

02 March 2026

Bumi Armada

Healing, but no Spark Yet

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ARMADA's FY25 earnings were below expectations due to weaker-than-expected FPSO Olembendo's revenue. FY25 earnings declined significantly as FPSO Kraken was on reduced optional charter rates since April 2025 while FPSO Olembendo's revenue was lower due to absence of fee escalation income and slightly lower uptime. We cut FY26F earnings to account for more conservative FPSO Olembendo revenue, reduce SoP-TP to RM0.41. Maintain OUTPERFORM. While no near-term catalysts are present, the group have more optionality in Indonesia with Akia, Kojo and Jalu PSCs up for bids. That aside, its balance sheet is also expected to be in slight net cash position by FY27 assuming no major job wins.

Its FY25 core profit of RM437.4m (after excluding EI of RM3.2m gain on disposal, RM4.7m net unrealised forex loss and RM3.2m insurance claim) came largely below our expectation at 90% and consensus at 89%, due to lower-than-expected charter revenue from FPSO Olembendo. The group has declared a DPS of RM0.01/share, a positive surprise.

YoY, FY25 revenue slipped 31% due to commencement of the FPSO Kraken optional charter in April 25 which was at a lower rate to the previous charter rates and FPSO Olembendo top line was also lower as FY24 there was a fee escalation income. As a result, core profit dropped 51% YoY as cost of sales remained largely similar. This was partially negated by lower opex and finance costs.

QoQ, the top line was largely flat due to lower O&M income for FPSO Kraken as well as weaker FPSO Olembendo possibly due to downtime.

Forecasts. We cut FY26F earnings by 14% after accounting for lower charter revenue from FPSO Olembendo (on a 5% downward adjustment).

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. Bids are also submitted for the Jalu PSC in Indonesia in November 2025, with results expected to be announced in 2QFY26 and the group's FEED for FPSO is targeted to be completed by late 2QFY26. 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.

Valuations. We reduce our SoP-based TP by 8% to RM0.41 (from 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.

OUTPERFORM ↔

Price: RM0.31
Target Price: RM0.41 ↓

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	6.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAB MK Equity
Market Cap (RM m)	1,867.3
Shares Outstanding	5,927.9
52-week range (H)	0.61
52-week range (L)	0.28
3-mth avg. daily vol.	9,036,493
Free Float	44%
Beta	1.0

Major Shareholders

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

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1357.4	1027.8	995.9
EBIT	562.0	392.7	356.8
PBT	541.5	396.4	385.5
Net Profit (NP)	509.3	372.8	358.9
Core NP (CNP)	437.4	372.8	358.9
Consensus CNP	-	475.0	470.5
Earnings Revision (%)	-	-14.0	-
Core EPS (sen)	8.7	6.4	6.1
NDPS (sen)	1.0	1.0	0.9
BV/Share (RM)	1.0	1.1	1.1
Core PER (x)	3.6	5.0	5.1
Price/BV (x)	0.3	0.3	0.3
Net-gearing (x)	0.2	0.1	-
Dividend Yield (%)	3.2	3.0	2.9

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Results Highlights

	4Q	3Q	Q-o-Q	4Q	Y-o-Y			Y-o-Y
	FY25	FY24		FY24		FY25	FY24	
FYE : Dec (RM m)								
Revenue	347.1	360.7	-3.8%	533.0	-34.9%	1,588.9	2,299.2	-30.9%
Cost of sales	-172.9	-157.7	9.6%	-159.1	8.7%	-677.6	-691.9	-2.1%
Gross profit	174.2	203.0	-14.2%	373.9	-53.4%	911.3	1,607.3	-43.3%
Other income	67.7	21.1	220.7%	22.2	205.5%	130.1	90.7	43.4%
Operating Cost	-34.0	-26.7	27.2%	-3.5	872.1%	-139.8	-158.9	-12.0%
Operating profit	146.0	135.1	8.1%	321.4	-54.6%	646.7	1,243.0	-48.0%
Finance costs	-51.6	-58.3	-11.4%	-78.5	-34.2%	-243.4	-310.1	-21.5%
Share of results of JVs	-13.1	19.3	-167.9%	-17.0	-22.8%	42.1	33.2	27.0%
Profit/(loss) before tax	81.3	96.0	-15.4%	-94.9	-185.7%	445.4	646.1	-31.1%
Taxation	-0.0	2.0	-102.2%	18.7	-100.2%	-0.0	18.7	-100.2%
Non-controlling interest	1.1	1.9	-41.8%	7.6	-85.6%	8.2	22.2	-62.9%
Net profit	80.1	96.1	-16.7%	-83.8	-195.6%	439.1	634.0	-30.7%
EI	-14.5	-3.2	350.6%	325.1	-104.5%	0.0	262.4	
Core net profit	65.6	92.9	-29.4%	241.3	-72.8%	437.4	896.4	-51.2%
EPS	1.4	1.6	-16.7%	-1.4	-195.5%	7.5	10.8	-30.8%
Core EPS	1.1	1.6	-29.4%	4.1	-72.8%	7.4	15.3	-51.2%
Gross margin	50.2%	56.3%		70.1%		57.4%	69.9%	
EBIT margin	42.1%	37.4%		60.3%		40.7%	54.1%	
PBT margin	23.4%	26.6%		-17.8%		28.0%	28.1%	
Net margin	23.1%	26.7%		-15.7%		27.6%	27.6%	
Core net margin	18.9%	25.8%		45.3%		27.5%	39.0%	
Effective tax rate	0.1%	-2.1%		19.7%		0.0%	-2.9%	

Source: Company, Kenanga Research

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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.				
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.315	0.450	42.9%	1,867.3	Y	12/2026	6.1	5.4	-45.7%	-10.9%	5.2	5.8	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.79	1.90	6.1%	2,072.4	Y	12/2026	16.1	18.8	7.8%	17.0%	11.1	9.5	1.1	9.8%	11.0	6.1%
DIALOG GROUP BHD	OP	1.76	2.28	29.5%	9,931.1	Y	06/2026	10.4	11.4	31.4%	9.7%	16.9	15.4	1.6	9.9%	5.0	2.8%
LIANSON FLEET GROUP BHG	OP	2.00	2.30	20.0%	2,332.1	Y	12/2026	8.7	10.3	0.0%	18.7%	23.1	19.5	2.2	11.9%	0.0	0.0%
KEYFIELD INTERNATIONAL	MP	1.45	1.57	8.3%	1,170.7	Y	12/2026	14.0	17.5	-49.6%	24.3%	10.3	8.3	1.5	15.6%	6.0	4.1%
MISC BHD	OP	8.07	8.60	6.6%	36,022.4	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.1	16.3	1.0	6.2%	36.0	4.5%
PETRONAS CHEMICALS GROUP	OP	3.00	4.10	36.7%	24,000.0	Y	12/2026	4.0	4.1	-48.7%	0.6%	74.2	73.8	0.7	0.9%	2.0	0.7%
PETRONAS DAGANGAN BHD	MP	21.98	21.20	-3.5%	21,836.1	Y	12/2026	116.9	116.5	5.7%	-0.4%	18.8	18.9	3.5	19.1%	94.0	4.3%
UZMA BHD	OP	0.395	0.600	51.9%	235.2	Y	06/2026	14.8	15.9	6.9%	7.5%	2.7	2.5	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.305	0.320	4.9%	2,505.8	Y	12/2026	2.0	2.1	-21.5%	7.3%	15.4	14.3	0.9	6.1%	3.0	9.8%
WASCO BHD	OP	1.00	1.32	32.0%	774.3	Y	12/2026	1.5	1.7	-41.5%	9.4%	65.5	59.9	6.3	10.1%	5.0	5.0%
YINSON HOLDINGS BHD	OP	2.35	2.84	20.9%	6,867.6	N	01/2026	16.6	20.4	20.3%	22.3%	14.1	11.5	1.4	10.1%	6.0	2.6%
SECTOR AGGREGATE					109,612.0					12.1%	5.3%	18.7	17.8	1.7	9.8%		3.3%

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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