



Bumi Armada Berhad

“Robust Order Book Expected to Support Stable Profitability”

Bloomberg: BAB:MK | Reuters: BUAB.KL | Stock Code: 5210

Valuation / Recommendation

We are maintaining our BUY recommendation and target price of RM0.92 for BAB. At our target price of RM0.92 BAB would be trading at a PE of 8.1x our FY22 EPS estimate.

Investment Highlights

1H22 revenue and PATMI within expectations. 1H22 revenue and PATMI stood at 54.4% and 55.7% of our full year FY22 forecast respectively.

2Q22 revenue increased 16.9% qoq to RM618.4m (1Q22: RM529.0m). The higher revenue was due to higher progress of completion of the Subsea Construction contract work in the Caspian Sea as well as preliminary front end engineering and design revenue recognised in 2Q22.

2Q22 PATMI was flat at RM186.3m (1Q22: RM185.8m). PATMI was maintained on the back of higher revenue and favourable foreign exchange movements which offset net allowance for impairment losses of RM65.4m. Net allowance for impairment losses includes an allowance for impairment losses on accrued lease rental of RM88.0m which was provided for as the Group’s wholly-owned subsidiary, Armada Balnaves Pte Ltd was unsuccessful in its appeal against Woodside Energy Julimar Pty Ltd.

Healthy firm order book of RM13.1 bn as at 30 June 2022. 82% of the order book was from wholly-owned FPSO units. Certain contracts contain extension options beyond firm contract period with a total potential value of RM9.4 bn.

FPSO for the Kakinada 98/2 project to potentially boost future earnings. The construction of the FPSO for the Kakinada 98/2 project was 90% complete as at June 2022 and is expected to be completed by end 2022.

Risk factors. Unplanned downtime for its FPSOs and defaults by customers on their contractual payments will negatively impact the financial performance and position of the Group.

Share Information	Top 3 Shareholders (%)	
Market Cap (RM bn)	2.4	Objektif Bersatu Sdn Bhd 34.6
Issued Shares (bn)	5.9	Amanah Saham Nasional Bhd 12.9
52W High (RM)	0.58	Karisma Mesra Sdn Bhd 4.0
52W Low (RM)	0.32	
Estimated Free Float (%)	40.2	
Adjusted Beta vs FBM KLCI	1.4	
65-Day Average Vol. ('000)	12,537	

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS (FY Dec)	FY19	FY20	FY21	FY22F	FY23F
Revenue (RM m)	2,070.7	2,339.9	2,162.6	2,110.0	2,110.0
Adjusted EBITDA (RM m)	974.3	1,466.8	1,443.2	1,318.9	1,270.2
PATMI (RM m)	58.6	125.6	574.1	667.5	736.2
EPS (sen)	1.0	2.1	9.7	11.3	12.5
EPS Growth (%)	-	113.0	356.3	16.3	10.3
PE (x)	53.0	16.4	4.2	3.6	3.2
Net Gearing / (net cash) (%)	2.6	2.4	1.5	1.1	0.7
ROA (%)	0.4	1.0	4.8	5.2	5.5
ROE (%)	1.8	4.0	14.5	14.4	13.7
NA per share (RM)	0.55	0.54	0.67	0.78	0.91

Sources: Mercury Securities, Company

MAIN BOARD
ENERGY
BUY
TP: RM0.920
Price: RM0.405

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RESULTS (RM m)	2Q22	1Q22	qoq %	2Q21	yoy %
Revenue	618.4	529.0	16.9	591.9	4.5
Adjusted EBITDA	322.1	334.4	(3.7)	389.0	(17.2)
Depn & Amortization	(85.4)	(83.3)	-	(118.5)	-
EBIT Before Impairment	242.2	256.1	(5.4)	274.6	(11.8)
Finance Costs	(87.6)	(84.9)	-	(103.1)	-
Share of Results of JVs and Associates	32.3	20.5	-	41.3	-
Profit Before Tax	186.8	191.7	(2.5)	199.9	(6.5)
Taxation	0.6	(5.4)	-	(1.2)	-
(Loss)/Profit from discontinuing ops	-	-	-	(74.8)	-
Net Profit	187.4	186.3	0.6	123.9	51.2
Minority Interests	1.1	0.5	-	(16.0)	-
PATMI	186.3	185.8	0.3	139.9	33.2

Business Overview

BAB is primarily involved in the engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities. The Group is also involved in the chartering, scope planning, logistics and full operations of offshore support vessels and subsea construction vessels.

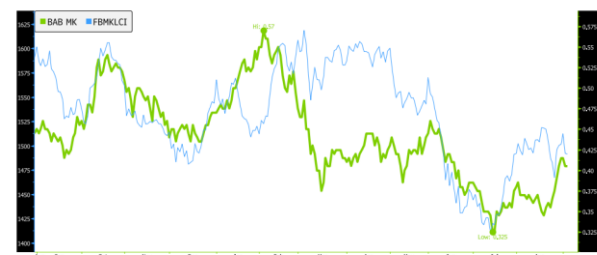
As at 31 March 2021, BAB has 4 wholly-owned and 3 jointly-owned FPSOs, 1 LNG FSU, and 1 partially owned FPSO under construction.

Stock Return Information

FBM KLCI (pts)	1,491.95
Expected Share Return (%)	127.2
Expected Dividend Yield (%)	-
Expected Total Return (%)	127.2

Price Performance

	1M	3M	12M
Absolute (%)	5.2	(12.0)	(9.0)
Relative to FBMKLCI (%)	5.9	(8.0)	(3.0)



Sources: Mercury Securities, Bloomberg, Company

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