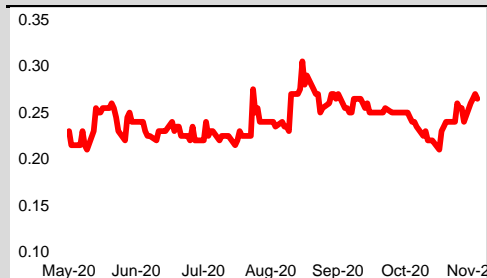


**BUMI ARMADA BERHAD**
**Neutral**
**DESCRIPTION**

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** RM0.32  
**Current Price** RM0.27  
**Expected Return** 18.5%

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

**SHARE PRICE CHART**


52 Week Range (RM) 0.11 - 0.56  
3-Month Average Vol ('000) 56,214.16

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	6.0	10.4	8.2
Relative Returns	3.2	9.8	0.1

**KEY STOCK DATA**

Market Capitalisation (RM m) 1,559.8  
No. of Shares (m) 5,885.9

**MAJOR SHAREHOLDERS**

	%
Objektif Bersatu Sdn Bhd	34.8
Permodalan Nasional Bhd	11.8
Employees Provident Fund	1.8

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**Expecting Stable Numbers Ahead**

Bumi Armada's (BAB) 3QFY20 revenue dropped 7% QoQ to RM564.4m largely due to planned shutdown of FPSO Kraken during the period. Consequently, core net profit slipped 59.2% YoY to RM53.1m after excluding exceptional items amounting to RM32.5m. Cumulatively, the Group reported core net profit of RM255.9m (+11.6% YTD) for 9MFY20 on the back of 10.9% YTD increase in revenue as performance of Kraken improved this year. Core earnings are broadly in line with our and consensus expectations, meeting 75.8% and 70.1% of full-year numbers respectively. Despite 3QFY20 performance being affected largely due to Kraken's maintenance, we still see BAB being able to register stable earnings given the steadier performance from FPSO Kraken. This will help to cushion the impact of weak OSV-related performance owing to lower utilization and charter hire prices given the unappealing oil price conditions. Our FY20-22F earnings forecast are kept unchanged, with **Neutral** rating maintained with unchanged TP of RM0.32.

§ **3QFY20 dragged by FPSO Kraken.** The Group reported sequentially lower 3QFY20 core net profit of RM53.1m (-59.2% QoQ) in tandem with lower revenue of RM564.4m (-7.0% QoQ). Weaker 3QFY20 performance was mainly attributed to lower recognition from the FPO segment as lower uptime was achieved for FPSO Armada Kraken due to planned maintenance and shutdown during the period. Profitability was affected further as the maintenance allowance was not sufficient to cover costs given that the allocation had been utilized previously. That said, the maintenance works are being done ahead of schedule with no major issues arising, hence Kraken's performance being expected to pick up from 4QFY20 onwards. The Group's OMS segment showed progress with revenue increasing 9.8% QoQ mainly due to improved utilization after one vessel was disposed in the quarter.

§ **Getting better, but risks remain.** Steadier performance ahead from FPSO Kraken will see the Group's earnings remaining stable. Immediate concern of RM656.4m in borrowings coming due in May 2021 will be supported by its existing cash of ~RM923.5m, coupled with cash flow from operations as well as asset monetization. With the current weak oil price environment amid relatively poorer business sentiment as a result of the COVID-19 pandemic however, the Group's massive debt load (net debt of RM8.9bn as at September 2020) leaves the Group in a precarious financial position.

**KEY FORECAST TABLE**

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F	CAGR
Revenue	2,418.7	2,070.7	2,344.0	2,434.2	2,507.2	0.9%
Gross Profit	501.2	553.4	972.8	1,010.2	1,053.0	20.4%
Pre-tax Profit	-1,941.0	82.2	379.4	428.8	445.0	n.m.
Net Profit	-2,302.8	58.6	337.7	381.6	396.1	n.m.
Core Net Profit	306.8	262.0	337.7	381.6	396.1	6.6%
EPS (Sen)	-39.2	1.0	5.8	6.6	6.8	n.m.
P/E (x)	n.m.	27.0	4.7	4.1	4.0	
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

**Table 1: Results Summary**

<u>FYE Dec</u> <u>(RM m)</u>	<u>3Q</u> <u>FY20</u>	<u>3Q</u> <u>FY19</u>	<u>2Q</u> <u>FY20</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YTD</u> <u>FY20</u>	<u>YTD</u> <u>FY19</u>	<u>YTD</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	564.4	527.8	606.8	6.9	-7.0	1,723.8	1,555.1	10.9	Dragged by FPSO Armada Kraken due to planned maintenance and shutdown Maintenance allowance was not sufficient to cover the costs
Operating Profit	222.0	248.6	246.6	-10.7	-10.0	710.6	616.9	15.2	
<b>EBITDA</b>	<b>353.1</b>	<b>412.8</b>	<b>378.7</b>	<b>-14.5</b>	<b>-6.8</b>	<b>1,111.9</b>	<b>1,061.9</b>	<b>4.7</b>	
Finance costs	-116.7	-143.4	-127.9	-18.6	-8.7	-381.8	-408.2	-6.5	
<b>Pre-tax profit</b>	<b>88.7</b>	<b>160.0</b>	<b>114.8</b>	<b>-44.6</b>	<b>-22.7</b>	<b>-10.8</b>	<b>332.3</b>	<b>-103.2</b>	
Taxation	-1.4	-8.5	-5.4	-83.6	-74.1	-12.1	-37.4	-67.6	
Net Profit	87.3	151.5	109.4	-42.4	-20.2	-22.9	295.0	-107.8	
PATAMI	85.6	153.4	119.8	-44.2	-28.5	-18.6	293.8	-106.3	
<b>Core Net Profit</b>	<b>53.1</b>	<b>92.1</b>	<b>130.2</b>	<b>-42.3</b>	<b>-59.2</b>	<b>255.9</b>	<b>229.3</b>	<b>11.6</b>	Kraken profitability drags
EPS (sen)	1.5	2.6	2.0	-44.1	-28.4	-0.3	5.0	-106.2	
<b>Margins (%)</b>									
Operating Profit	39.3%	47.1%	40.6%			41.2%	39.7%	39.3%	
EBITDA	62.6%	78.2%	62.4%			64.5%	68.3%	62.6%	
Pre-tax Profit	15.7%	30.3%	18.9%			-0.6%	21.4%	15.7%	
Core Net Profit	9.4%	17.4%	21.5%			14.8%	14.7%	9.4%	
<b>Segmental Revenue</b>									
FPO	470.5	453.9	521.2	3.7	-9.7	1,453.8	1,323.0	9.9	
OMS	93.9	74.0	85.6	27.0	9.8	270.0	232.0	16.4	

Source: Company

Note: n.a. = not applicable

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Revenue	2,418.7	2,070.7	2,344.0	2,434.2	2,507.2
Cost of sales	-1,917.5	-1,517.3	-1,371.3	-1,424.0	-1,454.2
Operating Profit	301.9	533.8	830.5	863.7	894.6
Share of Joint Ventures	166.2	147.6	119.9	107.7	78.1
Pre-tax Profit	-2,296.9	82.2	379.4	428.8	445.0
Income Tax	-22.3	-44.0	-56.9	-64.3	-66.8
Effective Tax Rate (%)	1.0	53.5	15.0	15.0	15.0
<b>Net Profit</b>	<b>-2,302.8</b>	<b>58.6</b>	<b>337.7</b>	<b>381.6</b>	<b>396.1</b>
<b>Core Net Profit</b>	<b>306.8</b>	<b>262.0</b>	<b>337.7</b>	<b>381.6</b>	<b>396.1</b>
<b>Growth</b>					
Revenue	1%	-14%	13%	4%	3%
Operating Profit	-61%	77%	56%	4%	4%
Core Net Profit	-15%	-15%	29%	13%	4%

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Property, Plant & Equipment	6,692.7	5,940.6	5,667.0	5,460.7	5,209.7
Cash and Cash Equivalents	1,226.4	1,094.4	1,541.0	1,556.5	1,603.2
Receivables, deposits and prepayment	58.8	81.5	1,269.4	1,303.9	1,330.0
Other Assets	7,562.8	6,862.7	5,829.8	6,334.0	7,088.2
<b>Total Assets</b>	<b>15,540.7</b>	<b>13,979.2</b>	<b>14,307.2</b>	<b>14,655.1</b>	<b>15,231.1</b>
Payables	1,112.2	640.5	958.1	991.6	912.3
Borrowings	10,380.5	9,490.7	9,516.6	9,042.2	8,794.6
Other Liabilities	677.9	634.8	921.1	1,571.1	2,008.0
<b>Total Liabilities</b>	<b>12,170.6</b>	<b>10,766.0</b>	<b>11,395.8</b>	<b>11,604.9</b>	<b>11,714.9</b>
Shareholders' Equity	3,370.1	3,213.1	2,911.4	3,250.2	3,516.2
<b>Total Equity and Liabilities</b>	<b>15,540.7</b>	<b>13,979.1</b>	<b>14,307.2</b>	<b>14,655.1</b>	<b>15,231.1</b>

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

FYE Dec	2018A	2019A	2020F	2021F	2022F
Book Value Per Share	0.6	0.5	0.5	0.6	0.6
NTA Per Share	2.6	2.4	2.2	2.1	1.9
EPS (Sen)	-39.2	1.0	5.8	6.6	6.8
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 (%)	2	2	2.4	2.6	2.6
ROE (%)	9	8	11.6	11.7	11.3

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

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

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