



CIMB Research Report

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decisions

CBRS
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Analysis Reports

23 May 2012

Alam Maritim

Yet to pipe up

RECOM	Buy
PRICE	RM0.52
MKT CAPITALISATION	RM409.3m
BOARD	Main (Syariah stock)
SECTOR	Oil & Gas
INDEX COMPONENT	Nil

AMRB MK / ALMT.KL

Norziana Mohd Inon + 60 (3) 2084-9645 – norziana.inon@cimb.com

Results highlights

- **Broadly in line; maintain Buy.** Alam remained on the recovery course in 1Q12 with a net profit of RM7.4m, which is a major improvement on 1Q11's net loss of RM6.8m. 1Q12 net profit made up 10% of our full-year forecast and 11% of consensus, which we consider to be broadly in line with expectations as contributions from pipe installation will only start to flow in during 2Q12. We maintain our forecasts but raise our target price from RM1.20 to RM1.23, which we peg to 10.4x P/E (20% discount to our 13x CY13 target market P/E which has been revised from 12.6x). Alam remains a Buy. The current share price weakness throws up very attractive valuations of 4-6x FY12-14 P/E.
- **Turnaround still intact.** It is encouraging that Alam's turnaround is intact. The RM7.4m net profit recorded in 1Q came only from its offshore support vessel (OSV) operations and did not include pipe installation works. Management is confident of an improved performance this year, buoyed by two OSV contracts worth about RM200m secured from Petronas Carigali and ExxonMobil recently. The contracts will start to contribute in 3Q12 and will run for 12-24 months. The company has a fleet of 38 OSVs.
- **Pipe installation takes priority.** Having said that, pipe installation takes priority over OSV this year as Alam is undertaking the US\$54m Sabah oil & gas terminal (SOGT) contract, which supports our expectations of a robust 186% core EPS growth for FY12. The key asset is the 1MAS300 pipelay barge, named for its 300-tonne crane capacity.
- **SOGT gets underway.** The pipe installation works are in progress. In late Mar 12, the company started the execution of the 2-package, US\$54m SOGT contract awarded by Samsung. The first package is worth US\$18m and calls for the fabrication and installation of two mooring buoys. The second package, valued at US\$36m, requires Alam to install the pipes using 1MAS300. We expect the contract to contribute at least RM20m or 25% to our FY12 net profit forecast of RM80m.

Key stock statistics

	2011	2012F
FYE Dec		
EPS (sen)	3.6	10.2
P/E (x)	14.6	5.1
Dividend/Share (sen)	0.7	0.7
NTA/Share (RM)	0.65	0.68
Book Value/Share (RM)	0.65	0.68
Issued Capital (m shares)	782.3	787.2
52-weeks Share Price Range (RM)	RM0.495/RM1.12	
Major Shareholders:	%	%
SAR Venture Holdings (M) Sdn. Bhd.		45.1
Lembaga Tabung Haji		9.6

Per share data

FYE Dec	2009	2010	2011	2012F
Book Value (RM)	0.62	0.63	0.65	0.68
Cash Flow (sen)	19.1	20.4	22.1	24.2
Earnings (sen)	12.8	(1.1)	3.6	10.2
Dividend (sen)	0.7	0.0	0.7	0.7
Payout Ratio (%)	5.2	0.0	18.7	6.5
P/E (x)	4.1	(48.7)	14.6	5.1
P/Cash Flow (x)	2.7	2.6	2.4	2.2
P/Book Value (x)	0.8	0.8	0.8	0.8
Dividend Yield (%)	1.3	0.0	1.3	1.3
ROE (%)	20.8	(1.7)	5.5	15.1
Net Gearing (%)	119.7	125.7	131.7	137.6

Source: Company, CIMB estimates, Bloomberg

Please read carefully the important disclosures at the end of this publication.

Figure 1: Results comparison (RM m)

FYE Dec	1Q11	1Q12	% Change
Revenue	34.7	55.3	59.4
Operating Profit (EBIT)	3.3	14.8	343.6
Depreciation	n.a.	n.a.	n.a.
Interest Expenses	(7.0)	(5.9)	(15.3)
Pretax Profit	(6.7)	7.5	212.0
Net Profit	(6.8)	7.4	209.1
Operating Margin	9.6	26.8	178.3
Pretax Margin	(19.4)	13.6	170.3
Net Margin	(19.5)	13.3	168.4

Source: Company, CIMB estimates

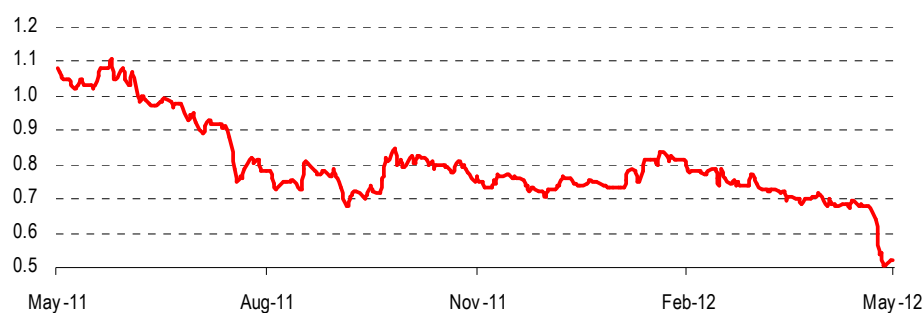
Figure 2: P&L analysis (RM m)

FYE Dec	2009	2010	2011	2012F
Revenue	347.4	254.0	308.1	330.2
Operating Profit (EBIT)	152.7	73.4	50.4	108.0
Depreciation	(0.9)	(1.0)	(1.0)	(1.0)
Interest Expenses	(23.0)	(15.2)	(18.5)	(19.8)
Pretax Profit	117.7	(2.3)	13.3	103.4
Effective Tax Rate (%)	19.0	19.0	19.0	19.0
Net Profit	95.8	(8.2)	12.9	80.5
Operating Margin (%)	44.0	28.9	16.4	32.7
Pretax Margin (%)	33.9	(0.9)	4.3	31.3
Net Margin (%)	27.6	(3.2)	4.2	24.4

Source: Company, CIMB estimates

Recommendation

We maintain our forecasts but raise our target price from RM1.20 to RM1.23, which we peg to 10.4x P/E (20% discount to our 13x CY13 target market P/E which has been revised from 12.6x). The current share price weakness throws up very attractive valuations of 4-6x FY12-14 P/E. Alam remains a BUY in view of the potential share price triggers of 1) a stronger-than-expected earnings recovery, and 2) more contract awards.

Figure 3: Share price chart (RM)

Source: Bloomberg

Financial summary

FYE Dec	2010	2011	2012F	2013F	2014F
Revenue (RMm)	254.0	308.1	330.2	406.1	499.5
EBITDA (RM m)	74.4	51.4	109.0	129.9	149.4
EBITDA margins (%)	29.3	16.7	33.0	32.0	29.9
Pretax profit (RM m)	(2.3)	13.3	103.4	117.7	126.6
Net profit (RMm)	(8.2)	12.9	80.5	93.0	101.3
Core net profit (RMm)	(8.2)	27.9	80.5	93.0	101.3
EPS (sen)	(1.1)	1.7	10.2	11.8	12.9
EPS growth (%)	-108%	+255%	+518%	+16%	+9%
P/E (x)	nm	31.5	5.1	4.4	4.0
Core EPS (sen)	(1.1)	3.6	10.2	11.8	12.9
Core EPS growth (%)	-108%	+434%	+186%	+16%	+9%
Core P/E (x)	nm	14.6	5.1	4.4	4.0
Gross DPS (sen)	-	-	0.7	0.7	0.7
Dividend yield (%)	-	-	1.3	1.3	1.3
P/NTA (x)	0.8	0.8	0.8	0.7	0.7
ROE (%)	(1.7)	5.5	15.1	16.5	17.0
Net gearing (%)	125.7	131.7	137.6	143.5	149.4
P/CF (x)	2.6	2.4	2.2	2.0	1.8
EV/EBITDA (x)	13.7	21.0	10.5	9.4	8.7
% change in EPS estimates			0.0	0.0	0.0
CIMB/Consensus (x)			1.04	1.04	1.06

Source: Company, CIMB Research, Bloomberg

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