

Company Name : Alam Maritim Resources Berhad
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AmResearch Reduces Alam Maritim Fair Value To 40 Sen

KUALA LUMPUR: AmResearch has reduced its fair value on Alam Maritim Resources Bhd to 40 sen from 60 sen earlier on but maintained its “hold” recommendation.

The research house said on Wednesday that was based on its financial year ending Dec 31, 2015 (forecast) price-to-earnings of seven times, after reducing Alam Maritim’s net profits by 14% to 19% on lower utilisation and charter rates assumptions.

“Excluding a net loss of RM5.8mil on foreign exchange, first half core net profit of RM24.5mil came in below expectations, accounting for 41% of our FY15F estimate but is within consensus’ at 48%,” the research arm said.

The group’s first half core net profit declined by 30% largely on the back of a 44% decline in pretax profits for the offshore support vessel (OSV) segment due to lower utilisation rates and daily charter rates.

Contributions from the offshore installation and construction (OIC) segment also fell by 76% due to a slower job flow.

“Alam’s OSV utilisation rate stood at circa about 60% in the first half, compared with an average of 71% in FY14.

“This was due to the dry docking of vessels and contract expiry for some of its jointly owned vessels at end-2014, which did not manage to secure new jobs,” it noted.

As a result, it has lowered its assumption for utilisation rates to 65% this year.

On a bright note, the recent umbrella contract award by Petronas Carigali Sdn Bhd for the provision of spot charter for marine vessels, for which Alam Maritim was awarded seven of the eight packages, would buffer the firm’s earnings.

“We have not factored this into our earnings as the contract value is not fixed and will depend on the actual number of days the vessels are on hire, based on a call-out basis,” AmResearch said, adding that charter rates could be softer ahead.

But the research house expected better earnings from the OIC division in the second half, upon the execution of the remainder of the transport and installation contract secured with MMHE and Technip.

On top of that, the OIC segment would also see revenue coming in from the third quarter from the recently won contracts.