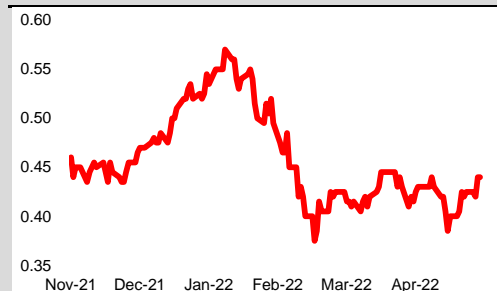


BUMI ARMADA BERHAD
Outperform
DESCRIPTION

Bumi Armada is the fifth largest FPSO player in the world, offering offshore oilfield services, and is an established OSV owner and operator across Asia, Africa and Latin America.

12-Month Target Price RM0.64
Current Price RM0.44
Expected Return 45.4%

Market Sector Main Oil & Gas
Bursa Code 5210
Bloomberg Ticker BAB MK
Shariah-Compliant No

SHARE PRICE CHART


52 Week Range (RM) 0.37 - 0.58
3-Month Average Vol ('000) 29,106.70

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	7.3	-11.1	-6.4
Relative Returns	8.9	-7.9	-4.8

KEY STOCK DATA

Market Capitalisation (RM m) 2,603.9
No. of Shares (m) 5,918.0

MAJOR SHAREHOLDERS

	%
Objektif Bersatu Sdn Bhd	34.6
Permodalan Nasional Bhd	12.9

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Commendable Start

Bumi Armada (BAB) reported a 20% YoY increase in 1QFY22 core net profit to RM177.4m, on the back of RM529m revenue (-6% YoY). The improved profitability is attributable to i) higher vessel availability for FPSO Kraken as it had a planned shutdown in February 2021, ii) lower depreciation charges by 30.3% as FPSO Claire has been fully depreciated, and iii) lower finance costs by 16.5% following the repayment of USD107m of debt during the quarter. Core net profit is broadly in line with our and consensus expectations, meeting 28% and 29% of full year FY22 earnings forecast respectively. Balance sheet continues to improve with net gearing down to 1.3x from 1.6x at the end of last year. We maintain our conservative projections for FY22/23/24 as margins could be tested by inflationary costs, inspectional and maintenance costs as well as unforeseen operational disruptions. As such, our **Outperform** call with a TP of RM0.64 is kept unchanged.

§ **QoQ results highlight.** The Group reported higher revenue and core net profit in 1QFY22, on a sequential basis, by 3.1% and 23.8% to RM529m and RM177.4m respectively in the absence of FPSO Olombendo's repair and maintenance costs as well as higher vessel availability for FPSO Kraken. The performance was also supported by, i) lower depreciation by 10.3% as FPSO Claire had been fully depreciated, and ii) lower finance costs by 8.4% following the repayment of USD107m of debt during the quarter. Operating profit and EBITDA margin expanded 9.2 ppt and 6.3 ppt to 48.4% and 64.2% respectively. The Group disposed 4 vessels this quarter including the 3 ice-class vessels, leaving the Group with only 3 vessels currently.

§ **Outlook.** We foresee the overall outlook for the Group continuing to improve, and the balance sheet strengthening given steady performance from its FPSO segment. Net gearing reduced further to 1.3x from 2.1x a year ago and 1.6x at the end of last year, also strengthened by its on-going asset monetization program. Management is confident of disposing the idle FPSO Claire this year while the remaining 3 OSVs have also been classified for disposal as well. The Group's FPSO 98/02 has achieved 87% completion and is on track to be completed by end of this year. It is understood that the Group is in active bidding for 2 contracts in Angola, i.e., i) Eni in the Agogo field in Block 15/06, and ii) TotalEnergies in the Cameia-Golfinho field.

KEY FORECAST TABLE

FYE Dec (RM m)	2020A	2021E^	2022F	2023F	2024F	CAGR
Revenue	2,339.9	2,237.1	2,551.6	2,605.6	2,615.5	2.8%
Gross Profit	953.7	959.4	995.1	1,003.2	1,020.0	1.7%
Pre-tax Profit	127.6	602.9	698.3	744.0	804.1	58.4%
Net Profit	125.6	574.2	628.5	669.6	723.7	54.9%
Core Net Profit	457.7	672.7	628.5	669.6	723.7	12.1%
EPS (Sen)	2.1	2.0	10.8	11.5	12.4	55.9%
P/E (x)	20.9	22.0	4.1	3.8	3.5	
DPS (Sen)	0.0	0.0	0.0	0.0	0.0	
Div Yield (%)	0.0	0.0	0.0	0.0	0.0	

Source: Company, PublicInvest Research estimates ^Including discontinued operations

Table 1: Results Summary

<u>FYE Dec</u> <u>(RM.m)</u>	<u>1Q</u> <u>FY22</u>	<u>1Q</u> <u>FY21</u>	<u>4Q</u> <u>FY21</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YTD</u> <u>FY22</u>	<u>YTD</u> <u>FY21</u>	<u>YTD</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	529.0	562.7	513.1	-6.0	3.1	529.0	562.7	-6.0	In absence of FPSO Olombendo's repair and maintenance costs as well as higher vessel availability for FPSO Kraken
Operating Profit	256.1	278.2	201.3	-8.0	27.2	256.1	278.2	-8.0	
EBITDA	339.4	405.3	296.8	-16.3	14.4	339.4	405.3	-16.3	
Finance costs	-84.9	-101.6	-92.6	-16.5	-8.4	-84.9	-101.6	-16.5	
Pre-tax profit	191.7	184.0	139.8	4.2	37.1	191.7	184.0	4.2	
Taxation	-5.4	-24.4	1.4	-77.8	-489.9	-5.4	-24.4	-77.8	
Net Profit	186.3	159.6	112.7	16.7	65.3	186.3	159.6	16.7	
PATAMI	185.8	162.8	118.0	14.1	57.4	185.8	162.8	14.1	
Core Net Profit	177.4	147.9	143.3	20.0	23.8	177.4	147.9	20.0	
EPS (sen)	3.1	2.8	2.0	13.4	57.0	3.1	2.8	13.4	
Margins									
Operating Profit	48.4%	49.4%	39.2%			48.4%	49.4%		
EBITDA	64.2%	72.0%	57.8%			64.2%	72.0%		
Pre-tax Profit	36.2%	32.7%	27.3%			36.2%	32.7%		
Core Net Profit	33.5%	26.3%	27.9%			33.5%	26.3%		
Segmental Revenue									
Operations	522.1	495.2	480.1	5.4	8.8	522.1	495.2	5.4	
Others	6.9	67.6	33.0	-89.8	-79.1	6.9	67.6	-89.8	
Operations: FPSO, FGS, OSV, Subsea Construction assets, and marine related services									
Source: Company									
Note: n.a. = not applicable									

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2020A	2021E [^]	2022F	2023F	2024F
Revenue	2,339.9	2,237.1	2,551.6	2,605.6	2,615.5
Cost of sales	-1,386.2	-1,277.7	-1,556.5	-1,602.4	-1,595.5
Operating Profit	925.2	1,003.2	999.2	1,004.7	1,028.8
Share of Joint Ventures	51.4	106.7	102.8	102.6	102.3
Finance costs	-491.6	-397.1	-403.7	-363.3	-327.0
Pre-tax Profit	127.6	602.9	698.3	744.0	804.1
Income Tax	-15.4	-16.6	-104.8	-111.6	-120.6
Effective Tax Rate (%)	12.1	2.8	15.0	15.0	15.0
Net Profit	125.6	574.2	628.5	669.6	723.7
Core Net Profit	457.7	672.7	628.5	669.6	723.7

Growth

Revenue	13.0%	-4.4%	14.1%	2.1%	0.4%
Operating Profit	73.3%	8.4%	-0.4%	0.5%	2.4%
Core Net Profit	62.4%	47.0%	-6.6%	6.5%	8.1%

Source: Company, PublicInvest Research estimates [^]Including discontinued operations

BALANCE SHEET DATA

FYE Dec (RM m)	2020A	2021E	2022F	2023F	2024F
Property, Plant & Equipment	4,945.1	4,212.7	4,005.5	3,605.0	3,424.7
Cash and Cash Equivalents	894.8	794.8	1,288.5	1,546.2	1,855.5
Receivables, deposits and prepayment	610.3	577.2	1,348.8	1,369.5	1,373.3
Other Assets	6,197.4	6,485.7	5,817.2	5,958.1	5,958.1
Total Assets	12,647.6	12,070.4	12,460.1	12,478.8	12,611.5
Payables	482.9	530.6	540.1	560.0	557.9
Borrowings	8,306.4	6,918.3	6,728.2	6,055.4	5,449.8
Other Liabilities	732.8	699.7	856.8	1,528.5	1,526.9
Total Liabilities	9,522.1	8,148.6	8,125.1	8,143.8	7,534.6
Shareholders' Equity	3,125.5	3,921.8	4,335.0	4,335.0	5,077.0
Total Equity and Liabilities	12,647.6	12,070.4	12,460.1	12,478.8	12,611.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2020A	2021E	2022F	2023F	2024F
Book Value Per Share	0.5	0.7	0.7	0.7	0.9
NTA Per Share	2.1	2.0	0.7	0.7	0.9
EPS (Sen)	2.1	2.0	10.8	11.5	12.4
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	3.6	5.6	5.0	5.4	5.7
ROE (%)	14.6	17.2	14.5	15.4	14.3

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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