Bumi Armada (BAB MK)

In a sweet spot for the FPSO upcycle

MALAYSIA | OIL & GAS | INITIATION

- BAB is well-positioned to capitalise on the growing demand for FPSOs, supported by its stronger balance sheet amid the increasing global O&G capex spending
- We expect 2024 to deliver a record-high profit driven by the full contribution of FPSO Sterling V and the normalization of FPSO Kraken operations
- Initiating with a BUY call and 12-month DCF-derived target price of RM0.80

19 March 2024

BUY

LAST CLOSE PRICE	RM0.56
TARGET PRICE	RM0.80
TOTAL RETURN	42.9%

COMPANY DATA

BLOOMBERG TICKER	BAB MK EQUITY
O/S SHARES (MN) :	5,923
MARKET CAP (USD mn / RM mn) :	703 / 3317
52 - WK HI/LO (RM) :	0.72 / 0.42
3M Average Daily T/O (mn) :	21.93
NET CASH/(DEBT) (RMm)	(3,650)

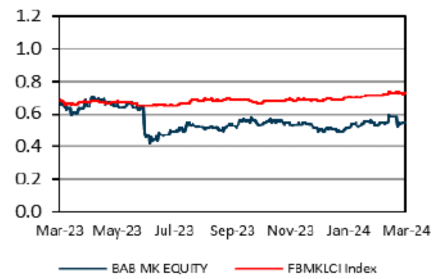
MAJOR SHAREHOLDERS (%)

Objektif Bersatu Sdn	34.6%
Amanah Saham Nasiona	12.6%
Norges Bank	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.9	6.9	10.1
FBMKLCI RETURN	2.9	7.6	8.2

PRICE VS. FBMKLCI



Source: Bloomberg

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Better and stronger than it was

Bumi Armada (BAB) is a new transformed entity as compared to 4 years ago. Since May19, with a new CEO at the helm, BAB has divested all of its offshore support vessels (OSV) and wound down the unprofitable business that has been dragging down the group's overall earnings. The balance sheet, which was encumbered by a substantial RM9.7bn debt in 2019, has been reduced to RM4.4bn. This has significantly improved net gearing, from c.3x in 2019 to 0.6x currently. The main drivers behind this were as a result of the continuous operational improvements attributable to higher FPSO uptime and effective cost management, winding down the OSV business, and successful debt restructuring efforts.

Well-positioned to capitalize on the positive outlook

With a stronger financial footing, BAB is set to ride the current FPSO upcycle. The global FPSO market is projected to grow 9% CAGR across 2024–2029, driven by increasing global energy demand and security. Continuous technological advancements in FPSOs are expected to create new opportunities and drive growth within the FPSO market. Energy Maritime Associates (EMA) is projecting 12 FPSOs to be awarded yearly over the next five years. Based on our projection, BAB's current financial position allows it to take on two new large-sized FPSO projects without straining its balance sheet. BAB is able to raise an additional RM3bn fresh debt while maintaining a comfortable net gearing level at 0.8x.

Initiate with BUY

We expect BAB to deliver a record-high core net profit of RM802m (+12% YoY) in 2024. We see multiple re-rating catalysts on the horizon, including 1) FPSO Sterling V securing final acceptance and recognising the full bareboat charter (BBC) rates, 2) FPSO TGT-1 securing 7-year charter extension, 3) both pipelay vessels securing new contracts and 4) potential new FPSO contracts win. We initiate BAB with a BUY rating and RM0.80 target price. Key risks include any unforeseen operational delays in existing FPSOs and securing final acceptance for Sterling V, and sharp global oil price decline affecting the global capex spending.

Key Financials

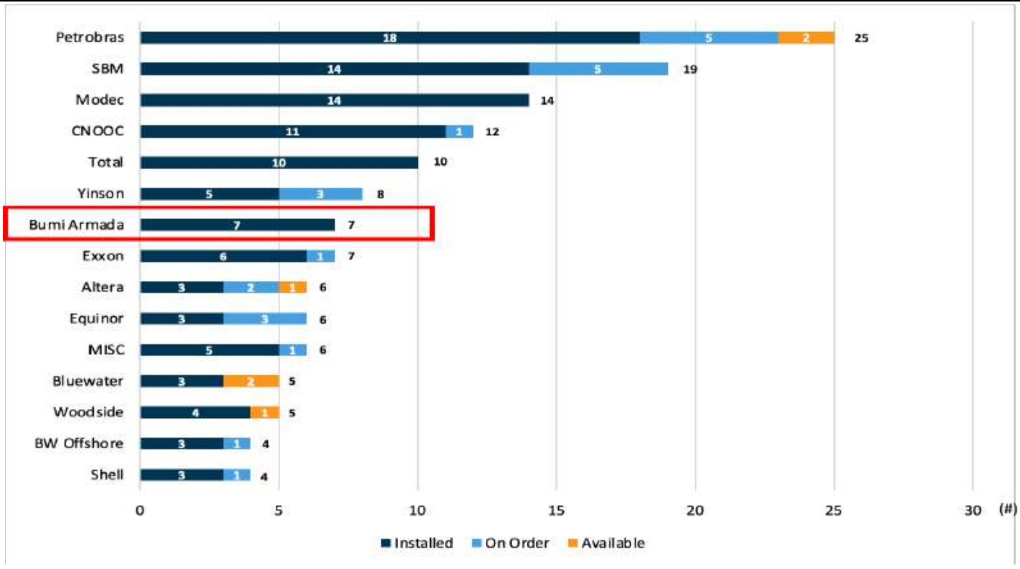
Y/E Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	2,405.5	2,133.1	1,822.6	1,659.4	1,620.6
EBITDA (RMm)	1,361.9	1,242.8	1,095.8	930.1	876.5
Pretax profit (RMm)	709.0	296.1	830.2	685.3	667.5
Net profit (RMm)	732.4	332.1	801.7	664.1	647.2
EPS (sen)	12.5	5.7	13.7	11.3	11.0
PER (x)	4.5	9.9	4.1	4.9	5.1
Core net profit (RMm)	754.5	718.9	801.7	664.1	647.2
Core EPS (sen)	12.9	12.3	13.7	11.3	11.0
Core EPS growth (%)	36.4	(4.7)	11.5	(17.2)	(2.5)
Core PER (x)	4.4	4.6	4.1	4.9	5.1
Net DPS (sen)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	5.6	5.2	4.3	4.3	3.8
Chg in EPS (%)			-	-	-
Phillip/Consensus (%)			1.0	1.0	1.1

Sources: Company, Bloomberg, Phillip Research forecasts

Snapshot of the transformed Bumi Armada

Long gone are the old days. BAB is a new, transformed entity as compared to 4 years ago. Under the helm of a new CEO since May19, the group has wound down the OSV business and mainly focused on the FPSO segment, which provides steady earnings and cash flow. BAB retained the transportation and installation (T&I) business, which provides pipelay, heavy lift, and subsea installation services through its two vessels (i.e., Armada Installer and Constructor) located at the Caspian Sea.

Table 1: BAB is ranked the 7th largest global FPSO operator in terms of fleet size



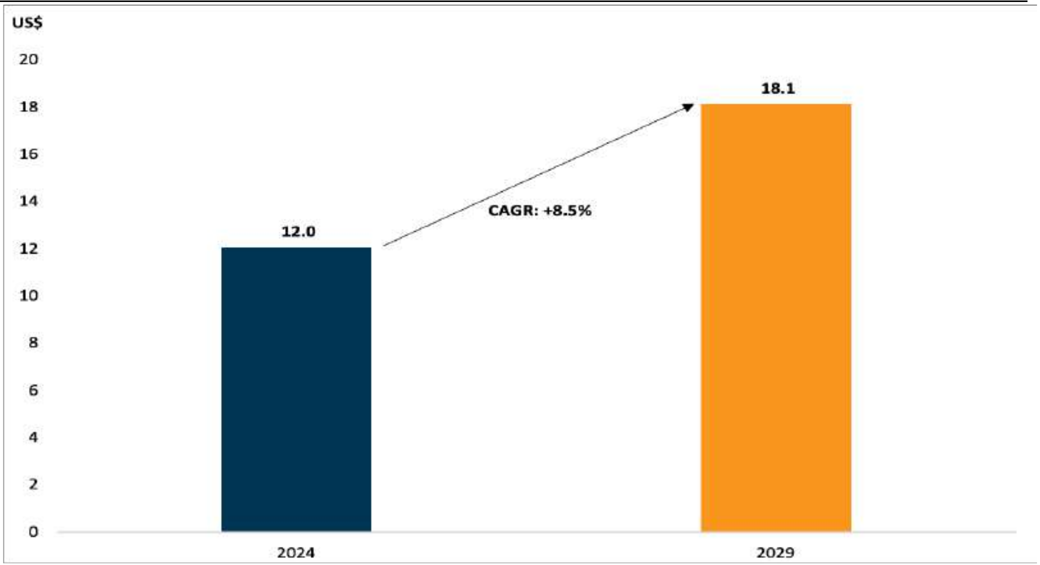
Source: Energy Maritime Associates, Phillip Research

Ranked 7th globally with 7 vessels. BAB is currently the 7th largest FPSO operator globally. Among its fleet of 7 FPSOs, 3 are wholly owned (ie Armada Olombendo, Kraken and TGT 1) while 4 are jointly owned (ie Armada I, II, III and V). The group also owns an LNG floating storage unit (FSU).

FPSO market is reviving

Robust FPSO market. According to Mordor Intelligence, the global FPSO market estimated at US$12bn in 2024 is projected to grow to c.US$18bn in 2029, representing a 5-year 8.5% CAGR. This will be predominantly driven by a higher global offshore exploration and production activities on the back of increasing global energy demand and security. Combined with the continuous innovation and technological advancements of FPSO vessels, these are expected to create new opportunities for the FPSO operators. South America is expected to remain the largest FPSO market, driven by increasing regional offshore operations.

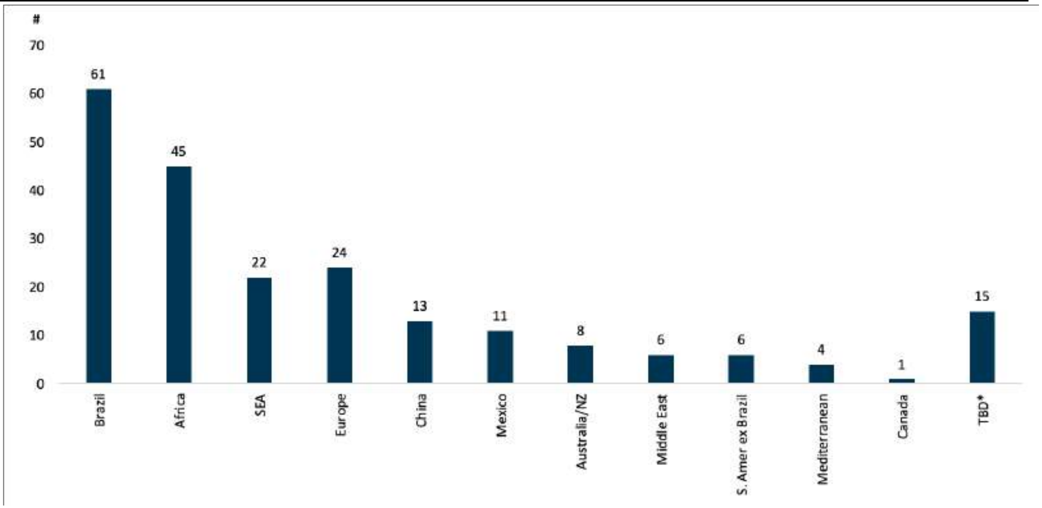
Table 2: Total regional FPSO market size in 2024–29



Source: Mordor Intelligence

Brazil and Africa remain the dominant forces. There is currently 216 FPSO vessels globally, with 49% of them located in Brazil and Africa. Brazil accounts for 61 units while Africa has 45 FPSOs operating in the region. Northern Europe and Southeast Asia (SEA) have 24 and 22 units, respectively. Brazil currently leads in terms of capital investment for floating production vessels, with an estimated US$36bn capex over the next five years. Africa is expected to spend US$17bn in capex.

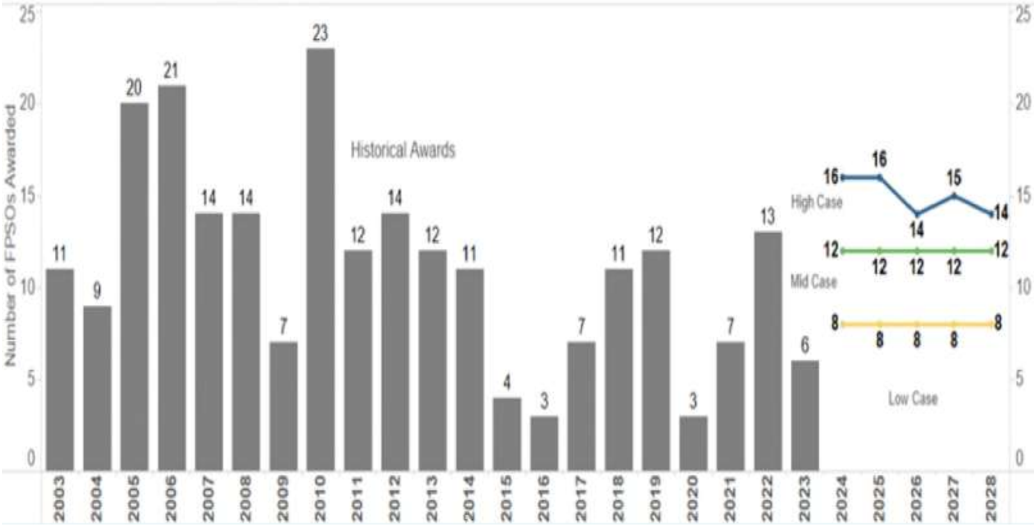
Table 3: Total FPSOs by region



*Source: Energy Maritime Associates *To be determined*

Expect a robust FPSO market. Over the past 5 years, an average of 8 FPSOs have been awarded yearly. The global market experienced a decline in new awards in 2020–2021 affected by the pandemic, but saw a strong rebound in 2022 as oil majors increased their capex spending following the due to prior years underinvestment. EMA forecasts 8–16 FPSOs to be awarded yearly between 2024–28. Assuming a base-case scenario where 12 FPSOs awards are likely to roll out, this represents a 50% increase as compared to the historical 5-year average, suggesting a robust market environment.

Table 4: Historical and forecasted FPSO awards 2024–28

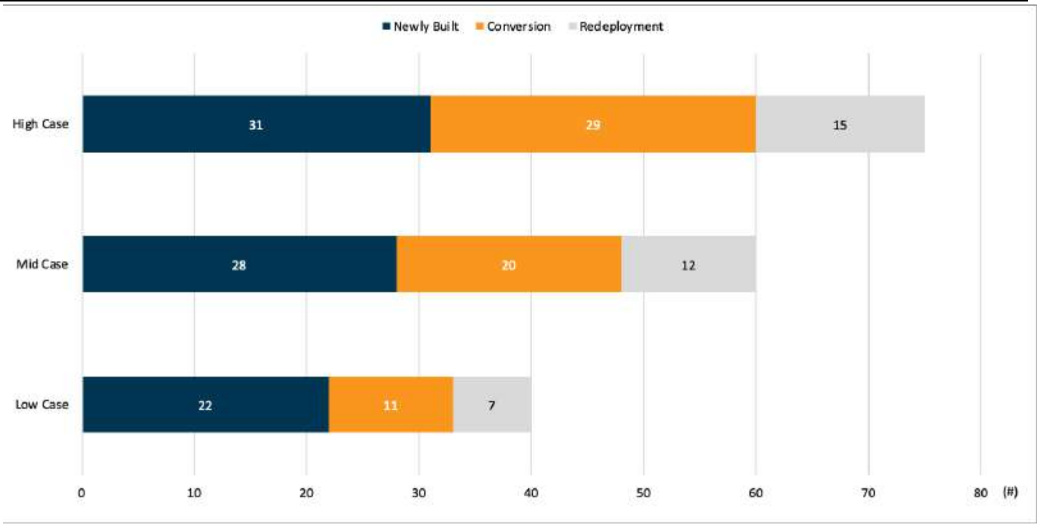


Source: Energy Maritime Associates

Rising global oil demand. According to EMA, the global oil demand is projected to achieve 104mmbpd by 2030, from 99mmbpd in 2022. Offshore production is expected to account for c.20% of the new output, mitigating the natural field-decline, with 60% coming from deep-water field. FPSOs are predominantly deployed in ultra-deep-water conditions (exceeding 1,500m water depth) due to their cost-effectiveness in such environments. FPSOs offer a better solution where oil extraction via pipeline infrastructure is challenging in deep-water environments and provides a mobility advantage. EMA projects that FPSOs are expected to fuel production growth, with a projected 7.7% CAGR across 2022–30.

Shifting towards newly built FPSOs. Three primary methods for acquiring FPSOs for new projects are through new builds, conversion, or the redeployment of existing vessels. Among these options, redeployment poses challenges due to the highly customized nature of FPSOs for specific fields. Many of these FPSOs would require extensive retrofitting and upgrading before redeployment to accommodate a new field's environmental and regulatory requirements. Oil field operators (clients) typically prefer newly built or converted FPSOs, relying on third-party contractors for these specialized services. EMA forecasts that c.50% of FPSOs will be newly built from 2024–28, while converted and redeployed FPSOs are expected to account for c.30% and 20%, respectively.

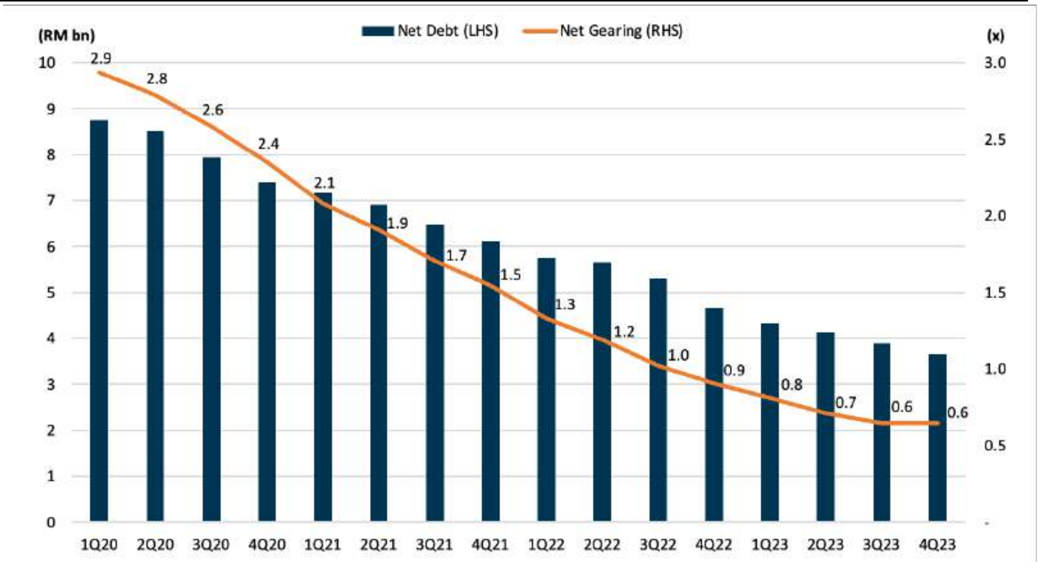
Table 5: Clients prefer new build and conversion of FPSOs for new projects



Source: Energy Maritime Associates, Phillip Research

High capex requirement presents a high barrier of entry. Global FPSO projects are capex intensive in nature, ranging between US$1–2bn to construct. Apart from requiring a proven track record, financial strength is imperative for FPSO operators to drive their expansions. Over the years, BAB has successfully reduced its net gearing from as high as 3x in 2020 to 0.6x in 2023 through the disposal of its non-core assets (exiting the OSV business and selling off Armada Claire FPSO) and healthy cash flow generation.

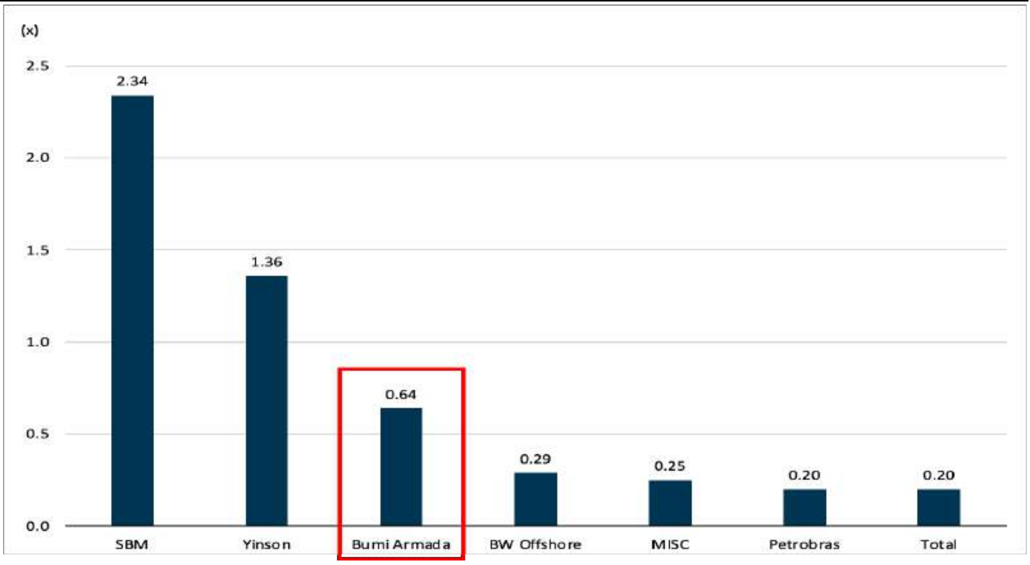
Table 6: BAB's net debt and gearing level has reduced substantially over the years



Source: Company, Phillip Research

Comfortable net gearing level. BAB's current net gearing level is at a comfortable 0.6x level, which is lower compared to SBM at 2.3x and Yinson at 1.4x. This allows BAB ample flexibility to leverage and pursue further FPSO opportunities.

Table 7: BAB's net gearing level vs. the rest of FPSO peers

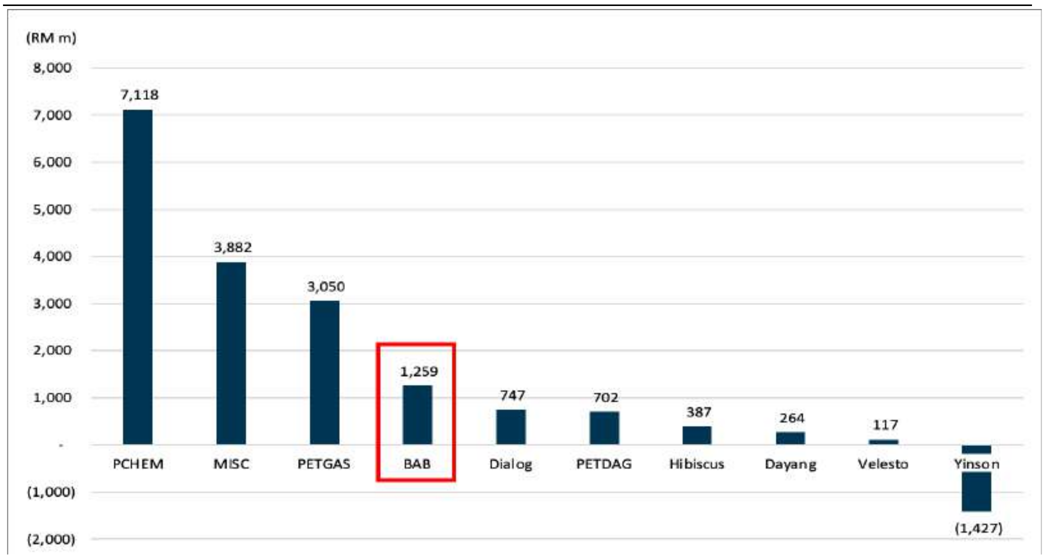


Source: Bloomberg, Phillip Research

FPSO offers steady long-term recurring income and cash flow. FPSO contracts are long-term in nature, spanning across 10–15 years and often with extension options. This is necessary to justify the high capex required to design, construct and deploy these vessels. The long contract period allows FPSO operators to recover their initial investment and generate returns over the FPSO's operational lifespan. The nature of the long-term contract provides stable revenue and recurring cash flow for FPSO operators.

Strong cash flow generating ability. BAB stands out as a cash cow among its domestic O&G companies. Over the past 3-years, the group has generated an average RM1.3bn operating cash flow (OCF), making it the 4th strongest O&G cash flow generating company, which ranks behind the large-cap Petronas linked companies, including Petronas Chemical, MISC, and Petronas Dagangan.

Table 8: BAB's strong cash flow stood out among the rest of the O&G companies



Source: Various, Phillip Research

Established and reliable clientele. BAB's client base comprises of reputable multinational companies (MNCs) O&G companies with strong credit ratings by global rating agencies such as Moody's, S&P and Fitch. These credit rating underscores the financial strength and track record of meeting financial obligations by these clients. Given the stringent evaluation process enforced by these rating agencies, the likelihood of default or inability to fulfil payment obligations to BAB is low, in our view.

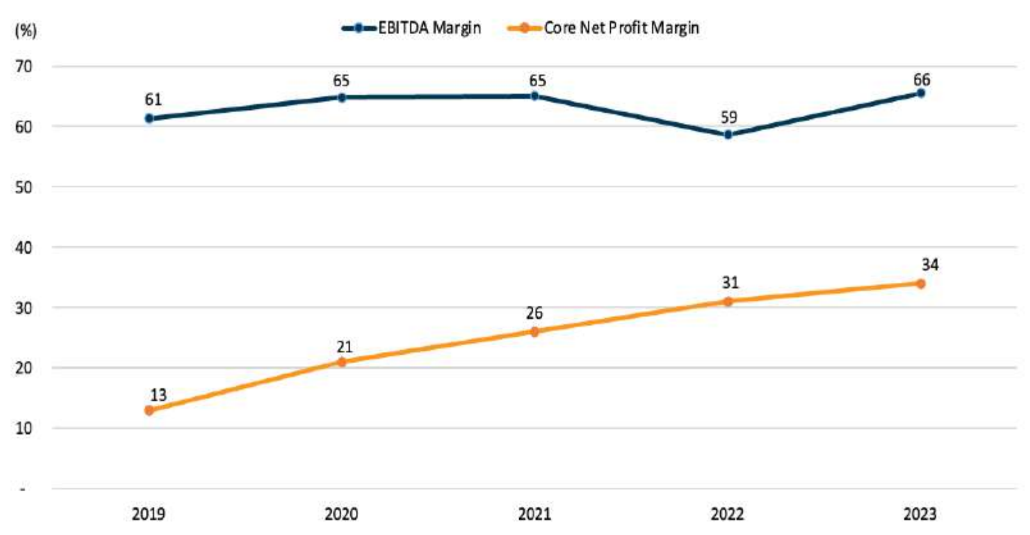
Table 9: Breakdown of BAB's clients credit ratings

	Moody	S&P	Fitch
CNOOC	A1	A+	N/A
ENI	Baa1	A-	A-
EnQuest	B3	B	N/A
Husky Energy	Baa3	NR	NR
ONGC	Baa3	BBB-	BBB-
PetroVietnam	N/A	N/A	BB+
PTTEP	Baa1	BBB+	BBB+

Source: Bloomberg, Phillip Research

FPSO is an attractive and high-margin business. FPSOs typically generate a low margin during the construction period and recoup investment over the charter period through BBC income. Once operational, FPSOs require minimal manpower and resources for production, which results in high margins. BAB's EBITDA margin has been steady, ranging between 61% and 66% over the past five years.

Table 10: BAB's historical EBITDA and core net profit margin trend



Source: Bloomberg, Phillip Research

Pursuing various green projects

ESG initiatives. BAB is committed to incorporate sustainability into its daily operations, aiming to minimize the environmental footprint of its activities. This includes various measures including spill management, greenhouse gas emissions reduction and implementation of green engineering solutions across its vessels. The group actively seeks partnerships with companies to deliver end-to-end solutions for customers aiming to lower their carbon footprint including the development of carbon capture and storage (CCS) initiatives.

Table 11: BAB's climate change policy

INNOVATION	OPERATION
• Embedding consideration of climate change risks and sustainability in the design of our vessels. • Collaborating with clients in providing cleaner and more reliable energy solutions through the adoption of green technology. • Applying emergent green technologies on new projects where applicable and practicable. • Continuing to fund progress engineering studies and pursue business developments for: ◦ Zero Greenhouse Gas (GHG) emissions FPSOs and Floating Liquefied Natural Gas ("FLNG") vessels. ◦ Post combustion carbon capture and storage facilities.	• Innovate, collaborate, and drive efficiencies to reduce GHG emissions. • Measure emissions accurately, prioritising and incentivising GHG reductions. • Engaging our employees on climate change issues and the actions which they can take to help reduce GHG emissions. • Ensure GHG emissions management plan are prioritised across the business.
VALUE CHAIN	**COMPLIANCE AND TRANSPARENCY**
• Prioritise minimum lifecycle carbon footprint throughout our supply chain. • Collaborate with our clients and contractors to help reduce GHG from their operations • Prioritise the development of offshore carbon sequestration business. • Expand our LNG regasification business to drive cleaner energy alternatives.	• Ensure compliance with all applicable environmental laws and regulations. • Report regularly to our shareholders on our progress in sustainability and stewardship of our business. • Develop strategic partnerships with clients and contractors that are COP26 committed.

Source: Company

Entered into JV for CCS solution delivery. In Jun23, BAB entered into a MOU with Navigator Holdings, an owner and operator of the world's largest fleet of liquefied gas carriers to offer provide CO2 shipping and injection solutions in the UK under a 50:50 joint venture structure. The new Bluestreak CO2 JV company will design and implement a value chain of shuttle tankers delivering to a floating carbon storage and injection units as part of the carbon emissions solution. This initiative aligns with BAB's decarbonisation strategy, which aims to achieve net zero emissions by 2050. The first CO2 shipment is expected three years from the final investment decision (FID).

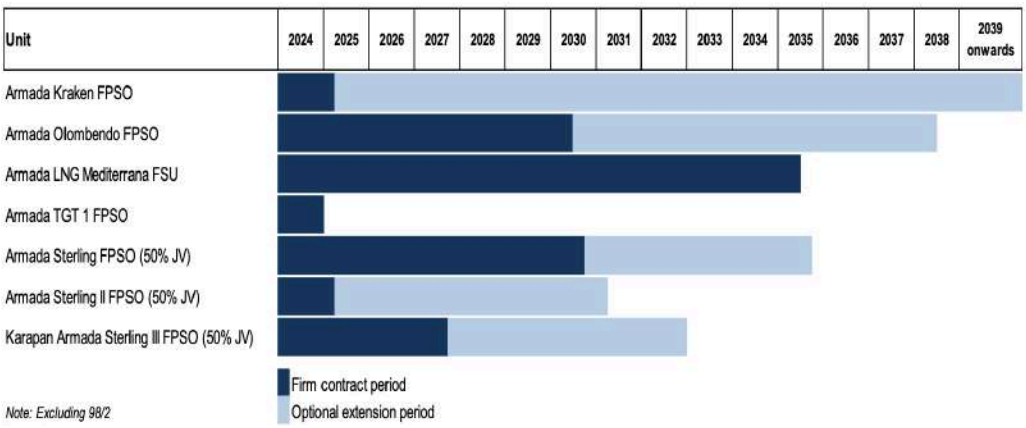
Partner with Pertamina for FLNG. BAB has also signed a provisional agreement with Indonesia state-owned Pertamina and natural gas trader, Davenergy Mulia Perkasa to develop a floating LNG (FLNG) project based on the gas produced from the Madura field and its surrounding fields. Under this deal, BAB and Pertamina aim to design, engineer, construct, install, commission, hook up, and operate a FLNG and storage facility, together with a carrier to transport LNG, with the first shipment expected to take place three years after FID. Under this structure, we believe BAB will likely be the FLNG operator and receive charter income coupled with taking a share of the gas trading business profit.

Earnings outlook

Earnings are anchored by the FPO segment. The FPO business is the sole earnings contributor for the group. Prior to winding down the OSV business in 2022, this segment has reported operating losses in 5 out of the 7 years from 2015–2021. The decision to phase out the OSV business was a strategic move as it had been negatively impacting the group's earnings. Furthermore, the proceeds from the disposal of the OSV fleets have been utilized to reduce debt and lower interest payments.

Sizeable orderbook. As of Dec23, BAB has a robust firm orderbook totalling RM9.8bn, of which 84% are from wholly-owned FPO units. Including the extension options would effectively double its orderbook size by an additional RM9.5bn. BAB's FPSO has consistently maintained a high 97–99% operational uptime. Armada TGT 1 charter is set to expire in Nov24 and currently in the midst of negotiating a 7-year extension.

Table 12: Details of BAB's FPO vessel charters



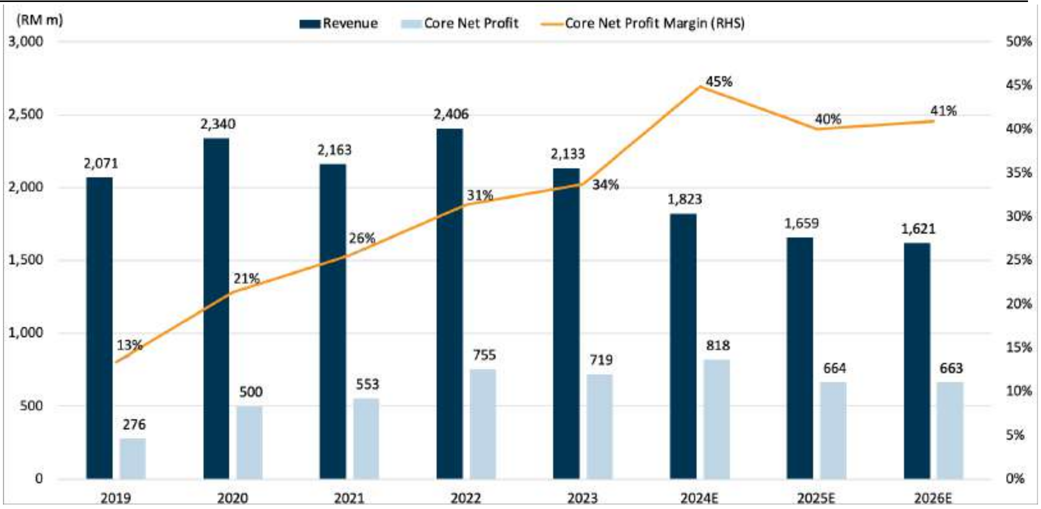
Source: Company
**Sterling V has yet to be included in its latest orderbook*

Armada Kraken HSP issue has been resolved. Armada Kraken, the second largest FPSO earnings contribution has fully restored back to pre-shutdown levels since 7 Aug23 following a hydraulic submersible pump (HSP) transformer failure. The 8-year firm charter contract is set to expire in Mar25, upon which 17-year option charter will commence from Apr25 onwards with 70% lower lease rates, according to EnQuest. The lower depreciation charges and FPSO Kraken being debt-free will see lesser impact on actual earnings and cash flow.

Maiden earnings contribution from Armada Sterling V. Armada Sterling V FPSO recently achieved its first oil at the Kakinada field, located offshore India in Jan24. BAB is in the process of securing final acceptance from the client, ONGC, which is expected to be announced in the coming months. Sterling V FPSO is operating at standby rates from the client in the meantime. Upon receiving the final acceptance, Sterling V FPSO will receive its full contractual BBC rates for the firm 9-year charter period, expected to drive BAB's earnings growth in 2024. We forecast FPSO Sterling V to account for 14% of 2024 earnings.

Expect 2024 profit to grow 12% YoY. BAB's earnings delivery has been solid over the past four years, with the exception of 2023, when FPSO Kraken encountered a shutdown. Core net profit has been steadily growing by 81%, 11%, and 36% YoY from 2019–2022, translating to a solid 3-year historical 40% net profit CAGR. We expect the earnings growth trajectory to continue in 2024, with BAB delivering a record-high profit of RM802m (+12% YoY). The main earnings growth driver will be derived from the higher Sterling V contribution after receiving the final acceptance, recognising full BBC income, and normalising FPSO Kraken operations.

Table 13: Historical and forecasted revenue and core net profit

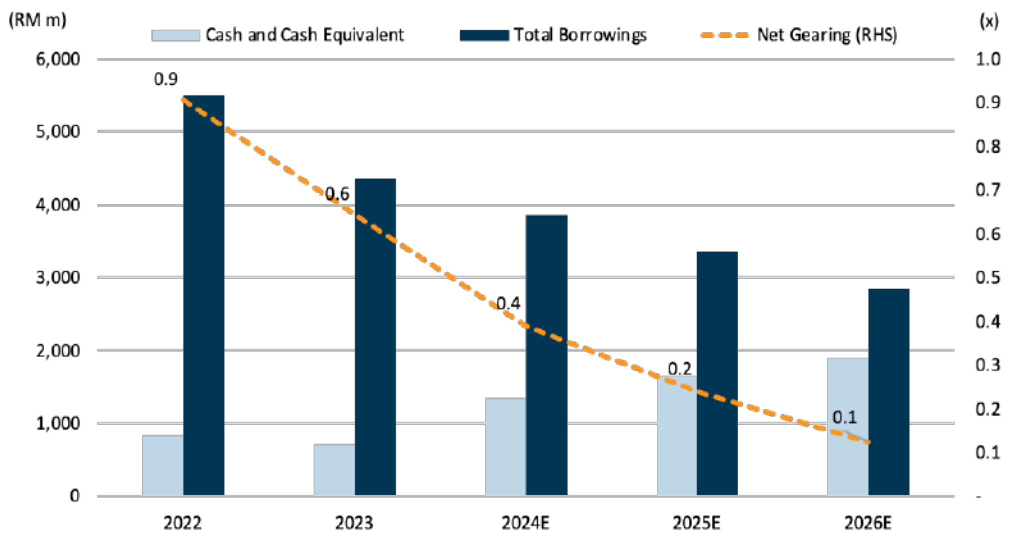


Source: Company, Phillip Research forecasts

Potential earnings upside from the pipelay vessels and new FPSO win. We imputed minimal contributions from both the Caspian Sea pipelay vessels which has been idle since 4Q22. Securing any contract wins for both the pipelay vessels would see earnings upside to our existing forecasts. Elsewhere, we have also not accounted for potential FPSO contract win in our existing assumption.

Net gearing to fall to 0.2–0.4x in the next 2 years, in event of no new project. BAB has deleveraged its balance sheet with net gearing standing at 0.6x, its lowest level since 2014. Total borrowings have been steadily declining since 2020 as cash flow generated from operations and proceeds from winding down the OSV business, coupled with the disposal of Armada Claire, have been utilised to reduce borrowings. We estimate that net gearing level will fall further to 0.2–0.4x in the next 2 years, in event that BAB does not secure any new FPSO contract.

Table 14: Net gearing will likely continue to trend downwards in event of no new FPSO wins



Source: Company, Phillip Research forecasts

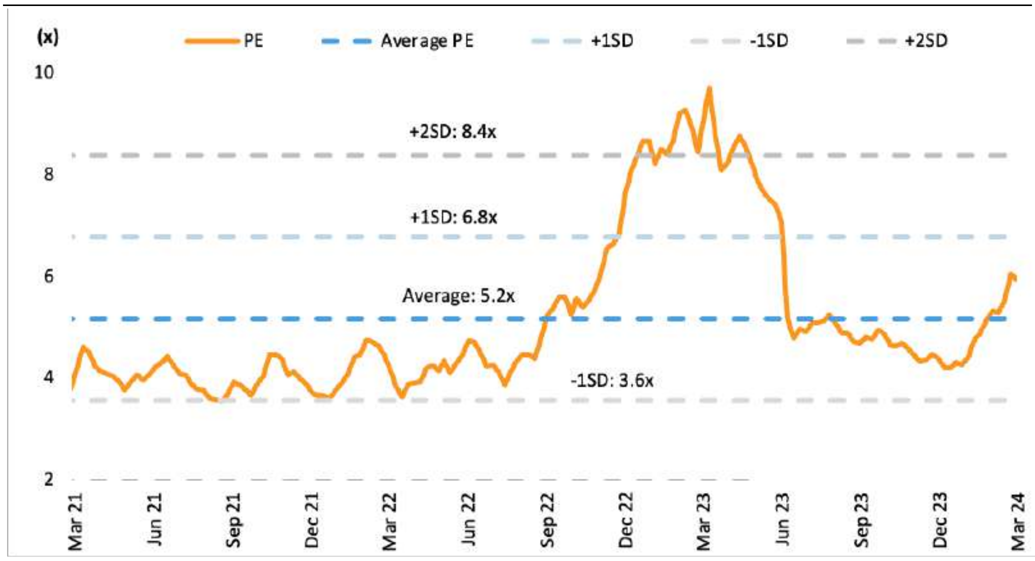
Balance sheet with capability to undertake new FPSO project. The current net gearing level offers ample room to gear up to pursue further FPSO opportunities. BAB has the balance sheet to undertake at least 2 big-sized FPSOs on its own. Based on our estimates, BAB can take on an additional RM3bn debt while maintaining a comfortable net gearing level of 0.8x. Management has previously expressed its confidence in handling 1 large-sized FPSO project on its own and open to consider another project through a JV arrangement.

Valuation and recommendation

Initiate with a BUY rating and target price of RM0.80. Given the robust FPSO market and stronger balance sheet, BAB is in a favourable position to secure new contract, particularly as competitions has narrowed down to a handful of players due to unavailability of capacity to take on new FPSO projects. We initiate coverage on BAB with a DCF-derived target price of RM0.80, which implies a 7x forward 2025E PE (+1SD its historical 3-year mean).

Trading at a huge discount vs. pre-Kraken impairment era. BAB was trading at 14x PE back in 2017 prior to being impacted by a series of FPSO Kraken impairments. Its profit base was substantially smaller at RM350m and net gearing higher at 1.8x. Currently, BAB's valuation is trading at a 70% discount with a larger profit base which has grew 1.3-fold and stronger balance sheet with lower net gearing of 0.6x. Its annual operating cash flow generated is also 75% higher compared to 2017. We expect BAB's current valuation to narrow which is at a discount compared to its local peer, Yinson (trading at a higher forward 10x PE). Assuming BAB trade at a similar PE to Yinson, our implied target price would be RM1.13. Our existing target has yet to incorporate any potential new FPSO win, but if it materialises, it would lift our target price higher.

Table 15: BAB's 3-year mean PE



Source: Bloomberg, Phillip Research forecasts

Table 16: Peer comparison table

Ticker	Stock	Rating	Price (LC)	TP (LC)	Year End	Mkt Cap (US$ m)	Core PE (x) 2024E	Core PE (x) 2025E	Core EPS Growth (%) 2024E	Core EPS Growth (%) 2025E	P/BV 2024E	Div. Yield (%) 2024E	ROE (%) 2024E
BAB MK EQUITY	Bumi Armada	BUY	RM0.56	0.80	Dec	703.0	4.1	4.9	11.5	(17.2)	0.6	-	13.2
YNS MK EQUITY	Yinson Holdings*	N/R	RM2.51	N/R	Jan	1,546.6	9.1	7.5	0.1	20.8	1.4	1.4	11.2
MISC MK EQUITY	MISC	N/R	RM7.46	N/R	Dec	7,058.0	14.1	12.9	7.3	9.6	0.8	4.5	5.7
SBMO NA EQUITY	SBM Offshore NV	N/R	€ 13.90	N/R	Dec	2,743.0	14.9	8.7	(64.9)	72.0	2.3	8.2	3.3
BWO NO EQUITY	BW Offshore	N/R	Nok25.84	N/R	Dec	450.9	5.0	4.7	(10.9)	7.1	0.4	9.7	7.5
6269 JT EQUITY	MODEC Inc	N/R	¥3030	N/R	Dec	1,387.7	12.1	10.8	19.1	11.7	1.4	1.5	11.1
Total/Average						**13,889.2**	**9.9**	**8.2**	**(6.3)**	**17.3**	**1.2**	**4.2**	**8.7**

*Source: Bloomberg, Phillip Research forecasts   *calendarized data*

Key risks to our BUY call:

- Unforeseen delays in securing final acceptance for Armada Sterling V
- Higher-than-expected operating costs
- Sharp decline in global oil prices

Company Background

Offshore energy facilities and services. Established in December 1995, BAB is a Malaysia-based international offshore energy facilities and services provider. BAB has a global presence spreading across 5 continents including Oceania, South America, Asia, Europe and Africa. Starting out with managing smaller tonnage vessels, the group's operations has evolved to designing and operating FPSOs with increasing complexities and functional capabilities that are catered towards customers' requirements. In addition, it also offers a wide range of services including field development support, production facilities, installation & operations, pipe-laying and hook-up & commissioning.

Table 15: BAB's portfolio of assets

Wholly-owned FPSO				
Unit	**Production Capacity (bpd)**	**Storage Capacity (bbls)**	**Client**	**Location**
Armada TGT1	55,000	620,000	HLJOC	Vietnam
Armada Kraken	80,000	600,000	EnQuest	UK
Armada Olombendo	80,000	1,700,000	ENI	Angola
Jointly-owned FPSO				
Unit	**Production Capacity (bpd)**	**Storage Capacity (bbls)**	**Client**	**Location**
Armada Sterling 1 (50%)	60,000	580,000	ONGC	India
Armada Sterling 2 (50%)	26,500	510,000	ONGC	India
Armada Sterling III (49%)	8,008	570,000	Husky Energy, CNOOC	Indonesia
Armada Sterling 5 (30%)	56,065	700,000	ONGC	India

Source: Company, Phillip Research

Green engineering solutions. BAB is committed in minimising the impact of its business on the environment at countries in which they operate. It has a comprehensive carbon footprint reduction strategy, specifically designed to minimise greenhouse gas emissions through lower emissions on new vessels via green engineering and more efficient flare management on existing vessels. Some key green engineering solution include reinjecting unused gas back into the reservoir to reduce flaring, development of CCS options and vapor recovery unit system.

Table 16: Key customers

Source: Company, Phillip Research

Board of Directors and Management Profile

Tunku Ali Redhauddin Ibni Tuanku Muhriz is the **Chairman/Non-Executive Director**. He was appointed as the Chairman of the Board on 18 June 2013. With over 20 years of experience, he also serves as an Independent Non-Executive Chairman of Taliworks Corporation Berhad and Astro Malaysia Holdings Berhad. Previously, he was the Director of Investments in Khazanah Nasional Berhad and a management consultant at McKinsey & Company.

Gary Neal Christenson, the **Executive Director/CEO**, is responsible for the overall operations and strategy of the Group. He has over 37 years of technical and managerial experience in the petroleum exploration and production space, focusing on Africa and South East Asia. He has previously held management roles at Tenneco Oil E&P, British Gas Indonesia, Unocal Indonesia Co. and Santos Indonesia.

Luke C. Targett is the **Group's Chief Financial Officer**. With over 30 years of experience in financial advisory roles, he is responsible for the Group's financial operations and growth through Financial Services, Treasury, Corporate Finance & JV Management, Group Tax, Information Systems & Technology and Insurance. Luke began his career at Coopers & Lybrand in 1988 and later joined Ernst & Young, where he spent over 12 years of service. Before joining Bumi Armada, he was a Partner in Cor Cordis, a national Australian business advisory firm.

David James Clark, the **Senior Vice President Operations**, is primarily responsible for overseeing the Group's Operations Division, focusing on production operations for both new and existing project developments. He has over 30 years of experience in the O&G industry, with extension knowledge of Floating Production Systems. Prior to joining Bumi Armada, he held senior operational management roles at SBM Offshore, Maersk and BW Offshore.

Stephen Matthew Williamson, the **Senior Vice President of Technology, Engineering, and Projects,** is primarily responsible for the group's technical and support capabilities. He offers technical expertise for new business development and project execution. With 38 years of experience, he has extensive knowledge of technical operations and risk management within the shipping and O&G industry.

FINANCIALS

Income Statement

Y/E Dec (RMm)	2022	2023	2024E	2025E	2026E
Revenue	2,406	2,133	1,823	1,659	1,621
Operating expenses	(1,044)	(890)	(727)	(729)	(744)
EBITDA	**1,362**	**1,243**	**1,096**	**930**	**877**
Depreciation	(343)	(333)	(273)	(273)	(274)
EBIT	**1,019**	**909**	**823**	**657**	**603**
Net int income/(expense)	(337)	(289)	(225)	(176)	(137)
Exceptional gains / (losses)	(22)	(387)	0	0	0
Associates' contribution	49	63	232	204	201
Pretax profit	**709**	**296**	**830**	**685**	**668**
Tax	16	(3)	(42)	(34)	(33)
Minority interest	8	39	13	13	13
Net profit	732	332	802	664	647
Core net profit	**755**	**719**	**802**	**664**	**647**

Balance Sheet

Y/E Dec (RMm)	2022	2023	2024E	2025E	2026E
Fixed assets	4,012	3,256	3,492	3,239	2,985
Other long term assets	5,888	6,012	5,718	5,885	6,048
Total non-current assets	**9,900**	**9,268**	**9,209**	**9,124**	**9,033**
Cash and equivalents	839	705	1,344	1,648	1,889
Stocks	-	-	-	-	-
Debtors	818	1,037	727	662	647
Other current assets	170	106	106	106	106
Total current assets	**1,826**	**1,848**	**2,177**	**2,416**	**2,642**
Creditors	183	117	99	101	103
Short term borrowings	1,018	2,273	2,273	2,273	2,273
Other current liabilities	427	875	875	875	875
Total current liabilities	**1,628**	**3,265**	**3,247**	**3,249**	**3,250**
Long term borrowings	4,486	2,081	1,581	1,081	581
Other long term liabilities	516	190	190	190	190
Total long term liab.	**5,003**	**2,272**	**1,772**	**1,272**	**772**
Shareholders' Funds	**5,147**	**5,672**	**6,474**	**7,138**	**7,785**
Minority Interest	**(51)**	**(92)**	**(105)**	**(118)**	**(131)**

Cash Flow

Y/E Dec (RMm)	2022	2023	2024E	2025E	2026E
Pretax Profit	709	296	830	685	668
Depreciation & amortisation	343	333	273	273	274
Working capital changes	300	(19)	292	67	17
Cash tax paid	0	3	(42)	(34)	(33)
Others	77	375	(253)	(245)	(251)
C/F from operation	**1,429**	**989**	**1,100**	**746**	**674**
Capex	(1)	(1)	(20)	(20)	(20)
Others	269	182	59	78	87
C/F from investing	**268**	**181**	**39**	**58**	**67**
Debt raised/(repaid)	(1,747)	(1,336)	(500)	(500)	(500)
Dividends paid	0	0	0	0	0
Others	(3)	(4)	0	0	0
C/F from financing	**(1,750)**	**(1,340)**	**(500)**	**(500)**	**(500)**
Net change in cash flow	**(53)**	**(170)**	**639**	**304**	**241**
Free Cash Flow	**1,427**	**987**	**1,080**	**726**	**654**

Source: Company, Phillip Research forecasts

Financial Ratios and Margins

Y/E Dec (RMm)	2022	2023	2024E	2025E	2026E
Growth					
Revenue (%)	11.2	(11.3)	(14.6)	(9.0)	(2.3)
EBITDA (%)	4.8	(8.7)	(11.8)	(15.1)	(5.8)
Core net profit (%)	36.4	(4.7)	11.5	(17.2)	(2.5)
Profitability					
EBITDA margin (%)	56.6	58.3	60.1	56.0	54.1
PBT margin (%)	29.5	13.9	45.5	41.3	41.2
Net profit margin (%)	30.4	15.6	44.0	40.0	39.9
Effective tax rate (%)	(2.4)	1.3	6.9	7.1	7.2
ROA (%)	6.2	2.9	7.1	5.8	5.6
Core ROE (%)	16.1	6.1	13.2	9.8	8.7
ROCE (%)	9.5	8.8	8.1	6.3	5.7
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Liquidity					
Current ratio (x)	1.1	0.6	0.7	0.7	0.8
Op. cash flow (RM m)	1,429	989	1,100	746	674
Free cashflow (RM m)	1,427	987	1,080	726	654
FCF/share (sen)	24	17	18	12	11
Asset management					
Debtors turnover (days)	124	178	146	146	146
Stock turnover (days)	0	0	0	0	0
Creditors turnover (days)	64	48	50	50	50
Capital structure					
Net gearing (%)	91%	64%	39%	24%	12%
Interest cover (x)	4.0	4.3	4.9	5.3	6.4

Quarterly Income Statement

Y/E Dec (RMm)	4Q22	1Q23	2Q23	3Q23	4Q23
Revenue	605	544	441	525	623
Operating expenses	(262)	(204)	(260)	(265)	(162)
EBITDA	**343**	**340**	**182**	**259**	**461**
Depreciation	(87)	(82)	(82)	(84)	(85)
EBIT	**256**	**258**	**99**	**176**	**376**
Int expense	(89)	(80)	(73)	(69)	(67)
Associates' contribution	40	27	14	25	(3)
Exceptional items	(15)	(5)	65	34	(481)
Pretax profit	**192**	**200**	**106**	**165**	**(175)**
Tax	20	(4)	1	(0)	0
Minority interest	(1)	5	12	13	9
Net profit	**211**	**201**	**119**	**178**	**(165)**
Core net profit	**226**	**206**	**53**	**144**	**316**
Margins (%)					
EBITDA	56.7	62.5	41.2	49.4	74.1
PBT	31.7	36.8	24.0	31.4	(28.1)
Net profit	34.8	36.9	26.9	33.9	(26.6)

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