

Mar 18, 2016 | Written by Kenanga Research | 0



This article first appeared in *The Edge Financial Daily*, on March 18, 2016.

Alam Maritim Resources Bhd (March 17, 35.5 sen)

Maintain underperform with an unchanged target price (TP) of 29 sen. Alam Maritim Resources Bhd announced that it had secured a provision of workboat contract from Petronas Carigali Sdn Bhd. The contract value is worth RM54.2 million with a two-year duration, effective from Feb 19, 2016 to Feb 18, 2018 plus a one-year extension.

Alam Maritim Resources Bhd

FYE DEC (RM MIL)	2015	2016E	2017E
Turnover	350.2	280.4	275.1
Ebit	12.6	16.3	14.1
PBT	-19.8	5.7	5.8
Net profit (NP)	44.8	5.5	5.6
Core net profit	-27.3	5.5	5.6
Consensus (NP)	-	19.5	30.6
Core EPS (sen)	-3.0	0.6	0.6
Core EPS growth (%)	na	na	2.3
NTA/Share (RM)	0.9	1.0	1.0
BV/Share (RM)	0.9	1.0	1.0
Core PER	-12.0	60.0	58.7
Price/NTA (x)	0.4	0.4	0.4
Gearing (x)	0.1	0.0	-0.1

Source: Kenanga Research

The contract award is positive for Alam Maritim, marking the first contract win in 2016. We gather that the contract is awarded for its jointly owned vessel Setia Aman (5,220bhp and accommodation capacity of 180 men) which was off-hired a while ago.

Based on our back-of-envelope calculations, the implied daily charter rate for the vessel is RM49,500, about 30% drop from its previous contracted rate of RM70,000. We believe this rate is reflective of current market

conditions, as well as the latest negotiation of rates with Petroliam Nasional Bhd.

Assuming a net margin of 8%, we estimate the contract will contribute RM700,000 per annum to the bottom line. No change to our forecasts as it is deemed within our average vessel utilisation of 65% for financial year 2016 (FY16) and FY17.

The offshore supply vessel (OSV) segment is expected to be challenging in 2016 and 2017, given the current adverse movement in crude oil prices.

Despite Alam Maritim securing multiple underwater services projects, which will result in segmental top-line growth, we reckon margins are under pressure and will be hit by low asset utilisation in its pipelay barge and its newly acquired diving support vessel, as the contracts secured are mostly short-term ones, thereby creating time gaps in between jobs (one to two months).

No changes to our forecast. We maintain “underperform” and TP at 29 sen pegged to our target price-to-book value of 0.3 times, slightly lower than -2 standard deviation below its eight-year mean to account for weaker prospects in the near term. — *Kenanga Research*, March 15.

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