

PP14767/09/2012(030761)

Market Access

Bumi Armada Berhad

“New Contract Wins in Malta”

Bumi Armada Berhad (Bumi Armada) has secured a new contract wins worth approximately USD300 million (RM1.1 billion) for the conversion, supply and operations and maintenance of one floating storage unit (FSU) in Malta for the period of eighteen years and two months (18+2). The Malta’s contract is expected to boost the group’s firm orderbook by 4% to RM25.6 billion. Hence, Bumi Armada is a **HOLD** with a new target price of RM1.28.

- **Secure FSU contract in Malta.** Bumi Armada announced that its wholly owned subsidiaries, Armada Floating Gas Storage Malta Ltd (AFG Storage) and Armada Floating Gas Services Malta Ltd (AFG Services) have entered into agreements with ElectroGas Malta Limited (EGM) for the conversion, supply and operations and maintenance of one FSU for the project relating to the construction and operation of an LNG receiving terminal located at Delimara, Malta.
- **Details of contract.** The FSU’s contract is worth approximately USD300 million (RM1.1 billion) for a firm period of eighteen years and two months (18+2). The FSU is expected to commence operations by FY16.
- **Earnings assumption.** We assume the contract may generate a revenue of RM61 million per annum (FY16-FY34), translating into earnings contribution of RM18 million annually based on EBIT margin assumption of 30%. The contract will replenish its existing firm orderbook by 4% to RM25.6 billion.
- **Change to forecast.** We maintain our FY15 earnings forecast for now and revise upwards our FY16 earnings projection by 2% after factoring in the contribution from Malta’s FSU contract. FY15 and FY16 earnings are projected to jump by 106% y-o-y and 14% y-o-y driven by i) orderbook replenishment from Angola

Thursday, April 16, 2015

HOLD (TP: RM1.28)

Current Price (RM)	RM1.20
New Target Price (RM)	RM1.28
Previous Target Price (RM)	RM1.17
Previous Recommend.	BUY
Upside To Target Price	7%
Dividend Yield (FY16)	2%

Stock Code

Bloomberg	BAB MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	No
Issued Shares (mn)	5,866
Market Cap (RM mn)	6,570
YTD Chg In Share Price	3%
Beta (x)	0.98
52-week Hi/Lo (RM)	2.46 0.98
3M Average Volume (shrs)	11.97mn
Estimated Free Float	40%

Major Shareholders

Objektif Bersatu	35%
EPF	8%
Skim ASB	8%

Note

FPSO - Floating Production Storage Offloading
OSV - Offshore Support Vessel
T&I - Transport and Installation
OFS - Oilfield Services
PSV - Platform Support Vessel

FPSO jobs and ii) improving contribution from T&I jobs in Caspian Sea.

- **Valuation & recommendation.** We have lifted Bumi Armada target price to RM1.28 from RM1.17, based on 14.5x PER (ascribing 45% discount to the average 3-years PER of 26.4x) pegged to FY16 EPS of 8.8sen and the stock is a **HOLD**. Re-rating catalyst may come from i) new FPSO contract as the group is gunning for five new FPSO jobs and ii) new contracts for the T&I segment.

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	2.60	24	27	11.7	10.5	1.4	1.2	16	2	2.93	Buy
Wah Seong	Dec	1.35	16	17	8.5	8.0	0.9	0.9	11	3	1.38	Hold
Bumi Armada	Dec	1.20	9	11	14.5	11.1	1.1	1.0	8	2	1.28	Hold
Dialog Group	Jun	1.62	5	6	31.7	26.6	4.8	4.3	14	1	1.66	Hold
Alam Maritim	Dec	0.72	8	9	8.7	7.8	0.8	0.6	9	NA	0.72	Hold
MMHE	Dec	1.30	11	10	14.3	15.4	0.9	0.9	8	3	1.33	Hold
PetDag	Dec	20.88	81	85	22.2	21.0	3.3	3.1	13	3	14.40	Sell
Dayang	Dec	2.58	27	30	10.5	9.5	2.3	1.8	24	2	2.95	Hold
UMW-OG	Dec	2.44	17	19	16.1	14.4	1.7	1.5	11	0.4	3.20	Buy
Perisai	Dec	0.58	7	10	7.1	4.9	0.6	0.5	0	NA	NR	NR
Perdana Petroleum	Dec	1.33	14	16	8.6	7.5	1.2	1.1	16	2	NR	NR
TH Heavy	Dec	0.36	5	4	7.1	10.1	0.9	0.8	(9)	NA	NR	NR
Petra Energy	Dec	1.43	16	18	8.6	7.7	0.8	0.8	5	0.7	NR	NR
Deleum	Dec	1.75	17	19	10.7	9.3	2.2	NA	24	4	NR	NR
Uzma	Dec	2.48	21	24	9.5	8.4	1.3	0.9	19	2	NR	NR
KNM	Dec	0.68	7	9	8.8	7.1	0.4	0.4	2	NA	NR	NR
Average					12.4	11.2	1.5	1.3				

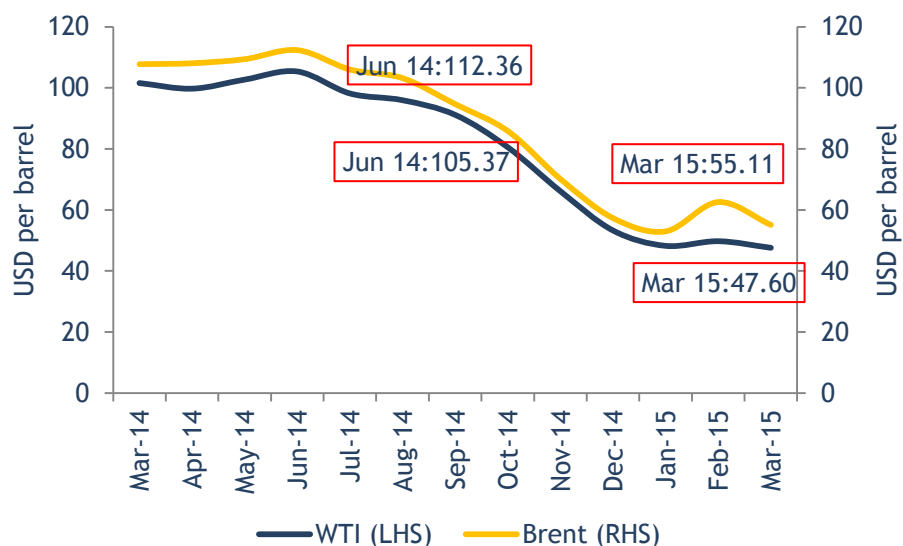
Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	1,659	2,073	2,397	2,471	2,778
EBIT	552	544	372	643	722
Finance cost	(123)	(98)	(99)	(161)	(181)
JCE	40	33	36	60	83
PBT	469	480	309	542	625
Net profit	386	431	219	452	515
EPS	13	15	4	7.7	8.8
PBT margin	28%	23%	13%	22%	23%
Net profit margin	23%	21%	9%	18%	19%
PER (x)	30.2	26.9	24.5	13.8	12.1
P/BV (x)	1.3	1.5	1.1	1.0	0.9
DPS (sen)	3	3	2	2	3
Dividend yield	2%	2%	1%	2%	2%

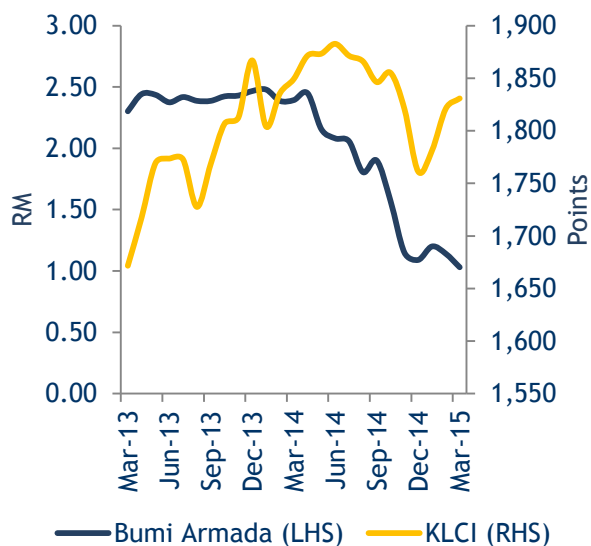
Source: Bursa Malaysia, M&A Securities

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

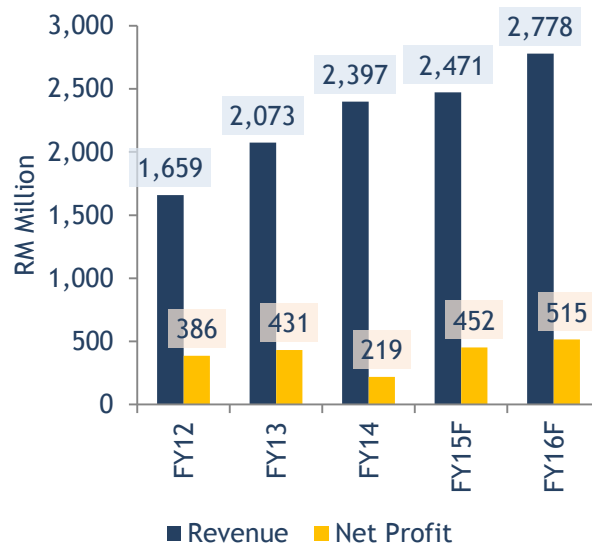


Source: Bloomberg

Bumi Armada Share Price vs. KLCI
(March 2013-March 2015)



Revenue and Net Profit
(FY12-FY16F)



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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