

**Company Name** : Alam Maritim Resources Berhad  
**Date** : 11 September 2015  
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## Alam Maritim less impacted by slowdown in upstream activities

### Alam Maritim Resources Bhd (Sept 10, 46.5 sen)

**Maintain hold with an unchanged fair value of 40 sen:** We maintain our “hold” rating on Alam Maritim Resources Bhd with an unchanged fair value of 40 sen per share — pegged to financial year ending Dec 31, 2015 forecast (FY15F) price-earnings ratio (PER) of seven times.

Following our recent meeting with the management, we understand that the offshore support vessel market remains in a lull, where contract awards have been slow against the backdrop of a slowdown in upstream activities. However, the group indicated that it is relatively less impacted as most of its vessels service production platforms which are insulated from capital expenditure cuts.

Alam Maritim is also looking into participating more in the Middle Eastern market, where activity appears to be more robust. Alam Maritim currently has two vessels in the Middle East on long-term contracts. The group has also recently won a third contract to provide its multipurpose tug vessel, *MV Setia Emas*, to a United Arab Emirates client for a fixed period of three years, with an extension of another two years for RM41 million.

Petronas Carigali Sdn Bhd has yet to have any call-out for vessels for its umbrella contract. To recap, Petronas Carigali has earlier awarded an umbrella contract for the provision of spot charters for marine vessels, for which Alam Maritim was awarded seven of eight packages. We have not factored this in 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 by Petronas Carigali. Overall, Alam Maritim has faced a daily charter rate reduction of 3% to 10% for eight of its vessels with existing contracts,



Setia Kental, a supply and support vessel under Alam Maritim. Most of the company's vessels service production platforms insulated from capital expenditure cuts.

as requested by Petroliam Nasional Bhd (Petronas).

Alam Maritim has yet to take delivery of its diving support vessel (DSV), pending the approval of a US dollar loan. This would replace the currently chartered-in vessel, which would subsequently improve margins. The group expects about two DSV contracts to be awarded in the second half of FY15 (2HFY15).

We expect a pickup in earnings in the offshore installation and construction (OIC) division in 2HFY15, upon the execution of the remainder of the transport and installation contract secured with Malaysia Marine and Heavy Engineering Holdings Bhd and Technip Geoproduction (M) Sdn Bhd. Furthermore, the segment will also see revenue kicking in in the third quarter ending Sept 30, 2015 from the recently won OIC contracts, such as subcontract works for Petronas' floating liquefied natural gas, subsea pipeline replacement for Chevron's Prai terminal, and Petronas Carigali's splash zone structural repair and maintenance works. The stock currently trades at an FY15F PER of nine times — about one standard deviation below its historical mean. — *AmResearch, Sept 10*

### Alam Maritim Resources Bhd

FYE DEC (RM MIL)	2014	2015F	2016F	2017F
Revenue	396.7	295.8	324.2	353.0
Core net profit	60.6	47.8	52.9	58.0
FD Core EPS (sen)	6.6	5.2	5.7	6.3
FD Core EPS growth (%)	(29.4)	(21.0)	10.7	9.7
PER (x)	7.3	9.2	8.3	7.6
EV/Ebitda (x)	5.8	5.7	4.7	3.8
ROE (%)	8.4	5.6	5.9	6.0
Net gearing (%)	9.0	Net cash	Net cash	Net cash

Source: AmResearch