

22 May 2026

Bumi Armada

Near-term Lull, Distant Recovery

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

ARMADA's 1QFY26 earnings were below expectations due to unplanned downtime of FPSO Kraken (2nd time since 2023) on parts issues which had been resolved. While no near-term catalysts are present, the group possesses more optionality in Indonesia with Akia, Kojo and Jalu PSCs up for bids but we are cognizant of the fact that there are more cash flow risks upfront for exploration but this could be mitigated if more partners with technical capabilities could farm into the project. Hence, we are not factoring in any upsides from Indonesia at this juncture. We cut FY26-27F earnings to factor in FPSO Kraken's potential structural downtime risks and hence SoP-driven TP is cut to RM0.36. Downgrade to MARKET PERFORM from OUTPERFORM.

Its 1QFY26 core profit of RM40.1m came largely below our expectation at 11% and consensus at 10% as due to lower-than-expected charter revenue from FPSO Kraken (due to unplanned down time in the quarter). No dividends were declared in the quarter.

YoY, 1QFY26 revenue slipped 35% as FPSO Kraken has unplanned downtime in the quarter (only 77% uptime) due to parts issues which had been resolved. This was further compounded by the fact that in 1QFY26, FPSO Kraken was on optional lease compared to firm lease in 1QFY25 (optional lease commenced in April 2025) Core profit plunged 78% as a result as cost of sales have remained largely flat YoY.

QoQ, the group's revenue weakened 12% mainly due to FPSO Kraken downtime. As a result, core profit plunged 39%.

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. In 1QFY26, no significant amount was spent on Akia and Kojo, eliminating cash flow drag concerns from these projects in the current stage. ARMADA also just signed a PSC with Ministry of Energy and Mineral Resources of Indonesia for Jalu. At this juncture, we will not factor in the potential from these PSCs until ARMADA turns these projects into development stage from exploration. That aside, we also believe that the group will seek farm-in partners to join them a co-owner as field operation risks will need to be shared with more capable partners while ARMADA will focus on the FPSO side of the project.

Forecasts. We cur FY26-27F by 14-21% after accounting for lower charter revenue from FPSO Kraken as we assume more downtime in our assumptions to price in operational risks in the project.

Valuations. We reduce our SoP-based TP by 12% to **RM0.36** (from RM0.41).

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. Near-term earnings outlook remains modest due to the lack of new wins.

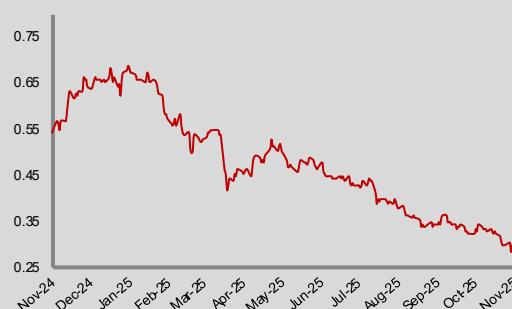
Downgrade to **MARKET PERFORM** from OUTPERFORM.

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.

MARKET PERFORM ↓

Price: **RM0.355**
Target Price: **RM0.36** ↓

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	970.7	938.8
EBIT	562.0	335.7	299.8
PBT	541.5	338.6	303.7
Net Profit (NP)	509.3	318.4	282.8
Core NP (CNP)	437.4	318.4	282.8
Consensus CNP	-	412.5	412.3
Earnings Revision (%)	-	-14.6	-21.2
Core EPS (sen)	8.7	5.4	4.8
NDPS (sen)	1.0	0.8	0.7
BV/Share (RM)	1.0	1.1	1.1
Core PER (x)	4.2	6.7	7.6
Price/BV (x)	0.4	0.3	0.3
Net-gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	2.7	2.2	2.0

22 May 2026

Results Highlights					
	1Q	4Q	Q-o-Q	4Q	Y-o-Y
	FY26	FY25		FY25	
FYE : Dec (RM m)					
Revenue	306.6	347.1	-11.7%	474.0	-35.3%
Cost of sales	-165.1	-172.9	-4.5%	-153.8	7.4%
Gross profit	141.5	174.2	-18.8%	320.2	-55.8%
Other income	15.4	67.7	-77.2%	20.6	-25.1%
Operating Cost	-30.5	-34.0	-10.3%	-25.1	21.7%
Operating profit	67.2	146.0	-53.9%	248.5	-72.9%
Finance costs	-41.0	-51.6	-20.6%	-69.8	-41.3%
Share of results of JVs	18.8	-13.1	-243.3%	12.5	50.6%
Profit/(loss) before tax	45.0	81.3	-44.6%	191.2	-76.4%
Taxation	-2.7	-0.0	6079.1%	-3.5	-23.6%
Non-controlling interest	2.3	1.1	106.6%	4.8	-53.2%
Net profit	40.1	80.1	-49.9%	182.9	-78.1%
EI	0.0	-14.5	-100.0%	0.0	-
Core net profit	40.1	65.6	-38.9%	182.9	-78.1%
EPS	0.7	1.4	-49.9%	3.1	-78.1%
Core EPS	0.7	1.1	-38.9%	3.1	-78.1%
Gross margin	46.1%	50.2%		67.6%	
EBIT margin	21.9%	42.1%		52.4%	
PBT margin	14.7%	23.4%		40.3%	
Net margin	13.1%	23.1%		38.6%	
Core net margin	13.1%	18.9%		38.6%	
Effective tax rate	5.9%	0.1%		1.8%	

Source: Company, Kenanga Research

22 May 2026

Sum-of-Parts Valuation		
	RM m	Valuation Metric
Armada Kraken FPSO	286.0	DCF at 11.0% discount rate
Armada Olombendo FPSO	1052.3	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)	-2.4	
Total	2,217.0	
Number of shares (mil)	5866.3	
ESG premium / discount	-5%	
SoP-value per share (RM)	0.36	

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.
Stocks Under Coverage																	
BUMI ARMADA BHD	MP	0.335	0.36	7.5%	1,985.9	Y	12/2026	4.7	4.5	-14.8%	-3.7%	7.2	7.5	0.4	6.1%	95.0	283.6%
DAYANG ENTERPRISE HLDGS BHD	OP	1.80	2.45	36.1%	2,084.0	Y	12/2026	16.1	18.8	7.8%	17.0%	11.2	9.6	1.1	9.8%	11.0	6.1%
DIALOG GROUP BHD	OP	2.05	2.63	28.3%	11,567.5	Y	06/2026	10.4	11.8	31.4%	12.8%	19.7	17.4	1.9	9.9%	5.0	2.4%
LIANSON FLEET GROUP BHG	OP	1.71	2.40	40.4%	1,992.9	Y	12/2026	20.6	27.3	142.4%	32.3%	8.3	6.3	1.1	13.2%	400.0	233.9%
KEYFIELD INTERNATIONAL	OP	1.59	2.00	25.8%	1,284.1	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.6	8.8	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.20	8.60	4.9%	36,602.7	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.3	16.6	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.45	5.40	-0.9%	43,600.0	Y	12/2026	29.5	13.2	-48.7%	0.6%	18.5	41.4	1.2	0.9%	2.0	0.4%
PETRONAS DAGANGAN BHD	MP	18.80	21.20	12.8%	18,676.9	Y	12/2026	116.9	116.5	5.7%	-0.4%	16.1	16.1	3.0	19.1%	94.0	5.0%
UZMA BHD	OP	0.430	0.700	62.8%	259.6	Y	06/2026	14.8	15.9	6.9%	7.5%	2.9	2.7	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.315	0.320	1.6%	2,603.7	Y	12/2026	1.7	2.1	-18.7%	19.3%	18.3	15.3	1.1	6.0%	3.0	9.5%
WASCO BHD	OP	0.840	1.45	57.1%	650.4	Y	12/2026	1.4	1.7	-37.5%	23.1%	61.5	50.0	5.0	8.5%	6.0	7.1%
YINSON HOLDINGS BHD	OP	1.95	2.84	45.6%	5,698.6	N	01/2027	16.6	20.4	20.3%	22.3%	11.7	9.6	1.2	10.1%	6.0	3.1%
SECTOR AGGREGATE					127,006.3					24.9%	8.0%	22.1	20.5	1.6	9.1%		46.6%

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research 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

