

## Oil & Gas

### Offshore Support Vessel Market At A New Crossroads

#### Highlights

- **Takeaways from several OSV conferences reveal key shifts in OSV market conditions.** Firstly, ageing OSV fleets are becoming a more critical issue due to a lack of incentives for newbuild orders and fleet replacement. This arises from a combination of high newbuild costs, uncertainties in the timing rollout of upstream capex, restricted OSV financing, and a capped outlook on OSV daily charter rate (DCR). However, vessel age limit is also gradually fading in relevance, with oil majors including Petronas, which prioritises conditional assessments instead.
- **OSV players active in adaptation may show resilience.** Another shifting trend is ESG-focused, ie the increasing acceptance of alternative fuels and next generation hybrid designs over conventional models. However, the key hurdle is the capex premium. Still, OSV players should adapt to changing demand with regional collaborations and technology partners, while considering diversification to reduce reliance on OSV/O&G. We see non-rated players like Keyfield, Alam Maritim, Lianson Fleet and Perdana Petroleum as standouts. Maintain MARKET WEIGHT.

#### Analysis

- **Ageing OSV fleet becoming more critical...** According to Westwood Global Energy, the average age of the global offshore support vessel (OSV) fleet is 16 years, and based on the current orderbook, “young” OSVs (ie, OSV below 15 years of age) will comprise merely 17% of the global fleet by 2030. Platform Supply Vessel (PSV) fleet now averages 17.5 years old. For Malaysia’s OSV market, the average fleet age is around 13.2-14 years. Having said that, the newbuild numbers are unlikely to be exciting. Westwood estimates only 178 newbuilds on order (~6% of global fleet). This scarcity was a primary reason for the OSV utilisation upcycle in 2022-24, leading to daily charter rate (DCR) for anchor handling tug/supply (AHTS) and subsea vessels, and ultimately cashflow turnaround for many OSV owners.
- **...but decreasing in relevance.** Shipowners were faced with two options on fleet replacement. There is the option for replacement tonnage, but today’s high cost of newbuilds would imply capital costs far exceeding previous cycles. Extending the vessels’ life was the other option that gained acceptance. Life extension was a term that had until recently applied only to floating production units. Today, it is a big industry norm for OSVs. Also, charterers are setting the terms, prioritising condition and suitability over the vessel age. Petronas is one example. While it is widely known in the industry that OSVs of 20 years of age can be qualified for a Petronas charter, there is a catch. Petronas mandates OSV over 15 years to renew a condition assessment every three years with a minimum score. This condition assessment was previously more widely applied for tankers and containerships.

#### Peer Comparison

| Company           | Ticker  | Rec* | Price     | Target | Market | PE   |       |       | Yield | ROE   |
|-------------------|---------|------|-----------|--------|--------|------|-------|-------|-------|-------|
|                   |         |      | 29 Oct 26 | Price  | Cap    | 2025 | 2026F | 2027F | 2026F | 2026F |
|                   |         |      | (RM)      | (RM)   | (RMm)  | (x)  | (x)   | (x)   | (%)   | (%)   |
| Bumi Armada       | BAB MK  | HOLD | 0.35      | 0.35   | 2,045  | 4.4  | 9.6   | 8.2   | 7.2   | 4.3   |
| Dialog Group      | DLG MK  | BUY  | 2.14      | 2.95   | 12,084 | 27.4 | 22.0  | 20.1  | 4.8   | 10.0  |
| Deleum            | DLUM MK | BUY  | 0.91      | 1.45   | 365    | 5.2  | 6.5   | 5.2   | 7.8   | 14.2  |
| MISC              | MISC MK | BUY  | 8.20      | 9.50   | 36,603 | 17.5 | 15.5  | 13.2  | 4.2   | 34.7  |
| MMHE              | MMHE MK | BUY  | 0.34      | 0.53   | 544    | 5.9  | 5.3   | 6.0   | 5.3   | 14.6  |
| Petronas Dagangan | PETD MK | BUY  | 19.34     | 24.20  | 19,213 | 21.3 | 16.4  | 16.0  | 5.4   | 12.3  |
| Uzma              | UZMA MK | BUY  | 0.34      | 0.76   | 203    | 4.0  | 4.2   | 2.9   | -     | 28.7  |
| Velesto Energy    | VEB MK  | BUY  | 0.19      | 0.29   | 1,570  | 11.3 | 14.9  | 13.4  | 18.4  | 41.4  |
| Yinson Holdings   | YNS MK  | BUY  | 2.21      | 2.40   | 7,112  | 8.1  | 11.4  | 11.0  | 2.3   | 9.8   |

Source: Bloomberg, UOB Kay Hian

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### MARKET WEIGHT (Maintained)

#### Updates: Listed Local OSV Players

##### Keyfield (KEYFIELD MK/Not Rated)

Recently acquired *Inai Kenanga* for US\$24.7m, a mega trailing suction hopper dredger, as part of its ongoing effort to diversify from O&G.

##### Alam Maritim (AMRB MK/Not Rated)

Ordered a newbuild subsea vessel at POET Shipbuilding & Engineering for US\$19.8m (rather than opting for a second-hand vessel).

##### Lianson Fleet Group (LFG MK/Not Rated)

Continues its aggressive expansion into dry bulk and marine transportation. Recently, it acquired its third bulk carrier, named LFG Cengal for US\$23m. This brings total spending on Ultramax to about US\$75.3m. The group currently operates 12 OSVs and 41 marine transportation assets.

##### Perdana Petroleum (PETR MK/Not Rated)

Marking the group’s first new-build exercise since 2012 to address an average fleet age of 17 years, Perdana Petroleum ordered two new AHTS for US\$33.9m with China’s Aulong Shipbuilding, targeted for delivery in 2028.

Source: UOB Kay Hian

#### OSV: Shifting Market Conditions

| Theme              | Remarks                                                                      |
|--------------------|------------------------------------------------------------------------------|
| Newbuild: Low      | Limited yard slots, high newbuild costs                                      |
| DCR: Controlled    | Selective upstream spend, vessel age restriction relaxed/ removed            |
| Capex: Slow        | Budgets may be approved, but tenders are taking double the time to complete  |
| Funding: Selective | Bank financing remains stringent                                             |
| Vessel age limit:  | What used to be the norm (15 years of age limit) is now relaxed or abandoned |
| Relevance fading   |                                                                              |
| Fuel uncertainty   | Greater acceptance of alternative fuel increases green OSV acceptance        |

Source: Offshore Support Journal Conference Asia

#### Petronas’ Stance On OSV Age

Petronas typically needs ~118 OSV annually to maintain and service >400 platforms

Petronas’ OSV age limit is now >20 years from 15 years

This age ceiling comes with a catch. Petronas requires OSV aged >15 years to renew a condition assessment programme every 3 years, with a minimum rating of two achieved to qualify for charter.

Source: American Bureau of Shipping (ABS)

Friday, 30 October 2026

- **While ASEAN OSV demand has some support, newbuilding is not expected to be exciting.** The high cost of newbuild is one reason. Also, since 2025, AHTS and PSV DCRs have softened despite high oil prices, and the outlook suggests a DCR cap that reflects the conservative cash flow and capex generation from upstream asset owners. Other factors for the lacklustre number of newbuild orders include longer lead times to complete tenders (from six to 12 months) despite upstream budget approved, selective bank financing, and wider acceptance of alternative fuels. Nevertheless, OSV demand should be resilient in ASEAN region even if DCR remains subdued.
- **Aside from drilling campaigns, another key demand driver for ASEAN OSV is the Floating, Production, Offloading and Storage (FPSO).** Whereas global crude production is expected to increase over 2030, in Southeast Asia, production is forecast to decline. This means the region will continue to need new FPSOs to replace older assets. Collectively, about a total of 14 new units (of which 10 are FPSOs) could enter into service by 2030, into key markets like Indonesia, Malaysia and Vietnam. This may bring total FPSOs to 80 in the region. The biggest OSV beneficiary for this is AHTS, which may gain 2-4% in demand alongside FPSO developments.
- **Diversification beyond traditional O&G is Inevitable for OSV.** OSV operators should consider strategic partnerships for regional expansion (examples like Indonesia, Thailand and Vietnam) to reduce dependence on domestic tenders. Also, operators should explore marine infrastructure, subsea construction, cable laying, decommissioning and offshore renewable energy. For example, regional electricity interconnection initiatives like the ASEAN Power Grid could create cable laying and associate marine opportunities. Other supplementary opportunities include environmental monitoring and maritime infrastructure protection. Some listed OSV players are already engaging in diversification, including Lianson Fleet, Alam Maritim and Keyfield.
- **This also includes diversification in funding.** OSV financing remains in limited access, particularly when lenders typically require long-term charter commitments. In practice, lenders often prefer 30-50% of a 10-year loan covered by firm contracts. For example, Petronas' Safina OSV fleet (11 delivered so far) embeds 15-year charters (7+3+2+2 years) to derisk the investment. More recently, there are reports that indicate Malaysian banks are warming up to eco-friendly OSVs, with tailored loan terms for hybrid designs.
- **ESG: The rise of green OSV and key hurdles.** Globally, hybrid/green OSVs are proliferating, with a market size of US\$2.68b in 2024 that is projected to expand to US\$6.36b by 2033. Out of this, Asia Pacific is expected to comprise 30%. A key factor driving wider acceptance is alternative fuel, when diesel-electric hybrids have been observed to perform well especially in dynamic positioning mode. Hence, increasingly those type of vessels are specified. However, fully hybrid or green OSVs typically carry a capex premium that can be 10-20% over conventional models. For a standard PSV/AHTS vessel, this premium implies an extra cost of US\$2m-5m and typically commands higher DCR. This will likely become a deterrent for oil majors (even if they have committed to green pledges).
- **One proposed solution to address the green capex premium is a joint DCR.** A joint DCR model basically entails a vessel owner investing in the hybrid OSV and amortising the extra capex over a long charter. Oil majors commit to guarantee utilisation or, alternatively, take an equity stake or minimum payment guarantee.
- **Recap: Petronas' Safina agenda.** Launched in late-23, Safina 1 (Phase 1) was initially focused on tackling immediate market needs, involving 10 local shipyards for 11 OSVs (vs original target of 16). Safina 1 proved that local shipyards were able to deliver ahead of schedule, but most of the OSVs are smaller FCBs. Safina 2 (Phase 2) was planned for higher-specification OSVs with fuel efficiency/ green energy elements. Indirectly, OSV owners are

### ASEAN: OSV Market Comparison

| Country   | Dominant Types                         | Fleet Profile                                 |
|-----------|----------------------------------------|-----------------------------------------------|
| Malaysia  | AHTS, AWB/<br>Workboats, PSV/SSV       | ~300 active. Protected by cabotage, >13 years |
| Singapore | SOV/Subsea, FCB/<br>CTV, High-BHP AHTS | Commercial global hub. High tech fleet        |
| Indonesia | UV/LCT,<br>AHTS, PSV                   | Largest footprint; fragmented owners          |
| Thailand  | AHTS, FCB                              | Specialised for shallow gas                   |
| Vietnam   | AHTS, PSV/SSV<br>GPV/MPV               | State-backed Petrovietnam often JV            |

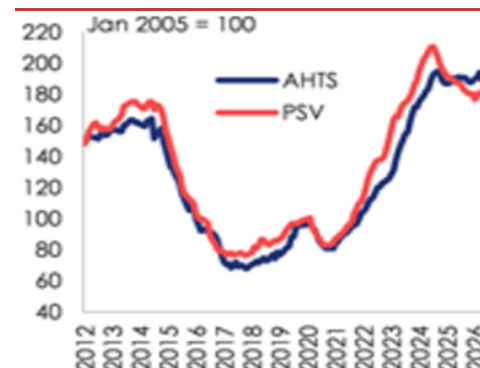
\*Note: Accommodation Work Barge (AWB), Service Operation Vessel (SOV), Platform Supply Vessel (PSV), Straight Supply Vessel (SSV), Fast Crew Boat (FCB), Brakehorse Power (BHP), Landing Craft Tank (LCT), Crew Transfer Vessel (CTV), Utility Vessel (UV), General Purpose Vessel (GPV), Multi Purpose Vessel (MPV)  
Source: Roson Energy

### Segmental OSV Profile, ASEAN

| Ship Category | Remarks                                                                                                  |
|---------------|----------------------------------------------------------------------------------------------------------|
| AHTS          | 70% of regional volume<br>5,150-8,000 BHP<br>Malaysia: deficit of <80tBHP                                |
| PSV/SSV       | ~150 active (ASEAN)<br>Large deck (>1,000m <sup>3</sup> )<br>Often deployed to Middle East               |
| SOV/ AWB      | Vital for >400 ageing platforms<br>Hook up commissioning<br>AWB has high seasonal utilisation            |
| FCB/CTV       | Crucial for Malaysia and Thailand<br>CTV dominate Taiwan/global<br>SouthEast Asia relies on FCB for cost |

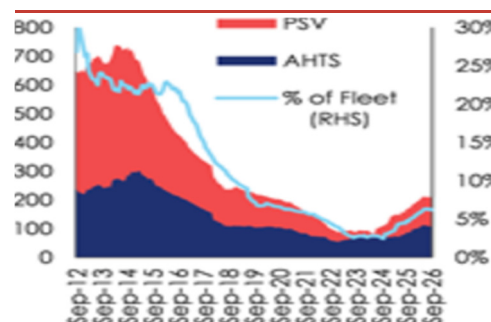
Source: Roson Energy

### Clarkson's OSV Rate Index\*



Source: Clarksons \*Note: Latest Index is 186.3

### Clarkson's OSV Orderbook



Source: Clarksons

encouraged to design next-generation hybrid systems (diesel electric or battery packs). Collectively, both Safina projects target to systematically replace 100 aged OSVs in Malaysia. Safina 2 was originally planned for a 3Q24 rollout, and then for a late-25 rollout, but there is no public update at present. An investor briefing of Nam Cheong in early-26 showed an update from Nam Cheong management that they did not receive any orders related to Safina 2.

## Valuation/Recommendation

- **Maintain MARKET WEIGHT.** Although we have more BUY calls in terms of valuation grounds, we remain neutral on the sector until we see firm clarity on the resolution of the Petronas-Petros political impasse, which we identified to be the key sector derating since 2H24, and is an assumption we have been holding since then. Despite high oil prices, the sector's earnings are still inhibited by near-term risks, such as delayed plant maintenance and turnaround, and short-term work order disruptions due to Petronas Carigali portfolio restructuring.
- **Keyfield International (KEYFIELD MK/Not Rated):** Reflecting its diversification from O&G, Keyfield has spent US\$24.7m to acquire Inai Kenanga, a mega trailing suction hopper dredger with hopper capacity of 32,205m<sup>3</sup> designed for large-scale dredging, land reclamation, major infrastructure and coastal development projects. It is the second non-O&G vessel following the acquisition of Keyfield Blessing, a cable-laying barge in 2025. It replicated its track record for purchasing assets at below market value (the former owner was in receivership). The independent market valuation for Inai Kenanga was US\$63.7m, while constructing a similarly specified dredger may cost over US\$150m. In addition, Keyfield formed a 60:40 JV partnership with Singapore-based dredger Starhigh Asia Pacific to mark its foray into the dredging industry.
- **Alam Maritim (AMRB MK/Not Rated): Favouring newbuild investment vs second-hand subsea vessels.** AMRB recently ordered a newbuild subsea vessel at POET Shipbuilding & Engineering for US\$19.8m. This brings its OSV fleet up to five, of which four are on bareboat charters. This aligns with the group's strategy of strengthening its position in the subsea segment, which remains a key earnings driver for the group. AMRB opted to construct a newbuild. This is because the alternative of purchasing a second-hand vessel may lead to issues including limited availability of suitable older fleet, high refurbishment costs (which offsets the low initial investment), and age limitations.
- **Lianson Fleet Group (LFG MK/Not Rated): Recollecting its forte in dry bulk shipping.** LFG continues its aggressive expansion into dry bulk and marine transportation, beyond traditional O&G OSVs. Recently, it acquired its third bulk carrier, named LFG Cengal for US\$23m. This brings total spending on Ultramaxs to about US\$75.3m. The group currently operates 12 OSVs and 41 marine transportation assets. Management aims to lower the average age of its fleet from 15 years down to approximately 10 years over the next two to three years following vessel disposal. To recap, **Yinson Holdings (YNS MK/BUY/ Target: RM2.40)** is a minority shareholder with 16% stake.
- **Perdana Petroleum (PETR MK/Not Rated):** Marking the group's first new-build exercise since 2012 to address an average fleet age of 17 years, Perdana Petroleum ordered two new AHTS for **US\$33.9m** with China's Aulong Shipbuilding, targeted for delivery in 2028.

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