

17 March 2026

Energy & Petrochemicals | Oil & Gas Services

## Nam Cheong (NCL SP)

**Buy**

### Setting Course For Multi-Year Growth

Target Price (Return): SGD2.05 (51.8%)  
 Price (Market Cap): SGD1.35 (USD420m)  
 ESG score: 3.1 (out of 4)  
 Avg Daily Turnover (SGD/USD) 4.20m/3.29m

#### Analyst

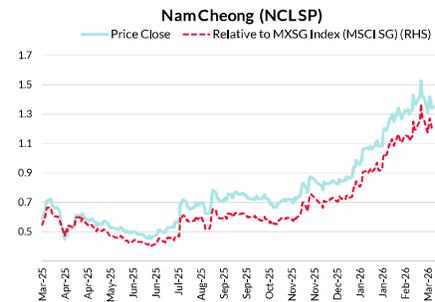
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- **Initiate coverage with a BUY and SGD2.05 TP, 52% upside.** We believe Nam Cheong is well positioned for a multi-year growth phase, supported by stable utilisation thanks to its long-term charter portfolio and a young fleet of 36 vessels. Recent shipbuilding contract wins in a tight offshore support vessel (OSV) market suggest a potential revival of the shipbuilding segment and additional earnings upside. Our valuation is in line with regional peers, and we forecast a 3-year core earnings CAGR of 15%.
- **Young fleet with multi-year chartering contracts.** Nam Cheong's competitive advantage in vessel chartering lies with its young-age fleet averaging nine years – significantly lower than the industry average of 14-16 years. Its long-term charter contracts also provide earnings visibility, while the remaining vessels on spot charter allow the group to capture any upside during periods of rising charter rates.
- **Restoration of interest in newbuilds.** In the midst of tight supply, an ageing global OSV fleet, and years of underinvestment in the sector, rising demand for younger vessels is likely to spur a more active resale market and renewed interest in newbuild vessels. This trend is reflected in the recent sale of multiple young vessels across the industry, on top of new contract wins recently secured by Nam Cheong to deliver four OSVs. We believe that the growing appetite for younger builds could revitalise activity at Nam Cheong's Miri shipyard, which has the capacity to build up to 12 vessels per year.
- **Strategic Sarawak play amidst PETRONAS-Petros dispute.** Regardless of the PETRONAS–Petroleum Sarawak (Petros) dispute outcome, we believe Nam Cheong is unlikely to face material disruption. Sarawak's offshore activity is expanding moderately as the state works to open more offshore areas for exploration, supporting sustained OSV demand. As a Sarawak-based operator, Nam Cheong is naturally aligned with this growth and well positioned for state-led offshore developments. It also maintains established commercial ties with PETRONAS, with its subsidiary SKOSV holding a valid Petronas licence covering upstream and downstream operations. With Sarawak's rising strategic importance and Nam Cheong's deep regional roots, the group remains well buffered against regulatory uncertainty.
- **Other key rerating catalysts** include exposure to renewable energy market, ie offshore wind energy, its new geo-tech vessels with a variety of enhanced features, and accelerated debt repayment that could accelerate through potential future vessel sales, resulting in interest savings.
- **Earnings estimates and valuation.** We project a 3-year core earnings CAGR of 15%, mainly driven by its chartering segment with stable vessel utilisation and charter rates, gradual fleet expansion, and balance sheet deleveraging. Our TP is based on 11x FY27F target P/E, benchmarked vs its regional peers. Key risks: Contract renewal, O&G sector reliance, and capital expenditure.

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	43.6	2.3	63.6	78.8	145.5
Relative	46.0	6.3	64.5	82.9	132.7
52-wk Price low/high (SGD)				0.45	–1.53



Source: Bloomberg

Forecasts and Valuation	Dec-24	Dec-25	Dec-26F	Dec-27F	Dec-28F
Total turnover (MYRm)	685	620	735	910	919
Recurring net profit (MYRm)	261	165	202	228	253
Recurring net profit growth (%)	191.3	(36.7)	22.2	13.1	10.9
Recurring P/E (x)	3.29	9.17	8.19	7.27	6.55
P/B (x)	2.5	2.0	1.6	1.3	1.1
P/CF (x)	4.49	13.36	7.72	7.31	4.93
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	1.18	4.47	5.32	4.59	3.74
Return on average equity (%)	2,182.1	39.1	22.0	20.1	18.4
Net debt to equity (%)	55.9	26.6	15.1	4.8	net cash

Source: Company data, RHB

**Overall ESG Score: 3.1 (out of 4)**

**E Score: 3.3 (EXCELLENT)**

**S Score: 3.0 (GOOD)**

**G Score: 2.7 (GOOD)**

Please refer to the ESG analysis on the next page