

22 March 2018 | Corporate Update

Sapura Energy Berhad

Pegaga EPCIC clinched

Maintain Trading Buy
Unchanged Target Price (TP): RM1.01

INVESTMENT HIGHLIGHTS

- **EPCIC works for Pegaga development project clinched**
- **Sixth contract win for the year**
- **Recent broad market sell-off presents opportunistic entry**
- **Estimated contract value at approximately RM2b**
- **Current orderbook stands at approximately RM16b**
- **Maintain Trading Buy with unchanged TP of RM1.01**


Details of contract. Sapura Energy announced its sixth contract win for the year; the coveted Pegaga Development Project. The contract announced is for the engineering, procurement, construction, installation and commissioning (EPCIC) works awarded by Mubadala Petroleum (MDC Oil & Gas (SK 320) Ltd). The works encompass 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 duration of the project is approximately 3.5 years, expected to complete by 3QCY21 – first gas expected upon completion.

Background of SK320. The SK320 field is jointly managed by Mubadala Petroleum alongside PETRONAS and Shell. The entire development of the Pegaga field is estimated to cost approximately USD1b. The development concept is made up of an Integrated Central Processing Platform (ICPP) consisting of an 8-legged jacket. The facility is designed for gas throughput of 550mmscfd including condensate. Gas lifted will be channeled via pipelines to Bintulu. The call for tender was issued in 2QCY17 with MMHE-TechnipFMC consortium and Sapura Energy (then Sapura Kencana) being the frontrunners.

Orderbook update. The current outstanding orderbook is at approximately RM16b while tenderbook is currently at USD4b and prospects at USD4.5b. Approximately RM5b is expected to be recognised in FY19 and the remaining portion from FY20 onwards.

RETURN STATS	
Price (21 March 2018)	RM0.515
Target Price	RM1.01
Expected Share Price Return	+96.1%
Expected Dividend Yield	+1.9%
Expected Total Return	+98.0%

STOCK INFO	
KLCI	1,865.80
Bursa / Bloomberg	5218 / SAPE MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,992.2
Market cap. (RM'm)	3,086.0
Price over NA	0.60x
52-wk price Range	RM0.410 – RM2.08
Beta (against KLCI)	2.06
3-mth Avg Daily Vol	80.105m
3-mth Avg Daily Value	RM55.3m
Major Shareholders (%)	
Sapura Holdings	15.90
PNB and its associated funds	10.65
KWAP	7.29
Employees Provident Fund	6.36

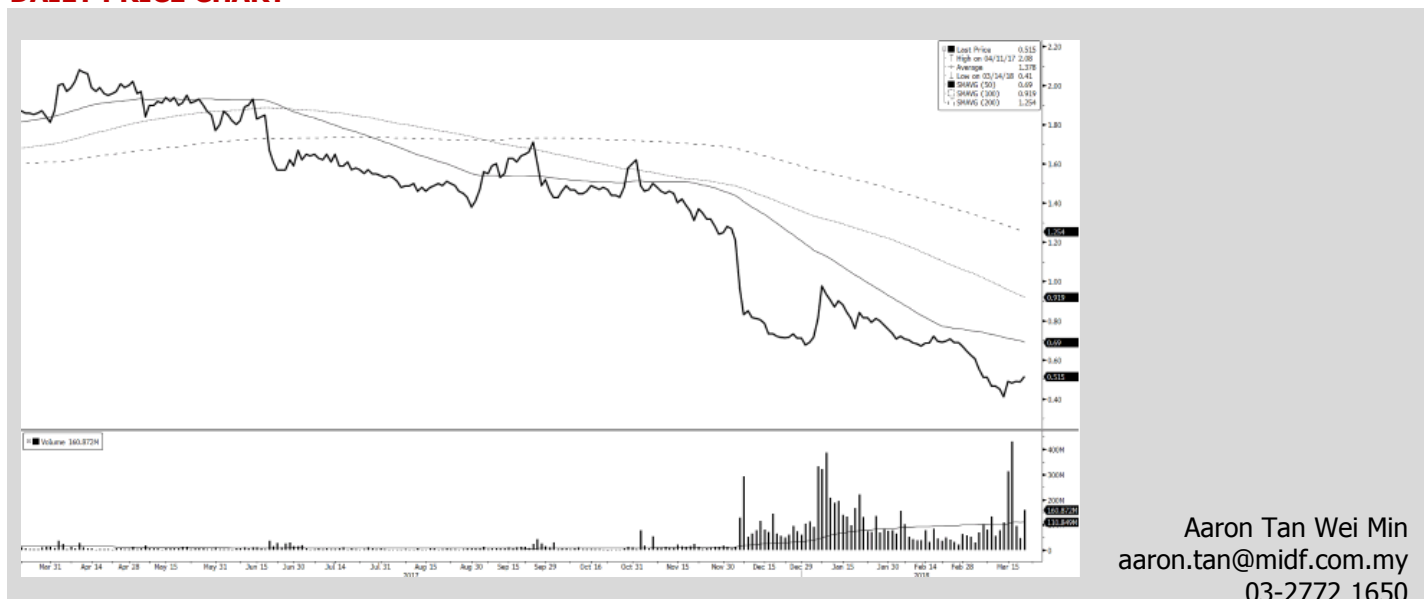
Maintain Trading Buy. Year-to-date, Sapura Energy's share price has declined by approximately -25%ytd. This is despite stable crude oil prices in the tight range of USD60-70pb. We are of the opinion that the current broad-market sell off presents trading opportunities for investors seeking exposure in 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)	2.2	nm	14.8	nm	29.4
Net Dividend (sen)	4.4	1.4	1.0	1.0	1.0
Net Dividend (%)	8.4	2.6	1.9	1.9	1.9

Source: MIDFR

DAILY PRICE CHART



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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.