Bumi Armada Berhad

***Maintain* BUY**

(5210 | BAB MK) Energy | Energy Infrastructure, Equipment & Services

Armada Claire FPSO finally sold off

Target Price: RM0.80

DEVELOPMENT

- Bumi Armada finalised the sale of Armada Claire FPSO for USD20m (approx. RM88.9m).
- Proceeds from the sale will be recognised in the group's 2QFY23 results, and applied towards reducing debt.

OUR VIEW

- **Sale completed.** Bumi Armada Bhd (Bumi Armada) announced that its wholly owned subsidiary, Armada Balnaves Pte Ltd (ABPL), has completed the sale of the Armada Claire FPSO. The sale was on an "as is where is" basis, at a sale price of USD20m (approx. RM88.9m).
- **Pay off debts.** The gain on sale will be recognised in its second quarter (2QFY23) financial results. Proceeds from the sale, net of transactions fees, will be applied towards a reduction of the group's debt. The sale of Armada Claire FPSO had been expected to be completed after inspections were carried out post-pandemic and throughout CY22. Armada Claire FPSO was initially launched to operate in block WA-49-L of the Balnaves Field in NW Australia.
- **Legal dispute over.** The decision to sell Armada Claire was a result of the group's loss in a six-year legal dispute against its former client Woodside Energy Julimar Pty Ltd (WEJ) in Australia. WEJ had terminated a charter contract worth RM1.46b for Armada Claire in 2016.
- **Positive prospects.** We had factored in the absence of Armada Claire in our valuation of Bumi Armada's financial performance. Overall, we like Bumi Armada for its robust and stable operations in the FPSO market and other offshore operations including its Caspian Subsea Construction, on the strength of an elevated and stabilised crude oil prices and growing demand for more exploration and production (E&P) projects in the upstream, post-pandemic.
- **We maintain our BUY call** on Bumi Armada, with a **target price of RM0.80.** Our target price is pegged on a PER of 6.3x to a an EPS23 of 12.7sen.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm unless otherwise stated)	2021A	2022A	2023E	2024F	2025F
Revenue	**2,237.0**	**2,405.5**	**2,663.7**	**2,690.3**	**2,717.2**
EBIT	959.3	1,026.5	1,127.3	1,235.7	1,265.5
Pretax Profit	602.8	709.0	777.3	885.7	898.8
Normalised Net Profit	**631.1**	**724.7**	**754.1**	**859.3**	**872.1**
Reported Net Profit	**574.1**	**732.4**	**754.1**	**859.3**	**872.1**
EPS (sen)	9.8	12.4	12.7	14.5	14.7
EPS Growth (%)	357.75	27.60	2.43	13.95	5.53
PER (x)	8.2	6.4	6.3	5.5	5.4
Dividend per share (sen)	0.0	0.0	0.0	0.5	1.0
Dividend yield (%)	0.0%	0.0%	0.0%	1.0%	2.0%

Source: Company, MIDFR

SHARE PRICE CHART



Source: Company, Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology