Bumi Armada

Still Under the Radar

By Lim Sin Kiat, CFA / limsk@kenanga.com.my

OUTPERFORM ↔

Price: **RM0.30**
Target Price: **RM0.45** ↔

ARMADA's 9MFY25 earnings were within our expectation and deemed slightly below consensus. No DPS was declared in the quarter. Profit declined in 9MFY25, mainly due to lower charter rate from FPSO Kraken as it was already on contract extensions but lower opex and finance costs partially negated the impact. For now, there are no significant growth pillars from new jobs as its upstream potential are still at preliminary stages, but the company possesses the balance sheet to potentially bid for a new mid-sized FPSO job. We maintain earnings, SoP-TP of RM0.45 and OUTPERFORM call as despite its flattish earnings outlook, 4x FY26F PER appears to be still attractive given that its peer YINSON (NOT RATED) is trading at 12x PER.

Its 9MFY25 core profit of RM371.8m (after excluding EI of RM16m unrealised forex gain, RM1.2m insurance claim and RM2.0m deferred tax gain) came within our expectation at 77% but deemed slightly below consensus at 71% as FPSO Kraken has been at a lower renewed charter rate since April 25, hence 4QFY25 earnings would likely remain similar to this quarter. No dividends were declared.

YoY, 9MFY25 revenue slipped 30% due to commencement of the FPSO Kraken optional charter in April 25 which was at a lower rate to the previous charter rates while FPSO Olembendo top line was slightly stronger. As a result, core profit dropped 43% YoY as cost of sales remained largely similar. This was partially negated by lower opex and finance costs.

QoQ, the top line declined 11% due to O&M revenue from FPSO Kraken as well as absence of distribution (from the trustee of the bankrupt estate of former charterer) from the disposed FPSO Armada Perdana in 2QFY25. Net profit, declined at a slower rate of 3% as opex and interest costs were sequentially lower.

Forecasts. Maintained.

Outlook. Upstream capex for Projects Akia and Kojo would not be anticipated in the next two years, though sustained exploration expenses may continue to drag short-term profitability. Valuation upside exists if either project secures FID. The called-off merger with MISC (MP; TP: RM8.55) removes access to a stronger balance sheet for FPSO expansion. Nonetheless, ARMADA's own balance sheet is expected to strengthen by FY26, potentially positioning the group to pursue new mid-sized FPSO opportunities independently.

Valuations. We maintain our SoP-based TP of RM0.45.

Investment case. We like ARMADA due to: (i) better net gearing position as the group has not incurred significant capex in the past five years as there were no major FPSO wins, (ii) long-term earnings visibility from sizeable order book, and (iii) strong recurring free cash flow generation post FPSO Kraken debt full repayment. While the group has yet to secure major FPSO job to replace FPSO Kraken's previous firm earnings, we believe that its earnings might have bottomed with a stable trend expected in the coming quarters.

Maintain **OUTPERFORM**.

Risks to our call include: (i) Non-renewal of FPSO Kraken optional charter in FY26F, (ii) potential execution risks for AKIA PSC upstream project, and (iii) FPSO contract extensions are not exercised for core FPSO assets.

Share Price Performance

KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	-53.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAB MK Equity
Market Cap (RM m)	1,808.0
Shares Outstanding	5,927.9
52-week range (H)	0.70
52-week range (L)	0.28
3-mth avg. daily vol.	19,358,640
Free Float	44%
Beta	1.1

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	1357.4	1117.6
EBIT	1242.3	562.0	482.8
PBT	646.1	517.0	460.7
Net Profit (NP)	**646.1**	**486.3**	**433.3**
Core NP (CNP)	**896.4**	**486.3**	**433.3**
Consensus CNP	-	526.5	465.5
Earnings Revision (%)	-	-	-
Core EPS (sen)	11.0	8.3	7.4
NDPS (sen)	1.0	-	-
BV/Share (RM)	1.0	1.1	1.2
Core PER (x)	2.7	3.6	4.1
Price/BV (x)	0.3	0.3	0.3
Net-gearing (x)	0.4	0.2	0.1
Dividend Yield (%)	3.3	-	-

Results Highlights

FYE : Dec (RM m)	3Q FY25	2Q FY24	Q-o-Q	3Q FY24	Y-o-Y	9M FY25	9M FY24	Y-o-Y
Revenue	360.7	407.1	-11.4%	551.9	-34.6%	1,241.8	1,766.3	-29.7%
Cost of sales	-157.7	-193.2	-18.3%	-167.4	-5.8%	-504.7	-532.8	-5.3%
Gross profit	**203.0**	**213.9**	**-5.1%**	**384.5**	**-47.2%**	**737.1**	**1,233.4**	**-40.2%**
Other income	21.1	20.7	2.1%	23.7	-11.1%	62.4	68.6	-9.0%
Operating Cost	-26.7	-54.0	-50.5%	-75.5	-64.6%	-105.8	-155.4	-31.9%
Operating profit	**135.1**	**117.2**	**15.3%**	**260.7**	**-48.2%**	**500.7**	**921.6**	**-45.7%**
Finance costs	-58.3	-63.7	-8.6%	-75.1	-22.4%	-191.8	-231.7	-17.2%
Share of results of JVs	19.3	23.5	-17.9%	15.0	28.5%	55.2	50.1	10.1%
Profit/(loss) before tax	**96.0**	**76.9**	**24.9%**	**200.5**	**-52.1%**	**364.1**	**741.0**	**-50.9%**
Taxation	2.0	3.5	-44.1%	0.3	578.4%	2.0	0.3	578.4%
Non-controlling interest	1.9	0.4	358.6%	-10.5	-118.0%	7.1	14.6	-51.0%
Net profit	**96.1**	**80.0**	**20.1%**	**211.3**	**-54.5%**	**359.0**	**717.8**	**-50.0%**
EI	-3.2	16.0	**-120.1%**	-2.0	**58.0%**	**12.8**	**-62.7**	
Core net profit	**92.9**	**96.1**	**-3.3%**	**209.3**	**-55.6%**	**371.8**	**655.1**	**-43.2%**
EPS	1.6	1.4	20.1%	3.6	-54.5%	6.1	12.2	-50.0%
Core EPS	1.6	1.6	-3.3%	3.6	-55.6%	6.3	11.2	-43.3%
Gross margin	56.3%	52.5%		69.7%		59.4%	69.8%	
EBIT margin	37.4%	28.8%		47.2%		40.3%	52.2%	
PBT margin	26.6%	18.9%		36.3%		29.3%	42.0%	
Net margin	26.7%	19.7%		38.3%		28.9%	40.6%	
Core net margin	25.8%	23.6%		37.9%		29.9%	37.1%	
Effective tax rate	-2.1%	-4.6%		-0.1%		-0.5%	0.0%	

Source: Company, Kenanga Research

Sum-of-Parts Valuation

	RM m	Valuation Metric
Armada Kraken FPSO	475.6	DCF at 11.0% discount rate
Armada Olombendo FPSO	2341.1	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)	-888.9	
Total	**2,809.0**	
Number of shares (mil)	5866.3	
ESG premium / discount	-5%	
SoP-value per share (RM)	**0.45**	

Source: Company, Kenanga Research

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.
<u>Stocks Under Coverage</u>																	
BUMI ARMADA BHD	OP	0.305	0.450	47.5%	1,808.0	Y	12/2025	6.1	5.4	-45.7%	-10.9%	5.0	5.6	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	MP	1.59	1.60	0.6%	1,840.9	Y	12/2025	13.6	16.0	-42.3%	17.4%	11.7	10.0	1.0	8.3%	10.0	6.3%
DIALOG GROUP BHD	OP	1.83	2.28	24.6%	10,326.1	Y	06/2026	10.4	11.4	31.4%	9.7%	17.6	16.0	1.7	9.9%	5.0	2.7%
KEYFIELD INTERNATIONAL	MP	1.61	1.57	-2.5%	1,297.3	Y	12/2025	14.0	17.5	-49.6%	24.3%	11.5	9.2	1.7	15.6%	6.0	3.7%
MISC BHD	OP	7.72	8.55	10.8%	34,460.1	Y	12/2025	50.1	52.1	2.9%	4.0%	15.4	14.8	0.9	5.9%	36.0	4.7%
PETRONAS CHEMICALS GROUP	OP	3.00	4.70	56.7%	24,000.0	Y	12/2025	(6.1)	10.3	-	70.4%	N.A.	29.1	0.6	-1.3%	5.0	1.7%
PETRONAS DAGANGAN BHD	MP	20.12	21.20	5.4%	19,988.3	Y	12/2025	110.4	113.0	-0.8%	2.3%	18.2	17.8	3.2	18.0%	88.0	4.4%
VELESTO ENERGY BHD	MP	0.225	0.250	11.1%	1,848.5	Y	12/2025	2.0	2.1	-21.5%	7.3%	11.3	10.6	0.7	6.1%	3.0	13.3%
WASCO BHD	OP	0.965	1.17	21.2%	747.2	Y	12/2025	1.5	1.7	-41.5%	9.4%	63.3	57.8	6.1	10.1%	5.0	5.2%
SECTOR AGGREGATE					**105,697.7**					**-29.3%**	**33.9%**	**21.0**	**15.6**	**1.7**	**8.7%**		**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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my