

PP14767/09/2012(030761)

Wednesday, August 26, 2015

Alam Maritim Resources Bhd

“Cease Coverage on Poor Outlook”

Results Review

- Actual vs. expectations.** Alam Maritim Resources Bhd (AMRB) 6M15 net profit of RM19 million (-49% y-o-y) came in below ours and consensus estimates respectively, accounting 32% and 38% of both parties full year net profit forecast, crushed by lower contribution from the OSV division (-44% y-o-y) impacted by weaker average utilisation rate in 6M15. PBT margin in 6M15 stood at 13%, lower against 6M14 margin of 25%.
- Dividend.** No dividend was declared during the quarter.
- Top line vs bottom line.** 6M15 revenue fell to RM153 million (-5% y-o-y) hammered by weaker contribution from the OSV segment which declined to RM87 million (-5% y-o-y), hampered by lower average vessel utilisation rate. AMRB’s 6M15 PBT slipped by 51% y-o-y to RM19 million injured by sluggish contribution from the OSV segments which dropped by 44% y-o-y to RM17 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, the group announced that its subsidiary, Workboat International DMCCO had entered into charter party agreement in August 2015 with Allianz Middle East Ship Management LLC for the provision of one unit Safety Standby Rescue Vessel. The contract is for the vessel charter of MV Setia Emas, owned by AMRB for a

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NR (TP: RM0.56)

Current Price (RM)	RM0.40
New Target Price (RM)	RM0.56
Previous Target Price (RM)	RM0.72
Previous Recommend.	HOLD
Upside To Target Price	40%
Dividend Yield (FY16)	NA

Stock Code

Bloomberg	AMRB MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	925
Market Cap (RM mn)	444
YTD Chg In Share Price	-24%
Beta (x)	1.67
52-week Hi/Lo (RM)	1.56 0.48
3M Average Volume (shrs)	1.81mn
Estimated Free Float	42%

Major Shareholders

Sar Venture	36%
LTH	10%

primary period of 3 years with an extension option of another 2 years while contract value is worth RM40.7 million including extension options.

- **Cease coverage on AMRB.** OSV segment is facing tough period due to the softening in oil prices since June 2014. Moving forward, we expect weaker charter rate will continue to dampen earnings growth for marine players including AMRB in tandem with the rate renegotiations with Petronas which are still on-going. Note that Petronas also has turned its focus on optimising the cost structure including reducing capex by 15%-20% and cutting opex by 20%-30% respectively. Given the protracted challenges ahead, we officially cease our coverage on AMRB. Re-initiating coverage on the stock is a probability until we see a clear sign of recovery in global oil prices.

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	6.3	5.7
P/BV (x)	1.0	2.1	0.7	0.6	0.5
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&A Securities

Table 3: Results Analysis

YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
Revenue	82	74	80	8%	-3%	161	153	-5%
Gross profit	26	16	20	24%	-23%	41	36	-13%
EBIT	18	11	12	11%	-31%	28	24	-16%
Finance cost	(3)	(3)	(3)	-6%	-22%	(8)	(6)	-33%
JCE/Associates	10	1	(0.04)	NM	NM	20	1	-93%
PBT	24	10	10	-1%	-60%	40	19	-51%
Taxation	(3)	(1)	0.4	-136%	-113%	(3)	(1)	-76%
Net Profit	21	9	10	18%	-53%	36	19	-49%
EPS	3	1	1	18%	-52%	2	5	142%
EBIT Margin	22%	15%	16%			17%	15%	
PBT margin	30%	13%	12%			25%	13%	
Net Profit margin	26%	12%	13%			23%	12%	
Effective tax rate	12%	11%	-4%			7%	4%	

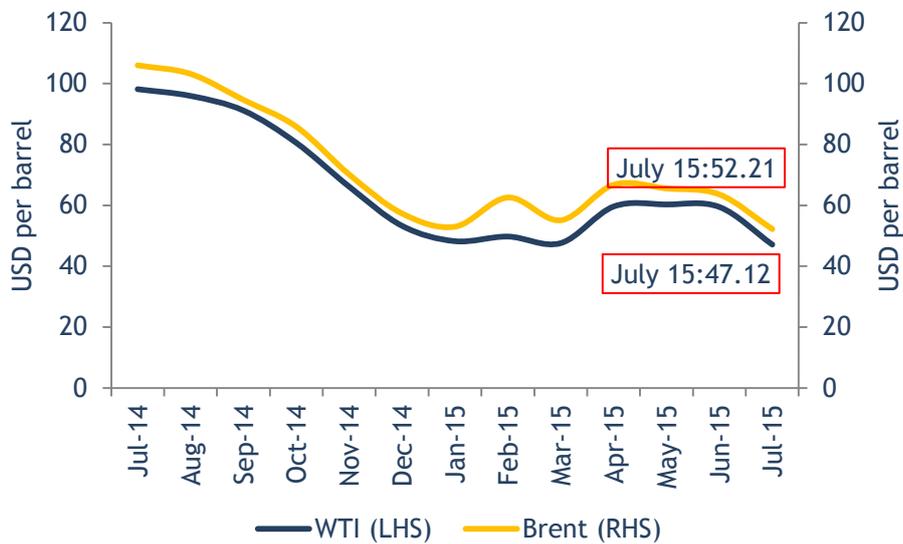
Source: Bursa Malaysia, M&A Securities

Table 4: Segmental Analysis

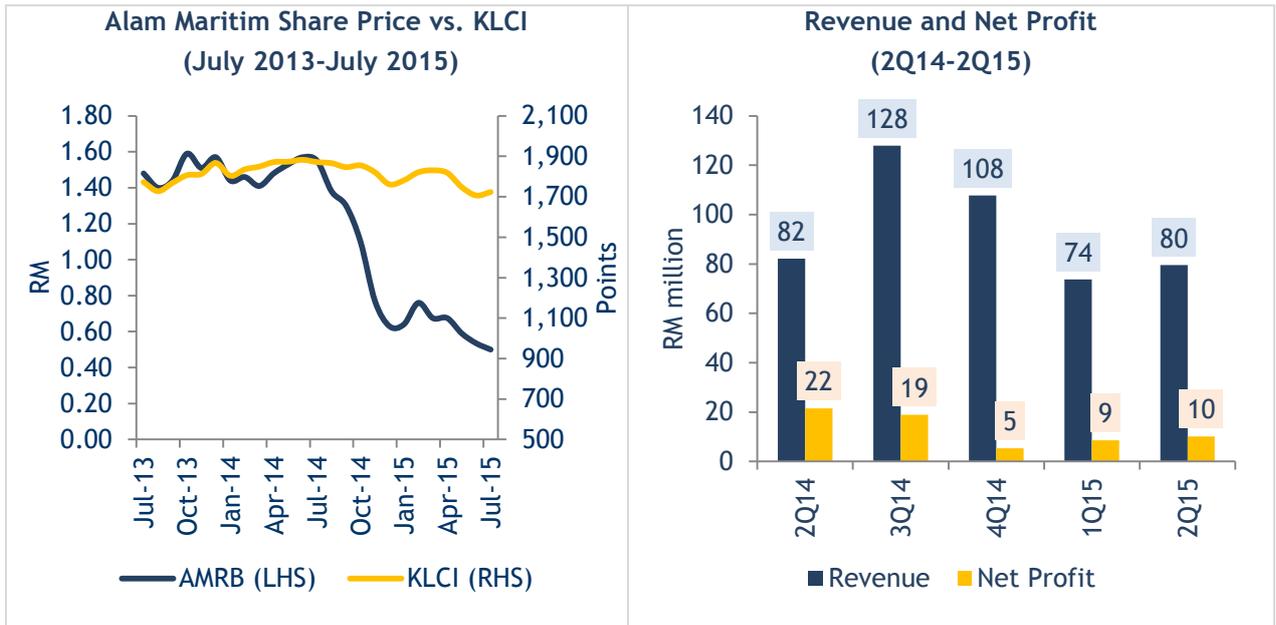
YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
Revenue								
OSV	26	34	53	54%	106%	92	87	-5%
Subsea/OIC	54	37	25	-32%	-53%	66	63	-6%
PBT								
OSV	18	9	9	-2%	-52%	31	17	-44%
Subsea/OIC	6	1	1	NM	-90%	8	2	-76%

Source: Bursa Malaysia, M&A Securities

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



Source: Bloomberg



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

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

SECTOR RECOMMENDATIONS

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

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