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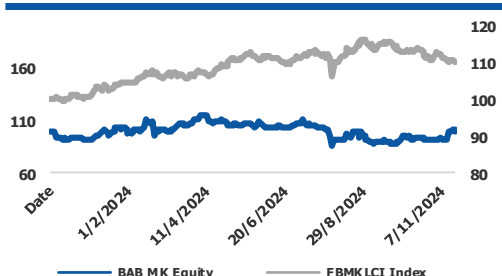
Recommendation:	BUY
Current Price:	RM 0.55
Previous Target Price:	RM 0.76
Target Price:	↔ RM 0.76
Upside/Downside:	39.4%

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)	3,230.7
52-Week Price Range (RM)	0.445-0.63
Beta (x)	0.9
Free float (%)	39.0
3M Average Volume (m)	17.1
3M Average Value (RM' m)	8.6

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 (%)	9.0	1.9	0.9
Relative (%)	11.0	4.8	-7.7

Bumi Armada Berhad

Results in Line despite Forex Headwind

Summary

- **9MFY24 core net profit of RM766.8m came in within expectations.**
- **Excluding exceptional items such as lumpy forex losses (-RM44.9m), 3QFY24 core net profit dropped 0.6% qoq contributed by weakening of USD against MYR, absence of variation order for Olombendo FPSO that was booked in 2QFY24, as well as the start of depreciation expense and finance costs for associate Sterling V FPSO.**
- **The headline net profit in 4QFY24 may not look good for ARMADA due to expected impairment for Kraken FPSO flagged by management. Nonetheless, core net profit should improve qoq with expected stronger USD against MYR.**
- **No change to earnings forecasts. Maintain BUY with unchanged target price of RM0.76 pegged to 0.6x FY25 BVPS.**

Results Review

- **Within expectations.** 9MFY24 core net profit of RM766.8m came in within our expectations but above consensus expectations, accounting for 77.0% of our and 85.5% of consensus full-year forecasts.
- **QoQ.** Excluding exceptional items such as lumpy forex losses (-RM44.9m), 3QFY24 core net profit was 0.6% lower contributed by lower revenue (-4.7%) and lower share of results from JV and associates (-53.1%). Notably, revenue decreased qoq from weakening of USD against MYR and the absence of variation order for Olombendo FPSO that was booked in 2QFY24. The reduction in share of results was due to the commencement of depreciation expense and finance costs for associate Sterling V FPSO that has commenced first oil in 1 Jul 2024.
- **YoY/YTD.** Core net profit surged 41.2% yoy and 75.1% YTD respectively, driven by revenue growth (+5.2% yoy, +17.0% YTD) and lower finance costs (-9.5% yoy, -10.3% YTD). Revenue advanced on the back of higher contribution from Olombendo FPSO supported by lumpy RM60m O&M revenue in 1QFY24, as well as higher contribution from Kraken FPSO as the asset experienced hydraulic submersible pump (HSP) failure in late 2QFY23 and only resumed 100% production in Aug 2023. The lower finance cost was due to the group gradually paring down its debts over the quarters. Total borrowing (including lease liabilities) as of 3QFY24 was RM3.7bn, much lower than RM4.4bn as of FY23. In 3QFY24, ARMADA's short term liquidity risk was resolved after it secured USD400m loan with 6-year tenure, allowing the group to refinance its expiring RM1.5bn sukuk.

Key takeaways from conference call:

- Last impairment of Kraken FPSO in 4QFY24.** Management flagged that Kraken FPSO will be hit by impairment in 4QFY24, albeit lower than that incurred in 4QFY23 (RM437m). The impairment was due to net present value of future cash flows dropping below the carrying value following steep decline in rates for option period by c.70% from firm period, commencing from 1 Apr 2025. However, management stressed that this is the last impairment for Kraken and will not recur again.

ii) More conservative depreciation policy for Sterling V. To reduce the risk of impairment for Sterling V FPSO, management has adopted a more conservative depreciation policy. 80% of Sterling V's carrying value will be depreciated over a 9-year firm period, while the remaining carrying value will be depreciated to a residual value of 2% over the 7-year option period. Management disclosed that Sterling V experienced a small loss in 3QFY24 after starting to register depreciation and finance costs, but is expected to contribute positively in mid to late-2025 due to lower debt principal, which would reduce Sterling V's interest expense.



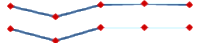



- **Outlook.** The headline net profit in 4QFY24 may take a hit due to expected impairment for Kraken FPSO. Excluding the impairment loss, core net profit should improve QoQ with expected stronger USD against MYR. Going forward, ARMADA's orderbook at RM10.2bn with potential extension of RM9.5bn will provide the group with recurring income well into 2030. Notably, Kraken FPSO obtained extension of option period for one year (Apr 2025 to Mar 2026), and the charter rate has dropped c.70% from firm period, which could erode the group's earnings in FY25. Nonetheless, with a much healthier balance sheet (net gearing of 0.5x as of 3QFY24) and the potential share-based merger between ARMADA and MISC, we believe this could allow ARMADA to have a better access to financing for new FPSO projects, which ARMADA has struggled to secure in the past few years.

- **Earnings Revision.** No change to our earnings forecasts.

- **Valuation & Recommendation.** Maintain **BUY** recommendation with an unchanged target price of **RM0.76/share** pegged to 0.6x FY25 BVPS (3Y historical mean).

- **Risks.** Unable to secure contract extensions, contracts cancelled by clients, weaker-than-expected uptime from unexpected asset breakdowns.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	551.9	524.8	5.2	578.9	(4.7)	1,766.3	1,510.1	17.0		Weaker QoQ in the absence of variation order for Olombendo FPSO booked in 2QFY24
EBITDA	312.0	293.3	6.4	373.0	16.4	1,091.4	876.1	24.6		
Pre-tax profit	200.5	165.0	21.5	270.2	25.8	741.0	471.0	57.3		
Net profit	211.3	177.8	18.9	266.0	20.5	717.8	497.5	44.3		Surged YoY as Kraken FPSO experienced HSP failure in late 2QFY23 to Aug 2023
Core net profit	256.4	181.6	41.2	258.1	(0.6)	766.8	438.0	75.1		
Core EPS (sen)	4.3	3.1	41.2	4.4	(0.6)	12.9	7.4	75.1		
EBITDA margin (%)	56.5	55.9		64.4		61.8	58.0			
PBT margin (%)	36.3	31.4		46.7		42.0	31.2			
Core PATMI margin (%)	46.5	34.6		44.6		43.4	29.0			

Source: Company, Apex Securities

Charter Period of FPSO Units

Units	Stake	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039 onwards
Armada Kraken FPSO	100.0%																
Armada Olombendo FPSO	100.0%																
Armada LNG Mediterranean FSU	100.0%																
Armada TGT 1 FPSO	100.0%																
Armada Sterling FPSO	50.0%																
Armada Sterling II FPSO	50.0%																
Karapan Armada Sterling III FPSO	50.0%																
Armada Sterling V FPSO	30.0%																

 Firm Contract Period  Optional Extension Period

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	-264.7	-166.8	-94.8
Associates & JV	49.2	62.8	72.8	50.9	60.2
Pre-tax Profit	709.0	296.1	950.6	943.7	1069.5
Tax	15.7	-3.1	-28.5	-28.3	-32.1
Profit After Tax	724.7	293.0	922.1	915.4	1037.4
Minority Interest	-7.8	-39.0	-73.4	-68.2	-69.6
Net Profit	732.4	332.1	995.5	983.6	1107.0
Exceptionals	0.0	514.4	0.0	0.0	0.0
Core Net Profit	732.4	846.4	995.5	983.6	1107.0

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	4.2	3.7	3.1	3.2	2.8
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%	38.8%	41.5%	46.1%
PAT margin	30.1%	13.7%	37.7%	40.2%	44.7%
NP margin	30.4%	15.6%	40.7%	43.2%	47.7%
Core NP margin	30.4%	39.7%	40.7%	43.2%	47.7%
ROE	14.2%	5.9%	14.9%	12.9%	12.6%
ROA	6.2%	3.0%	8.9%	8.6%	9.3%
Net gearing	87.4%	67.1%	39.5%	18.8%	2.7%

Valuations

FY25F
BVPS (RM)
1.25
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	991.9	1448.9	2045.4
Receivables	539.7	703.6	737.4	685.6	698.8
Inventories	0.0	25.4	42.2	31.4	53.2
Other current assets	169.6	414.5	367.0	341.2	347.8
Total Current Assets	1826.1	1848.2	2138.6	2507.1	3145.2
Fixed Assets	4011.5	3256.3	3053.0	2870.0	2696.8
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	5888.4	6011.6	6011.6	6011.6	6011.6
Total Non-current assets	9899.9	9267.9	9064.6	8881.7	8708.4
Short-term Debt	1082.3	2318.8	1855.0	1484.0	1187.2
Payables	499.4	309.4	364.1	346.1	342.8
Other Current Liabilities	0.0	636.7	636.7	636.7	636.7
Total Current Liabilities	1581.7	3264.9	2855.8	2466.7	2166.7
Long-term Debt	4489.3	2129.5	1703.6	1362.9	1090.3
Other non-current liabilities	559.5	142.1	142.1	142.1	142.1
Total Non-current Liabilities	5048.8	2271.6	1845.7	1505.0	1232.4
Shareholder's equity	5146.5	5671.8	6667.3	7650.9	8757.9
Minority interest	-51.0	-92.2	-165.6	-233.9	-303.4
Total Equity	5095.6	5579.6	6501.7	7417.1	8454.5

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	709.0	296.1	950.6	943.7	1069.5
Depreciation & amortisation	342.7	333.5	325.6	305.3	287.0
Changes in working capital	300.1	-18.7	51.5	70.4	-44.9
Others	77.0	377.7	-28.5	-28.3	-32.1
Operating cash flow	1428.8	988.6	1299.2	1291.1	1279.5
Net capex	236.0	151.4	-122.3	-122.3	-113.7
Others	32.0	29.8	0.0	0.0	0.0
Investing cash flow	268.0	181.2	-122.3	-122.3	-113.7
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	-1749.9	-1339.8	-889.7	-711.7	-569.4
Financing cash flow	-1749.9	-1339.8	-889.7	-711.7	-569.4
Net cash flow	-53.2	-170.0	287.2	457.0	596.4
Forex	48.6	35.9	0.0	0.0	0.0
Others	277.9	0.0	0.0	0.0	0.0
Beginning cash	843.4	838.8	704.7	991.9	1448.9
Ending cash	1116.8	704.7	991.9	1448.9	2045.4

APEX SECURITIES BERHAD – CONTACT LIST

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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

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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