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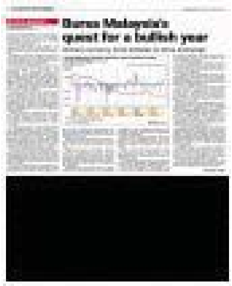

CORPORATE

T7 Global sets sail towards higher earnings

By GANESHWARAN KANA
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T7 Global Bhd achieved an important milestone this week following the naming ceremony for its third Mobile Offshore Production Unit (Mopu).

The new Mopu, named as TSeven Shirley, has been completed and it is scheduled to set sail for the Nong Yao oil field in the southern Gulf of Thailand.

This deployment marks the group's foray into Thailand waters.

The RM400mil TSeven Shirley project is expected to achieve the first oil and start contributing in 2024.

"Upon first oil, this Mopu contract will provide us with consistent income for the next five years," chief executive officer Tan Kay Zhuin tells *StarBizWeek*.

A Mopu is a type of purpose-built portable offshore structure that can be reused when procuring oil and gas (O&G) from the seabed.

Mopus are popular solutions used in shallow-water projects in the Middle East and Asia.

It is noteworthy that the group's second Mopu, TSeven Elise, achieved first gas last July and will provide income to T7 Global for a 10-year period.

TSeven Elise was leased to PETRONAS Carigali Sdn Bhd for the Bayan Redevelopment Project Gas Phase 2, located in Sarawak. T7 Global also provides operational and maintenance services to the Mopu.

"We have the expertise and experience in delivering successful Mopu applications to O&G majors, therefore we remain positive to secure future Mopu works."

Tan Kay Zhuin

TSeven Elise is the major reason behind the surge in T7 Global's earnings in the first nine months of 2023 (9M23).

Net profit more than doubled to RM18.7mil from RM8.9mil in the previous corresponding nine-month period.

Meanwhile, revenue surged by almost 72% year-on-year (y-o-y) to RM335.4mil.

The improvement in bottom line also raised T7 Global's net profit margin to 9.5%.

UOB Kay Hian Research said in a previous report that TSeven Elise would earn between a 10% and 15% profit margin, on an order book of less than RM1bil for 10 years from the first gas date.

Kay Zhuin declined to comment when asked about the profit margin the new Mopu, TSeven Shirley, would fetch.

Kay Zhuin is the son of Tan Sri Tan Kean Soon – the deputy chairman and major shareholder of T7 Global – and the elder brother of Tan Kay Vin, who sits on the board as executive director.

Kean Soon owns a 19.4% stake in the group, both directly and indirectly. Kay Vin holds another 2.3%.

It is worth noting that T7 Global first embarked into the Mopu landscape in 2005, when it leased a converted unit to UK energy services company Petrofac Ltd for the Cendor oilfield development project.

The project ended in 2014.

Looking ahead, Kay Zhuin has a positive outlook for T7 Global in 2024.

TSeven Elise will provide its first full-year contribution this year, and it will be complemented by the income from TSeven Shirley.

Kay Zhuin also says that the group is consistently on the lookout for the next Mopu project, riding on the growing regional demand for similar shallow water application.

"We are being invited to bid for other Mopu opportunities in the region.

"We have the expertise and experience in delivering successful Mopu applications to O&G majors, therefore we remain positive to secure future Mopu works," he says.

In addition to its Mopu business, Kay Zhuin also sees potential opportunities for T7 Global's other O&G services.

"With the current oil price stabilising at the current levels and increased capital expenditure (capex) and operating expenditure from Petroliam Nasional Bhd (PETRONAS), we foresee heightened activities in the O&G industry, thus benefiting our various services within this segment.

"We have been actively pursuing potential work.

"For example, we are looking at a high level of activities in offshore well abandonment and facility decommissioning works due to the increasing number of mature fields and aging offshore facilities," he adds.

Despite the group's strong growth in the O&G space, T7 Global has been trying since 2016 to reduce its reliance on energy-related businesses.

It has since began its diversification into the aerospace and defence as well as construction businesses.

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T7 Global's decision to diversify showing results

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It is believed that about 10% of T7 Global's orderbook of RM2.3bil as of the third quarter of 2023 (3Q23) is contributed by the non-energy segments.

Meanwhile, the group's tenderbook stands at RM2bil, which is a combination of its energy and non-energy segments.

T7 Global's decision to diversify has started to show promising results.

In 3Q23, the non-energy segment recorded a 550% y-o-y revenue growth, especially due to contributions from the baggage handling system (BHS) asset replacement programme at Terminal 1, Kuala Lumpur International Airport.

T7 Global bagged the three-year BHS contract in December 2022 via a consortium with Siemens Logistics, undertaken for Malaysia Airports Holdings Bhd.

This project, which falls under the construction segment, features Siemens Logistics' VarioBelt belt conveyor, which will give the airport a higher storage capacity of 2,500 bag positions.

T7 Global is responsible for the installation, steel support and construction, refurbishment of supervisory control and data acquisition.

Within the construction segment, Kay Zhuin says T7 Global targets "specialised projects" such as airport logistics and infrastructure projects by teaming up with reputable original equipment manufacturers (OEMs). "For example, one of our solution partners is Siemens where we work on airport logistics solutions and distributed control systems."

As for the aerospace business, Kay Zhuin is optimistic about its growth trajectory, especially with the increasing global demand for aircraft.

The group has secured contracts to treat Boeing components and is actively pursuing approvals from other customers as well.

"We are actively exploring additional opportunities with potential aerospace clients to enhance the overall utilisation rate of the T7 Aerotech plant.

"We continue to receive more orders from existing customers and qualify more parts with our existing and new customers," he says.

It is believed that T7 Global and its Japanese OEM partner is close to clinching a contract from the Defence Ministry to supply an air traffic surveillance system.

A source not related to T7 Global tells *StarBizWeek* that the five-year contract worth between RM60mil and RM80mil is in the final stages of approval.

Another key milestone in T7 Global's diversification away from O&G businesses is the RM21mil contract it secured from Tenaga Nasional Bhd (TNB) to supply smart metres.

The two-year contract until Sept 28, 2025 will involve the supply of 79,800 units of single-phase radio frequency smart metres, and 19,950 units of three phase radio frequency smart metres.

Following the win, BIMB Securities said that while the contract value is rather small, it was positive that the company may generate recurring income from similar service given TNB's target to install up to nine million units by end-2029.

Amid robust new orders and the strong growth in earnings, the obvious question among many shareholders would be about T7 Global's resumption of dividend payouts.

However, Kay Zhuin hints that dividends are not in the cards anytime soon, pointing out that "T7 Global is still a growing company. By prioritising cash conservation, T7 Global aims to strengthen its financial position and ensure ample resources are available for future growth opportunities.

"As our offshore energy assets are capex expenditure intensive by nature, we would like to highlight that the cash flows consist of contributions from long-term leasing of our assets and will eventually pare down the current debt," he says.