

15 April 2015 | Corporate Update

## Bumi Armada Berhad

*Fresh new contract for the year*

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM1.12**

### INVESTMENT HIGHLIGHTS

- Bumi Armada's (BAB) units have entered into agreements with ElectroGas Malta Limited
- The agreements are for the conversion, supply and operations and maintenance of a floating production unit (FSU) in Malta
- The contract is worth USD300m (approximately RM1.1b) with a duration of 18 years 2 months
- Maintain NEUTRAL with an unchanged target price of RM1.12 per share

**Contract details.** BAB's units Armada Floating Gas Storage Malta Ltd and Armada Floating Gas Services Malta Ltd have entered into agreements with ElectroGas Malta Limited. The agreements are for the conversion, supply and operations and maintenance of a floating storage unit (FSU) for the project relating to the construction and operation of an LNG receiving terminal located at Delimara, Malta.


**Value and duration.** The project is worth USD300m or approximately RM1.1b with contract duration of 18 years 2 months. The company noted that the FSU is expected to commence operations in Delimara in 2016.

**New venture for BAB.** BAB under the previous head had previously noted that the company is eyeing opportunities in the liquefied natural gas business as a means to diversify its business offerings.

**Financial impact.** From the duration, value and accounting treatment of the contract (financing lease), this project is not expected to contribute significantly to BAB's profit during the conversion period.

**Orderbook update.** Inclusive of this new contract, the company's current orderbook is approximately RM25b with further extension options worth more than RM12.7b. Moreover, 86.9% of the current orderbook consist of FPSO jobs, 8.2% OSV charters and 4.9% T&I projects.

**Impact on earnings.** We are maintaining our earnings estimates as this contract win is within our new orderbook assumption. In addition, the average annual revenue contribution from this contract is minimal at approximately RM61m.

**Maintain NEUTRAL.** We are maintaining our NEUTRAL stance on BAB with an unchanged target price of **RM1.12** per share. Our target price is premised on EPS15 of 7.0sen pegged to PER15 of 16x. The target PER is based on our house large cap oil and gas sector PER. Due to the tough business operating environment of the company in times of low oil prices, we believe that the company would face further headwinds this year despite having a strong orderbook. 

### RETURN STATS

Price (14 April 2015)	RM1.06
Target Price	RM1.12
Expected Share Price Return	+5.7%
Expected Dividend Yield	+1.9%
<b>Expected Total Return</b>	<b>+7.6%</b>

### STOCK INFO

KLCI	1,839.61
Bursa / Bloomberg	5210 / BAB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	No
Issued shares (mil)	5,866.3
Par Value (RM)	0.20
Market cap. (RM'm)	6,218.2
Price over NA	3.1x
52-wk price Range	RM1.00 – RM2.46
Beta (against KLCI)	0.98
3-mth Avg Daily Vol	10.04m
3-mth Avg Daily Value	RM16.5m
Major Shareholders (%)	
Objektif Bersatu	34.92
EPF	7.95
PNB	7.64
Ombak Damai	7.07

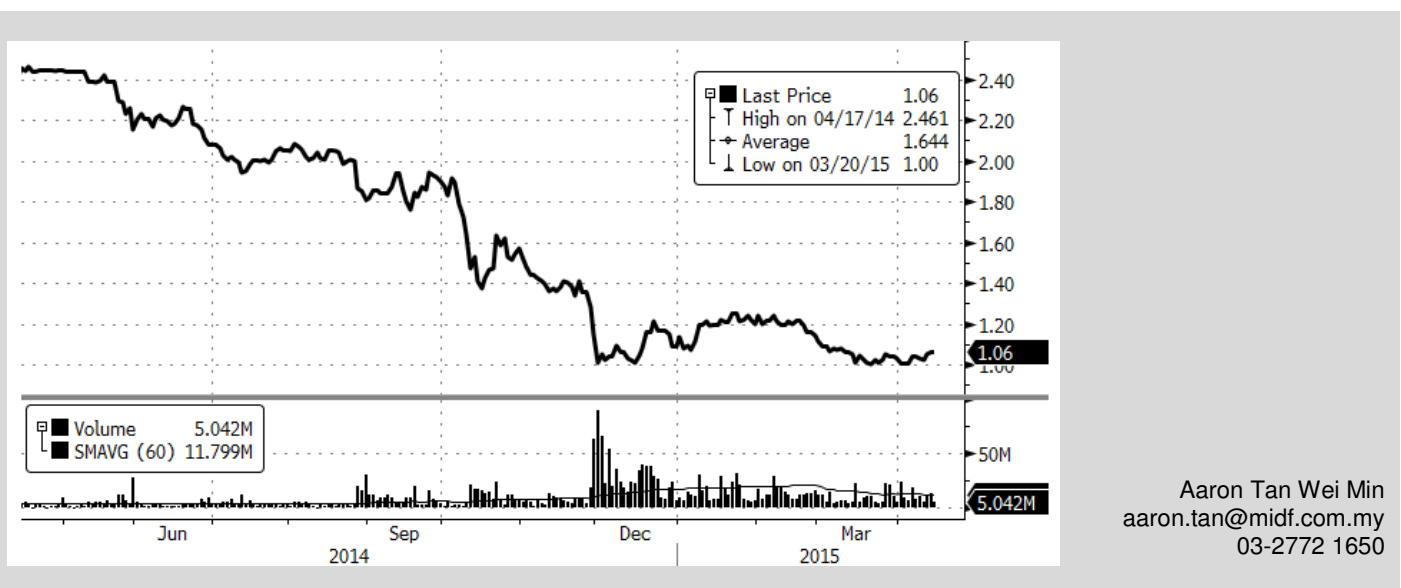
**FPSO**-Floating Production Storage Offloading  
**OSV**-Offshore Support Vessel  
**T&I**-Transport & Installation  
**OFD**-Oil Field Development  
**SURF**-Subsea, Riser, Umbilicals & Flowlines

## INVESTMENT STATISTICS

FYE Dec	FY12	FY13	FY14	FY15F	FY16F
Revenue (RM m)	1,659.2	2,073.0	2,397.3	2,159.2	2,361.4
EBIT (RM m)	551.8	544	684.1	581.9	615.9
Pretax Profit (RM'm)	468.6	480	309.2	496.3	530.3
Net Profit (RM m)	385.8	435.1	218.7	414.4	442.8
EPS (sen)	13.7	14.7	4.3	7.0	7.5
EPS Growth (%)	124.4	7.3	-70.6	62.8	6.9
PER (x)	7.7	7.2	24.5	15.1	14.1
Net Dividend (sen)	2.5	3.3	0.2	0.2	0.2
Net Dividend (%)	2.4	3.1	1.5	1.9	1.9

Source: MIDFR estimates

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.