

Headline	Alam Maritims earnings on upward momentum		
MediaTitle	The Edge Financial Daily		
Date	21 Nov 2013	Color	Black/white
Section	Home Business	Circulation	25,000
Page No	12	Readership	40,000
Language	English	ArticleSize	224 cm <sup>2</sup>
Journalist	N/A	AdValue	RM 1,723
Frequency	Daily	PR Value	RM 5,169



## Alam Maritim's earnings on upward momentum

Alam Maritim Resources Bhd (Nov 20, RM1.57)

**Maintain buy at RM1.51 with a fair value of RM2.45:** We maintain "buy" on Alam Maritim with an unchanged fair value of RM2.45 per share, pegged to a 2014 financial year (FY14) price-earnings ratio (PER) of 16 times — on parity to the oil and gas sector.

We maintain Alam Maritim's FY14 to FY15 net profit but raise FY13 earnings by 15% to RM91 million as its net profit for the nine-month period ended Sept 30 (9MFY13) of RM73 million came in above expectations, accounting for 91% of our earlier FY13 estimate of RM79 million and 89% of general consensus' estimate of RM83 million.

Sequentially, the group's third quarter (3Q) of FY13 revenue surged 2.4 times to RM180 million largely due to recognition of charters undertaken by third party vessels, as well as higher utilisation of Alam Maritim's own fleet. However, its net profit fell by 26% quarter-on-quarter (q-o-q) to RM22 million as the margins for third party vessels are lower than that of the group's own assets.

Alam Maritim's 9MFY13 revenue rose 4% year-on-year (y-o-y) to RM347 million due to higher marine charters from externally sourced vessels as well as higher utilisation of the group's own fleet.

Net profit surged much higher by 88% y-o-y to RM73 million due to higher charter rates and utilisation of the group's vessels, third party vessels and recognition of subsea and underwater installation and construction work.

We caution that Alam Maritim's

4QFY13 may be weaker q-o-q due to: (i) lower contributions from the offshore installation and commissioning (OIC) division; and (ii) lower margin from the offshore support vessel (OSV) segment as the two recently delivered anchor handling tug supply vessels (AHTS), with an engine capacity of 12,000 brake horse power (bhp) and under the group's 49%-owned joint venture (JV) with Lembaga Tabung Haji, may be under-utilised on spot charters currently.

With 16 charters for AHTS and straight supply vessels secured so far this year, we understand that the group's vessel utilisation rate for its wholly-owned fleet has risen q-o-q from 70% to 80% currently with the rest of the vessels on spot charters.

Year-to-date, Alam Maritim has secured contracts worth RM1.278 billion, of which 81% are marine charters for vessels that are either wholly-owned, under JVs or for third parties. Its current order book of RM1.3 billion has surpassed its 2008 peak of RM1.1 billion.

We understand that Alam Maritim hopes to secure RM1.2 billion to RM1.5 billion worth of contracts for underwater services, which were earlier extended to Offshore Works Group Sdn Bhd, currently in financial distress.

Additionally, the group hopes to secure part of the concessions for Package A of the Pan-Malaysian transport and installation umbrella contract, which may be potentially worth RM400 million annually.

Valuations are compelling at an FY14 PER of 10 times — way below the oil and gas sector's 17 times. —

*AmResearch, Nov 20*

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#### Alam Maritim Resources Bhd

FYE Dec (RM ml)	2012	2013F	2014F	2015F
Revenue	502.0	568.0	716.2	771.6
Core net profit	60.0	90.7	119.3	130.0
EPS (sen)	7.6	11.5	15.2	16.5
EPS growth (%)	337.9	51.1	31.5	8.9
Consensus net profit	-	82.6	103.3	112.4
PER (x)	19.8	13.1	10.0	9.1
EV/Ebitda (x)	23.8	-10.9	7.6	6.2
ROE (%)	12.1	15.9	17.7	16.4
Net gearing (%)	81.8	60.1	43.4	25.5

Source: Company, MIDFR