

PP14767/09/2012(030761)

## Alam Maritim Resources Bhd

## “Sailing Into Heavy Waves”

## Results Review

- **Actual vs. expectations.** Alam Maritim Resources Bhd (AMRB) 1Q15 net profit of RM9 million (-45% y-o-y) came in below ours and consensus estimates respectively, accounting 13% and 15% of both parties full year net profit forecast, crushed by lower contribution from the OSV division (-35% y-o-y) impacted by weaker average utilisation rate in 1Q15. PBT margin in 1Q15 stood at 13%, lower against 1Q14 margin of 19%.
- **Dividend.** No dividend was declared during the quarter.
- **Top line.** 1Q15 revenue fell to RM74 million (-7% y-o-y) hammered by weaker contribution from the OSV segment which declined to RM34 million (-48% y-o-y), hampered by lower average vessel utilisation rate. We estimate AMRB's fleet utilisation rate for 1Q15 was at 50%, much lower compared to FY14 average utilisation rate of around 85%.
- **Bottom line.** AMRB's FY14 PBT slipped by 36% y-o-y to RM10 million injured by sluggish contribution from the OSV segments which dropped by 35% y-o-y to RM9 million due to lower operating margin from its own vessels and weaker share of jointly controlled entities in tandem with lower average utilisation rate of chartered vessels.
- **Latest development.** AMRB and its JV partner, Vallianz International Pte Ltd (VIPL) had signed a Memorandum of Agreement with Wellspring Marine Trading Ltd in March 2015 to acquire a Diving Support Vessel (DSV) USD60 million which will strengthen AMRB's subsea services division going forward. Furthermore, AMRB also secured an umbrella contract from Petronas

Friday, May 22, 2015

SELL (TP: RM0.56)

Current Price (RM)	RM0.66
New Target Price (RM)	RM0.56
Previous Target Price (RM)	RM0.72
Previous Recommend.	HOLD
Upside To Target Price	-15%
Dividend Yield (FY16)	NA

## Stock Code

Bloomberg	AMRB MK
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## Stock &amp; Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	925
Market Cap (RM mn)	615
YTD Chg In Share Price	6%
Beta (x)	1.74
52-week Hi/Lo (RM)	1.68   0.51
3M Average Volume (shrs)	3.30mn
Estimated Free Float	42%

## Major Shareholders

Sar Venture	36%
LTH	10%

Carigali Sdn. Bhd (PCSB) in March 2015 for the provision of spot charter for marine vessels for its operations in Malaysia. The contract is for a period of two years starting from January 2015 with an extension option of one year. Note that AMRB has been awarded seven out of the eight packages offered by PCSB under the umbrella contract which allows AMRB to provide marine vessels comprise of anchor handling tug/supply vessel, straight supply vessel, fast crew boat, workboat, work barge, general purpose/utility vessel and platform supply vessel. However, no contract value was given.

- **Change to forecast.** We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM59 million (-20% y-o-y) and RM64 million (+8% y-o-y) respectively. We expect the group's OSV segment to face a challenging period in FY15 due to the softening in oil prices but FY16 earnings are expected to stabilize as we factor in a higher contribution from both OSV and Subsea/OIC segment added with the rebound in oil price movement.
- **Valuation & recommendation.** We re-value AMRB at RM0.56 based on 8x PER (1- SD below 3-years average PER of 16x) pegged to FY16 EPS of 7sen and the stock is a **SELL**. Lack of catalyst will weigh on the share price and this will be added with the gloomy oil and gas sector outlook. Key re-rating catalyst on the stock includes i) long-term charter contract for its own and third party vessels iii) faster-than-expected recovery in oil price.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.56	20	21	13.7	12.7	1.2	1.1	13	1	3.22	Buy
Wah Seong	Dec	1.32	14	15	9.2	8.6	0.8	0.8	12	4	1.38	Hold
Bumi Armada	Dec	1.26	8	10	15.7	11.7	1.0	1.0	4	2	1.28	Hold
Dialog Group	Jun	1.66	5	5	34.3	31.0	4.8	4.6	15	1	1.70	Hold
Alam Maritim	Dec	0.66	7	7	9.5	9.4	0.7	0.7	9	NA	0.56	Sell
MMHE	Dec	1.25	8	8	15.1	15.4	0.7	0.7	8	NA	1.33	Hold
PetDag	Dec	19.88	71	79	30.1	27.0	4.0	3.9	11	2	18.90	Sell
Dayang	Dec	2.44	24	28	10.8	9.3	2.4	2.1	22	3	2.95	Buy
UMW-OG	Dec	2.05	15	17	14.8	13.3	1.4	1.2	8	0.5	2.21	Hold
Perisai	Dec	0.49	6	9	10.0	5.9	0.6	0.5	1	NA	NR	NR
Perdana Petroleum	Dec	1.52	12	15	11.4	9.3	1.3	1.1	14	1	NR	NR
TH Heavy	Dec	0.27	3	4	12.1	9.0	0.8	0.7	(20)	NA	NR	NR
Petra Energy	Dec	1.46	15	16	9.3	9.0	0.8	0.8	7	1	NR	NR
Deleum	Dec	1.58	16	18	10.1	9.2	2.0	1.7	23	5	NR	NR
Uzma	Dec	2.38	21	23	11.3	10.0	1.6	1.2	19	2	NR	NR
KNM	Dec	0.62	7	8	8.9	7.8	0.5	0.4	2	NA	NR	NR
Average					14.1	12.4	1.5	1.4	9	2		

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	502.4	447.4	396.7	398.6	407.9
EBIT	21.6	56.4	47.0	31.7	37.0
Finance costs	(27.10)	(30.24)	(23.55)	(14.20)	(14.31)
JCE	40.4	30.0	22.5	27.9	28.6
Associates	21.0	22.5	21.2	19.9	20.4
PBT	55.9	78.7	67.2	65.3	71.7
Net profit	58.3	74.3	60.6	58.7	64.4
EPS (sen)	7.4	9.4	6.9	6.4	7.0
PER (x)	9.2	16.8	9.1	10.4	9.5
P/BV (x)	1.0	2.1	0.7	0.7	0.6
EBITDA margin	12%	22%	22%	17%	17%
PBT margin	11%	18%	17%	16%	18%
Net profit margin	12%	17%	15%	15%	16%
Dividend (sen)	NA	NA	NA	NA	NA
Dividend yield	NA	NA	NA	NA	NA

Source: Bursa Malaysia, M&amp;A Securities

Table 3: Results Analysis

YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
Revenue	79	108	74	-32%	-7%	79	74	-7%
Gross profit	15	6	16	168%	4%	15	16	4%
EBIT	10	5	11	143%	10%	10	11	10%
Finance cost	(5)	(10)	(3)	-72%	-41%	(5)	(3)	-41%
JCE/Associates	10	13	1	-89%	-85%	10	1	-85%
PBT	15	7	10	38%	-36%	15	10	-36%
Taxation	0	(3)	(1)	-57%	-2900%	0	(1)	-2900%
Net Profit	16	5	9	62%	-45%	16	9	-45%
EPS	2	1	1	83%	-42%	2	1	-42%
EBIT Margin	13%	4%	15%			13%	15%	
PBT margin	19%	7%	13%			19%	13%	
Net Profit margin	20%	5%	12%			20%	12%	
Effective tax rate	0%	37%	11%			0%	11%	

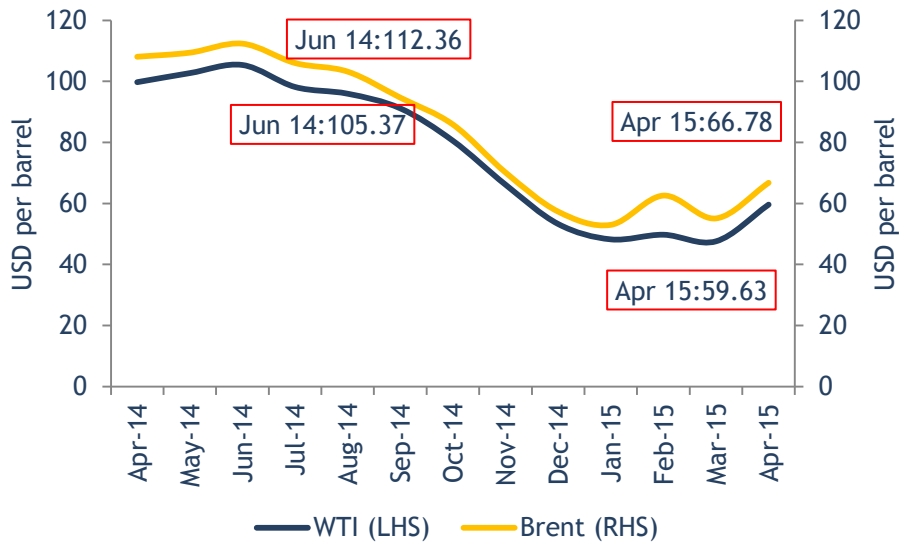
Source: Bursa Malaysia, M&amp;A Securities

Table 4: Segmental Analysis

YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
<u>Revenue</u>								
OSV	67	93	34	-63%	-48%	67	34	-48%
Subsea/OIC	12	14	37	159%	209%	12	37	209%
<u>PBT</u>								
OSV	13	7	9	17%	-35%	13	9	-35%
Subsea/OIC	2	(0)	1	NM	-37%	2	1	-37%

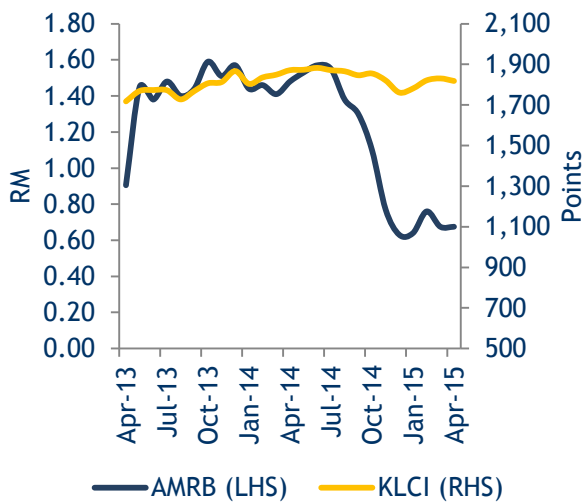
Source: Bursa Malaysia, M&amp;A Securities

WTI vs. Brent Crude Oil Price  
(April 2014-April 2015)

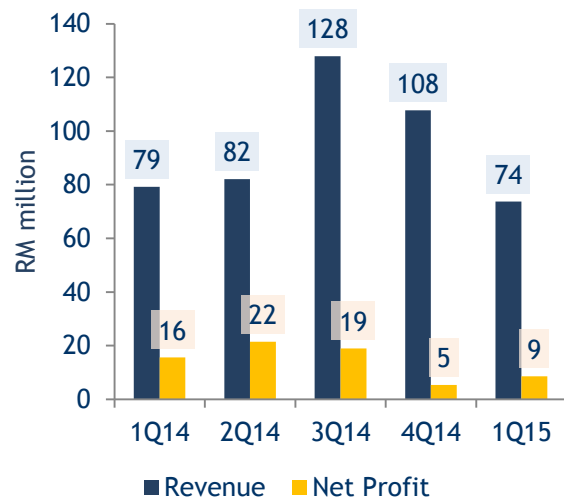


Source: Bloomberg

Alam Maritim Share Price vs. KLCI  
(April 2013-April 2015)



Revenue and Net Profit  
(1Q14-1Q15)



Source: Bloomberg, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

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

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