

06 August 2018 | Corporate Update

Bumi Armada Berhad

New contract for TGT1

INVESTMENT HIGHLIGHTS

- **Bumi Armada (BAB) signed bare boat charter for FPSO Armada TGT1 with Hoang Long JOC**
- **Contract value worth USD285m (approx. RM1.16b)**
- **Duration for six years**
- **Termination option in place after 2021**
- **Maintain Trading Buy with unchanged TP of RM0.90**

New contract for Armada TGT1. BAB signed a bare boat charter contract with Hoang Long Joint Operating Company (HLJOC) for the charter of FPSO Armada TGT 1 with a firm charter period from 27 August 2018 until 14 November 2024 with a contract value of USD285m (approximately RM1.16b).

Background of contract. This new signing is a continuation of an existing contract signed with HLJOC back in 1 September 2009 for a period of seven years with extension options. This new contract however, now incorporates a termination option to HLJOC in an event that the production of Block 16-1, Vietnam falls below an economic level, without any termination fee.

Impact on earnings. No impact to earnings forecasts as new wins within estimates.

Orderbook. The company's latest orderbook as at 31 March 2018 stands at RM26.2b compared with RM22.3b as at 31 December 2017. 95% of the orderbook consists of FPO contracts (RM24.8b) while the remaining 5% are OMS jobs (RM1.4b). The optional extension orderbook stands at RM11.1b.

Maintain Trading Buy. The recent broad market decline presents buying opportunity for BAB. We are of the opinion that: (i) company fundamentals remain intact; (ii) FPSO projects poised to pick up in FY18 and FY19 and; (iii) earnings stability seen in FY18. We are maintaining our **TRADING BUY** recommendation with an unchanged TP of **RM0.90 per share** to take advantage of the share price decline and the trading opportunity for recovery. Our valuation is based on PER19 of 15x pegged to EPS19 of 5.9sen.

Maintain TRADING BUY


Target Price (TP): RM0.90

RETURN STATS

Price (3 August 2018)	RM0.71
Target Price	RM0.90
Expected Share Price Return	+26.8%
Expected Dividend Yield	+1.3%
Expected Total Return	+28.1%

STOCK INFO

KLCI	1,780.09
Bursa / Bloomberg	5210 / BAB MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,870.9
Market cap. (RM'm)	4,168.0
Price over NA	0.7x
52-wk price Range	RM0.68 – RM0.94
Beta (against KLCI)	1.53
3-mth Avg Daily Vol	9.0m
3-mth Avg Daily Value	RM4.25m
Major Shareholders (%)	
Objektif Bersatu	34.9
Permodalan Nasional Berhad & its associated funds	12.9
Employee Provident Fund	7.4
FPO – Floating Production and Operation FPSO –Floating Production Storage Offloading FSU – Floating Storage Unit OMS – Offshore Marine Services	

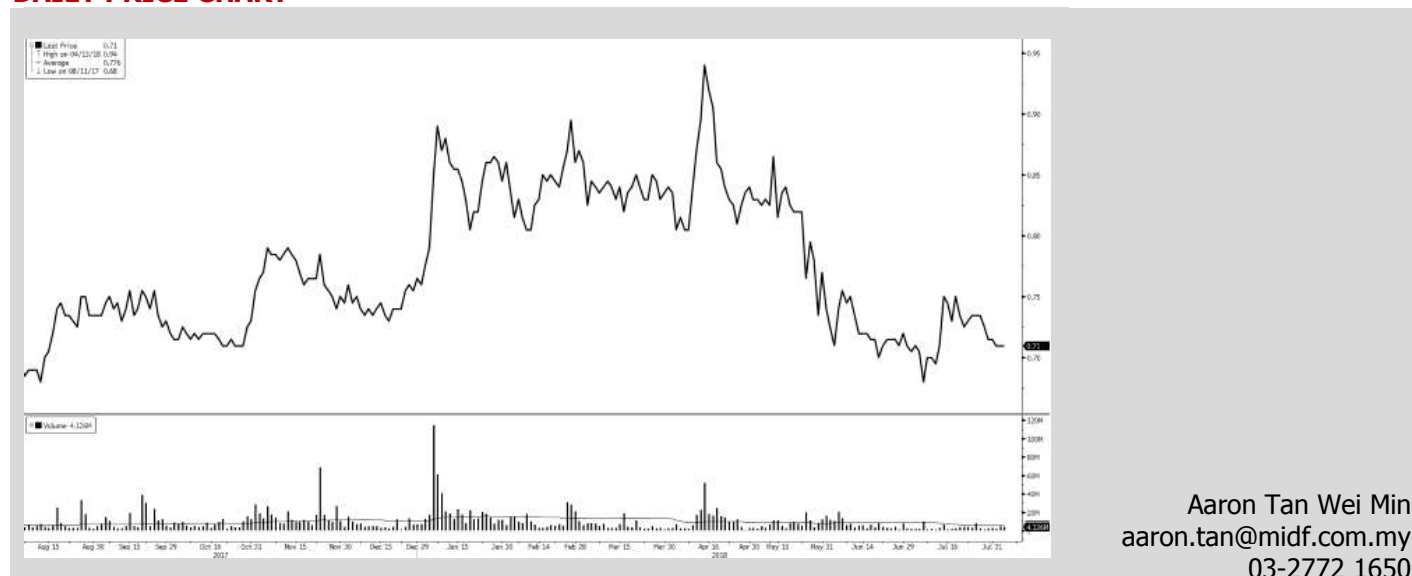
With the company's macro outlook improving and optimism on upstream exploration and production activities, we believe that the FPO segment could benefit positively. However, we still believe that the OMS segment could face further headwinds as the OSV segment (especially the higher brake horsepower vessels) remain in an oversupply state. 

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM m)	2,179.70	1,416.60	2,402.10	2,492.60	2,633.80
EBIT (RM m)	322.9	-1,744.30	767.2	480.7	502.3
Pretax Profit (RM'm)	-171.4	1,845.10	492.2	391.5	413.1
Normalised Net Profit (RM m)	188.5	-144	265	326.9	345
Reported Net Profit (RM'm)	-234.6	-1,887.20	352.2	306.4	345
EPS (sen)	nm	-32.2	6	5.5	5.9
EPS Growth (%)	nm	nm	nm	-7.52	5.52
PER (x)	nm	nm	11.8	12.8	12.1
Net Dividend (sen)	0.8	0	0	0.8	0.8
Net Dividend (%)	1.3	0	0	1.3	1.3

Source: MIDFR

DAILY PRICE CHART



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.