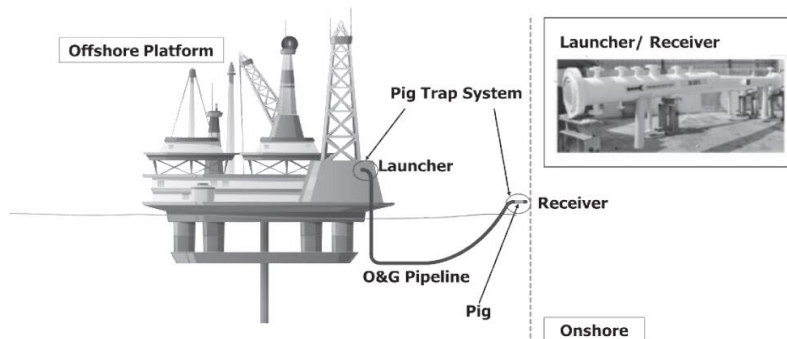
Fig #4 Illustration of chemical injection skids



Source: Steel Hawk Berhad

A chemical injection skid is a type of equipment installed at onshore or offshore exploration and production facilities. It injects chemicals into pipelines and O&G wells to clean the wells, improve pipeline flow, and prevent internal corrosion.

Fig #5 Illustration of the pig trap system



Source: Steel Hawk Berhad

Pigging activity is a pipeline maintenance service that uses pipeline inspection gauges, or 'pigs'. These devices are pushed through the pipeline from the launcher enclosure door to the receiver enclosure door, cleaning the pipeline along the way.




Wednesday, 21 Aug, 2024

Fig #6 Steel Hawk's business overview summary

EPCC services for chemical injection skids

Installed on onshore or offshore exploration and production facilities such as platforms, rigs, terminals.




Chemical injection skid

Installation and Maintenance of Oilfield Equipment


Supply of the oilfield equipment to be installed and maintained (i.e. repair, refurbishment, and replacement) at customers' sites.

Replaced entire pig trap launcher barrel



Before After


Fire rated door with new panic bar




Before After

Supply of Oilfield Equipment

Supply and delivery of specific oilfield equipment and / or parts and components to embarkation points.



Pipeline inspection gauge ("pig")



Double leaf fire rated doors
Oil skimmers

Source: Steel Hawk Berhad

Financials

In FY23, Steel Hawk's revenue surged to RM72.5m from RM24.8m in FY21, achieving a CAGR of 70.9%. The growth was mainly driven by the increased revenue from the EPCC services and facilities improvement/maintenance and the supply of oilfield equipment segments.

Moving forward, we project Steel Hawk's revenue to grow at 8.3-9.6%, reaching RM78.6m-RM94.4m for FY24-26f, while its core net profit is expected to increase by 6.4-65.0% to RM11.9m-RM13.6m, supported by the overall expansion plans, coupled with projected growth in domestic Petronas's CapEx.

Fig #7 Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	66.3	72.5	78.6	86.1	94.4
EBITDA	9.5	12.4	19.8	20.0	21.9
EBIT	8.7	11.6	18.5	18.2	19.5
PBT	8.3	10.3	17.0	16.7	17.9
PAT – Core	5.9	7.2	11.9	12.7	13.6
% change YoY – Core PAT	-	22.8%	65.0%	6.4%	7.6%
Core EPS (sen)	1.20	1.47	2.43	2.59	2.78
P/E (x)	12.5	10.2	6.2	5.8	5.4
EV/EBITDA (x)	5.4	4.1	2.6	2.6	2.3
DPS (sen)	-	-	0.73	0.78	0.83
Yield (%)	0.0%	0.0%	4.9%	5.2%	5.6%
BVPS (RM/share)	0.03	0.04	0.08	0.10	0.12
P/B (x)	4.9	3.5	1.8	1.5	1.2
ROE (%)	47.6%	39.9%	38.6%	28.2%	25.2%
Net Gearing (%)	CASH	33%	CASH	CASH	CASH

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Valuations

We derive a fair value of RM0.39 (an upside of 160.0% against the IPO price of RM0.15) for Steel Hawk. This valuation is based on a P/E ratio of 15x pegged to the FY25f EPS of 2.59 sen. We believe a P/E ratio of 15x is justified as it is in line with the average P/E ratio of 15.9x of the Bloomberg GICS Industry – Energy Equipment and Services sector.



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Fig #8 Bloomberg GICS Industry – Energy Equipment and Services segment

Energy Equipment & Services (17 members)		88.687621	33,095.067433		15.89
DLG	MK Dialog Group Bhd	32.652665	5,645.966182	2.4700	24.53
YNS	MK Yinson Holdings BHD	20.437919	3,185.684131	2.7400	9.68
DEHB	MK Dayang Enterprise Holdings Bhd	7.292201	1,157.771718	2.6900	12.07
BAB	MK Bumi Armada Bhd	7.078686	5,927.875444	0.5100	8.21
KEYFIELD	MK Keyfield International Bhd	4.935123	801.417500	2.6300	12.30
VEB	MK Velesto Energy Bhd	4.039634	8,215.600000	0.2100	13.12
PETR	MK Perdana Petroleum Bhd	2.240578	2,225.401094	0.4300	11.52
WSC	MK Wasco Bhd	2.050222	774.888294	1.1300	5.97
MMHE	MK Malaysia Marine and Heavy Engineering Holdings Bhd	1.610912	1,600.000000	0.4300	--
ICON	MK Icon Offshore Bhd	1.443120	622.563586	0.9900	--
DLUM	MK Deleum Bhd	1.175268	401.553500	1.2500	10.60
PENB	MK Petra Energy Bhd	1.084837	321.750000	1.4400	8.44
UZMA	MK Uzma Bhd	1.019301	435.330500	1.0000	8.33
T7G	MK T7 Global Bhd	0.880955	817.923265	0.4600	10.48
CARIP	MK Carimin Petroleum Bhd	0.481898	233.878000	0.8800	--
RLEB	MK Reservoir Link Energy Bhd	0.211419	316.823000	0.2850	75.00
HDL	MK Handal Energy Bhd	0.052882	410.641219	0.0550	--

Source: Bloomberg

Investment risks

Dependence on major customer, Petronas. Any termination of price agreements or the failure to secure new customers could lead to revenue loss and negatively impact financial performance.

Compliance with Petronas Licensing Requirements. Failure to comply with Petronas regulations or meet standardized work and equipment categories (SWEC) requirements could result in the revocation or suspension of licenses, affecting operations.

Reliance on key senior management. Discontinuation of service of the key senior management may disrupt key decision making within Steel Hawk's business operations.

Project delays. Delays in project completion could result in liquidated and ascertained damages (LAD) penalties, project cost overruns, and potential legal issues.

Disclaimer

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned



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