

Bumi Armada Berhad

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

Maintain BUY

Impairments Reversal Pushed Earnings Higher

Revised Target Price: RM0.84
(previously RM0.62)

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings up +20%yoy, came in above expectations**
- **Revenue up +17%yoy due to higher contribution from Olembendo and Kraken**
- **Promising prospects for Sterling V and Akia PSC**
- **FY24-25 earnings forecast revised up by +73% and +55%**
- **Maintain BUY with revised TP: RM0.84**

Maintain BUY, revised TP: RM0.84. Bumi Armada Berhad (BAB)'s 1QFY24 earnings came in above our yearly expectations at 52% and consensus' at 30%. We maintain our **BUY** call with a revised **target price to RM0.84** (previously RM0.62); adjusting to the impairment reversal of Kraken FPSO and Caspian Sea assets, in addition to at least three discussions to extend the charter for its FPSOs.

1QFY24 PATAMI up +20%yoy. BAB's 1QFY24 revenue gained +16.8% to RM635.5m, while normalised earnings gained +19.7%yoy to RM240.5m. The improved performance was due to higher contribution from Armada Olombendo FPSO and Armada Kraken FPSO, offset by lower share of results from JV and associates attributed to the share of loss from associates involved in the conversion of the Armada Sterling V FPSO. The associates incurred costs during the start-up phase but has not commenced full charter hire.

Operations segment profit gained +35%yoy. 1QFY24 revenue increased by +19.9%yoy to RM634.2m, while earnings gained +35.2%yoy to RM429.6m. The higher performance was mainly due to higher revenue from Armada Olombendo FPSO resulting from resolution of outstanding issues with the charterer (including escalation of the operating fee pursuant to the charter agreement), and higher revenue from Armada Kraken FPSO resulting from higher vessel availability.

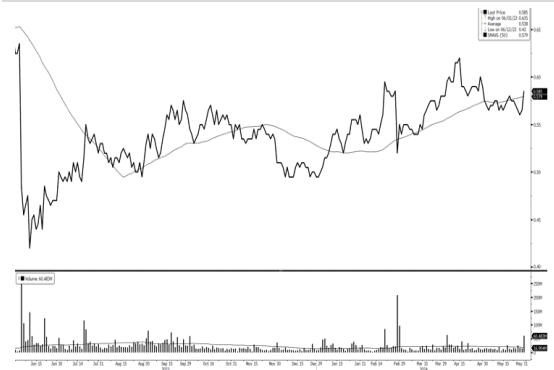
Others segment earnings down 8-fold. 1QFY24 revenue slipped -91.1%yoy to RM1.3m due to lower revenue from engineering services. Meanwhile, earnings for this segment slipped to a deficit of -RM24.8m from RM3.7m in 1QFY23. The lower earnings were mainly due to the lower revenue from engineering services and higher forex loss arising from translation of intercompany balances denominated in foreign currency.

USD26m debt repaid. The group had repaid its debt totaling to USD26m (approx. RM122.2m) in 1QFY24, with net gearing at 0.56x, the lowest since 2QFY15. Meanwhile, Armada's orderbook stood at RM9.7b as of 1QFY24. Certain contracts contain extension options beyond the firm contract period with a total estimated value of RM10.3b.

RETURN STATISTICS

Price @ 30 th May 2024 (RM)	0.59
Expected share price return (%)	+42.4
Expected dividend yield (%)	0.0
Expected total return (%)	+42.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-2.6
3 months	0.9	2.9
12 months	-9.3	-21.0

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	2,325	2,348	2,466
Operating Profit	1,166	1,180	1,201
Profit Before Tax	846	870	901
Core PATAMI	803	833	867
Core EPS	13.56	14.07	14.64
DPS	0.0	0.0	0.0
Dividend Yield	0.0%	0.0%	0.0%

KEY STATISTICS

FBM KLCI	1604.26
Issue shares (m)	5922.67
Estimated free float (%)	38.95
Market Capitalisation (RM'm)	3467.81
52-wk price range	RM0.41-RM0.66
3-mth average daily volume (m)	17.51
3-mth average daily value (RM'm)	10.06
Top Shareholders (%)	
Objektif Bersatu Sdn Bhd	34.55
Amanah Saham Nasional Bhd	13.23
Norges Bank	3.99

Armada TGT 1 FPSO is amid discussion to extend its lease after the end of its contract in 4QCY24. Similarly, Sterling II FPSO is under a 12-month extension, with the potential to extend its lease. As of 1QCY24, 3 of its JV units saw 100% average uptime, while the 4 owned units saw an average uptime of 99.0%.

For updates on 1QFY24 charter period of FPO units, refer to Table 1.


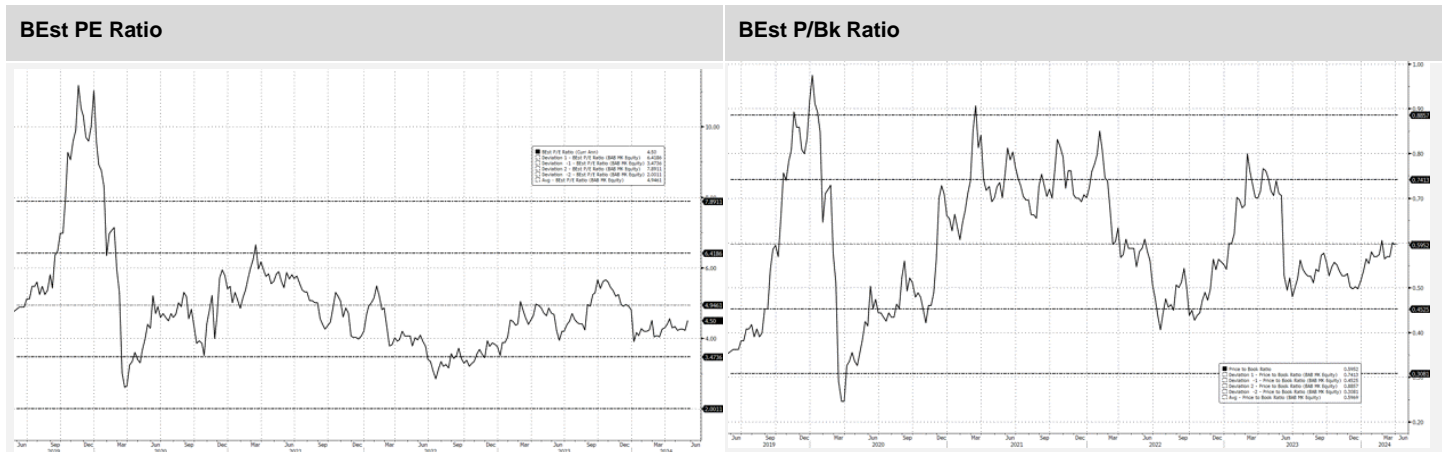
Revised earnings estimates. All in all, we adjusted our earnings forecast for FY24 and FY25 upward by +73% and +55% respectively. This is in light that the impairments from Kraken FPSO and Caspian Sea assets had been fully reversed, in addition to the anticipation of the commencement of Final Acceptance Test in Sterling V to contribute to charter rates, and Akia PSC progressing to the seismic testing by 4QCY24, with appraisal wells expected in CY25. We maintain our **BUY** call on BAB with a revised **target price to RM0.84** by pegging a new PER of 6.2x to the revised EPS24 of 13.6sen. With the absence of impairments, a promising extension for its FPSOs and strong ESG initiatives, we shift our PER to BAB's 3-year historical PER. 

Table 1: Update on Bumi Armada's FPO vessels as of 1QCY24

Unit	Location	LTI Free	Key Operations Update	Charter Period	
				Firm Contract	Optional Extension
Armada Kraken FPSO	Kraken Field, United Kingdom	2 years	a) Commenced Main Power Generator-1 36,000 hours service b) HSP oil system flushed and new cooler installed c) Drone inspection of topsides structures	3Q 2025	>2039
Armada Olombendo FPSO	15/06 Field, Angola	2 years	a) Dry Gas Seal Change out of preparation b) Turret Bearing Greasing unit installation completed	3Q 2030	2Q 2038
Armada LNG Mediterrana FSU	Marsaxlokk Bay, Malta	6 years	Annual pressure testing and hybrid hose replacement at send out manifold	1Q 2035	N/A
Armada TGT 1 FPSO	TGT Field, Vietnam	12 years	a) Class approved leak repairs to Cargo and Water Ballast Piping b) Engine changeout of Gas Turbine Compressor A	4Q 2024	N/A
Armada Sterling FPSO	D1 Field, India	11 years	Sea water lift pump A casing replacemnt	3Q 2030	3Q 2035
Armada Sterling II FPSO	C7 Field, India	9 years	a) Special Survey inspection initiated b) Major overhaul of Cargo Oil Pump #1	1Q 2025	3Q 2031
Karapan Armada Sterling III FPSO	Madura BD Field, Indonesia	6 years	a) Sulphur Recovery Unit shutdown & repair completed b) Mechanical seal replacement on GTU Amine pump B	3Q 2027	4Q 2032
FPSO Sterling V	Kakinada 98-2 Field, India	N/A	a) Two offtakes carried out b) Preparing facility for final acceptance	N/A	N/A

Source: Company, MIDFR

FORWARD BAND



Source: Bloomberg, MIDFR

Table 2: Bumi Armada's quarterly earnings review

Financial year ending 31st December (in RM'm unless stated otherwise)	Quarterly Results					Cumulative results		
	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)	3MFY23	3MFY24	YoY (%)
Revenue	544.0	623.0	635.5	2.0	16.8	2,405.5	635.5	16.8
Cost of sales	(268.8)	(218.0)	(259.3)	18.9	(3.5)	(1,275.4)	(259.3)	(3.5)
Gross profit	275.2	405.0	376.3	(7.1)	36.7	1,130.1	376.3	36.7
Other operating income	24.0	13.9	16.9	21.2	(29.9)	58.2	16.9	(29.9)
Selling and distribution costs	(0.9)	(0.5)	(0.4)	(18.6)	(59.7)	(5.6)	(0.4)	(59.7)
Administrative expenses	(34.8)	(32.2)	(47.5)	47.7	36.3	(84.8)	(47.5)	36.3
Operating profit	264.8	(91.7)	346.2	(477.6)	30.8	1,026.5	346.2	30.8
Finance cost	(91.8)	(80.0)	(79.1)	(1.1)	(13.8)	(366.7)	(79.1)	(13.8)
Profit Before Tax	192.1	165.0	270.2	(254.6)	35.1	709.0	270.2	35.1
Taxation	19.7	(0.3)	(7.1)	(11,059)	73.1	15.7	(7.1)	73.1
Profit After Tax	211.8	164.8	263.1	(250.6)	34.3	724.7	263.1	34.3
Non- controlling interests	1.1	(13.0)	(22.6)	143.3	342.8	(7.8)	(22.6)	342.8
PATAMI	210.7	177.8	240.5	(245.4)	19.7	732.4	240.5	19.7
Segmental:								
<i>Revenue</i>								
Operations (FPSO, FGS, OSV, SC, marine)	529.1	621.4	634.2	2.1	19.9	529.1	634.2	19.9
Others (TEP, Corporate)	14.9	1.5	1.3	(14.5)	(91.1)	14.9	1.3	(91.1)
<i>Segmental Profit</i>								
Operations (FPSO, FGS, OSV, SC, marine)	317.9	448.9	429.6	(4.3)	35.2	317.9	429.6	35.2
Others (TEP, Corporate)	3.7	(79.6)	(24.8)	(68.8)	(776.6)	3.7	(24.8)	(776.6)

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,405.5	2,133.1	2,325.067	2,348.318	2,465.734
D&A	342.7	333.5	424.8	421.7	397.7
EBITDA	1,026.5	571.7	1,165.6	1,180.4	1,200.6
Net interest	-7.8	-39.0	-19.4	-19.2	-20.3
Profit before tax	709.0	296.1	845.6	870.4	900.6
Tax	15.7	-3.1	-3.0	-3.0	-3.0
PATAMI	732.4	332.1	823.2	848.2	877.3
Core PATAMI	724.7	293.0	803.2	833.2	867.3

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	4,011.5	3,256.3	3,973.3	4,079.8	4,156.7
Intangible assets	4,350.6	4,206.5	4,320.2	4,320.2	4,320.2
Non-current assets	9,899.9	9,267.9	9,652.6	9,823.2	9,991.6
Cash	838.8	704.7	925.2	1,040.0	1,111.6
Trade debtors	506.9	671.3	520.2	540.9	546.7
Current assets	1,826.1	1,848.2	1,854.3	2,001.5	2,086.5
Trade creditors	499.4	309.4	433.2	410.2	419.3
Short-term debt	1,018.4	2,273.3	1,476.2	1,542.3	1,542.8
Current liabilities	1,627.9	3,264.9	1,989.6	2,036.4	2,045.5
Long-term debt	4,486.4	2,081.3	4,620.7	4,961.4	5,259.0
Non-current liabilities	5,002.6	2,271.6	4,747.3	5,089.9	5,386.1
Share capital	4,332.4	4,335.4	4,335.4	4,335.4	4,335.4
Retained earnings	814.2	1,336.4	1,404.1	1,453.3	1,478.5
Equity	5,095.6	5,579.6	5,695.2	5,738.4	5,758.1

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	709.0	296.1	845.6	870.4	900.6
Depreciation & amortisation	342.7	333.5	424.8	421.7	397.7
Changes in working capital	300.1	-18.7	220.6	227.1	187.4
Operating cash flow	1,428.8	988.6	1,868.2	1,859.8	1,797.0
Capital expenditure	98.0	151.4	124.5	155.7	189.4
Investing cash flow	268.0	181.2	194.5	225.7	259.4
Debt raised/(repaid)	-1747.3	-1836.5	-1860.4	-1995.5	-2018.2
Financing cash flow	-1749.9	-1339.8	-1864.7	-1999.4	-2022.1
Net cash flow	-53.2	-170.0	198.0	86.1	34.4
Beginning cash flow	843.4	838.9	704.7	925.2	1,040.0
Ending cash flow	838.8	704.7	925.2	1,040.0	1,111.6

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin	42.7%	23.8%	50.1%	50.3%	48.7%
PBT margin	29.5%	12.3%	36.4%	37.1%	36.5%
PAT margin	30.4%	13.8%	34.5%	35.5%	35.2%
Core PAT margin	30.1%	12.2%	50.1%	50.3%	48.7%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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