



Bumi Armada Berhad

“3QFY21 PATMI Surged 79.2% to RM153.4m”

Bloomberg: BAB:MK | Reuters: BUAB.KL | Stock Code: 5210

**MAIN BOARD
ENERGY
BUY
TP: RM0.92
Price: RM0.45**

Valuation / Recommendation

We are maintaining our BUY recommendation and target price of RM0.92 for BAB, which represents a potential upside of 104.4% from the current price. Our target price is based on PE ratio of 10x and FY21 EPS estimate of 9.2 sen.

Investment Highlights

3Q21 PATMI leaped 79.2% y-o-y to RM153.4m (3Q20: RM85.6m). The stronger PATMI was attributed to higher gross margins, lower impairment loss, lower finance costs, and improved share of results of joint ventures and associates.

9M21 PATMI recovered to RM456.1m (9M20: RM18.6m loss). The improvement in PATMI was driven by lower impairment loss of RM109.9m (9M20: RM330.5m impairment loss), lower finance costs, and a recovery in share of results of joint ventures and associates. Free cash flow for 9M21 stood at RM1.0bn (9M20: RM550.7m).

Healthy order book; continued efforts to reduce borrowings. BAB’s firm order book of RM14.6bn and extension options with total potential value of RM9.6bn as at 30 September 2021 should provide earnings visibility over the long-term. In the 9M21 period, the Group has reduced its total borrowings to RM7.4 bn from RM8.3 bn at the start of the year. BAB’s net gearing ratio stood at 1.7x as at 30 September 2021.

Outlook. The recent discovery of the new Omicron COVID-19 variant has put downward pressure on oil prices. However, the initial fears over Omicron’s potential impact on oil demand is starting to subside as the new COVID-19 strain appears to be milder despite being more transmissible. While we think oil prices are likely to be volatile in the short-term, we expect that it will remain at healthy levels which reduces the risk of unscheduled termination of charter contracts.

Share Information		Top 3 Shareholders (%)	
Market Cap (RM bn)	2.7	Objektif Bersatu Sdn Bhd	34.7
Issued Shares (bn)	5.9	Amanah Saham Nasional Bhd	12.9
52W High (RM)	0.54	Karisma Mesra Sdn Bhd	4.0
52W Low (RM)	0.32		
Estimated Free Float (%)	39.1		
Beta vs FBM KLCI	1.9		
65-Day Average Vol. ('000)	29,547		

INVESTMENT STATISTICS (FY Dec)					
	FY18	FY19	FY20	FY21F	FY22F
Revenue (RM m)	2,418.7	2,070.7	2,339.9	2,400.0	2,400.0
Adjusted EBITDA (RM m)	801.3	974.3	1,466.8	1,474.9	1,409.9
PATMI (RM m)	(2,302.8)	58.6	125.6	541.4	514.0
EPS (sen)	(39.2)	1.0	2.1	9.2	8.7
EPS Growth (%)	-	-	113.0	330.3	(5.1)
PE (x)	-	53.0	21.1	4.9	5.2
Dividend Yield (%)	-	-	-	-	-
Net Gearing (x)	2.7	2.6	2.4	1.7	1.2
ROA (%)	-	0.4	1.0	4.2	3.8
ROE (%)	-	1.8	4.0	14.7	12.2
NA per share (RM)	0.57	0.55	0.54	0.62	0.71

Sources: Mercury Securities, Company

RESULTS (RM m)	3Q21	2Q21	qoq %	3Q20	yoy %
FY Dec					
Revenue	545.7	615.6	(11.3)	564.4	(3.3)
Adjusted EBITDA	364.3	401.1	(9.2)	353.6	3.0
Depn & Amortization	119.9	126.0	-	131.5	-
EBIT Before Impairment	244.5	275.0	(11.1)	222.1	10.1
Net Finance Costs	(94.5)	(99.0)	-	(112.8)	-
Share of Joint Ventures & Associates Results	26.9	41.3	-	(0.5)	-
Exceptional Items	13.8	(87.1)	-	3.1	-
Profit Before Tax	165.4	113.7	45.5	88.7	86.4
Tax	(3.9)	10.2	-	(1.4)	-
Net Profit	161.5	123.9	30.4	87.3	85.0
Minority Interests	8.1	(16.0)	-	1.7	-
PATMI	153.4	139.9	9.7	85.6	79.2

Business Overview

BAB is primarily involved in the engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities. The Group is also involved in the chartering, scope planning, logistics and full operations of offshore support vessels and subsea construction vessels.

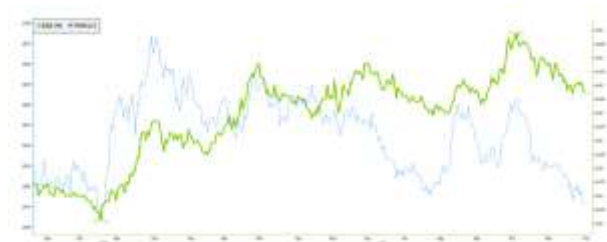
As at 31 March 2021, BAB has 4 wholly-owned and 3 jointly-owned FPSOs, 1 LNG FSU, and 1 partially owned FPSO under construction. The Group also has 10 OSVs and 3 SC vessels.

Stock Return Information

FBM KLCI (pts)	1,480.92
Expected Share Return (%)	104.4
Expected Dividend Yield (%)	-
Expected Total Return (%)	104.4

Price Performance

	1M	3M	12M
Absolute (%)	(8.2)	2.3	15.4
Relative to FBMKLCI (%)	(4.9)	7.1	26.3



Sources: Mercury Securities, Bloomberg, Company

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Registration No. 198401000672 (**113193-W**)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my