

Team Coverage

(603) 7809 888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.53
Previous Target Price:	RM 0.76
Target Price:	↔ RM 0.76
Upside/Downside:	44.8%

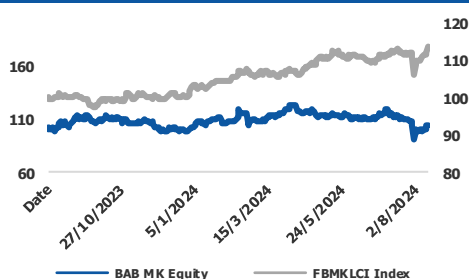
Stock information

Board	MAIN
Sector	Energy
Bursa / Bloomberg Code	5210 / BAB MK
Syariah Compliant	No
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	5,927.9
Market Cap (RM' m)	3,112.1
52-Week Price Range (RM)	0.445-0.63
Beta (x)	1.1
Free float (%)	39.0
3M Average Volume (m)	22.6
3M Average Value (RM' m)	12.6

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 (%)	-7.1	-8.7	4.0
Relative (%)	-7.8	-9.4	-8.8

Bumi Armada Berhad

Returned to normalcy

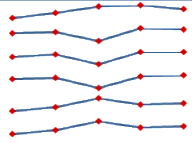

Summary

- **2QFY24 core net profit jumped 121.9% yoy to RM241.5m and 1HFY24 core net profit at RM508.1m (+57.6% yoy) came in line at 51.9% of our expectations and slightly ahead at 60.6% of consensus forecast.**
- **Earnings sustainability will be backed by orderbook at RM12.1bn with potential extension of RM10.9bn on the cards to keep the Group busy till 2035.**
- **Kept our earnings forecast unchanged and maintained BUY recommendation with unchanged target price of RM0.76 by pegging 0.6x P/B ratio (2Y historical mean) to its BVPS of RM1.26 in FY25F.**

Results Review

- **Results review.** 2QFY24 core net profit jumped 121.9% yoy and 10.4% qoq to RM266.6m, as operations return to normalcy with floating production storage and offloading (FPSO) and floating storage units (FSU) average uptime stood at 100.0%. Revenue for the quarter climbed 31.2% yoy to RM578.9m.
- **Within expectations.** Reported core net profit in 1HFY24 at RM508.1m came in at 51.9% of our expectations of RM979.5m and 60.6% of consensus expectations of RM838.6m.
- **Operations Highlights.** Operational uptime for wholly-owned vessels was at capacity at 100.0% as the Kraken rebounded strongly to pre-transformer issue operations back in 2023. We expect operations to remain stable in subsequent quarters ahead. Pre-tax margins are expected to hover c.50% level, while gearing level is expected to pare down towards near 60.0% by end-FY24. Already, net gearing has pared down from 79.7% as at end-2023 to 65.0% as at 1HFY24.
- **Industry Highlights.** While Brent oil prices fell from recent peak of c.US\$91/bbl in mid-April 2024, prices appear to have found stability above US\$75/bbl in recent months. Despite the volatility, we reckon demand for FPSO may remain solid premised to the tight supply due to the high barrier of entry which potentially result in more favourable contract terms.
- **Outlook.** Going forward, ARMADA's orderbook at RM12.1bn with potential extension of RM10.9bn will sustain revenue visibility till 2035. Armada Sterling V Final Acceptance was achieved on 1 July 2024 is expected to contribute positively, while first year option of extension for Armada Kraken has firmed up, bodes well.
- **Valuation.** Kept our earnings forecast unchanged, given that reported earnings came within expectations. Maintained our **BUY** recommendation with an unchanged target price of RM0.76 by pegged 0.6x P/B ratio (2Y historical mean) to its BVPS of RM1.26 in FY25F.
- **Risk.** Unable to secure contract extensions, contracts cancelled by clients, weaker-than-expected average uptime.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	578.9	441.3	31.2	635.5	(8.9)	985.3	1,214.4	23.3		Weaker qoq in absence of settlement of the escalation of the operating fee of Armada Olombendo FPSO in 1QFY24
EBITDA	376.1	247.2	52.1	406.4	7.5	582.8	782.5	34.3		
Pre-tax profit	270.2	105.9	155.2	270.2	(0.0)	305.9	540.5	76.7		
Net profit	266.0	118.8	123.9	240.5	(10.6)	319.8	506.5	58.4		
Core net profit	266.6	120.1	121.9	241.5	10.4	322.5	508.1	57.6		
Core EPS (sen)	4.5	2.0	121.9	4.1	10.4	5.4	8.6	57.6		Average uptime returned to normalcy
EBITDA margin (%)	65.0	56.0		64.0		59.1	64.4			
PBT margin (%)	46.7	24.0		42.5		31.0	44.5			
Core PATMI margin (%)	46.1	27.2		38.0		32.7	41.8			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	2405.5	2133.1	2446.9	2274.9	2318.6
Gross Profit	1130.1	1042.2	1101.1	1137.4	1159.3
EBITDA	1337.5	856.1	1468.1	1364.9	1391.2
Depreciation & Amortisation	-342.7	-333.5	-325.6	-305.3	-287.0
EBIT	994.8	522.6	1142.5	1059.6	1104.2
Net Finance Income/ (Cost)	-335.0	-289.3	-282.6	-244.2	-212.8
Associates & JV	49.2	62.8	70.0	75.0	80.0
Pre-tax Profit	709.0	296.1	929.9	890.5	971.4
Tax	15.7	-3.1	-27.9	-26.7	-29.1
Profit After Tax	724.7	293.0	902.0	863.7	942.2
Minority Interest	-7.8	-39.0	-73.4	-68.2	-69.6
Net Profit	732.4	332.1	975.4	932.0	1011.8
Exceptionals	0.0	514.4	0.0	0.0	0.0
Core Net Profit	732.4	846.4	975.4	932.0	1011.8

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	55.6%	40.1%	60.0%	60.0%	60.0%
EBIT margin	41.4%	24.5%	46.7%	46.6%	47.6%
PBT margin	29.5%	13.9%	38.0%	39.1%	41.9%
PAT margin	30.1%	13.7%	36.9%	38.0%	40.6%
NP margin	30.4%	15.6%	39.9%	41.0%	43.6%
Core NP margin	30.4%	15.6%	39.9%	41.0%	43.6%
ROE	14.4%	6.0%	14.9%	12.4%	11.9%
ROA	6.2%	3.0%	8.4%	7.7%	8.2%
Net gearing	87.4%	67.1%	45.7%	34.2%	24.6%

Valuations

	FY25F
BVPS (RM)	1.26
P/B ratio (2Y Historical Mean)	0.60
Fair Value (RM)	0.76

Source: Company, Apex Securities

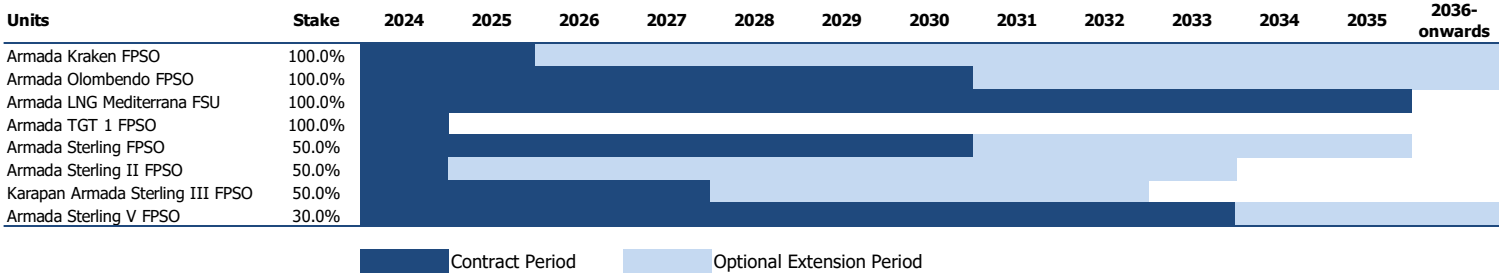
Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	1116.8	704.7	1009.9	1044.1	1152.0
Receivables	539.7	703.6	938.5	934.9	1048.1
Inventories	0.0	25.4	42.2	31.4	53.2
Other current assets	169.6	414.5	562.8	1137.4	1391.2
Total Current Assets	1826.1	1848.2	2553.4	3147.7	3644.6
Fixed Assets	4011.5	3256.3	3053.0	2870.0	2696.8
Intangibles	0.0	0.3	0.3	0.3	0.3
Other non-current assets	5888.4	6011.3	6011.3	6011.3	6011.3
Total Non-current assets	9899.9	9267.9	9064.6	8881.7	8708.4
Short-term Debt	1082.3	2318.8	2086.9	1878.2	1690.4
Payables	499.4	309.4	327.7	314.6	311.6
Other Current Liabilities	0.0	636.7	636.7	573.0	401.1
Total Current Liabilities	1581.7	3264.9	3051.3	2765.8	2403.1
Long-term Debt	4489.3	2129.5	1916.5	1724.9	1552.4
Other non-current liabilities	559.5	142.1	163.1	192.4	117.0
Total Non-current Liabilities	6630.5	5536.5	5130.9	4683.1	4072.5
Shareholder's equity	5146.5	5671.8	6647.2	7579.2	8590.9
Minority interest	-51.0	-92.2	-92.2	-92.2	-92.2
Total Equity	5095.6	5579.6	6555.0	7487.0	8498.7

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	709.0	296.1	929.9	890.5	971.4
Depreciation & amortisation	342.7	333.5	325.6	305.3	287.0
Changes in working capital	300.1	-18.7	-1.3	-7.6	0.0
Others	-255.7	-264.7	-264.7	-264.7	-264.7
Operating cash flow	1428.8	988.6	1631.8	1565.8	1636.0
Net capex	236.0	151.4	-122.3	-122.3	-113.7
Others	32.0	29.8	29.8	29.8	29.8
Investing cash flow	268.0	181.2	-92.5	-92.5	-83.9
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	-1749.9	-1339.8	-1200.0	-1400.0	-1400.0
Financing cash flow	-1749.9	-1339.8	-1200.0	-1400.0	-1400.0
Net cash flow	-53.2	-170.0	339.3	73.3	152.1
Forex	48.6	35.9	35.9	35.9	35.9
Others	277.9	0.0	-70.0	-75.0	-80.0
Beginning cash	843.4	838.8	704.7	1009.9	1044.1
Ending cash	1116.8	704.7	1009.9	1044.1	1152.0

Charter Period of FPO Units



Source: Company, Apex Securities

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head 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>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</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.

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