

06 February 2018 | Corporate Update

Sapura Energy Berhad

First slew of contracts for FY19

Maintain Trading Buy

Unchanged Target Price (TP): RM1.01

INVESTMENT HIGHLIGHTS

- **First slew of contracts for the year announced**
- **Five contracts announced totalling RM905m**
- **Recent broad market sell-off presents opportunistic entry**
- **Current orderbook stands at approximately RM16b**
- **Maintain Trading Buy with unchanged TP of RM1.01**

First slew of contracts for FY19. Sapura Energy Berhad announced its first slew of contracts for FY19 totalling approximately RM905m. Four of the contracts announced are from Malaysia while one contract is from India.

Kinarut ERB West. The first contract announced is for the provision of engineering, procurement, construction and commissioning (EPCC) of Kinarut ERB West Compressor upgrading project for PETRONAS Carigali. The contract is for a duration of three years, expiring in 4QCY20.

Bokor Betty brownfield and rejuvenation. The second project announced is for the provision of minor engineering, procurement, construction and commissioning (EPCC) for Bokor Betty brownfield & rejuvenation for PETRONAS Carigali. The contract duration is for four and a half years, expiring in 2QCY22.

Full field development Phase 2 North Malay Basin. The third project announced is for the engineering, procurement, construction, commissioning plus installation (EPCC+I) for full field development (FFD) Phase 2 Facilities in the North Malay Basin by Hess Exploration and Production Malaysia B.V. Works are expected to complete by 2QCY20.


Bokor central processing platform. The fourth contract is for the provision of transportation and installation (T&I) works for the Bokor central processing platform project awarded by **Malaysia Marine and Heavy Engineering (Trading Sell; TP: RM0.70)**. Works are expected to complete by March 2020.

Fifth Oil berth project. The fifth contract is for the provision of offshore/onshore pipeline and terminal works for Fifth Oil Berth Project by Mumbai Port Trust. Works are expected to be completed by May 2019.

RETURN STATS	
Price (05 February 2018)	RM0.705
Target Price	RM1.01
Expected Share Price Return	+43.3%
Expected Dividend Yield	+1.4%
Expected Total Return	+44.7%

STOCK INFO	
KLCI	1,853.07
Bursa / Bloomberg	5218 / SAPE MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,992.2
Market cap. (RM'm)	4,224.5
Price over NA	0.70x
52-wk price Range	RM0.675 – RM2.08
Beta (against KLCI)	2.11
3-mth Avg Daily Vol	86.8m
3-mth Avg Daily Value	RM86.8m
Major Shareholders (%)	
Sapura Holdings	15.90
PNB and its associated funds	10.58
Employees Provident Fund	7.94
KWAP	7.24

Orderbook update. The current outstanding orderbook is at approximately RM16b while tenderbook is currently at USD5b and prospects at USD4.5b. Approximately RM5b is expected to be recognised in FY19 and the remaining portion from FY20 onwards.

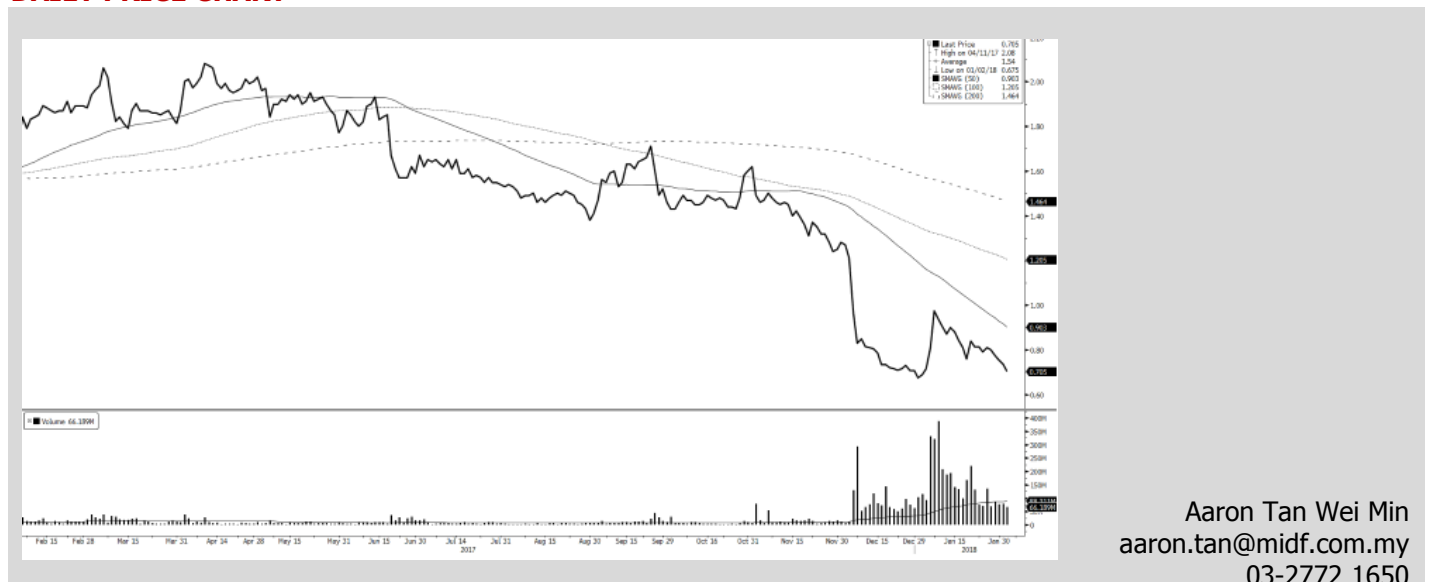
Maintain Trading Buy. Over the past six months, global crude oil prices have staged a strong surge by over +41% rising to a three and a half year high of USD70pb. This has caused a slight revaluation in local oil and gas related shares. In addition, the rise in global crude oil prices has also stoked investors' interests in local oil and gas shares, where trading volume for Sapura Energy surged for the past two months (average of 110m). We are of the opinion that the current broad-market sell off presents trading opportunities for investors seeking exposure in oil and gas service providers with direct upstream exposure. Although we acknowledge that Sapura Energy's profitability might still be weak due to its other underperforming segment, we believe that the share offers short term trading opportunities for investors. As such, we are maintaining our **Trading Buy** call on Sapura Energy with an unchanged TP of **RM1.01** per share. 

INVESTMENT STATISTICS

FYE Jan	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM m)	9,943.0	10,184.0	7,651.3	6,994.6	7,328.2
EBIT (RM m)	3,106.6	3,070.3	943.4	371.8	887.6
Pretax Profit (RM'm)	1,616.0	1,408.2	667.9	-357.6	159.2
Net Profit (RM m)	1,432.8	-791.6	208.3	-235.2	105.1
Normalised Net Profit (RM m)	1,209.0	1,035.0	208.3	-235.2	105.1
EPS (sen)	23.9	-13.2	3.5	-3.9	1.8
EPS Growth (%)	31.8	nm	nm	nm	nm
PER (x)	2.9	nm	20.3	nm	40.2
Net Dividend (sen)	4.4	1.4	1.0	1.0	1.0
Net Dividend (%)	5.2	1.6	1.4	1.4	1.4

Source: MIDFR

DAILY PRICE CHART



Aaron Tan Wei Min
aaron.tan@midf.com.my
03-2772 1650

Source: MIDFR, Company

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.