

Bumi Armada (BAB MK)

FY21 results in line

Maintain BUY and MYR0.58 TP

FY21 core earnings made up 95% of our FY estimate, on the back of a sequentially softer 4Q21, mainly due to lower FPSO profits. Its turnaround story is beginning to gain traction. Improving cashflows and monetizing non-core assets (OSVs & FPSO Claire) are its key KPIs. It will also continue to de-gear, deliver FPSO Kakinada, prospect for new FPSO opportunities and outline its ESG strategy. Our TP is SOP-based.

Snapshot of its 4Q21 performance

Core net profit of MYR141m (-7% QoQ; -25% YoY) in 4Q21 took FY21 core earnings to MYR670m (+44% YoY), in line with our estimate. The QoQ weakness was largely due to lower contributions (-31% EBIT) from its FPSO ops, mainly on higher opex from its FPSO Olombendo, which incurred higher O&M costs. Profits at its associate grew 16% QoQ owing to minimal unplanned expenses (i.e. crew change, Covid) in 4Q21. At its OSV ops, it sold 3 units in 4Q21 (FY21: 20 units), reducing its fleet size to 7 units. Of the 7 units: (i) 1 vessel was classified as 'non-current assets held for sale' & (ii) 3 Ice Class units were classified as 'discontinued ops held for sale'; sold in Jan 2022 for USD44.5m.

De-gearing sustainably

Our estimates are unchanged. Its strategy to constantly generate positive FCFs while keeping opex in check is showing encouraging progress. It: (i) reduced opex by 15% YoY and (ii) repaid USD398m debts in 2021, a positive. This is reflected on its net debt/ net gearing/ net debt-to-EBITDA ratios, which have fallen from MYR7.4b/ 2.4x/ 5.1x in 2020 to MYR6.1b/ 1.5x/ 4.2x (vs. 7-year weightage average of firm charters; a positive) respectively in 2021.

Key targets: Reduce debts, seeks new job(s)

Improving cashflows and monetizing non-core assets (i.e. exit the OSVs ops & sale of FPSO Claire) remain its key KPIs, as well as delivery of the FPSO Kakinada project on schedule by Jun 2022. BArmada will also: (i) seek to refinance its USD loans to improve its cashflows, (ii) prospect for new project(s) for growth and (iii) release its ESG strategy in 2022.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,340	2,163	2,081	1,983	1,993
EBITDA	1,467	1,469	1,502	1,458	1,404
Core net profit	464	670	722	750	762
Core EPS (sen)	7.9	11.4	12.2	12.7	12.9
Core EPS growth (%)	90.8	44.0	7.8	3.8	1.7
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Core P/E (x)	4.4	4.1	4.0	3.9	3.8
P/BV (x)	0.7	0.7	0.6	0.5	0.5
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	3.9	16.1	16.7	14.8	13.1
ROAA (%)	3.5	5.4	5.9	5.9	5.8
EV/EBITDA (x)	6.4	6.0	5.3	4.8	4.3
Net gearing (%) (incl perps)	237.1	156.1	109.9	76.1	51.4
Consensus net profit	-	-	623	649	na
MKE vs. Consensus (%)	-	-	15.9	15.4	na

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BUY

Share Price	MYR 0.50
12m Price Target	MYR 0.58 (+17%)
Previous Price Target	MYR 0.58

Company Description

A Top 5 FPSO operator in the world with OSV and T&I units complementing its business

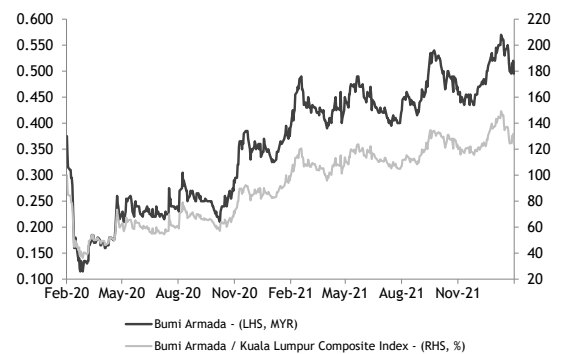
Statistics

52w high/low (MYR)	0.57/0.39
3m avg turnover (USDm)	2.6
Free float (%)	54.1
Issued shares (m)	5,907
Market capitalisation	MYR2.9B USD696M

Major shareholders:

KRISHNAN TATPARANANDAM ANANDA	34.7%
Permodalan Nasional Bhd.	12.9%
Hong Leong Asset Management Bhd.	4.8%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(5)	5	27
Relative to index (%)	(10)	0	26

Source: FactSet

Summary Results Table

FY Dec (MYR m)	Quarterly results					FY21	FY20	% YoY
	4Q21	4Q20	% YoY	3Q21	% QoQ			
Turnover	438.6	616.0	(28.8)	545.7	(19.6)	2,162.6	2,339.9	(7.6)
EBITDA	330.8	381.0	(13.2)	356.4	(7.2)	1,468.9	1,466.8	0.1
EBIT	203.8	231.1	(11.8)	236.5	(13.8)	969.0	906.6	6.9
Int. expense	(92.6)	(109.8)	(15.7)	(99.8)	(7.2)	(397.1)	(491.6)	(19.2)
Associate	31.1	60.3	(48.4)	26.9	15.9	106.7	51.4	>100
EI	(22.6)	(43.3)	(47.8)	1.8	NM	(95.8)	(338.7)	(71.7)
Pretax profit	119.7	138.4	(13.5)	165.4	(27.6)	582.7	127.6	>100
Tax	(7.1)	(3.2)	NM	(3.9)	83.6	(25.1)	(15.4)	63.1
Minority interest	5.3	9.0	(40.9)	(8.1)	NM	16.4	13.3	23.0
Net profit	118.0	144.1	(18.1)	153.4	(23.1)	574.1	125.6	>100
Net profit Ex EI	140.6	187.4	(25.0)	151.7	(7.3)	669.9	464.3	44.3
EBIT margin (%)	46.5	37.5	9.0	43.3	3.1	44.8	38.7	6.1
Tax rate (%)	5.9	2.3	3.6	2.3	3.6	4.3	12.0	(7.7)
Turnover	438.6	616.0	(28.8)	545.7	(19.6)	2,162.6	2,339.9	(7.6)
- FPSO & FSU	480.1	532.1	(9.8)	472.2	1.7	1,980.5	1,985.9	(0.3)
- OMS	(41.5)	84.0	NM	73.5	NM	182.1	354.0	(48.6)
EBIT	203.8	231.1	(11.8)	236.5	(13.8)	969.0	906.6	6.9
- FPSO & FSU	172.0	224.7	(23.4)	248.6	(30.8)	949.5	943.9	0.6
- OMS	(62.8)	(18.9)	NM	(8.9)	NM	(132.2)	(135.4)	(2.4)
- Others	94.6	25.3	NM	(3.1)	NM	151.7	98.0	54.7
Margins (%)	46.5	37.5	9.0	43.3	37.5	44.8	38.7	(7.3)
- FPO	35.8	42.2	(6.4)	52.6	42.2	47.9	47.5	(5.7)
- OMS	151.5	(22.6)	NM	(12.2)	(22.6)	(72.6)	(38.2)	50.0

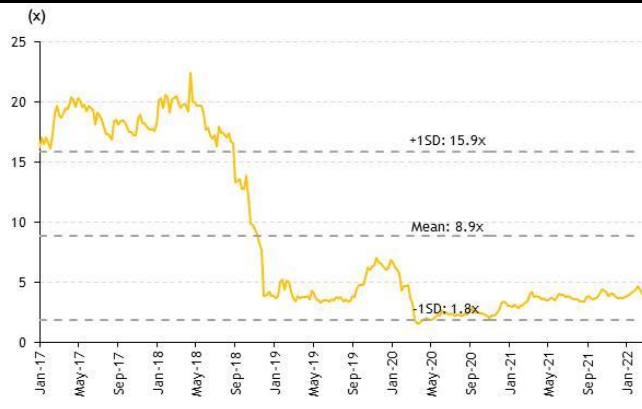
Source: Company

SOP valuation

FPSO operations	Contract (firm + ext) yr	Location	% stake	NPV (MYR'm)	Details
- TGT1	7 + 6	Vietnam	100%	444	NPV (6-year extension, up to 2024), 5.6% WACC
- Sterling I @ D1	7 + 6	India	49%	486	NPV (10-year firm; up to 2030); 5.6% WACC
- Sterling II @ C7	10 + (5)	India	49%	206	NPV (firm; up to 2024); 5.6% WACC
- Kraken	8 + (1x17)	North Sea	100%	1,638	NPV (firm; up to 2025); 7.0% WACC
- Olombendo	12 + (1 x 8)	Angola	100%	4,490	NPV (firm; up to 2030); 5.8% WACC
- Sterling III @ Madura	10 + 5	Indonesia	50%	376	NPV (firm; up to 2027); 5.8% WACC
- Malta FSU	18.2	Malta	100%	532	NPV (firm; up to 2035); 5.8% WACC
- 98/2 @ Kakinada	9 + 7	India	30%	486	NPV (firm; up to 2031); 7.0% WACC
FPSO				8,658	
Residual value				876	5% of capex
Less: Net debt				(6,123)	FY21
Total				3,411	
Share base (m)				5,883	
SOP per share				0.58	

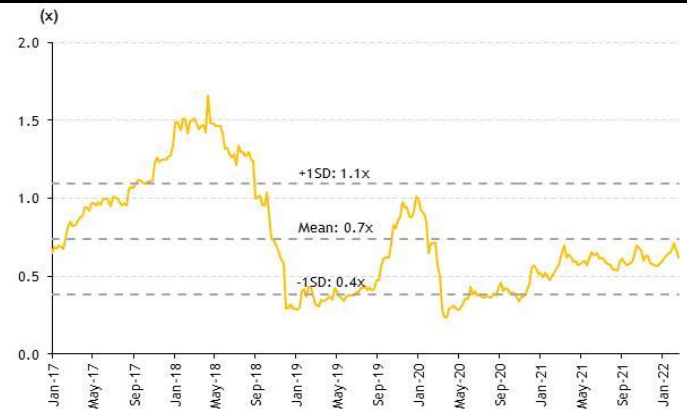
Source: Maybank IBG Research

1-year forward PER band



Source: Company, Maybank IBG Research

1-year forward PBV band



Source: Company, Maybank IBG Research

1-year forward EV/ EBITDA band



Source: Company, Maybank IBG Research

BArmada: Charter period of FPO units

Unit	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039 onwards
Armada Kraken FPSO	[Firm contract period: 2022-2025; Optional extension period: 2026-2039]																	
Armada Olombendo FPSO	[Firm contract period: 2022-2030; Optional extension period: 2031-2038]																	
Armada LNG Mediterrana FSU	[Firm contract period: 2022-2035]																	
Armada TGT 1 FPSO	[Firm contract period: 2022-2025]																	
Armada Sterling FPSO (50% JV)	[Firm contract period: 2022-2030; Optional extension period: 2031-2035]																	
Armada Sterling II FPSO (50% JV)	[Firm contract period: 2022-2025; Optional extension period: 2026-2031]																	
Karapan Armada Sterling III FPSO (50% JV)	[Firm contract period: 2022-2027; Optional extension period: 2028-2032]																	

Note: Excluding 98/2

Legend: Firm contract period Optional extension period

Source: Company

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	12.7	4.5	4.0	3.9	3.8
Core P/E (x)	4.4	4.1	4.0	3.9	3.8
P/BV (x)	0.7	0.7	0.6	0.5	0.5
P/NTA (x)	0.7	0.7	0.6	0.5	0.5
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	41.5	48.6	35.3	34.4	32.3
EV/EBITDA (x)	6.4	6.0	5.3	4.8	4.3
EV/EBIT (x)	10.2	9.1	7.7	6.6	5.8
INCOME STATEMENT (MYR m)					
Revenue	2,339.9	2,162.6	2,081.1	1,982.7	1,992.7
EBITDA	1,466.8	1,468.9	1,502.0	1,457.9	1,404.0
Depreciation	(541.6)	(491.5)	(466.0)	(410.1)	(360.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	925.2	977.4	1,036.0	1,047.8	1,043.1
Net interest income / (exp)	(491.6)	(397.1)	(352.6)	(338.6)	(325.3)
Associates & JV	51.4	106.7	109.2	114.0	119.7
Exceptionals	(338.7)	(95.8)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	127.6	582.7	792.6	823.3	837.5
Income tax	(15.4)	(25.1)	(79.3)	(82.3)	(83.8)
Minorities	13.3	16.4	8.7	8.6	8.5
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	125.6	574.1	722.0	749.5	762.3
Core net profit	464.3	669.9	722.0	749.5	762.3
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	894.8	794.8	1,547.7	2,288.3	2,982.8
Accounts receivable	511.8	494.3	475.7	453.2	455.5
Inventory	4.1	0.0	4.2	4.0	4.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	4,945.1	4,212.8	3,796.8	3,436.7	3,125.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	1,031.2	1,064.7	1,173.9	1,287.9	1,407.6
Other assets	5,260.7	5,503.8	5,503.8	5,503.8	5,503.8
Total assets	12,647.6	12,070.4	12,502.1	12,973.9	13,479.6
ST interest bearing debt	1,539.5	1,404.1	1,404.1	1,404.1	1,404.1
Accounts payable	164.1	158.9	152.9	145.7	146.4
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	6,766.9	5,514.2	5,238.5	4,976.6	4,727.7
Other liabilities	1,052.0	1,071.0	1,071.0	1,071.0	1,071.0
Total Liabilities	9,522.1	8,148.6	7,866.9	7,597.8	7,349.7
Shareholders Equity	3,149.1	3,962.7	4,684.8	5,434.3	6,196.6
Minority Interest	(23.6)	(40.9)	(49.6)	(58.2)	(66.7)
Total shareholder equity	3,125.5	3,921.8	4,635.2	5,376.1	6,129.9
Total liabilities and equity	12,647.6	12,070.4	12,502.1	12,973.9	13,479.6
CASH FLOW (MYR m)					
Pretax profit	127.6	582.7	792.6	823.3	837.5
Depreciation & amortisation	541.6	491.5	466.0	410.1	360.9
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(315.2)	(33.3)	8.4	15.5	(1.6)
Cash taxes paid	(15.4)	(25.1)	(79.3)	(82.3)	(83.8)
Other operating cash flow	617.0	451.3	0.0	0.0	0.0
Cash flow from operations	904.3	1,360.4	1,078.6	1,052.4	993.4
Capex	(49.8)	(13.0)	(50.0)	(50.0)	(50.0)
Free cash flow	854.4	1,347.4	1,028.6	1,002.4	943.4
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(1,184.2)	(1,388.1)	(275.7)	(261.9)	(248.8)
Other invest/financing cash flow	130.2	(59.3)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(199.6)	(99.9)	752.9	740.5	694.5

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	13.0	(7.6)	(3.8)	(4.7)	0.5
EBITDA growth	50.6	0.1	2.3	(2.9)	(3.7)
EBIT growth	73.3	5.6	6.0	1.1	(0.4)
Pretax growth	55.3	356.7	36.0	3.9	1.7
Reported net profit growth	114.2	357.2	25.8	3.8	1.7
Core net profit growth	91.1	44.3	7.8	3.8	1.7
Profitability ratios (%)					
EBITDA margin	62.7	67.9	72.2	73.5	70.5
EBIT margin	39.5	45.2	49.8	52.8	52.3
Pretax profit margin	5.5	26.9	38.1	41.5	42.0
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	5.4	26.5	34.7	37.8	38.3
Revenue/Assets (x)	0.2	0.2	0.2	0.2	0.1
Assets/Equity (x)	4.0	3.0	2.7	2.4	2.2
ROAE (%)	3.9	16.1	16.7	14.8	13.1
ROAA (%)	3.5	5.4	5.9	5.9	5.8
Liquidity & Efficiency					
Cash conversion cycle	16.8	37.0	26.2	23.0	22.4
Days receivable outstanding	71.4	83.7	83.9	84.3	82.1
Days inventory outstanding	1.3	0.6	0.8	1.7	1.7
Days payables outstanding	55.8	47.3	58.5	63.1	61.4
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	0.9	0.9	1.3	1.7	2.0
Leverage & Expense Analysis					
Asset/Liability (x)	1.3	1.5	1.6	1.7	1.8
Net gearing (%) (incl perps)	237.1	156.1	109.9	76.1	51.4
Net gearing (%) (excl. perps)	237.1	156.1	109.9	76.1	51.4
Net interest cover (x)	1.9	2.5	2.9	3.1	3.2
Debt/EBITDA (x)	5.7	4.7	4.4	4.4	4.4
Capex/revenue (%)	2.1	0.6	2.4	2.5	2.5
Net debt/ (net cash)	7,411.7	6,123.5	5,094.9	4,092.4	3,149.1

Source: Company; Maybank

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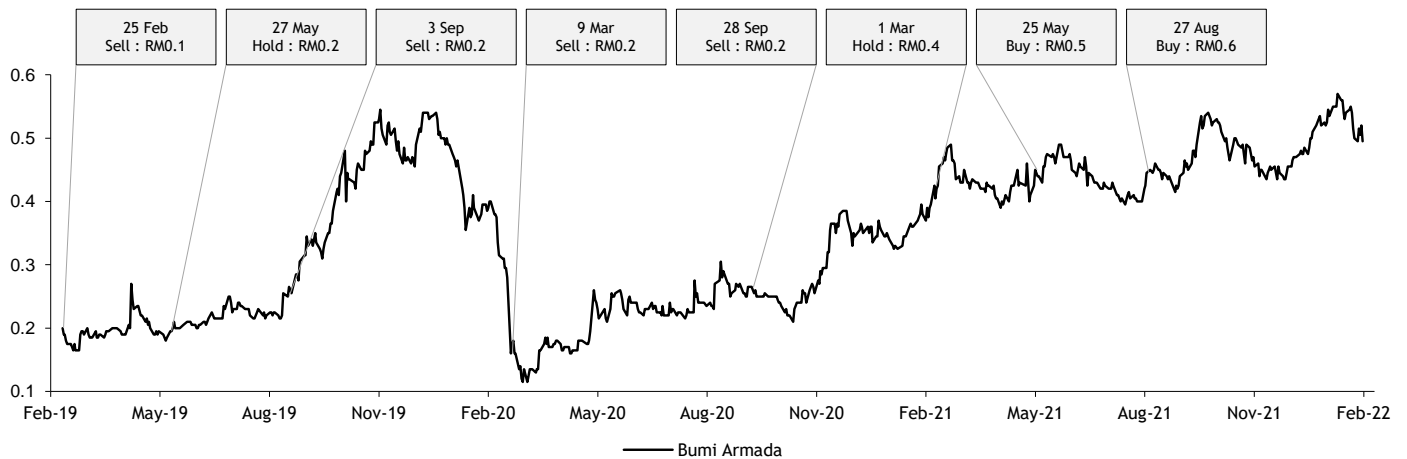
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Historical recommendations and target price: Bumi Armada (BAB MK)



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