



AmInvestment Bank

Company report

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BUMI ARMADA

(BAB MK EQUITY, BUAB.KL)

24 Nov 2022

*In pole position to win Cameia***BUY**

(Maintained)

Rationale for report: Company results

Price RM0.43
Fair Value RM0.84
52-week High/Low RM0.58/RM0.32

Key Changes

Fair value ⓘ
EPS ⓘ

YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	2,162.6	2,411.3	2,429.4	2,435.4
Core net profit (RM mil)	593.2	783.8	808.8	833.6
FD Core EPS (sen)	10.1	13.2	13.7	14.1
FD Core EPS growth (%)	22.8	31.0	3.2	3.1
Consensus Net Profit (RM mil)	-	696.6	720.1	740.1
DPS (sen)	-	-	-	-
PE (x)	4.3	3.2	3.1	3.1
EV/EBITDA (x)	6.4	5.3	4.9	4.4
Div yield (%)	-	-	-	0.1
ROE (%)	16.1	18.0	15.7	14.0
Net Gearing (%)	154.5	111.3	81.8	59.8

Stock and Financial Data

Shares Outstanding (million)	5,866.3
Market Cap (RM mil)	2,522.5
Book Value (RM/share)	0.68
P/BV (x)	0.6
ROE (%)	16.1
Net Gearing (%)	154.5

Major Shareholders
Objektif Bersatu (34.6%)
ASNB (12.9%)

Free Float 52.5
Avg Daily Value (RM mil) 5.1

Price performance	3mth	6mth	12mth
Absolute (%)	17.8	1.2	(9.5)
Relative (%)	21.0	8.1	(4.5)

**Investment Highlights**

- We maintain BUY on Bumi Armada with a slightly higher sum-of-parts (SOP) based fair value of RM0.84/share (from RM0.83/share previously). Our fair value also reflects a neutral ESG rating of 3 stars.
- Bumi Armada's 9MFY22 core net profit (CNP) of RM651mil (after excluding RM74mil net fair value loss on property, plant and equipment as well as an RM8mil unrealised forex gain) came in above expectations at 94% of our earlier FY22F net profit and 93% street's estimate.
- The net fair value loss on property, plant and equipment was mainly due to downward revisions of residual value of vessels due to lower expected scrap values and an increase in a FPSO vessel's useful life.
- Subsequently, we raise our FY22F–FY24F earnings by 11%–13% mainly to account for higher EBIT margins on the floating production operation (FPO) division and lower finance costs.
- The group's 9MFY22 CNP increased by 9% YoY on the back of an equivalent rise in revenue to RM1.8bil, coupled with lower depreciation charges and finance costs, which mitigated a lower share of joint ventures (JVs) and associates' results.
- QoQ, 3QFY22 revenue grew 26% to RM653mil mainly due to higher progress of completion of subsea construction contract work in the Caspian Sea and higher preliminary front-end engineering and design (Pre-FEED) revenue, coupled with stable contributions from its FPO operation.
- Notwithstanding the higher revenue, 3QFY22 CNP fell by 14% QoQ, mainly weighed down by a lower share of results of JVs and associates. Note that the share of JVs and associates' results of RM3mil (after stripping off RM46mil net fair value losses in vessels) plunged by 90% QoQ, due to higher tax provisions in the current quarter.
- Meanwhile, its 30%-owned Armada Sterling V (the remaining 70% owned by Oil and Natural Gas Corporation) has sailed away in early November this year and is expected to arrive in the east coast of Kakinada, offshore India by the end of 2022. This paves the path for maiden earnings contributions from the vessel from 1QFY23 onwards.
- Meanwhile, the group's firm order book remains largely unchanged at RM13.0bil as at the end of 3QFY22. Combined with optional extensions worth RM9.9bil, this translates to a comfortable 10x of FY22F revenue.

- Bumi Armada's short-to-medium term outlook remains promising as we anticipate the group to secure TotalEnergies' Cameia FPSO vessel project in the coming months. To recap, *Upstream Online* reported in September this year that the group has emerged as the frontrunner to provide a FPSO unit to the Cameia-Golfinho project, offshore Angola.
- It is also well-established that the project would only entail engineering, procurement, construction, installation and commissioning works, with an estimated project cost of at least US\$1bil. The vessel is also anticipated to be equipped with a production capacity of 100,000 barrels of oil per day, as well as targeted to reach first oil by 2025.
- Valuation-wise, we see more potential upside in Bumi Armada in view of its FY23F PE of 3x vs. the FBM KLCI's 16.5x. This is underpinned by sustainable core earnings with the normalisation of Armada Kraken's operations.

EXHIBIT 1: RESULTS SUMMARY

YE 31 Dec (RMmil)	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YoY (%)
Revenue	517.9	618.4	653.1	5.6	26.1	1,649.5	1,800.5	9.2
EBITDA	334.7	393.0	429.6	9.3	28.3	1,196.7	1,160.3	(3.0)
Unusual Items	0.0	(65.4)	(65.8)	(0.5)	-	(87.0)	(129.5)	(48.8)
Depreciation	(114.5)	(85.4)	(87.4)	(2.3)	23.7	(352.6)	(256.1)	27.4
EBIT	220.2	242.2	276.4	14.1	25.5	757.1	774.7	2.3
Finance cost	(99.8)	(87.6)	(94.9)	(8.3)	5.0	(304.5)	(267.3)	12.2
Associates & JVs	26.9	32.3	(43.2)	(>100)	(>100)	75.5	9.6	(87.3)
Pretax profit	147.3	186.8	138.4	(25.9)	(6.0)	528.1	516.9	(2.1)
Taxation	0.4	0.6	0.8	39.1	97.0	(26.4)	(4.1)	84.6
Minorities	(8.1)	(1.1)	10.5	>100	>100	11.0	8.9	(19.7)
Net profit	139.6	186.3	149.7	(19.6)	7.3	512.7	521.7	1.8
Core net profit	139.6	251.7	215.5	(14.4)	54.4	599.8	651.3	8.6
EPS (sen)	2.6	3.2	2.5	(19.7)	(2.7)	7.7	8.8	14.5
Gross DPS (sen)	0.0	0.0	0.0	-	-	0.0	0.0	-
BV/Share (RM)	0.64	0.79	0.87	10.1	35.9	0.64	0.87	35.9
EBITDA margin (%)	64.6	63.5	65.8			72.5	64.4	
Pretax margin (%)	28.4	30.2	21.2			32.0	28.7	
Effective tax rate (%)	(0.3)	(0.3)	(0.6)			5.0	0.8	

Source: Bursa Malaysia announcement

EXHIBIT 2: SUM-OF-PARTS BREAKDOWN

Operations	Net profit (RM mil)		Sum-of-parts (RM mil)		Comments
	FY22F	PE target	(RM mil)	%	
FPSO	775.19	13.48	10,451.26	94.1	DCF of 8 FPSOs and 1 FSU at cost of equity of 10%, interest cost of 4%
OSV	(9.31)	n/a	36.90	0.3	Assume 3 OSVs valued at average US\$3mil
T&I	17.88	34.40	615.00	5.6	Assume 3 vessels valued at average US\$50mil
Total	783.75		11,103.16	100.0	
Net debt as at 31 Dec 2021			(6,123.48)		
Sum-of-Parts (SOP)			4,979.68		
No of shares (mil)			5,918.05		
SOP (RM/share)			0.84		
ESG premium (%)			-		
Net SOP (RM/share)			0.84		

Source: AmInvestment Bank

EXHIBIT 3: PB BAND CHART

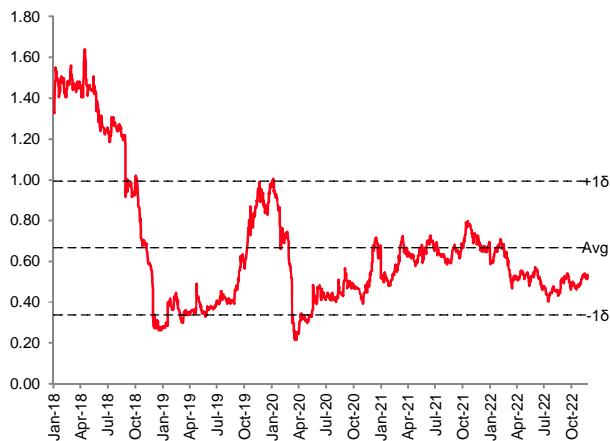


EXHIBIT 4: PE BAND CHART

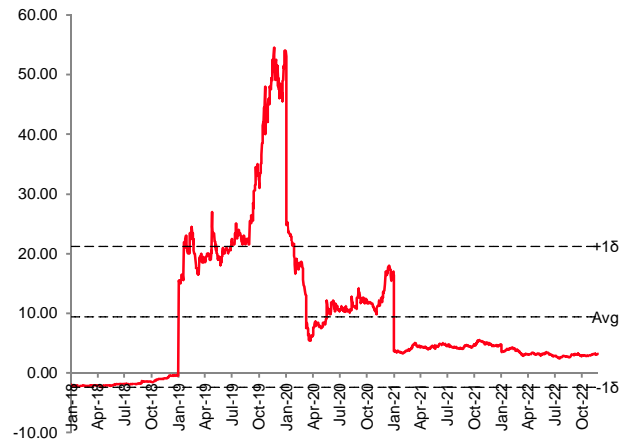


EXHIBIT 5: ESG RATING

Overall	★	★	★		
Zero-carbon initiatives	★	★	★		
Health & safety compliance	★	★	★	★	★
Shareholder accountability	★	★	★		
Social responsibility	★	★	★		
Pollution control	★	★	★		
Supply chain auditing	★	★	★		
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	2,235.3	2,162.6	2,411.3	2,429.4	2,435.4
EBITDA	1,421.5	1,358.1	1,474.7	1,455.1	1,435.9
Depreciation/Amortisation	(519.4)	(465.8)	(342.0)	(338.7)	(335.7)
Operating income (EBIT)	902.1	892.3	1,132.7	1,116.3	1,100.2
Other income & associates	51.4	106.7	112.0	117.6	123.5
Net interest	(491.6)	(397.1)	(292.4)	(251.4)	(211.3)
Exceptional items	(357.3)	(19.1)	-	-	-
Pretax profit	104.5	582.7	952.4	982.6	1,012.4
Taxation	7.7	(25.1)	(161.9)	(167.0)	(172.1)
Minorities/pref dividends	13.3	16.4	(6.7)	(6.7)	(6.7)
Net profit	125.6	574.1	783.8	808.8	833.6
Core net profit	482.9	593.2	783.8	808.8	833.6
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	4,945.1	4,212.8	4,070.8	4,032.0	3,996.3
Intangible assets	4,489.5	4,403.4	4,183.3	3,974.1	3,775.4
Other long-term assets	1,368.7	1,544.2	1,757.8	1,975.9	2,198.6
Total non-current assets	10,803.3	10,160.4	10,011.8	9,982.0	9,970.3
Cash & equivalent	894.8	794.8	1,839.9	2,803.5	3,768.4
Stock	4.1	-	-	-	-
Trade debtors	511.8	494.3	593.1	711.8	854.1
Other current assets	433.7	620.9	667.2	715.8	766.8
Total current assets	1,844.3	1,910.1	3,100.3	4,231.1	5,389.3
Trade creditors	164.1	158.9	166.9	175.2	184.0
Short-term borrowings	1,539.5	1,404.1	1,333.9	1,267.2	1,203.9
Other current liabilities	355.1	482.8	491.1	514.5	539.0
Total current liabilities	2,058.7	2,045.8	1,991.9	1,956.9	1,926.8
Long-term borrowings	6,766.9	5,514.2	5,789.9	6,079.4	6,383.4
Other long-term liabilities	696.5	588.6	618.0	648.9	681.3
Total long-term liabilities	7,463.4	6,102.8	6,407.9	6,728.3	7,064.7
Shareholders' funds	3,149.1	3,962.7	4,746.5	5,555.3	6,388.8
Minority interests	(23.6)	(40.9)	(34.2)	(27.4)	(20.7)
BV/share (RM)	0.54	0.68	0.80	0.94	1.08
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	104.5	582.7	952.4	982.6	1,012.4
Depreciation/Amortisation	519.4	465.8	342.0	338.7	335.7
Net change in working capital	(307.3)	(43.2)	(128.9)	(135.4)	(160.1)
Others	675.9	438.4	328.4	274.4	221.7
Cash flow from operations	992.4	1,443.8	1,493.8	1,460.2	1,409.7
Capital expenditure	476.1	266.6	(200.0)	(300.0)	(300.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	-	-	-	-	-
Cash flow from investing	476.1	266.6	(200.0)	(300.0)	(300.0)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	(491.6)	(397.1)	(292.4)	(251.4)	(211.3)
Cash flow from financing	(491.6)	(397.1)	(292.4)	(252.4)	(213.3)
Net cash flow	976.9	1,313.2	1,001.4	907.8	896.4
Net cash/(debt) b/f	(8,396.3)	(7,411.7)	(6,123.5)	(5,283.9)	(4,543.1)
Net cash/(debt) c/f	(7,411.7)	(6,123.5)	(5,283.9)	(4,543.1)	(3,818.8)
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	7.9	(3.3)	11.5	0.8	0.2
EBITDA growth (%)	15.3	(4.5)	8.6	(1.3)	(1.3)
Pretax margin (%)	4.7	26.9	39.5	40.4	41.6
Net profit margin (%)	5.6	26.5	32.5	33.3	34.2
Interest cover (x)	1.8	2.2	3.9	4.4	5.2
Effective tax rate (%)	7.4	4.3	17.0	17.0	17.0
Dividend payout (%)	-	-	-	0.1	0.2
Debtors turnover (days)	76	85	82	98	117
Stock turnover (days)	1	-	-	-	-
Creditors turnover (days)	35	27	25	26	27

Source: Company, AmlInvestment Bank Bhd estimates

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