

03 March 2017 | Corporate Update

SapuraKencana Petroleum Berhad

First slew of job orders for FY18

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.71

INVESTMENT HIGHLIGHTS

- SapuraKencana Petroleum announced the first slew of contracts for FY18
- Four contracts announced with total value of USD97.4m or RM433.6m
- Total contracts secured for CY17 and FY17 is USD397.4m (RM1,768m) and USD97.4m (RM433.6m) respectively
- Maintain NEUTRAL with unchanged TP of RM1.71

Contracts for Engineering & Construction division. SAKP announced USD97.4m worth of contracts from the Engineering & Construction division. All of the four contracts announced are from Petronas Carigali Sdn Bhd in relation with its offshore platforms in Malaysia.

Pan Malaysia T&I. The first contract announced is for the umbrella contract of the Pan Malaysia Transport and Installation of offshore facilities. The work consists of transportation and installation of platform, structures and pipelines and its associated works from 2017 to 2018 (duration one year).

EDPCIC of Sepat MOPU. The next contract announced is for the engineering, decommissioning, procurement, construction, installation and commissioning of the Sepat Mobile Offshore Production Unit. The project is for five months.

PCC of CPP. The third contract announced is for the provision of procurement, construction and commissioning (PCC) of Full Well Stream Air Cooler Module on the central processing platform (CPP) NC3CP-A. The contract is for the duration of 33 months.

EPRD for Dana and E30. The fourth contract is for the provision of engineering, preparation, removal and disposal (EPRD) for Dana and D30 facilities decommissioning project. This project is for 9 months.


Orderbook update. Approximately RM5.5b worth of jobs has been secured for year-to-date CY17 and RM433.6m for FY18. Current total orderbook stands at approximately RM16-18b (after excluding Berantai RSC's portion). RM4.9b of the orderbook is to be recognised in FY18 and the remaining RM10.3b to be recognised in FY19 and beyond.

Impact on earnings. No changes in earnings estimates as the total orders are within our estimates.

RETURN STATS	
Price (2 February 2017)	RM1.95
Target Price	RM1.71
Expected Share Price Return	-12.3%
Expected Dividend Yield	+0.7%
Expected Total Return	-11.6%

STOCK INFO	
KLCI	1,715.67
Bursa / Bloomberg	5218 / SAKP MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	5,992.2
Par Value (RM)	1.00
Market cap. (RM'm)	11,684.7
Price over NA	0.72x
52-wk price Range	RM1.32 – RM2.17
Beta (against KLCI)	2.39
3-mth Avg Daily Vol	13.2m
3-mth Avg Daily Value	RM22.4m
Major Shareholders (%)	
Sapura Holdings	16.81
STSB	15.90
Employees Provident Fund	11.96
PNB and its associated funds	11.52
Khasera Baru	10.10
Kumpulan Wang Persaraan	5.85

Fundamentals intact. With a current cash hoard of around RM2.8b (up from RM2.7b end-October 2016), net gearing level of around 1.18x and potential cash injection of around RM600m from the cessation of Berantai RSC by June 2017, we believe that the group will be able to weather the tough operating environment whilst seeking for more opportunities.

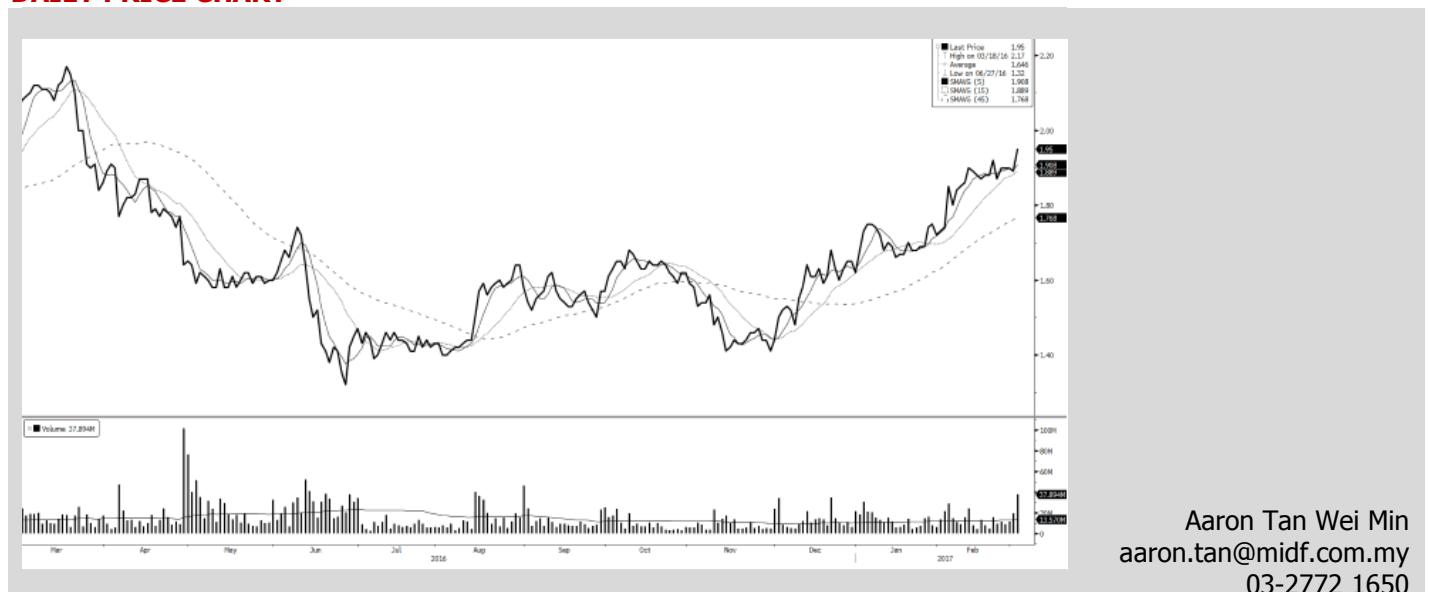
Maintain Neutral. At this current juncture, we are recommending a **NEUTRAL** stance on SAKP with an unchanged TP of **RM1.71** per share (FY18PBR of 0.7x). As such, with oil price showing positive upward trajectory above USD50pb and company fundamentals improving quarter-over-quarter, we posit that there could be trading opportunities with the stock and investors could benefit from the volatile price movements. 

INVESTMENT STATISTICS

FYE Jan	FY15	FY16	FY17F	FY18F	FY19F
Revenue (RM m)	9,943.0	10,184.0	7,605.0	7,565.8	7,930.0
EBIT (RM m)	3,106.6	3,070.3	962.0	981.8	913.2
Pretax Profit (RM'm)	1,616.0	1,408.2	232.6	252.4	184.8
Net Profit (RM m)	1,432.8	-791.6	195.5	192.6	208.2
Normalised Net Profit (RM m)	1,209.0	1,035.0	195.5	192.6	208.2
EPS (sen)	23.9	-13.2	3.3	3.2	3.5
EPS Growth (%)	31.80	-155.20	-124.7	-1.5	8.1
PER (x)	8.2	-14.8	59.8	60.7	56.1
Net Dividend (sen)	4.4	1.4	1.4	1.4	1.4
Net Dividend (%)	2.2	0.7	0.7	0.7	0.7

Source: MIDFR

DAILY PRICE CHART



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

Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.