Corporate Update

Bumi Armada Berhad

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

ESG 3 Stars

SHARIAH Compliant

Maintain **BUY**

Unchanged Target Price **RM0.70**

1QFY25 Results Review Positive Prospects from Kraken and PSCs

Maintain BUY. Bumi Armada Bhd's (BAB) 1QFY25 normalised earnings came in within our expectations and consensuses at 28% and 24% respectively, despite reporting lower revenue in comparison to 1QFY24. As such, we maintain our **BUY** call for BAB with a **target price of RM0.70**.

Revenue down -25%yoy. 1QFY25 revenue declined by -25.4%yoy to RM474m. This was mainly due to recognition of compensation payable to the charterer of Armada Kraken FPSO in 1QFY25 upon confirmation of the 2nd annual option charter extension to 1 Apr CY27. Additionally, Armada Olombendo FPSO reported a higher revenue in 1QFY24, in comparison to 1QFY25.

Normalised PATAMI down -32%yoy. Meanwhile, 1QFY25 normalised PATAMI lost -31.6% to RM188.2m, due to lower contribution from Armada Olombendo FPSO and Armada Kraken FPSO. Additionally, lower revenue from provision of engineering services and forex loss added to the lower earnings. However, no impairment is reported for 1QFY25.

Strong orderbook in 1QFY25. Despite the lower revenue and earnings, BAB's orderbook remain robust, with firm vessel contract orderbook at RM10.1b and optional extension orderbook at approx. RM9.7b. We understand 72% of the vessel orderbook from the group's wholly owned FPSOs.

We attended the group's briefing. Key highlights include:

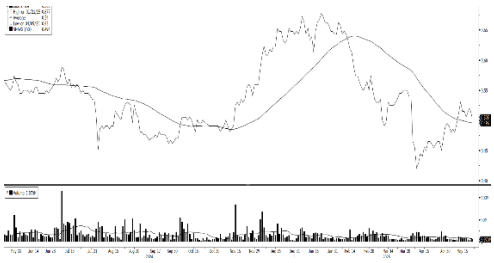
Armada Kraken commenced option charter. Armada Kraken FPSO concluded its firm charter and commenced the annual option period charter in Apr CY25 with approximately 70% reduction in charter rate. The reduction in charter rate during the option period is customary in the FPSO industry. Accordingly, BAB guided that there will be a significant reduction in the Group's revenue from Apr CY25 onwards. However, costs are expected to remain the same before the option charter commencement

Clarification on compensation payable. The compensation – approx. USD5m – that dragged revenue was clarified as a punch list outstanding items on Kraken FPSO, during the transition from a firm contract to an extended contract. These are penalties payable to the charter in tandem with non-maintenance of specific items on the vessel. As of writing, the group has yet to fulfill the punch list. However, the penalties thus far were small in comparison to the cost of fixing. We opine this will not have a large impact to future earnings.

No impact from tariffs. BAB also guided that the tariffs would have minimal impact, as the major risks are more inclined to the oil and gas prices and overall global economy. Nevertheless, BAB had hedged its debts at 29% as part of its strategy to strengthen its cash flow and reduce debts. We believe this could give BAB a competitive advantage, while ensuring stability amid the turbulent times.

RETURN STATISTICS	
Price @ 22 May 2025 (RM)	0.51
Expected share price return (%)	+37.3
Expected dividend yield (%)	0.0
Expected total return (%)	+37.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.0	8.0
3 months	-8.2	-8.5
12 months	-12.2	-6.7

INVESTMENT STATISTICS

FYE Dec (Rm'm)	2025E	2026F	2027F
Revenue	2,000	2,040	2,102
EBIT	1,005	1,018	1,084
PBT	695	741	823
Core PATAMI	682	711	768
Core EPS	11.5	12.0	13.0
DPS	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0

KEY STATISTICS	
FBM KLCI	1527.02
Issue shares (m)	5927.91
Estimated free float (%)	44.29
Market Capitalisation (RM'm)	2993.59
52-wk price range	RM0.40 - RM0.69
3-mth average daily volume (m)	11.43
3-mth average daily value (RM'm)	5.83
Top Shareholders (%)	
Objektif Bersatu Sdn Bhd	34.55
Amanah Saham Nasional Bhd	13.14
Vanguard Group Inc	4.35

Analyst
MIDF Research
research@midf.com.my
03-2173 8396

Moving forward: Akia PSC, Kojo PSC and MISC merger. We look forward to BAB's Akia and Kojo PSCs in Indonesia, as well as the outcome of the discussions with MISC to merge Bumi Armada's business with MISC's Offshore unit. We are informed that Akia PSC had commenced 3D seismic acquisition, which would take a minimum of 4-6 months to complete before further development. Kojo PSC is a newly awarded project, which we believe will contribute similarly to Akia PSC, once the reserves within the fields are confirmed to contain commercial petroleum. While the discussions with MISC is still ongoing, we are largely optimistic on the collaboration. Meanwhile, BAB will continue to ensure that its safety, performance, growth, relationship and ESG pillars remain on the positive side.

Revised earnings estimates. We revised our revenue forecasts downwards for FY25-27, taking into account of the depreciation for its FPSOs, end-of-life clauses and possible lower day rates from volatile oil prices and maintenance. However, considering that earnings came in within expectations and BAB's positive prospects in the mid-term, we revise our earnings forecasts upward by +0.1% /+1% / +8% respectively. The earnings revision reflects the renewal of Kraken FPSO's charter, potential completion of Akia PSC development project and commencement of Kojo PSC development, in addition to business as usual for the other FPSOs.

No changes to TP. We maintain our **target price at RM0.70**, pegging on a PER of 6x to the EPS25 of 11.5sen. The PER used is derived from BAB's average 3-Y PER. The PER is still premium to its current PER of 5.2x by +1SD, as we remain optimistic Bumi Armada's prospect, amid the volatile oil market. This is in consideration of the: (i) Akia PSC advancing into the next exploration stage, (ii) Kojo PSC adding into its upstream value chain, (iii) collaboration in FPSOs and offshore vessels with MISC still in the decks, and (iii) reduced possibility of any accounting anomaly coming from the impairments in FPSOs. Additionally, we are also positive on the extension of TGT-1 charter and commencement of Sterling V's charter rates following first oil in the long term. Hence, we maintain a **BUY** call for BAB.

BUMI ARMADA'S FPSO UPDATES (AS OF 1QFY25)

Unit	Location	LTI Free	Key Operations Update	Charter Period	
				Firm Contract	Optional Extension
Armada Kraken FPSO	Kraken Field, United Kingdom	3 year	a) Boiler control upgrade completed b) Process Safety Improvement Plan (PSIP) rolled out to both onshore and offshore teams c) Strong production performance continued - 155 days of continuous oil production up to end of 1QCY25	1Q 2027	>2039
Armada Olombendo FPSO	15/06 Field, Angola	3 year	a) Annual metering skid calibration by vendors b) Completion of 3rd and last Ex (electrical) Inspection campaign	3Q 2030	2Q 2038
Armada LNG Mediterrana FSU	Marsaxlokk Bay, Malta	8 years	a) Major air conditioning overhaul completed b) Two storm mooring operations	1Q 2035	N/A
Armada TGT 1 FPSO	TGT Field, Vietnam	13 years	a) Tank repair works for ABS Class repairs b) Vendor inspection of turbines	1Q 2027	N/A
Armada Sterling FPSO	D1 Field, India	11 years	a) GTG vibration system and control software upgrade b) ABS Class Annual Survey c) Ballast tank fabric maintenance in progress	3Q 2030	3Q 2035
Armada Sterling II FPSO	C7 Field, India	10 years	a) 5 yearly calibration & recertification of Pressure Safety Valve b) Survey for the Certificate of Fitness carried out by ABS	1Q 2028	1Q 2031
Karapan Armada Sterling III FPSO	Madura BD Field, Indonesia	7 years	a) Solar Turbine GTG-C 8000hours planned maintenance b) Solar Turbine GTG-A 4000 hours planned maintenance	3Q 2027	1Q 2033
FPSO Sterling V	Kakinada 98-2 Field, India	N/A	a) GTG vibration system and control software upgrade b) ABS Class Annual Survey c) Ballast tank fabric maintenance in progress	4Q 2033	>2039

Source: Company, MIDFR

BUMI ARMADA'S 1QFY25 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly					Cumulative		
	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue	635.5	533.0	474.0	(11.1)	(25.4)	635.5	474.0	(25.4)
Cost of sales	(259.3)	(230.3)	(221.1)	(4.0)	(14.7)	(259.3)	(221.1)	(14.7)
Gross profit	376.3	302.7	252.9	(16.5)	(32.8)	376.3	252.9	(32.8)
Other operating income	16.9	22.2	20.6	(7.0)	22.3	16.9	20.6	22.3
Selling and distribution costs	(0.4)	(0.5)	(0.5)	1.9	26.3	(0.4)	(0.5)	26.3
Administrative expenses	(47.5)	(3.0)	(24.6)	712.2	(48.2)	(47.5)	(24.6)	(48.2)
Operating profit	346.2	0.6	248.4	44,339.5	(28.2)	346.2	248.4	(28.2)
Impairment PPE	-	(325.1)	-	(100.0)	nm	-	-	nm
Impairment Others	0.9	4.3	-	(100.0)	(100.0)	0.9	-	(100.0)
Finance cost	(79.1)	(78.5)	(69.8)	(11.0)	(11.8)	(79.1)	(69.8)	(11.8)
Profit Before Tax	270.2	(94.9)	191.1	(301.4)	(29.3)	270.2	191.1	(29.3)
Taxation	(7.1)	18.7	(3.5)	(118.6)	(51.2)	(7.1)	(3.5)	(51.2)
Profit After Tax	263.1	(76.2)	187.6	(346.2)	(28.7)	263.1	187.6	(28.7)
Non- controlling interests	22.6	7.6	4.8	(36.7)	(78.6)	22.6	4.8	(78.6)
PATAMI	240.5	(83.8)	182.8	(318.0)	(24.0)	240.5	182.8	(24.0)
PATAMI (ex-EI)	275.1	212.9	188.2	(11.6)	(31.6)	275.1	188.2	(31.6)
Revenue								
Operations (FPSO, FGS, OSV, SC, marine)	634.2	529.2	473.0	(10.6)	(25.4)	634.2	473.0	(25.4)
Others (TEP, Corporate)	1.3	3.7	0.9	(75.1)	(29.7)	1.3	0.9	(29.7)
Segmental Profit								
Operations (FPSO, FGS, OSV, SC, marine)	429.6	371.5	315.4	(15.1)	(26.6)	429.6	315.4	(26.6)
Others (TEP, Corporate)	(24.8)	(1.1)	(20.3)	1,745.5	(18.1)	(24.8)	(20.3)	(18.1)

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	2,133.1	2,299.2	2,000.3	2,040.3	2,101.5
EBIT	571.7	923.1	1,004.7	1,018.1	1,083.6
PBT	296.1	646.1	726.1	774.7	869.2
Taxation	-3.1	10.1	-3.9	1.7	1.0
PAT	371.1	656.2	694.6	740.7	823.2
MI	-39.0	-22.2	-27.5	-35.8	-47.0
PATAMI	332.1	634.0	667.1	704.9	776.2
Core PATAMI	293.0	656.2	682.3	710.5	767.7
EPS (sen)	5.6	10.7	11.5	12.0	13.0
PER (x)	11.2	5.9	6.1	5.8	5.4
DPS (sen)	0	0	0	0	0
Dividend yield (%)	0	0	0	0	0

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	296.1	646.1	726.1	774.7	869.2
Depreciation	333.5	296.2	336.8	325.5	307.1
OP pre-WC changes	1271.9	1492.3	1663.5	1702.7	1770.8
Change in NWC	-283.3	224.7	-53.3	-35.4	-24.9
Operating cash flow	**988.6**	**1717.0**	**1610.2**	**1667.3**	**1745.9**
Capital expenditure	151.4	-1.5	39.8	83.0	81.6
Investing cash flow	**181.2**	**71.3**	**112.3**	**175.6**	**217.7**
Debt raised/(repaid)	-1335.7	-1038.9	-1448.2	-1472.6	-1551.1
Dividends paid	0.0	0.0	0.0	0.0	0.0
Financing cash flow	**-1339.8**	**-1042.9**	**-1452.0**	**-1476.4**	**-1554.9**
Net cash flow	**-170.0**	**745.4**	**270.4**	**366.5**	**408.7**
Beginning cash flow	**838.8**	**704.7**	**1427.1**	**1684.7**	**2037.5**
Ending cash flow	**704.7**	**1427.1**	**1684.7**	**2037.5**	**2443.1**

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	-11.3	7.8	-13.0	2.0	3.0
PBT growth	-58.2	118.2	12.4	6.7	12.2
PATAMI growth	-54.7	90.9	5.2	5.7	10.1
Core PATAMI growth	-59.6	123.9	4.0	4.1	8.1

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	26.8	40.1	50.2	49.9	51.6
PBT margin	13.9	28.1	36.3	38.0	41.4
PATAMI margin	15.6	27.6	33.3	34.5	36.9
Core PATAMI margin	13.7	28.5	34.1	34.8	36.5
ROA	2.6	6.3	6.2	6.2	6.6
ROE	5.3	10.9	10.7	11.1	11.8

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	3,256.3	2,556.0	2,980.2	2,967.5	2,836.8
ROU assets	4,206.5	3,722.0	3,696.9	3,637.6	3,533.0
Non-current assets	**9,267.9**	**7,870.2**	**8,333.5**	**8,328.1**	**8,132.4**
Trade receivables	671.3	672.8	658.8	658.0	681.7
Cash & bank balances	704.7	1,427.1	1,684.7	2,037.5	2,443.1
Current assets	**1,848.2**	**2,587.0**	**2,701.1**	**3,063.5**	**3,513.0**
Long-term debt	2,081.3	3,003.0	3,036.6	3,159.0	3,000.5
Non-current liabilities	**2,271.6**	**3,177.9**	**3,249.4**	**3,483.4**	**3,663.1**
Short-term debt	2,273.3	681.5	776.3	844.0	784.8
Trade payables	309.4	468.8	461.5	483.1	492.3
Current liabilities	**3,264.9**	**1,232.2**	**1,405.8**	**1,523.9**	**1,482.7**
Share capital	4,335.4	4,338.6	4,338.6	4,338.6	4,338.6
Reserves	1,336.4	1,776.0	2,117.1	2,131.6	2,255.2
Equity	**5,579.6**	**6,047.1**	**6,379.4**	**6,384.3**	**6,499.5**

Liquidity Ratios (x)	2023A	2024A	2025E	2026F	2027F
Current ratio	0.6	2.1	1.9	2.0	2.4
Quick ratio	0.4	0.0	0.2	0.1	0.5

Leverage Ratios (x)	2023A	2024A	2025E	2026F	2027F
Debt-to-equity	1.0	0.7	0.7	0.8	0.8
Interest coverage	1.7	3.0	3.6	4.2	5.1

Efficiency Ratios (days)	2023A	2024A	2025E	2026F	2027F
Cash conversion cycle	13	-64	-54	-57	-61
DIO	2	2	2	2	2
DSO	115	107	120	118	118
DPO	103.5	173.2	176.2	176.6	181.5

Source: 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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