

### Offshore & Marine

The Accidental Gift: How The Iran War May Become Offshore Energy's Most Powerful Catalyst

#### Highlights

- Offshore rates have surged in the wake of the Iran war with a small segment of the jack-up market seeing lower dayrates and utilisation rates.
- Outside of the Middle East, production and energy security will be prioritised via offshore engineering solutions to extend the life of existing facilities.
- Top picks in the sector are Beng Kuang, ASL Marine and Marco Polo Marine.

#### Analysis

- **Top picks in the sector.** We prefer the small/mid-cap plays in the offshore & marine sector as we believe their respective growth options appear more exciting compared to the larger industrials that we cover. Key stock picks include our recent initiation Beng Kuang as well as ASL Marine and Marco Polo Marine.
- **Predictable unpredictability.** The Middle East conflict is now in its ninth week with almost daily speculation on the on-again/off-again re-opening of the Straits of Hormuz. Energy shipping charter markets have been strong ytd in 2026 as a result of the conflict and rates are mostly above pre-conflict levels. In particular, Clarksons data indicates that Very Large Gas Carrier earnings have risen to two-year highs with many Asian countries struggling to refocus their LNG requirements from the Middle East to the US or Australia.
- **Offshore rates have surged.** Since the start of the Iran war, the key North Sea and Southeast Asia markets have seen firm to stronger earnings trends. Relevant to the companies we cover in Singapore, Southeast Asia's term rates for Anchor Handling Tug Supply (AHTS) units remained extremely steady, holding at nearly US\$8,500/day while in the drilling rig market, there has been positive momentum for high-spec jack-up units where rates saw a notable increase in April, jumping 18% to US\$100,000-140,000/day.
- **Impact of the Iran war.** Given the energy supply risks exposed by the Iran war, we expect: a) increasingly diversified project sanctioning to happen in the longer term (eg offshore Africa/South America), and b) more offshore engineering solutions to extend the life of existing facilities as domestic production and energy security are prioritised. The latter will benefit Seatrium due to its world-class skills in upgrades and conversions of second-hand assets, and Beng Kuang for its repair and life extension services.

**OVERWEIGHT**  
(Maintained)

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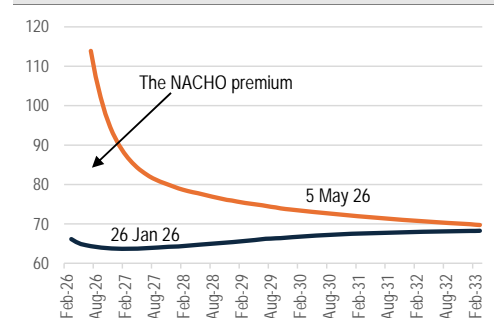
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#### Sector Picks

Company	Ticker	Rec	Price (\$S)	Target (\$S)
ASL Marine	ASL SP	BUY	0.375	0.43
Beng Kuang	BKM SP	BUY	0.55	0.64
Marco Polo Marine	MPM SP	BUY	0.16	0.19
Seatrium	STM SP	BUY	2.37	3.15
YZJ Shipbldg	YZJSGD SP	BUY	4.14	4.75

Source: Bloomberg, UOB Kay Hian

#### Brent Forward Oil Price Pre And Post-Iran War (US\$/bbl)



Source: Bloomberg

#### Peer Comparison

Company	Ticker	Rec	Price		+/- to target %	M.cap US\$m	PE (x)		P/B (x)		EV/EBITDA (x)		ROE %	Yield %
			6 May	Target			2026F	2027F	2026F	2027F	2026F	2027F		
ASL Marine #	ASL SP	BUY	0.375	0.43	14.7	304	11.4	10.6	3.0	2.4	7.4	7.1	27.7	0.5
Beng Kuang *	BKM SP	BUY	0.55	0.64	16.4	102	18.4	10.3	4.4	3.1	5.7	4.6	29.3	1.1
Marco Polo Marine *	MPM SP	BUY	0.16	0.19	18.8	493	17.3	15.2	2.2	2.0	11.8	11.1	13.7	1.3
Seatrium	STM SP	BUY	2.37	3.15	32.9	6,310	21.4	17.8	1.1	1.1	9.2	9.2	5.4	1.4
YZJ Shipbldg	YZJSGD SP	BUY	4.14	4.75	14.7	12,841	9.0	8.7	2.4	2.0	6.7	6.4	27.9	5.5
<b>Average - Spore listed</b>							<b>15.5</b>	<b>12.5</b>	<b>2.6</b>	<b>2.1</b>	<b>8.2</b>	<b>7.7</b>	<b>20.8</b>	<b>2.0</b>
China CSSC - A	600150 CH	NR	41.18	53.48	29.9	45,491	16.6	12.0	1.9	2.1	8.3	5.7	15.3	1.5
CSSC O&M - A	600685 CH	NR	32.13	n.a.	n.a.	5,082	29.5	n.a.	n.a.	n.a.	n.a.	n.a.	7.6	n.a.
Hanwha Ocean	042660 KS	NR	130,300	164,636	26.4	27,557	26.1	21.0	5.2	4.2	21.7	17.3	22.2	0.1
HD Korea Shipbldg	009540 KS	NR	456,000	574,938	26.1	22,275	9.7	7.9	2.0	1.7	4.9	4.1	22.9	3.8
Samsung Heavy Ind	010140 KS	NR	31,900	38,053	19.3	19,376	24.0	17.7	5.0	3.9	16.3	12.8	23.8	0.4
<b>Average - Sector</b>							<b>18.3</b>	<b>13.5</b>	<b>3.0</b>	<b>2.5</b>	<b>10.1</b>	<b>8.8</b>	<b>18.6</b>	<b>1.6</b>

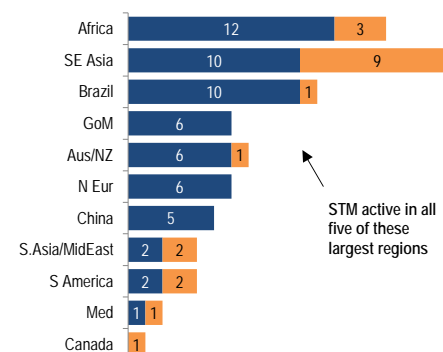
Note: \* fiscal year ending 30 Sep; # fiscal year ending 30 Jun; NR = Not Rated, based on Bloomberg consensus

Source: Bloomberg, UOB Kay Hian

### Essentials

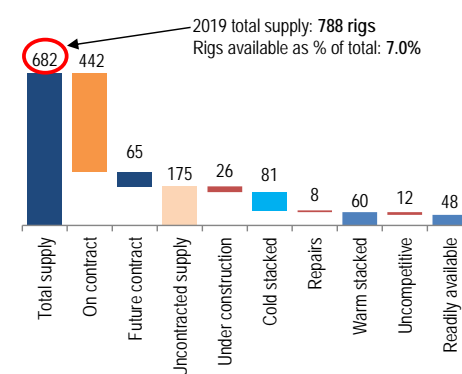
- Beng Kuang Marine (BKM) – a recent initiation with a BUY rating.** BKM is a leader in the offshore asset integrity services segment, specifically corrosion prevention, and repair and life extension services. These are high-barrier segments with the company operating across Southeast Asia, the Middle East, and Latin America. We believe that the company is well positioned to capture strong demand for FPSO repair services, especially for its corrosion prevention services, as the global fleet ages. By our estimates, BKM's acquisition of the entire 49% minority stake of Asian Sealand Offshore and Marine (ASOM) will enable a three to fourfold earnings accretion over the 2005-07F period. Initiate coverage with a BUY rating and a target price of S\$0.64, based on a target 2027F PE of 12.1x, +1.5SD above its historical average. Catalysts include: a) higher revenue and profit recognition from ASOM following consolidation, and b) winning more high-value FPSO extension-of-life jobs.
- Bifurcated takeaways from recent US results season.** It was notable that while the oil services companies (eg Halliburton, Schlumberger and Baker Hughes) were more circumspect in their respective outlook statements for their international businesses given current Middle East tensions, the offshore companies (eg Transocean, Tidewater, Noble) were more bullish. We note that both drillers and vessel owners pointed to 2027 as the earnings inflection year driven by tightening floater supply, multi-year contract rollovers at much higher rates, and sustained deepwater capex from Petrobras, Equinor and other national oil companies.
- Weaker metrics for standard jack-ups.** In the near term and given that the Middle East is a non-high-spec jack-up focused area, dayrates and utilisation rates for 361-400' independent cantilevered rigs have been the main victims with 5% and 7% yoy declines as at end-Apr 26. In addition, warm stacked jack-ups have increased 34% yoy (see chart overleaf). Globally, industry sources expect more projects to reach Final Investment Decision (FID) in the next 12 months, especially the more politically and economically challenging projects as the risk of hydrocarbon disruption from the Middle East has materially risen, even in the medium to long term.
- No new orders for exploration assets for now.** While the offshore industry is currently buoyed by positive sentiment with a stronger earnings outlook in 2027, rig dayrates are still below levels at which asset owners will place new orders for exploration rigs, in our view. Production assets remain very viable of course and we expect no let-up in order momentum as oil and gas projects reach FID over the next 12-24 months.
- The offshore wind industry – from 'nice-to-have' to 'must-have'.** In an ironic twist, the Trump administration's anti-renewables stance and subsequent war on Iran, and the resulting US\$100 oil price, have reignited the fervour for renewables, at least outside of the US. We believe that even in the event of a peace deal, energy security has risen to the top of many energy-importing countries and thus could be a tailwind for offshore wind. From our industry channel checks, we note that outside the US, offshore wind is genuinely recovering, led by a record UK auction round of 8.4GW of contracts, Asian policy acceleration, and energy security concerns mentioned above. While we acknowledge that this recovery is off a low base, the future looks a bit brighter compared to 12 months ago.

### Projects In The Planning Pipeline By Region



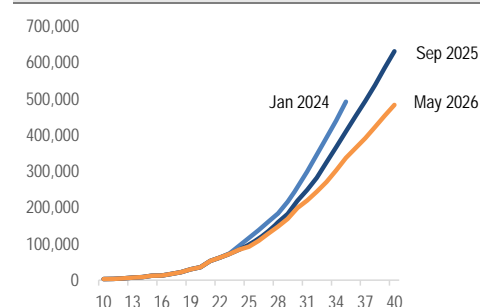
Source: Energy Market Associates

### Global Rig Supply Overview



Source: Bloomberg NEF

### Global Offshore Wind Capacity Forecasts Have Declined Over The Past Two Years (MW)

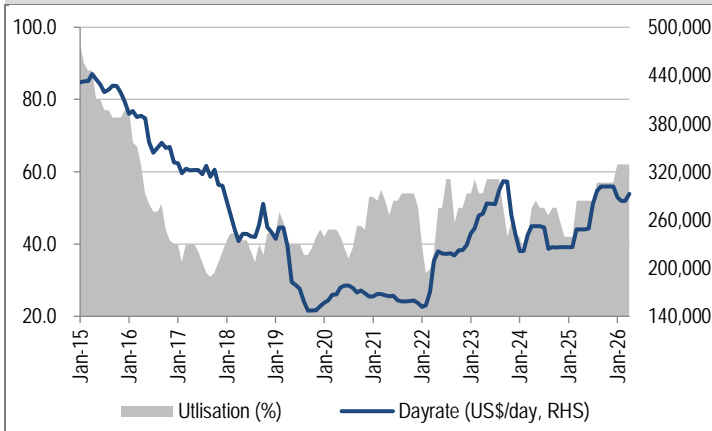


Source: Bloomberg NEF

### Sector Catalyst/Risk

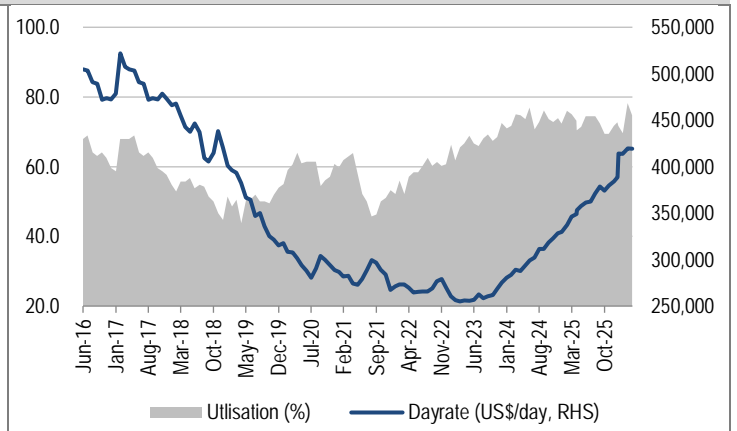
- Delays in project sanctioning due to supply chain issues.
- Lack of financing for fossil fuel-related industries.
- Global recession leading to lower capex and commodity demand.

**Dayrate & Utilisation: Semisub >7,500'**



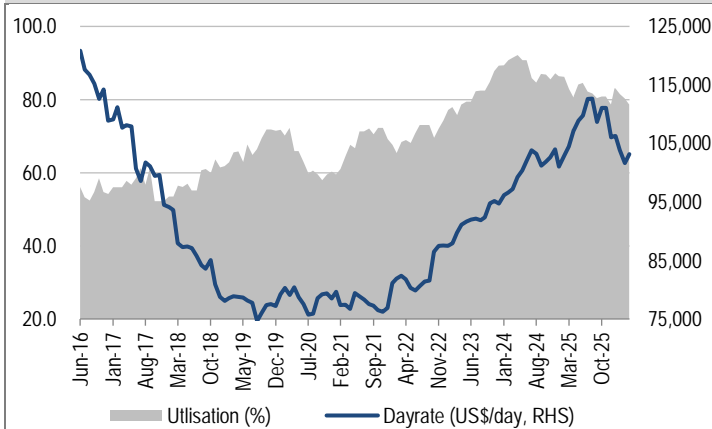
Source: Bloomberg, Riglogix

**Dayrate & Utilisation: Drillship >7,500'**



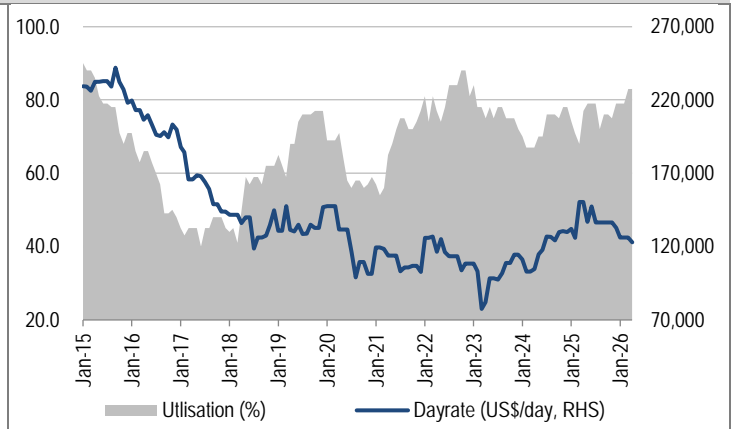
Source: Bloomberg, Riglogix

**Dayrate & Utilisation: Jackup 361-400' Independent Cantilevered**



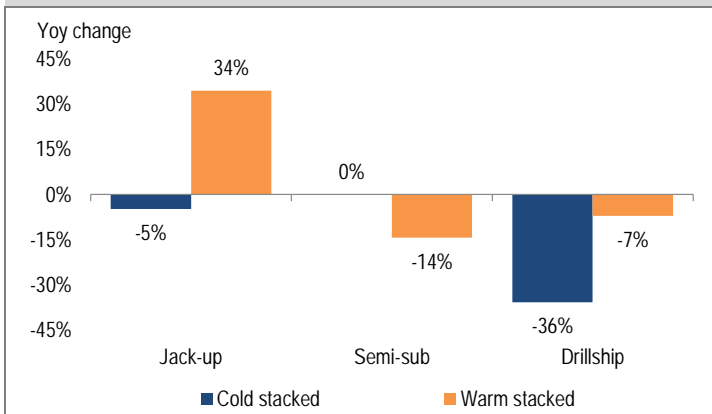
Source: Bloomberg, Riglogix

**Dayrate & Utilisation: Jack-up Harsh Standard**



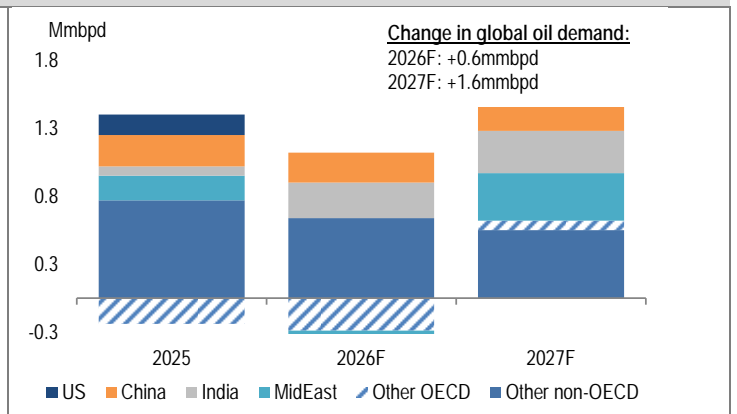
Source: Bloomberg, Riglogix

**Change In The Status Of Global Rigs**



Source: Esgjan

**Global Oil Consumption**



Source: US Energy Information Administration

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