Bumi Armada

Sterling 2 Extension Secured

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ARMADA secured another 3-year extension for its FPSO Sterling 2 with another three-year option. The win is positive and deemed within expectation as our model has imputed contract extensions for the asset up to 2030. Even so, we wish to note that the margins on the extensions will be higher as the asset might have been largely depreciated as it has completed its long-term firm charter. We maintain our forecast with TP held at RM0.60. MARKET PERFORM call is maintained as well.

ARMADA announced on Bursa Malaysia that its joint-venture company, Shapoorji Pallonji Armada Oil & Gas Services Pte Ltd (India) ") has received a Notification of Award from Oil and Natural Gas Corporation Limited (ONGC) of India, effective from 8 March 2025, for the operation and maintenance (O&M) of the Armada Sterling II Floating Production, Storage and Offloading vessel (FPSO) deployed at the ONGC Cluster-7 Field located off the west coast of Mumbai, India.

The O&M is effective from 8 March 2025, for a fixed period of three years with an annual option to extend the charter for up to three additional years. The fixed 3-year firm O&M period has an estimated total value of INR2.5b (approximately RM127m). As the asset has already ended its firm charter contract, we believe that the win will yield high net margins of 50% and above. The win is deemed within expectation as we have imputed extensions for FPSO Sterling 2 up to 2030.

Outlook. In 2024, the group addressed its short-term debt roll-over needs by securing USD400m in new loans. This move strengthened its balance sheet and positioned it to invest in future projects, such as the Blue Streak CO2 JV (MOU) and Akia PSC, with capex likely to begin in 2026. Starting FY25, however, we anticipate lower earnings as FPSO Kraken transitions to its extension period.

A potential merger with MISC (MP; TP: RM7.78) could trigger a valuation rerating for ARMADA's FPSO business, especially if the combined entity achieves a higher PER. Additional detail on this merger might emerge by August 2025.

Forecasts. Maintained.

Valuations. We maintain our SoP-based TP at RM0.60.

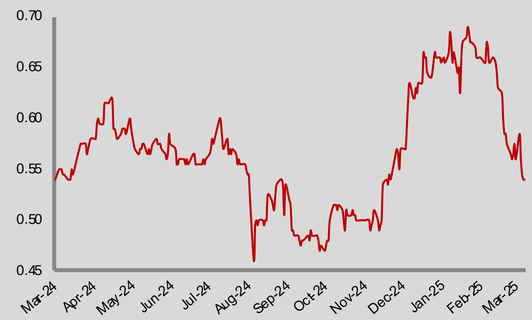
Investment case. We like ARMADA due to: (i) better net gearing position (0.4x in 4QFY24 compared to 1.2x in 2QFY22, (ii) long-term earnings visibility from sizeable order book above RM19b, and (iii) still reasonable PER of 4.5x in FY25F compared to its 5-year mean of 4.7x. However, we believe that its outlook on securing FPSO jobs remain uncertain while its Akia PSC venture risk is higher than typical FPSO jobs in our view. Maintain MARKET PERFORM.

Risks to our call include: (i) delay in Blue Streak CO2 JV investment beyond 2026, (ii) potential execution risks for AKIA PSC upstream project, and (iii) FPSO contract extensions are not exercised for core FPSO assets

MARKET PERFORM ↔

Price:	**RM0.54**
Target Price:	**RM0.60** ↔

Share Price Performance



KLCI	1,547.27
YTD KLCI chg	-5.8%
YTD stock price chg	-17.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAB MK Equity
Market Cap (RM m)	3,201.1
Shares Outstanding	5,927.9
52-week range (H)	0.70
52-week range (L)	0.45
3-month avg. daily vol:	14,862,790
Free Float	39%
Beta	0.9

Major Shareholders

Objektif Bersatu Sdn	34.6%
Amanah Saham Nasional	13.2%
Norges Bank	4.0%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	2299.2	1580.2	2040.2
EBIT	1242.3	784.8	694.1
PBT	646.1	741.0	684.3
Net Profit (NP)	**646.1**	**696.9**	**643.6**
Core NP (CNP)	**896.4**	**696.9**	**643.6**
Consensus CNP	-	729.8	720.5
Earnings Revision (%)	-	-	-
Core EPS (sen)	11.0	11.9	11.0
NDPS (sen)	1.0	-	-
BV/share (RM)	1.0	1.2	1.3
Core PER (x)	4.9	4.5	4.9
Price/BV (x)	0.5	0.5	0.4
Net-gearing (x)	0.4	0.2	0.1
Dividend yield (%)	1.9	-	-

Sum-of-Parts Valuation

	RM m	Valuation Metric
Armada Kraken FPSO	1,176.4	DCF at 11.0% discount rate
Armada Olombendo FPSO	2911.8	DCF at 7.6% discount rate
Armada LNG Mediterrana FSU	232.9	DCF at 7.6% discount rate
Armada Sterling FPSO (50% JV)	164.6	DCF at 7.6% discount rate
Armada Sterling II FPSO (50% JV)	199.1	DCF at 7.6% discount rate
Karapan Armada Sterling III FPSO (50% JV)	85.1	DCF at 7.6% discount rate
Armada Sterling V (30% JV)	199.4	DCF at 7.6% discount rate
Net cash / (debt)	-1242.9	
Total	**3,726.5**	
Number of shares (mil)	5866.3	
ESG premium / discount	-5%	
SoP-value per share (RM)	**0.60**	

Source: Company, Kenanga Research

Income Statement

FY Dec (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2405.5	2133.1	2299.2	1580.2	2040.2
EBIT	1026.5	1046.5	1242.3	784.8	694.1
Interest Exp	-355.9	-289.3	-219.4	-151.8	-70.1
JV	49.2	62.8	33.2	108.0	60.3
PBT	709.0	296.1	646.1	741.0	684.3
Taxation	15.7	-3.1	10.1	-37.1	-34.2
NCI	7.8	39.0	-10.1	-7.0	-6.5
Net Profit	732.4	332.1	646.1	696.9	643.6
Core Profit	**815.5**	**332.1**	**896.4**	**696.9**	**643.6**

Balance Sheet

FY Dec (RM'm)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	4011.5	3256.3	2556.0	2437.0	2313.0
Intangible	4434.2	4289.6	3740.5	3740.5	3740.5
Other assets	1460.7	1722.0	1573.6	1681.7	1742.0
Inventories	0.0	0.0	0.0	2.1	4.6
Receivables	506.9	671.3	672.8	484.1	625.0
Other CA	473.7	472.2	487.1	487.1	487.1
Cash	838.8	704.7	1427.1	2441.6	3265.8
Total	11726.0	11116.1	10457.1	11274.1	12177.9
Payables	182.6	117.0	108.4	221.5	475.1
ST Borrowings	1018.4	2273.3	681.5	681.5	681.5
Other Liability	414.7	874.6	442.3	442.3	442.3
LT Borrowings	4486.4	2081.3	3003.0	3003.0	3003.0
Other LT Liability	528.4	190.3	174.8	174.8	174.8
Minorities Int.	-51.0	-92.2	-67.5	-60.5	-54.0
Perpetual	0.00	0.00	0.00	0.00	0.00
Net Assets	**5146.5**	**5671.8**	**6114.6**	**6811.5**	**7455.2**
Share Capital	4332.4	4335.4	4338.6	4338.6	4338.6
Reserves	814.2	1336.4	1776.0	2472.9	3116.6
Equity	**5146.5**	**5671.8**	**6114.6**	**6811.5**	**7455.2**

Cashflow Statement

FY Dec (RM'm)	2022A	2023A	2024A	2025F	2026F
Operating CF	1350.4	988.6	1717.0	1182.1	910.0
Investing CF	346.4	181.2	71.3	-167.6	-85.9
Financing CF	-1749.9	-1339.8	-1042.9	0.0	0.0

Financial Data & Ratios

FY Dec (RM'm)	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Revenue	-7.6	11.2	-11.3	7.8	-31.3
EBIT	3.6	7.1	1.9	18.7	-36.8
PBT	423.4	6.2	-58.2	118.2	14.7
Net Profit	32.6	35.2	-59.3	170.0	-22.3
Profitability (%)					
EBIT	44.31	42.67	49.06	54.03	49.67
PBT	30.88	29.47	13.88	28.10	46.90
Net Margin	27.89	33.90	15.57	38.99	44.11
Effective Tax Rate	3.75	-2.21	1.05	-1.56	5.00
ROA	3.60	5.00	6.95	5.56	5.00
ROE	15.22	15.85	5.85	14.66	10.23
DuPont Analysis					
Net Margin	27.89	33.90	15.57	38.99	44.11
Assets Turnover (x)	0.18	0.21	0.19	0.22	0.14
Leverage(x)	3.05	2.28	1.96	1.71	1.66
ROE (%)	15.22	15.85	5.85	14.66	10.23
Leverage					
Debt/Asset (x)	0.57	0.47	0.39	0.35	0.33
Debt/Equity (x)	1.75	1.07	0.77	0.60	0.54
N. Debt/(Cash	6123.5	4665.9	3649.8	2257.5	1242.9
Net Debt/Equity	1.5	0.9	0.6	0.4	0.2
Valuations					
EPS (sen)	11.2	12.5	5.7	11.0	11.9
DPS (sen)	0.0	0.0	0.0	1.0	0.0
BVPS (RM)	0.7	0.9	1.0	1.0	1.2
PER (x)	4.8	4.3	9.5	4.9	4.5
Div. Yield	0.0	0.0	0.0	1.9	0.0
P/BV (x)	0.8	0.6	0.6	0.5	0.5

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.540	0.600	11.1%	3,201.1	Y	12/2025	15.1	11.9	167.5%	-21.6%	3.6	4.5	0.5	14.5%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.56	3.39	117.3%	1,806.1	Y	12/2025	26.0	24.5	10.3%	-6.0%	6.0	6.4	0.9	15.2%	6.0	3.8%
DIALOG GROUP BHD	MP	1.45	1.94	33.8%	8,181.9	Y	06/2025	8.6	8.7	-19.9%	1.5%	16.9	16.6	1.3	8.0%	4.0	2.8%
KEYFIELD INTERNATIONAL	OP	1.92	3.18	65.6%	1,543.9	Y	12/2025	23.1	28.9	81.2%	25.0%	8.3	6.7	2.2	38.3%	5.0	2.6%
MISC BHD	MP	7.06	7.78	10.2%	31,514.0	Y	12/2025	50.1	47.0	2.9%	-6.2%	14.1	15.0	0.8	5.9%	36.0	5.1%
PETRONAS CHEMICALS GROUP	MP	3.72	5.07	36.3%	29,760.0	Y	12/2025	33.8	39.7	130.0%	17.4%	11.0	9.4	0.7	6.9%	17.0	4.6%
PETRONAS DAGANGAN BHD	OP	17.68	21.20	19.9%	17,564.3	Y	12/2025	110.4	113.0	-0.8%	2.3%	16.0	15.7	2.8	18.0%	88.0	5.0%
VELESTO ENERGY BHD	OP	0.160	0.210	31.3%	1,314.5	Y	12/2025	1.7	2.1	-32.4%	23.6%	9.4	7.6	0.5	5.3%	1.0	6.3%
WASCO BHD	OP	0.940	1.83	94.7%	727.9	Y	12/2025	16.1	17.6	61.5%	9.5%	5.9	5.3	0.9	16.2%	2.0	2.1%
YINSON HOLDINGS BHD	OP	2.25	3.87	72.0%	6,375.9	N	01/2025	16.6	20.3	38.1%	22.1%	13.6	11.1	1.3	9.7%	5.0	2.2%
SECTOR AGGREGATE					**103,180.7**					**32.5%**	**5.0%**	**11.5**	**11.0**	**1.1**	**12.2%**		**3.7%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★			
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★			
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★			
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★	★	
	Water Management	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	OVERALL	★	★			

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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