

Ong Tze Hern

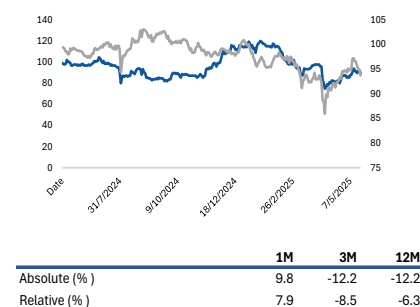
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Recommendation:	BUY
Current Price:	RM 0.51
Previous Target Price:	RM 0.76
Target Price:	RM 0.67
Capital Upside/Downside:	31.4%
Dividend Yield (%):	4.0%
Total Upside/Downside:	36.6%

Stock Information	
Board	MAIN
Sector	Energy
Bursa / Bloomberg Code	5210 / BAB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	5,927.9
Market Cap (RM' m)	2,993.6
52-Week Price Range (RM)	0.695-0.405
Beta (x)	1.2
Free float (%)	44.3
3M Average Volume (m)	11.2
3M Average Value (RM' m)	5.7

Top 3 Shareholders	(%)
Objektif Bersatu Sdn Bhd	34.6
Amanah Saham Nasional Bhd	13.1
Vanguard Group Inc/The	4.4

Share Price Performance**Earnings Summary**

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	2,299.2	1,924.2	1,749.3
PATAMI	634.0	632.7	587.2
CNP	979.6	632.7	587.2
Core EPS (sen)	16.5	10.7	9.9
PE (x)	4.7	4.7	5.1

Source: Company, Apex Securities

Bumi Armada Berhad

Below Expectations

- **ARMADA's 1QFY25 CNP of RM183.5m (-13.7% qoq, -27.1% yoy) missed our expectations due to lower-than-expected revenue from vessels recognised under finance lease accounting, where income typically decline over time as lease receivable amortise.**
- **Looking ahead, earnings are expected to decline QoQ in 2QFY25, as the Kraken FPSO enters the optional extension period of its charter, which carries a significantly lower day rate.**
- **We have revised our assumptions for finance lease income and the day rate for Kraken FPSO lower, hence cutting our FY25/FY26/FY27 earnings forecasts by 35.7%/47.0%/51.0% respectively.**
- **We have shifted our valuation methodology to SOP framework based on DCF valuation of individual vessels to better reflect ARMADA's asset-level fundamentals. Following this change, we revise our target price downwards to RM0.67 (from RM0.76), based on SOP valuation and appraised with a three-star ESG rating.**

Below Expectations. ARMADA's 1QFY25 core net profit (CNP) of RM183.5m came in below our expectations but was within consensus estimates, accounting for 19% of our full-year forecast and 27% of the street's. The earnings shortfall was mainly due to lower-than-expected revenue from vessels recognised under finance lease accounting, where income typically decline over time as lease receivable amortise. Nevertheless, operational performance remained strong, with average vessel uptime exceeding 99%.

QoQ. Excluding exceptional items such as net forex losses (+RM0.6m), and other adjustments (+RM0.2m), 1QFY25 CNP dropped 13.7% qoq, broadly in line with the 11.1% decline in revenue. The revenue decline was primarily due to the recognition of compensation payable to charterer of Kraken FPSO (c.RM5m) in 1QFY25 following confirmation of second annual charter extension to 1 Apr 2027 and the absence of one-off revenue from maintenance work carried out on Olombendo FPSO in 4QFY24 (c.RM17m). Notably, the compensation to charterer of Kraken FPSO relates to a penalty for non-critical outstanding items, where the cost of rectification exceeds the penalty imposed, hence the commercial decision not to undertake repairs.

YoY. 1QFY25 CNP plunged 27.1% yoy in line with the 25.4% decline in revenue due to recognition of compensation payable to charterer of Kraken FPSO in 1QFY25 mentioned above and the absence of lumpy O&M revenue from Olombendo FPSO recognised in 1QFY24.

Outlook. With a much healthier balance sheet (net gearing of 0.3x) and the potential share-based merger between ARMADA and MISC, we believe ARMADA is now better positioned to access financing for new FPSO projects, an area where the Group has faced challenges in recent years. Meanwhile, 3D seismic acquisition for the Akia Production Sharing Contract (PSC) commenced in April 2025. In addition, ARMADA recently announced that the Group has secured a PSC for the Kojo block in the Makassar Strait, Indonesia. We understand that the strategic rationale behind venturing into PSCs is to eventually develop and deploy FPSOs for these fields. Looking ahead, earnings are expected to decline QoQ in 2QFY25, as the Kraken FPSO enters the optional extension period of its charter, which carries a significantly lower day rate (approximately 70% lower) effective April 2025.

Earnings Revision. We have revised our assumptions lower for finance lease income and the day rate for Kraken FPSO, in line with management guidance. We also incorporated FY24 audited figures. As a result, we have cut our FY25/FY26/FY27 earnings forecasts by 35.7%/47.0%/51.0% respectively.

Valuation and Recommendation. We have shifted our valuation methodology to SOP framework based on DCF valuation of individual vessels to better reflect ARMADA's asset-level fundamentals. Following this change, we revise our target price downwards to **RM0.67** (from RM0.76), based on SOP valuation and appraised with a three-star ESG rating. Despite near term

Results Note

Friday, 23 May, 2025

headwinds, we remain positive on ARMADA, given its significantly improved balance sheet, which positions it well to secure new FPSO projects.

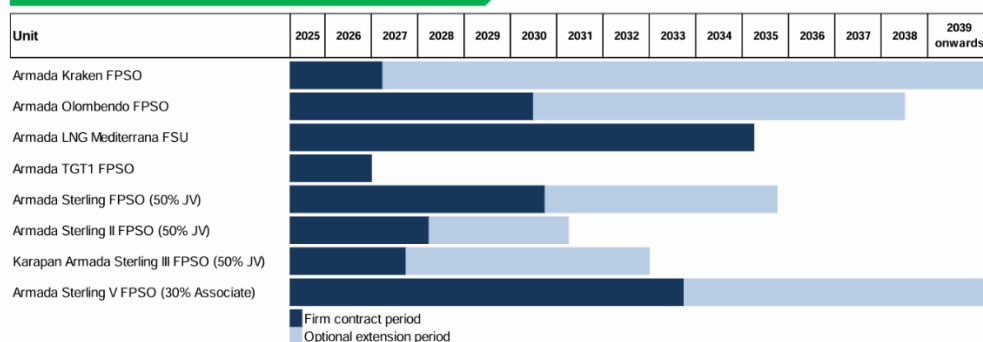
Risk. Unable to secure contract extensions, contracts cancelled by clients, weaker-than-expected uptime from unexpected asset breakdowns.

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue	474.0	635.5	(25.4)	533.0	(11.1)	Revenue dropped due recognition of compensation payable to charterer of Kraken FPSO
EBITDA	295.2	406.4	(27.4)	57.4	414.4	
Depreciation & Amortisation	(67.3)	(76.4)	(11.9)	(71.2)	(5.4)	
Finance income	20.5	16.2	26.9	14.3	43.1	
Finance cost	(69.8)	(79.1)	(11.8)	(78.5)	(11.0)	Finance cost lower qoq reflecting debt repayment
Share of results of JV & associates	12.5	3.2	295.3	(17.0)	nm	Share of associates in 4QFY24 affected by reduction in finance lease revenue to align lease term with charter period for Sterling III FPSO
Pre-tax profit	191.1	270.2	(29.3)	(94.9)	nm	
Tax expenses	(3.5)	(7.1)	(51.2)	18.7	nm	
Net profit	182.8	240.5	(24.0)	(83.8)	nm	Headline loss in 4QFY24 due to RM325m Kraken impairment
Core net profit	183.5	251.9	(27.1)	212.8	(13.7)	
Core EPS (sen)	3.1	4.3	(27.2)	3.6	(13.8)	
DPS (sen)	-	-	-	1.0	(100.0)	
EBITDA margin (%)	62.3	64.0		10.8		
PBT margin (%)	40.3	42.5		(17.8)		
Effective tax rate (%)	1.8	2.6		19.7		
Core net profit margin (%)	38.7	39.6		39.9		

Source: Company, Apex Securities

Charter Period of FPO Units



Source: Company

Results Note

Friday, 23 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2,133.1	2,299.2	1,924.2	1,749.3	1,589.3
Gross Profit	1,042.2	1,311.1	962.1	874.6	794.7
EBITDA	856.1	1,148.8	999.0	868.9	769.4
Depreciation & Amortisation	-333.5	-296.2	-255.6	-230.2	-207.3
EBIT	522.6	852.6	743.4	638.7	562.1
Net Finance Income/(Cost)	-289.3	-239.6	-166.1	-107.5	-66.0
Associates & JV	62.8	33.2	95.1	93.0	80.2
Pre-tax Profit	296.1	646.1	672.4	624.1	576.2
Tax	-3.1	10.1	-20.2	-18.7	-17.3
Profit After Tax	293.0	656.2	652.3	605.4	559.0
Minority Interest	-39.0	22.2	19.6	18.2	16.8
Net Profit	332.1	634.0	632.7	587.2	542.2
Exceptionals	-422.6	-345.6	0.0	0.0	0.0
Core Net Profit	754.7	979.6	632.7	587.2	542.2

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	5.6	10.7	10.7	9.9	9.1
Core EPS (sen)	12.7	16.5	10.7	9.9	9.1
DPS (sen)	0.0	1.0	2.0	2.0	2.0
Dividend Yield (%)	0.0%	2.0%	4.0%	4.0%	4.0%
P/E (x)	9.0	4.7	4.7	5.1	5.5
P/B (x)	0.5	0.5	0.5	0.4	0.4
EV/EBITDA (x)	7.8	4.6	4.4	4.1	3.8
Revenue Growth (%)	-11.3%	7.8%	-16.3%	-9.1%	-9.1%
Core EPS Growth (%)	-1.3%	29.7%	-35.4%	-7.2%	-7.7%
EBITDA margin (%)	40.1%	50.0%	51.9%	49.7%	48.4%
EBIT margin (%)	24.5%	37.1%	38.6%	36.5%	35.4%
PBT margin (%)	13.9%	28.1%	34.9%	35.7%	36.3%
PAT margin (%)	13.7%	28.5%	33.9%	34.6%	35.2%
NP margin (%)	15.6%	27.6%	32.9%	33.6%	34.1%
CNP margin (%)	35.4%	42.6%	32.9%	33.6%	34.1%
ROE (%)	13.5%	16.2%	9.6%	8.3%	7.2%
ROA (%)	6.8%	9.4%	6.2%	5.8%	5.4%
Gearing (%)	78.0%	60.9%	45.8%	35.0%	27.1%
Net gearing (%)	65.4%	37.3%	20.6%	8.3%	-1.4%

Sum of Parts Valuation	Value (RM m)	Valuation method
Armada Kraken FPSO	1185.26	DCF, WACC: 8.6%
Armada Olombendo FPSO	3519.89	DCF, WACC: 9.1%
Armada LNG Mediterranean FSU	333.10	DCF, WACC: 8.6%
Armada TGT1FPSO	121.63	DCF, WACC: 8.6%
Armada Sterling I (50% JV)	197.13	DCF, Ke: 8.6%
Armada Sterling II (50% JV)	122.88	DCF, Ke: 8.6%
Armada Sterling III (50% JV)	409.17	DCF, Ke: 8.6%
Armada Sterling V (30% JV)	326.31	DCF, Ke: 11.1%
(-) Net Debt/(Cash)	2257.47	
Total Equity Value	3,957.9	
Enlarged share base (m share)	5927.88	
Equity Value/share (RM)	0.67	
ESG premium/discount	0.0%	
Fair Value (RM)	0.67	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	704.7	1,427.1	1,658.8	1,885.1	2,139.9
Receivables	703.6	713.7	579.9	527.2	479.0
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	439.9	446.2	288.6	262.4	238.4
Total Current Assets	1,848.2	2,587.0	2,527.3	2,674.7	2,857.3
Fixed Assets	3,256.3	2,556.0	2,301.8	2,073.0	1,867.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	6,011.6	5,314.2	5,314.2	5,314.2	5,314.2
Total Non-Current Assets	9,267.9	7,870.2	7,615.9	7,387.2	7,181.3
Short-term debt	2,273.3	681.5	613.3	552.0	496.8
Payables	309.4	468.8	290.0	263.6	239.5
Other current liabilities	682.2	82.0	82.0	82.0	82.0
Total Current Liabilities	3,264.9	1,232.2	985.2	897.5	818.2
Long-term debt	2,081.3	3,003.0	2,402.4	1,921.9	1,537.6
Other non-current liabilities	190.3	174.8	174.8	174.8	174.8
Total Non-Current Liabilities	2,271.6	3,177.8	2,577.2	2,096.7	1,712.4
Shareholder's equity	5,671.8	6,114.6	6,628.7	7,097.4	7,521.0
Minority interest	-92.2	-67.5	-48.0	-29.8	-13.0
Total Equity	5,579.6	6,047.1	6,580.8	7,067.6	7,508.0

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	296.1	646.1	672.4	624.1	576.2
Depreciation & amortisation	333.5	296.2	255.6	230.2	207.3
Changes in working capital	-18.7	385.9	112.5	52.6	48.1
Others	377.6	388.8	-20.2	-18.7	-17.3
Operating cash flow	988.6	1,717.0	1,020.4	888.2	814.4
Capex	-1.2	-1.5	-1.4	-1.5	-1.4
Others	182.4	72.8	0.0	0.0	0.0
Investing cash flow	181.2	71.3	-1.4	-1.5	-1.4
Dividends paid	0.0	0.0	-118.6	-118.6	-118.6
Others	-1,339.8	-1,042.9	-668.8	-541.8	-439.6
Financing cash flow	-1,339.8	-1,042.9	-787.3	-660.4	-558.1
Net cash flow	-170.0	745.4	231.7	226.3	254.8
Forex	35.9	-23.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	838.8	704.7	1,427.1	1,658.8	1,885.1
Ending cash	704.7	1,427.1	1,658.8	1,885.1	2,139.9

Results Note

Friday, 23 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 2.3k tCO ₂ e in 2023, marking an 82% yoy reduction from 2022.
Waste & Effluent	★★★★	Recorded zero incident of spill released to the surrounding marine waters by the Group's FPSO, FSU and SC fleets in 2023.
Energy	★★★	In 2023, bunker fuel consumption decreased by 12% from 2022 while the amount of FPSO energy consumption per unit hydrocarbon increased by 12% from 2022.
Water	★★★	In 2023, ARMADA achieved 11% yoy decrease in water consumption on the Group's assets from 2022 due to a decrease in the production of hydrocarbon.
Compliance	★★★	The Group is in compliance with local and international environmental regulations.

Social

Diversity	★★★	ARMADA promotes a diverse and inclusive workforce that supports employee morale and work efficiency.
Human Rights	★★★	The Human Rights Statement was incorporated into a Human Rights Policy to cultivate a workplace where employees feel valued, respected and are able to voice their opinions and grievances.
Occupational Safety and Health	★★★★	No fatality has occurred in the last 5 years and ARMADA's operations maintained zero LTI throughout 2023.
Labour Practices	★★★	ARMADA's labour practices are aligned with the local labour laws and regulations.

Governance

CSR Strategy	★★★	ARMADA, in partnership with The Greyhope Bay, has sponsored the revitalisation of Girdle Ness, a previously neglected landscape in the UK.
Management	★★	In 2023, among the board members, 17% (1 out of 6) were female, while 50% (3 out of 6) were independent directors.
Stakeholders	★★★	Regularly engages with stakeholders to understand and address their needs. For instance, the Group organizes annual general meeting (AGM) for investors, and quarterly results briefings for analysts.

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.