

# Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Mar 2018

## Sapura Energy<sup>(SAPE MK)</sup>: BUY

Mkt. Cap: US\$786m | 3m Avg. Daily Val: US\$19.6m

Last Traded Price ( 21 Mar 2018): RM0.52

Price Target 12-mth: RM1.35 (162% upside) (Prev RM1.35)

### Analyst

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### On the way up

- Bags sizeable EPCIC contract – estimated at c.RM2bn
- Met annual replenishment assumption; upside risk to earnings estimates
- Earnings to be supported by E&C segment; increasing tenderbook prospects
- Reiterate BUY with TP of RM1.35

### Forecasts and Valuation

FY Jan (RMm)	2017A	2018F	2019F	2020F
Revenue	7,651	6,716	6,733	7,198
EBITDA	2,414	1,495	1,987	2,311
Pre-tax Profit	385	(258)	214	526
Net Profit	208	(194)	165	402
Net Pft (Pre Ex.)	242	(194)	165	402
Net Pft Gth (Pre-ex) (%)	(66.2)	nm	nm	143.6
EPS (sen)	3.48	(3.2)	2.75	6.71
EPS Pre Ex. (sen)	4.04	(3.2)	2.75	6.71
EPS Gth Pre Ex (%)	(66)	(180)	(185)	144
Diluted EPS (sen)	3.48	(3.2)	2.75	6.71
Net DPS (sen)	1.00	0.0	0.28	0.67
BV Per Share (sen)	218	215	217	224
PE (X)	14.8	nm	18.7	7.7
PE Pre Ex. (X)	12.8	nm	18.7	7.7
P/Cash Flow (X)	1.0	5.4	3.9	2.5
EV/EBITDA (X)	7.5	11.9	8.9	7.4
Net Div Yield (%)	1.9	0.0	0.5	1.3
P/Book Value (X)	0.2	0.2	0.2	0.2
Net Debt/Equity (X)	1.2	1.1	1.1	1.0
ROAE (%)	1.6	(1.5)	1.3	3.0

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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### What's New

Sapura Energy (SAPNRG) has clinched a contract from Mubadala Petroleum (MDC Oil & Gas (SK 320) Ltd) to undertake engineering, procurement, construction, installation and commissioning (EPCIC) works for the Pegaga Development Project.

The contract scope of work comprises engineering, procurement, construction, installation and commissioning of an offshore integrated central gas processing platform (ICPP) facility in Block SK320, offshore waters of Sarawak, Malaysia. The contract is to be completed (with first gas also expected) by 3QCY2021. We understand that the contract is valued at c.RM2bn.

The Pegaga gas field will be operated by Mubadala Petroleum (55% stake) and its partners Petronas Carigali (25% stake) and Sarawak Shell (20% stake). The entire Pegaga Development Project is expected to cost in excess of USD1bn.

### Our view

We are positive on the newsflow of contracts that the group has secured. Including this contract win, the YTD contracts secured for FY19 stand at c.RM2.9bn. This has met our annual replenishment assumption of RM2.5bn. However, we are maintaining our earnings estimates for now as we expect challenges in the drilling segment to mitigate the improvements in the E&C segment. Its total orderbook is now estimated at RM17bn, which will provide earnings visibility until 2021.

## Flash Note

We note that its existing tenderbook is at USD9.5bn, with management positive on the USD5bn worth of tender prospects. Given its sizeable tenderbook, we believe there could be upside risk to our earnings estimates.

### Valuation and recommendation

We reiterate our BUY call on SAPNRG with a TP of RM1.35; based on FY19 10x EV/EBITDA for the E&C segment and 7% WACC for the energy segment. We assign no value to the loss-making drilling segment. While we believe the operating environment remains challenging, we do foresee room for improvement in FY19, particularly in the E&C segment.

### Target Price & Ratings History



*Note: Share price and Target price are adjusted for corporate actions.*

Source: AllianceDBS

Analyst: Inani ROZIDIN

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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