

Bumi Armada Berhad

(5210 | BAB MK) Energy | Energy Infrastructure, Equipment & Services

FPSO, FLNG Pipes to be Operated in Tarakan Basin


KEY INVESTMENT HIGHLIGHTS

- **PSC signed with Ministry of Energy, Indonesia together with Pexco Tarakan NV**
- **BAB will provide and operate FPSO and FLNG/pipelines**
- **Tulip field in Tarakan Basin has approx. 153.2Bboe of natural gas, and 60Mmboe of crude oil**
- **Maintain BUY with unchanged TP: RM0.67**

PSC with Indonesian government. Bumi Armada Berhad (BAB) announced that its wholly owned subsidiary Armada Akia B.V (AABV) and its co-bidder Pexco Tarakan NV (Pexco) have signed a Production Sharing Contract with the Ministry of Energy and Mineral Resources of Indonesia for the Akia PSC in the Tarakan Basin, North Kalimantan Province. AABV is the operator with 51% participating interest, while Pexco owns the remaining 49%.

Large potential reserves. Akia PSC covers nearly 8,400 sqkm and contains the Aster and Tulip oil and gas discoveries. Tulip has an estimated volume of 860BCF (approx. 153.2Bboe) of natural gas and 60Mboe of oil and condensate. BAB would provide and operate an FPSO and an FLNG or gas pipeline for the project. We believe this will contribute positively to BAB, given its core expertise in providing and operating FPSO systems.

PSC benefits outweigh the challenges. PSCs allowed a shared exploration and production (E&P) risks and resource access. With the Indonesian government involved, we believe BAB will be able to ensure a smooth technology transfer and upholding the utmost standards in safety. While the contractual, market price and political risks remain, we believe it would have minimal impact given that PSC's would often benefit the contractors, as they are permitted to monetise from produced oil sales after royalties payment to the host government.

No changes to earnings estimates. In consideration of the PSC had yet to fulfill its E&P stages and initial E&P can take up to 3 years, we make not changes to our earnings estimates at this juncture. As such, we maintain a **BUY** call on BAB, with an unchanged **target price of RM0.79**. We are positive on BAB's prospects in this new project, as Tarakan Basin has a long history of exploration of nearly a century. About 80% of its shelf exploration had proven reserves, and the complex geological structures and high potentiality of deepwater sub-basins in the area signals more untapped prospects in the Basin; giving more time and leverage for BAB to benefit from this PSC. 

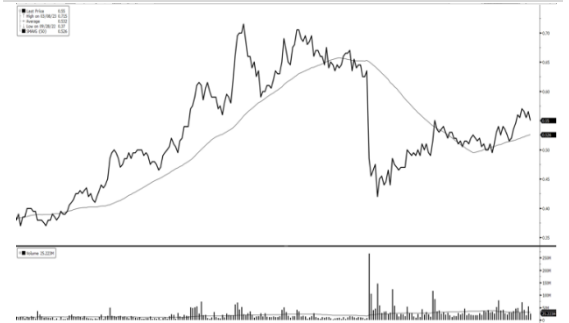
Maintain BUY

Unchanged Target Price: RM0.67

RETURN STATISTICS

Price @ 25 th September 2023 (RM)	0.55
Expected share price return (%)	+21.8
Expected dividend yield (%)	+1.0
Expected total return (%)	+22.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.0	10.1
3 months	17.0	13.9
12 months	44.7	41.7

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,225	2,247	2,270
Operating Profit	1,123	1,168	1,213
Profit Before Tax	709	818	863
Core PATAMI	737	782	827
Core EPS	12.5	13.2	14.0
DPS	0.8	1.0	2.0
Dividend Yield	0.0%	1.0%	2.0%

KEY STATISTICS

FBM KLCI	1,443.5
Issue shares (m)	5,918.1
Estimated free float (%)	39.3
Market Capitalisation (RM'm)	3,257.5
52-wk price range	RM0.36-RM0.73
3-mth average daily volume (m)	31.7
3-mth average daily value (RM'm)	16.6
Top Shareholders (%)	
Objektif Bersatu Sdn Bhd	34.58
Amanah Saham Nasional Bhd	12.62
Norges Bank	5.04

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,237.0	2,405.5	2,225.1	2,247.3	2,269.8
D&A	465.8	342.7	428.9	411.5	410.5
EBITDA	959.3	1,026.5	1,123.1	1,167.8	1,212.8
Net interest	-16.4	-7.8	-7.5	-7.0	-7.0
Profit before tax	602.8	709.0	773.1	817.8	862.8
Tax	-16.6	15.7	15.7	16.1	16.1
PATAMI	631.1	724.7	737.1	781.8	826.8
Core PATAMI	574.1	732.4	737.1	781.8	826.8
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	4,212.8	4,011.5	4,046.1	4,162.9	4,557.9
Intangible assets	4,403.4	4,350.6	4,444.6	4,339.2	4,260.6
Non-current assets	10,160.4	9,906.5	9,526.6	9,897.4	10,407.5
Cash	794.8	838.8	741.5	794.6	821.0
Trade debtors	494.3	506.9	462.0	510.1	516.3
Current assets	1,654.6	1,819.5	1,862.0	1,833.3	1,865.1
Trade creditors	158.9	182.6	235.9	256.0	259.9
Short-term debt	1,404.1	1,018.4	1,258.0	1,276.8	1,374.1
Current liabilities	1,992.3	1,615.7	1,658.0	1,674.1	1,776.8
Long-term debt	5,514.2	4,486.4	4,651.2	4,744.4	5,058.6
Non-current liabilities	6,102.8	5,014.7	5,296.4	5,685.8	5,929.7
Share capital	4,328.4	4,332.4	4,327.4	4,330.1	4,432.3
Retained earnings	-365.7	814.2	848.3	835.3	954.7
Equity	3,921.8	5,095.6	5,175.7	5,165.4	5,387.0
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	602.8	709.0	773.1	817.8	862.8
Depreciation & amortisation	465.8	342.7	428.9	411.5	410.5
Changes in working capital	271.0	300.1	277.7	335.8	373.9
Operating cash flow	1,360.5	1,350.4	1,421.0	1,423.7	1,483.6
Capital expenditure	-13.0	-1.5	-40.5	-41.1	-42.3
Investing cash flow	193.5	346.4	365.4	365.4	365.4
Debt raised/(repaid)	-1651.5	-1747.3	-1616.0	-1439.3	-1297.7
Financing cash flow	-1655.6	-1749.9	-1530.3	-1341.6	-1272.6
Net cash flow	(101.64)	(53.16)	256.08	447.41	576.34
Beginning cash flow	894.78	843.39	838.87	741.46	794.64
Ending cash flow	843.39	838.87	741.46	794.64	820.98
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	42.9%	42.7%	50.5%	52.0%	53.4%
PBT margin	26.9%	29.5%	34.7%	36.4%	38.0%
Core PAT margin	25.7%	30.4%	33.1%	34.8%	36.4%

Source: Company, MIDFR

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology