

27 February 2018 | 4QFY17 Results Review

## Bumi Armada Berhad

*Sunnier days ahead*

### INVESTMENT HIGHLIGHTS

- **Bumi Armada's (BAB) 4QFY17 reported net profit in-line at RM352.2m**
- **Both business segments maintained operating profitability**
- **Firm orderbook stands at RM22.3b**
- **OSV utilisation rate in 4QFY17 struggled at 48%**
- **Maintain NEUTRAL (with positive bias) with unchanged TP of RM0.85 per share**

**Profit within estimates.** BAB's 4QFY17 reported earnings sustained in the black for the fourth consecutive quarter at RM63.8m. Excluding gains on disposal of RM16.8m, BAB's 4QFY17 normalised earnings came in at RM47.0m. The company's cumulative FY17 reported earnings and normalised earnings (excluding gain on disposals and impairments) came in at RM352.2m and RM257.0m respectively, accounting for 95% of our full year normalised earnings estimates. The company's earnings however missed consensus estimates by a variance of more than >20%.

**FPO (previously FPSO & FGS) segment.** Segment revenue nearly quadrupled to RM1.4b while segment profit surged to RM428.7m. The commendable results are attributable to higher contribution from Armada Olombendo FPSO, Armada LNG Mediterrana FSU and supplementary payments for the Armada Kraken FPSO project. The company recorded an average vessel utilisation uptime of 99% for the year.

**OMS segment.** The Offshore Marine Segment (OMS), an amalgamation of the offshore support vessel (OSV) and Transport & Installation (T&I) segments managed to sustain revenue at RM969.2m (+5.0%yoy) while suffered slight decline of -9.9%yoy in operating profit at RM153.8m. The commendable earnings are a result of a one-off revenue recognised based on work completed on the LukOil project arising from signing of the supplementary agreement. Utilisation rate declined slightly to 43% in the final quarter of the year.

**Impact on earnings.** No change to our earnings estimates.

**Orderbook.** The company's latest orderbook as at 31 December 2017 stands at RM22.3b compared with RM22.7b as at 30 September 2017. 93% of the orderbook consists of FPO contracts (RM20.7b) while the remaining 7% are OMS jobs (RM1.6b). The optional extension orderbook stands at RM12.5b.

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM0.85**


#### RETURN STATS

Price (26 February 2018)	RM0.870
Target Price	RM0.850
Expected Share Price Return	-2.3%
Expected Dividend Yield	+1.3%
<b>Expected Total Return</b>	<b>-1.0%</b>

#### STOCK INFO

KLCI	1,860.08
Bursa / Bloomberg	5210 / BAB MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,866.3
Market cap. (RM'm)	5,103.7
Price over NA	0.7x
52-wk price Range	RM0.68 – RM0.89
Beta (against KLCI)	1.27
3-mth Avg Daily Vol	13.6m
3-mth Avg Daily Value	RM10.9m
Major Shareholders (%)	
Objektif Bersatu	34.92
Permodalan Nasional Berhad & its associated funds	12.26
Employee Provident Fund	6.20

**FPO** – Floating Production and Operation  
**FPSO**–Floating Production Storage Offloading  
**FSU** – Floating Storage Unit  
**OMS** – Offshore Marine Services

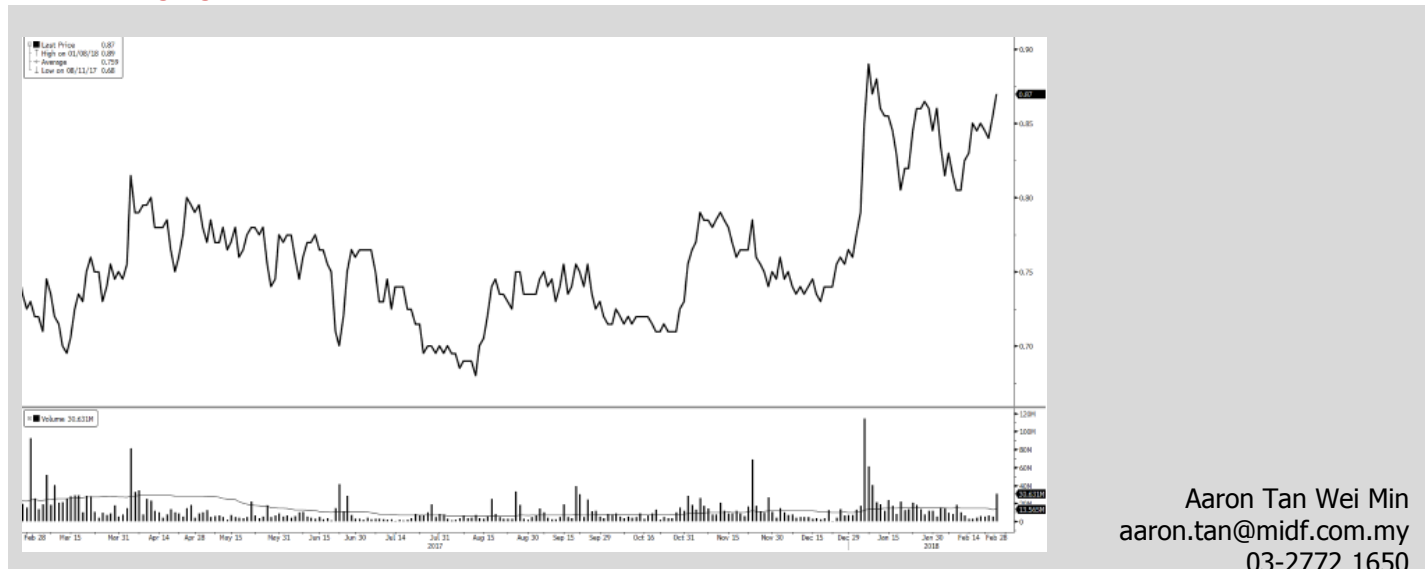
**Maintain NEUTRAL.** We are maintaining our **NEUTRAL** (with positive bias) recommendation on BAB with an unchanged target price of **RM0.85** per share. Our valuation is based on PER18 of 15x pegged to EPS18 of 5.7sen. With the company's macro outlook improving and optimism on upstream exploration and production activities, we believe that the FPO segment could benefit positively. However, we still believe that the OMS segment could face further headwinds as the OSV segment (especially the higher brake horsepower vessels) remain in an oversupply state. 

## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM m)	2,179.7	1,416.6	2,402.1	2,576.8	2,748.4
EBIT (RM m)	322.9	-1,744.3	767.2	489.7	511.5
Pretax Profit (RM'm)	-171.4	1,845.1	492.2	400.5	422.3
Normalised Net Profit (RM m)	188.5	-144.0	265.0	334.4	352.6
Reported Net Profit (RM'm)	-234.6	-1,887.2	352.2	334.4	352.6
EPS (sen)	nm	-32.2	6	5.7	6
EPS Growth (%)	nm	nm	nm	-5.4	5.45
PER (x)	nm	-2.7	14.5	15.3	14.5
Net Dividend (sen)	0.8	0	0	0.8	1.8
Net Dividend (%)	1.3	0	0	1.3	2.9

Source: MIDFR

## DAILY PRICE CHART



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Source: MIDFR, Company

## 4QFY17 Results Review Summary

FYE Dec (RM m)	Quarterly Results			Cumulative			Comments
	4Q17	QoQ (%)	YoY (%)	FY16	FY17	YoY (%)	
Revenue	662.1	3.2	222.3	1317.4	2402.1	82.3	
COGS	-462.2	-3.8	26.7	-1537.5	-1596.2	3.8	
Gross Profit	199.9	24.3	-225.5	-220.1	805.9	-466.2	
Other Operating Income	30.8	-66.6	-81.2	188.2	177.9	-5.5	
Selling & Dist Cost	-4.6	122.9	-73.9	-29.8	-20.8	-30.1	
Admin Expenses	-44.0	-1.8	-32.5	-116.3	-195.8	68.3	
Operating Profit	182.1	-11.6	-333.1	-178.0	767.2	-531.0	
Impairment	-0.7	-65.2	-99.9	-1743.2	-8.3	-99.5	
Finance Costs	-125.8	-5.5	265.7	-100.8	-431.0	327.6	
JCE	24.6	-69.8	-172.0	77.7	164.3	111.5	
PBT	80.3	-47.3	-106.2	-1944.3	492.2	-125.3	
Tax	-2.4	-91.4	-83.9	-60.8	-115.8	90.6	
MI	14.1	2093.8	-220.5	-37.4	24.2	-164.6	
PATAMI	63.8	-48.4	nm	-1967.7	352.2	-117.9	
Normalised PATAMI	64.5	8.6	-143.0	-224.5	360.6	-260.6	Inclusive of gain on disposal of Armada Intrepid
Segmental:							
<i>Revenue</i>							
- FPO (FPSO & FGS)	452.8	12.5	8647.3	394.2	1432.9	263.5	
- OMS	209.3	-12.3	4.5	923.2	969.2	5.0	
Total	662.1	3.2	222.3	1317.4	2402.1	82.3	
<i>Operating Profit</i>							
- FPO (FPSO & FGS)	104.5	-6.4	nm	97.8	428.7	338.1	
- OSV	28.6	555.3	nm	170.7	153.8	-9.9	

Source: MIDFR, Company

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.