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<b>Recommendation:</b>	<b>HOLD</b>
<b>Current Price:</b>	<b>RM 0.52</b>
<b>Previous Target Price:</b>	<b>RM 0.53</b>
<b>Target Price:</b>	↔ <b>RM 0.53</b>
<b>Upside/Downside:</b>	<b>1.9%</b>

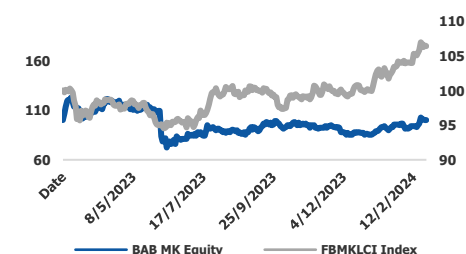
#### Stock information

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)	3,079.8
52-Week Price Range (RM)	0.415-0.73
Beta (x)	1.4
Free float (%)	39.3
3M Average Volume (m)	20.7
3M Average Value (RM' m)	11.1

#### 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 (%)	-7.1	-2.8	-10.3
Relative (%)	-9.1	-8.6	-15.6

## Bumi Armada Berhad

### Above expectation

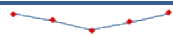








#### Summary

- **Bumi Armada's FY23 normalised net profit of RM846.5m was above our expectations due to stronger-than-expected contribution from Armada Kraken.**
- **Going forward, Armada Kraken's production level is expected to operate at pre-transformer issue.**
- **We maintain our HOLD recommendation with an unchanged target price of RM0.53**

#### Results Review

- **Results review.** Bumi Armada reported a net loss of -RM174.8m in 4QFY23 mainly due to impairment of RM514.4m for Armada Kraken FPSO as its net book value exceeded its value-in-use and projected cash flows. However, normalised net profit gained 65.6% yoy and 96.2% qoq to RM348.9m. This was on the back of higher revenue of RM621.4m (+3% yoy and +18.7% qoq) following higher contribution from Armada Kraken.
- **Above expectations.** FY23 normalised net profit of RM846.5m (+15.6% yoy) makes up to 148% and 139% of our and consensus forecasted net profit of RM573m and RM610m respectively. The variance was mainly due to stronger-than-expected contribution from Armada Kraken.
- **Operations Highlights.** Operational uptime for wholly-owned vessels remained near full capacity at 97% as Kraken rebounded strongly to pre-transformer issue operations. To recap, in end-May 2023, Kraken's production dropped to 0% after the failure of three critical hydraulic submersible pump (HSP) transformers.
- **Industry Highlights.** Oil prices came off its recent low of around US\$70/barrel in December to US\$80/barrel recently. 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 CAGR of 8.5% during the forecast period. According to Energy Maritime Associates (EMA), projected orders could reach up to \$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 strong at RM9.8b (vs RM10.6b in 3Q23) with potential extension of RM9.5b. In line with the management's effort to deleverage, net debt/equity declined to 0.65x with net debt falling to RM3.65b.
- **Valuation.** Maintained our FY24 and FY25 forecasts and re-iterate our **HOLD** recommendation with an unchanged target price of RM0.53.
- **Risk.** Unable to secure contract extensions, contracts cancelled by clients.

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	623.0	605.0	3.0	524.8	18.7	2,405.5	2,133.1	(11.3)		Operations of Kraken fully recovered
EBIT	386.3	251.9	53.4	222.5	73.6	1,026.6	1,046.5	1.9		Reversal of accrued costs
Pre-tax profit	(174.8)	192.1	(191.0)	165.1	(205.9)	709.0	296.2	(58.2)		Impairment of RM514.4m related to Kraken
Net profit	(174.8)	211.8	(182.5)	164.8	(206.1)	724.7	293.0	(59.6)		
Core net profit	348.9	210.7	65.6	177.8	96.2	732.5	846.5	15.6		
Core EPS (sen)	5.9	3.6	65.6	3.0	96.2	12.4	14.3	15.6		
EBITDA margin (%)	62.0	41.6		42.4		42.7	49.1			
PBT margin (%)	(28.1)	31.8		31.5		29.5	13.9			
Core PATMI margin (%)	56.0	34.8		33.9		30.5	39.7			

Source: Company, Apex Securities

#### Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>2162.6</b>	<b>2405.5</b>	<b>2133.1</b>	<b>2459.4</b>	<b>2676.7</b>
<b>Gross Profit</b>	<b>933.5</b>	<b>338.3</b>	<b>336.6</b>	<b>334.7</b>	<b>394.9</b>
<b>EBITDA</b>	<b>1424.1</b>	<b>1369.2</b>	<b>892.6</b>	<b>1382.1</b>	<b>1435.3</b>
Depreciation & Amortisation	-465.8	-342.7	-320.9	-304.9	-289.6
<b>EBIT</b>	<b>958.3</b>	<b>1026.5</b>	<b>571.7</b>	<b>1077.2</b>	<b>1145.6</b>
Net Finance Income/ (Cost)	-397.1	-366.7	-338.4	-307.4	-267.7
Associates & JV	106.7	49.2	62.8	123.0	133.8
<b>Pre-tax Profit</b>	<b>667.9</b>	<b>709.0</b>	<b>296.1</b>	<b>892.8</b>	<b>1011.8</b>
Tax	-25.1	15.7	-3.1	-178.6	-202.4
<b>Profit After Tax</b>	<b>557.7</b>	<b>724.7</b>	<b>293.0</b>	<b>714.2</b>	<b>809.4</b>
Minority Interest	16.4	7.8	39.0	10.0	10.0
<b>Net Profit</b>	<b>574.1</b>	<b>732.4</b>	<b>332.1</b>	<b>724.2</b>	<b>819.4</b>
Exceptionals	-19.1	0.0	-474.8	0.0	0.0
<b>Core Net Profit</b>	<b>713.1</b>	<b>732.4</b>	<b>846.5</b>	<b>724.2</b>	<b>819.4</b>

#### Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	65.9%	56.9%	41.8%	56.2%	53.6%
EBIT margin	44.3%	42.7%	26.8%	43.8%	42.8%
PBT margin	30.9%	29.5%	13.9%	36.3%	37.8%
PAT margin	25.8%	30.1%	13.7%	29.0%	30.2%
NP margin	26.5%	30.4%	15.6%	29.4%	30.6%
Core NP margin	26.5%	30.4%	15.6%	29.4%	30.6%
ROE	14.6%	14.4%	6.0%	11.7%	11.7%
ROA	4.8%	6.2%	3.0%	8.3%	10.1%
Net gearing	156.6%	92.9%	65.4%	19.4%	9.4%

Valuations	FY24f
BVPS (RM)	0.650
P/B ratio (+15 std dev)	0.8
<b>Fair Value (RM)</b>	<b>0.53</b>

Source: Company, Apex Securities

#### Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	843.4	838.8	704.7	263.8	120.4
Receivables	716.1	781.4	671.3	614.9	535.3
Other current assets	338.2	173.7	472.2	123.0	133.8
<b>Total Current Assets</b>	<b>1910.1</b>	<b>1826.1</b>	<b>1848.2</b>	<b>1159.5</b>	<b>789.6</b>
Fixed Assets	4212.8	4011.5	3256.3	3620.4	3439.4
Receivables	4403.4	4350.6	4206.5	2705.4	2676.7
Other non-current assets	1544.2	1537.8	1805.1	1229.7	1204.5
<b>Total Non-current assets</b>	<b>10160.4</b>	<b>9899.9</b>	<b>9267.9</b>	<b>7555.5</b>	<b>7320.7</b>
Short-term Debt	1465.4	1082.3	2273.3	1222.7	2619
Payables	286.0	332.3	117.0	332.0	3614
Other Current Liabilities	294.4	213.3	874.6	216.3	360.8
<b>Total Current Liabilities</b>	<b>2045.8</b>	<b>1627.9</b>	<b>3264.9</b>	<b>1771.0</b>	<b>984.1</b>
Long-term Debt	5518.3	4489.3	2081.3	241.3	519.4
Other non-current liabilities	584.5	513.3	190.3	614.9	669.2
<b>Total Non-current Liabilities</b>	<b>6102.8</b>	<b>5002.6</b>	<b>2271.6</b>	<b>856.2</b>	<b>1188.6</b>
Shareholder's equity	3962.7	5146.5	5671.8	6225.4	7044.9
Minority interest	-40.9	-51.0	-92.0	-50.0	-50.0
<b>Equity</b>	<b>3921.8</b>	<b>5095.6</b>	<b>5579.6</b>	<b>6175.4</b>	<b>6994.9</b>

#### Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>667.9</b>	<b>709.0</b>	<b>296.1</b>	<b>892.8</b>	<b>1011.8</b>
Depreciation & amortisation	465.8	342.7	320.9	304.9	289.6
<b>Operating cash flow</b>	<b>1494.0</b>	<b>1457.3</b>	<b>988.6</b>	<b>896.1</b>	<b>965.2</b>
Net capex	167.3	98.0	-120.3	-114.3	-108.6
<b>Investing cash flow</b>	<b>60.0</b>	<b>239.5</b>	<b>181.2</b>	<b>-114.3</b>	<b>-108.6</b>
Debt repayment	-1655.6	-1749.9	-1836.5	-1222.7	-1000.0
<b>Financing cash flow</b>	<b>-1655.6</b>	<b>-1749.9</b>	<b>-1339.8</b>	<b>-1222.7</b>	<b>-1000.0</b>
<b>Net cash flow</b>	<b>-51.4</b>	<b>-4.5</b>	<b>-170.0</b>	<b>-441.0</b>	<b>-143.4</b>
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	704.7	263.8
<b>Ending cash</b>	<b>843.4</b>	<b>838.8</b>	<b>704.7</b>	<b>263.8</b>	<b>120.4</b>

## APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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