

Team Coverage

(603) 7890 8888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.59
Previous Target Price:	RM 0.53
Target Price:	RM 0.75
Upside/Downside:	28.2%

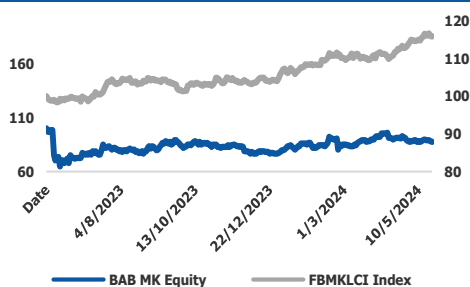
Stock information

Board	MAIN
Sector	Energy
Bursa / Bloomberg Code	5210 / BAB MK
Syariah Compliant	No
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	5,927.9
Market Cap (RM' m)	3,467.8
52-Week Price Range (RM)	0.415-0.645
Beta (x)	1.3
Free float (%)	39.0
3M Average Volume (m)	18.2
3M Average Value (RM' m)	10.5

Top 3 Shareholders (%)

Objektif Bersatu Sdn Bhd	34.6
Amanah Saham Nasional Bhd	13.2
Karisma Mesra Sdn Bhd	4.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.8	6.4	-6.4
Relative (%)	-2.6	2.9	-19.1

Bumi Armada Berhad

Smooth sailing










Summary

- **1QFY24 core net profit added 19.4% yoy to RM241.5m, driven by higher contribution from Armada Olombendo FPSO and Armada Kraken FPSO came slight ahead of our expectations.**
- **Orderbook at RM9.7b (vs RM9.8b in 4QFY23) with potential extension of RM10.3b on the cards will sustain revenue visibility till 2035.**
- **Upgrade to BUY recommendation with a higher target price of RM0.75 by pegged 0.5x P/B ratio (2Y historical mean) to its BVPS of RM1.24 in FY25F.**

Results Review

- **Results review.** 1QFY24 core net profit added 19.4% yoy to RM241.5m, driven by higher contribution from Armada Olombendo FPSO and Armada Kraken FPSO. Revenue for the quarter climbed 16.8% yoy to RM635.5m.
- **Ahead of expectations.** Reported core net profit came in at 32.5% of our expectations of RM742.2m and 30.6% of consensus expectations of RM788.8m. Key deviation was mainly due to better margins arising from escalation of the operating fee pursuant to the charter agreement from Armada Olombendo FPSO. Still, the reported revenue was largely in line at 26.0% of our expectations.
- **Operations Highlights.** Operational uptime for wholly-owned vessels remained near full capacity at 99% as the Kraken rebounded strongly to pre-transformer issue operations. We expect operations to remain stable in subsequent quarters ahead. Pre-tax margins are expected to remain below the 40% level, while net gearing level is expected to pare down towards below 50% by end-FY24.
- **Industry Highlights.** While Brent oil prices retreated from the recent peak of c.US\$91/bbl in mid-April 2024, prices appear to have found stability above US\$80/bbl in recent weeks. With oil prices demonstrated resilience, we reckon demand for FPSO may remain may solid.
- **Outlook.** Going forward, ARMADA's orderbook at RM9.7b (vs RM9.8b in 4QFY23) with potential extension of RM10.3b on the cards will sustain revenue visibility till 2035. ARMADA remains committed to improve the operational performance of vessels. The Group will also focus onto energy transition pathway towards achieving net zero goal by 2050 through reduction of carbon emission and incorporation of carbon injection technologies and solutions including the Bluestreak joint venture.
- **Valuation.** Raised our FY24F and FY25F core net profit forecasts by 22.3% and 4.9% to RM907.5m and RM859.2m respectively to account for the better charter fees. Consequently, we upgrade our recommendation to **BUY** with a higher target price of RM0.75 by pegged 0.5x P/B ratio (2Y historical mean) to its BVPS of RM1.24 in FY25F.
- **Risk.** Unable to secure contract extensions, contracts cancelled by clients, delay in work orders.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	635.5	544.0	16.8	623.0	2.0	544.0	635.5	16.8		Higher contribution from Armada Olombendo FPSO and Armada Kraken FPSO
EBITDA	406.4	335.6	21.1	(25.2)	1,715.2	335.6	406.4	21.1		
Pre-tax profit	270.2	200.0	35.1	(174.8)	254.6	200.0	270.2	35.1		Higher revenue contribution
Net profit	263.1	195.9	34.3	(174.8)	250.6	195.9	263.1	34.3		
Core net profit	241.5	202.3	19.4	348.9	(30.8)	202.3	241.5	19.4		
Core EPS (sen)	4.1	3.4	19.4	5.9	(30.8)	3.4	4.1	19.4		
EBITDA margin (%)	64.0	61.7		(4.0)		61.7	64.0			
PBT margin (%)	42.5	36.8		(28.1)		36.8	42.5			
Core PATMI margin (%)	38.0	37.2		56.0		37.2	38.0			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2162.6	2405.5	2133.1	2446.9	2274.9
Gross Profit	933.5	1130.1	1042.2	1101.1	1137.4
EBITDA	1402.7	1337.5	856.1	1468.1	1364.9
Depreciation & Amortisation	-465.8	-342.7	-333.5	-325.6	-305.3
EBIT	936.9	994.8	522.6	1142.5	1059.6
Net Finance Income/ (Cost)	-375.7	-335.0	-289.3	-282.6	-244.2
Associates & JV	106.7	49.2	62.8	0.0	0.0
Pre-tax Profit	667.9	709.0	296.1	859.9	815.5
Tax	-25.1	15.7	-3.1	-25.8	-24.5
Profit After Tax	642.8	724.7	293.0	834.1	791.0
Minority Interest	-16.4	-7.8	-39.0	-73.4	-68.2
Net Profit	659.2	732.4	332.1	907.5	859.2
Exceptionals	-85.2	0.0	514.4	0.0	0.0
Core Net Profit	574.1	732.4	846.4	907.5	859.2

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	64.9%	55.6%	40.1%	60.0%	60.0%
EBIT margin	43.3%	41.4%	24.5%	46.7%	46.6%
PBT margin	30.9%	29.5%	13.9%	35.1%	35.8%
PAT margin	29.7%	30.1%	13.7%	34.1%	34.8%
NP margin	30.5%	30.4%	15.6%	37.1%	37.8%
Core NP margin	30.5%	30.4%	15.6%	37.1%	37.8%
ROE	16.8%	14.4%	6.0%	14.0%	11.7%
ROA	5.5%	6.2%	3.0%	7.8%	7.1%
Net gearing	152.1%	87.4%	67.1%	46.1%	34.8%

Valuations

	FY25F
BVPS (RM)	1.24
P/B ratio (2Y Historical Mean)	0.50
Fair Value (RM)	0.62

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	1020.2	1116.8	704.7	1009.9	1044.1
Receivables	577.2	539.7	703.6	938.5	934.9
Inventories	0.0	0.0	25.4	42.2	31.4
Other current assets	312.7	169.6	414.5	562.8	1137.4
Total Current Assets	1910.1	1826.1	1848.2	2553.4	3147.7
Fixed Assets	4212.8	4011.5	3256.3	3053.0	2870.0
Intangibles	83.3	0.0	0.3	0.3	0.3
Other non-current assets	5864.3	5888.4	6011.3	6011.3	6011.3
Total Non-current assets	10160.4	9899.9	9267.9	9064.6	8881.7
Short-term Debt	1465.4	1082.3	2318.8	2086.9	1878.2
Payables	444.1	499.4	309.4	327.7	314.6
Other Current Liabilities	0.0	0.0	636.7	636.7	573.0
Total Current Liabilities	1909.4	1581.7	3264.9	3051.3	2765.8
Long-term Debt	5518.3	4489.3	2129.5	1916.5	1724.9
Other non-current liabilities	720.9	559.5	142.1	163.1	192.4
Total Non-current Liabilities	8148.6	6630.5	5536.5	5130.9	4683.1
Shareholder's equity	3962.7	5146.5	5671.8	6579.3	7438.5
Minority interest	-40.9	-51.0	-92.2	-92.2	-92.2
Total Equity	3921.8	5095.6	5579.6	6487.1	7346.3

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	667.9	709.0	296.1	859.9	815.5
Depreciation & amortisation	465.8	342.7	333.5	325.6	305.3
Changes in working capital	271.0	300.1	-18.7	-1.3	-7.6
Others	-186.7	-255.7	-264.7	-264.7	-264.7
Operating cash flow	1475.5	1428.8	988.6	1561.8	1490.8
Net capex	167.3	236.0	151.4	-122.3	-122.3
Others	-88.9	32.0	29.8	29.8	29.8
Investing cash flow	78.4	268.0	181.2	-92.5	-92.5
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	-1655.6	-1749.9	-1339.8	-1200.0	-1400.0
Financing cash flow	-1655.6	-1749.9	-1339.8	-1200.0	-1400.0
Net cash flow	-101.7	183.9	-164.3	20.1	119.4
Forex	50.3	48.6	35.9	35.9	35.9
Others	176.8	40.9	-5.7	249.2	-121.1
Beginning cash	894.8	843.4	838.8	704.7	1009.9
Ending cash	1020.2	1116.8	704.7	1009.9	1044.1

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p>	<p>Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069) Aiman Kamil (ext 2071)</p>
<p>Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	

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.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.