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Recommendation:	HOLD
Current Price:	RM 0.55
Previous Target Price:	RM 0.61
Target Price:	RM 0.53
Upside/Downside:	-2.8%

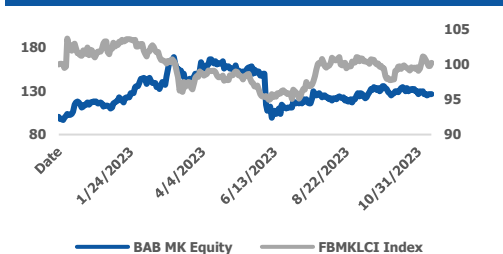
Stock information

Board	MAIN
Sector	Energy
Bursa / Bloomberg Code	5210 / BAB MK
Syariah Compliant	No
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★★
Bloomberg ESG Rating	★★★★★
Shares issued (m)	5,922.7
Market Cap (RM' m)	3,227.9
52-Week Price Range (RM)	0.4-0.73
Beta (x)	1.1
Free float (%)	39.3
3M Average Volume (m)	25.8
3M Average Value (RM' m)	13.9

Top 3 Shareholders (%)

Objektif Bersatu Sdn Bhd	34.6
Amanah Saham Nasional Bhd	12.6
Norges Bank	5.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-4.4	4.8	31.3
Relative (%)	-5.7	3.6	29.9

Bumi Armada Berhad

Kraken operations back to normal







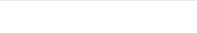


Summary

- **Bumi Armada's 9MFY23 net profit of RM494.4m was below our expectations, due to lower-than-expected contribution from Armada Kraken.**
- **Going forward, Armada Kraken's production level has returned to pre-transformer issue.**
- **We maintain our HOLD recommendation with a lower target price of RM0.53 (previously RM0.57).**

Results Review

- **Results review.** 3QFY23 net profit rose 18.4% yoy to RM177.3m despite lower revenue of RM524.8m (-19.6% yoy), mainly higher share of results from JVs and associates.
- **Below expectations.** In 9M23, cumulative net profit at RM494.4m (-5.3% yoy) makes up to 61% and 83% of our and consensus forecasted net profit of RM811m and RM597m respectively. The variance was mainly due to lower-than-expected contribution from Armada Kraken.
- **Operations Highlights.** During the quarter, operational uptime for wholly-owned vessels returned to 98%, from 93% in 2Q23 as the Kraken is back to pre-transformer issue operations. To recap, in end-May, Kraken's production sank to 0%, following the failure of three critical hydraulic submersible pump (HSP) transformers. Bumi Armada subsequently restored production levels to 60%, 90% and 100% in June, July and August respectively by refurbishing the HSPs. A new transformer was installed in September while another transformer is awaiting good weather for transport and installation.
- **Industry Highlights.** Although crude oil prices came off recent high of US\$90/bbl in September to below US\$80/bbl recently, it remains higher than current year's low of US\$65/barrel in March. Demand for FPSO is expected to remain robust as Mordor Intelligence projects the FPSO market size to grow from US\$11.1b in 2023 to US\$16.69b by 2028, registering a 5-year CAGR of 8.5% during the forecast period. According to Energy Maritime Associates (EMA), projected orders could reach up to US\$173b for as many as 168 units within the next five years, mainly driven by deepwater projects in South America.
- **Outlook.** Bumi Armada's orderbook remains steady at RM10.6b (vs RM11.2b in 2Q23) with potential extension of RM9.8b. In line with the management's effort to deleverage, net debt/equity declined to 0.66x with net debt falling to RM3.9b.
- **Valuation.** Reduced our FY23 revenue and net profit forecasts by 13% and 28% respectively to adjust for Armada Kraken's contribution. Re-iterate our **HOLD** recommendation with a lower target price of RM0.53 (previously RM0.57).
- **Risk.** Unable to secure contract extensions, contracts cancelled by clients.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	524.8	653.1	(19.6)	441.3	18.9	1,800.5	1,510.1	(16.1)		Kraken operation back to normal
EBIT	222.5	276.4	(19.5)	174.3	27.7	774.7	660.2	(14.8)		
Pre-tax profit	165.1	138.4	19.3	105.9	55.9	516.9	471.0	(8.9)		
Net profit	164.8	139.2	18.4	107.1	53.9	512.9	467.8	(8.8)		
Core net profit	177.3	149.7	18.4	117.4	51.0	521.8	494.4	(5.3)		Higher share results of JV
Core EPS (sen)	3.0	2.5	18.4	2.0	51.0	8.8	8.4	(5.3)		
EBITDA margin (%)	42.4	42.3		39.5		43.0	43.7			
PBT margin (%)	31.5	21.2		24.0		28.7	31.2			
Core PATMI margin (%)	33.8	22.9		26.6		29.0	32.7			

Source: Company, Apex Securities

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2162.6	2405.5	2054.7	2459.4	2676.7
Gross Profit	933.5	338.3	336.6	334.7	394.9
EBITDA	1424.1	1369.2	1200.3	1382.1	1435.3
Depreciation & Amortisation	-465.8	-342.7	-320.9	-304.9	-289.6
EBIT	958.3	1026.5	879.4	1077.2	1145.6
Net Finance Income/ (Cost)	-397.1	-366.7	-308.2	-307.4	-267.7
Associates & JV	106.7	49.2	102.7	123.0	133.8
Pre-tax Profit	667.9	709.0	674.0	892.8	1011.8
Tax	-25.1	15.7	-101.1	-178.6	-202.4
Profit After Tax	557.7	724.7	572.9	714.2	809.4
Minority Interest	16.4	7.8	10.0	10.0	10.0
Net Profit	574.1	732.4	582.9	724.2	819.4
Exceptionals	-19.1	0.0	0.0	0.0	0.0
Core Net Profit	713.1	732.4	582.9	724.2	819.4

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	65.9%	56.9%	58.4%	56.2%	53.6%
EBIT margin	44.3%	42.7%	42.8%	43.8%	42.8%
PBT margin	30.9%	29.5%	32.8%	36.3%	37.8%
PAT margin	25.8%	30.1%	27.9%	29.0%	30.2%
NP margin	26.5%	30.4%	28.4%	29.4%	30.6%
Core NP margin	26.5%	30.4%	28.4%	29.4%	30.6%
ROE	14.6%	14.4%	10.2%	11.3%	11.3%
ROA	5.7%	7.4%	7.7%	9.6%	11.2%
Net gearing	156.6%	92.9%	43.0%	25.2%	1.1%

Valuations

	FY24F
BVPS (RM)	0.650
P/B ratio (+1.5 std dev)	0.8
Fair Value (RM)	0.53

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	843.4	838.8	286.8	-154.1	702.5
Receivables	716.1	781.4	616.4	614.9	535.3
Other current assets	338.2	173.7	154.1	123.0	133.8
Total Current Assets	1910.1	1826.1	1057.3	741.6	1371.7
Fixed Assets	4212.8	4011.5	3811.0	3620.4	3439.4
Receivables	4403.4	4350.6	2568.4	2705.4	2676.7
Other non-current assets	1544.2	1537.8	1232.8	1229.7	1204.5
Total Non-current assets	10160.4	9899.9	7612.2	7555.5	7320.7
Short-term Debt	1465.4	1082.3	1275.7	1222.7	2619
Payables	286.0	332.3	277.4	332.0	3614
Other Current Liabilities	294.4	213.3	335.3	216.3	360.8
Total Current Liabilities	2045.8	1627.9	1888.4	1771.0	984.1
Long-term Debt	5518.3	4489.3	1464.0	2413	519.4
Other non-current liabilities	584.5	513.3	513.7	614.9	669.2
Total Non-current Liabilities	6102.8	5002.6	1977.7	856.2	1188.6
Shareholder's equity	3962.7	5146.5	5749.0	6473.2	7292.6
Minority interest	-40.9	-51.0	-50.0	-50.0	-50.0
Equity	3921.8	5095.6	5699.0	6423.2	7242.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	667.9	709.0	674.0	892.8	1011.8
Depreciation & amortisation	465.8	342.7	320.9	304.9	289.6
Operating cash flow	1494.0	1457.3	791.0	896.1	965.2
Net capex	167.3	98.0	-120.3	-114.3	-108.6
Investing cash flow	60.0	239.5	-120.3	-114.3	-108.6
Debt repayment	-1655.6	-1749.9	-1222.7	-1222.7	0.0
Financing cash flow	-1655.6	-1749.9	-1222.7	-1222.7	0.0
Net cash flow	-51.4	-4.5	-552.0	-441.0	856.6
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	894.8	843.4	838.8	286.8	-154.1
Ending cash	843.4	838.8	286.8	-154.1	702.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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