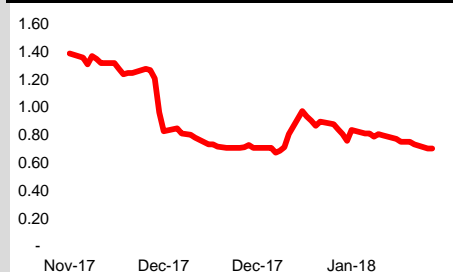


SAPURA ENERGY BEHAD
Trading Buy
DESCRIPTION

A leading oil and gas operator, offering integrated services

12-Month Target Price	RM1.11
Current Price	RM0.705
Expected Return	+56.9%

Market	Main
Sector	Oil & Gas
Bursa Code	5218
Bloomberg Ticker	SAPE MK
Shariah-compliant	Yes

SHARE PRICE CHART


52 Week Range (RM)	0.67-2.10
3-Month Average Vol ('000)	86,978.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-13.0	-51.7	-53.3
Relative Returns	-14.6	-54.9	-55.3

KEY STOCK DATA

Market Capitalisation (RM m)	4,224.5
No. of Shares (m)	5,992.2

MAJOR SHAREHOLDERS

	%
Sapura Holdings Berhad	15.9
Employees Provident Fund	7.9
Kumpulan Wang Persaraan	7.2

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New Contract Wins

Sapura Energy announced the securing of various contracts amounting to a collective RM905m, with periods ranging between 18 months and 4.5 years which will bolster its current order book to RM14.4bn. We are encouraged by this development which continues to highlight the Group's standing and strong repute in continuously securing contracts. In light of potential impairments in the near-term amid heightened risk premiums, we are lowering our blended SOP-based target price to RM1.11 (RM1.69 previously) however as we assume even more conservative multiples in our valuations. Our call is lowered to a **Trading Buy** as we still like the Group's prospects. No changes to our earnings estimates as these are accounted for in our replenishment assumptions.

§ **Three contracts** have been awarded to Sapura Fabrication Sdn Bhd to 1) undertake the provision of Engineering, Procurement, Construction and Commissioning (EPCC) of Kinarut ERB West Compressor Upgrading for Petronas Carigali Sdn Bhd which will run for 3 years through to 4QCY20, 2) undertake the provision of minor EPCC for Bokor Betty Brownfield & Rejuvenation for Petronas Carigali Sdn Bhd which will run for 4½ years through to 2QCY22, and 3) undertake the provision of EPCC plus installation for FFD Phase 2 Facilities in the North Malay Basin for Hess Exploration and Production Malaysia B.V. which will run for 2½ years through to 2QCY20.

§ **Two contracts** have been awarded to Sapura Offshore Sdn Bhd to 1) undertake transportation and installation works for the Bokor Central Processing Platform for Malaysia Marine and Heavy Engineering Sdn Bhd which will run through to March 2020, and 2) undertake the provision of offshore/onshore pipeline and terminal works for the Fifth Oil Berth project for Mumbai Port Trust.

§ **Other recent developments.** Advisors have been engaged to evaluate and advise on the potential listing of the E&P business. We are mixed on this. While a potentially lucrative one-off gain (and/or cash injection) from any exercise is attractive, a stake dilution may do little to mask a drilling division marred by under-utilization and an engineering division constantly in need of new contracts to support valuation of the Group as a whole. That said, these are still at very preliminary stages with nothing decided, and we continue to believe management will act in the best and long-term interests of all shareholders.

KEY FORECAST TABLE

FYE Jan (RM m)	2016A	2017A	2018F	2019F	2020F	3-year CAGR
Revenue	10,184.0	7,651.3	6,793.3	9,359.6	11,178.9	13.5%
Operating Profit	2,058.9	2,735.4	1,160.1	1,598.3	1,909.0	-11.3%
Pre-tax Profit	1,489.1	667.9	-107.3	356.5	677.2	0.5%
PATAMI	-791.6	208.3	-53.6	260.9	495.7	33.5%
Core PATAMI	1,410.2	423.4	-53.6	260.9	495.7	5.4%
EPS (Sen)	-13.3	7.1	-0.9	4.4	8.3	5.4%
P/E (x)	-	9.9	-	16.1	8.5	
DPS (Sen)	1.4	0.0	0.0	0.0	0.0	
Div Yield (%)	1.9%	0.0%	0.0%	0.0%	0.0%	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Jan (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	10,184.0	7,651.3	6,793.3	9,359.6	11,178.9
Operating Profit	2,058.9	2,735.4	1,160.1	1,598.3	1,909.0
Other Income	480.2	360.8	320.3	441.3	527.1
Administration Expenses	-671.8	-504.7	-448.1	-617.4	-737.4
Pre-tax Profit	1,489.1	667.9	-107.3	356.5	677.2
Income Tax	-78.8	-179.1	53.6	-95.6	-181.6
Effective Tax Rate (%)	0.1	0.3	0.5	0.3	0.3
Minorities	-0.1	2.2	0.0	0.0	0.0
PATAMI	-791.6	208.3	-53.6	260.9	495.7
Growth					
Revenue	2%	-25%	-11%	38%	19%
Gross Profit	-10%	-46%	9%	38%	19%
PATAMI	-155%	-126%	-126%	-587%	90%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Jan (RM m)	2016A	2017A	2018F	2019F	2020F
Property, plant and equipment	14,905.7	15,140.0	14,320.3	13,492.5	12,656.7
Inventories	572.2	458.5	176.8	333.7	683.3
Trade receivables	4,114.1	3,269.1	1,228.4	1,692.4	2,021.4
Cash and bank balances	1,947.5	3,519.5	2,091.5	3,676.0	4,337.0
Total Assets	36,492.0	37,483.9	33,735.0	35,238.0	36,593.2
ST Borrowings	2,091.1	3,511.1	2,004.8	1,889.0	1,771.9
LT Borrowings	16,238.0	15,136.0	12,888.3	12,143.3	11,391.0
Trade payables	4,371.7	3,837.6	3,239.8	4,463.7	5,331.4
Minority Interests	6.1	4.2	4.2	4.2	4.2
Total Liabilities	24,279.0	24,403.6	19,969.4	20,473.4	20,525.5
Total Equity	12,213.0	13,080.3	13,765.7	14,764.6	16,067.7
Total Equity and Liabilities	36,492.0	37,483.9	33,735.0	35,238.0	36,593.2

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Jan	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	2.0	2.2	2.3	2.5	2.7
NTA Per Share	2.0	2.2	2.3	2.5	2.7
EPS (Sen)	-13.3	7.1	-0.9	4.4	8.3
DPS (Sen)	1.4	0.0	0.0	0.0	0.0
Payout Ratio (%)	-0.1	0.0	0.0	0.0	0.0
ROA (%)	-2.2	0.6	-0.2	0.7	1.4
ROE (%)	-6.5	1.6	-0.4	1.8	3.1

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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