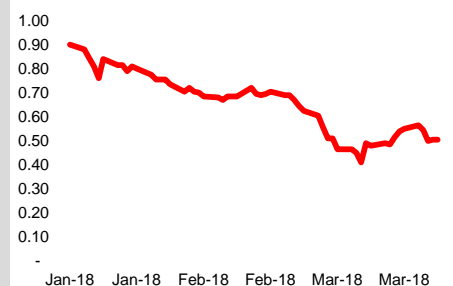


SAPURA ENERGY BEHAD
Trading Buy
DESCRIPTION

A leading oil and gas operator, offering integrated services

12-Month Target Price	RM1.11
Current Price	RM0.505
Expected Return	+119.8%
Market	Main
Sector	Oil & Gas
Bursa Code	5218
Bloomberg Ticker	SAPE MK
Shariah-compliant	Yes

SHARE PRICE CHART


52 Week Range (RM)	0.40 - 2.10
3-Month Average Vol ('000)	119,697.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-24.0	-29.9	-66.8
Relative Returns	-24.6	-31.2	-68.6

KEY STOCK DATA

Market Capitalisation (RM m)	3,026.0
No. of Shares (m)	5,992.2

MAJOR SHAREHOLDERS

	%
Sapura Holdings Berhad	15.9
Kumpulan Wang Persaraan	7.2
Employees Provident Fund	6.4

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Further Inroads Into Mexico

Sapura Energy announced that it has successfully, together with its consortium members, won a bid for the hotly-contested Block 30 in the Gulf of Mexico's Sureste Basin. This is yet another positive development in light of recent travails which has seen its share price tumble since the beginning of the year due in part to impairment-related concerns which had subsequently been confirmed with the recent release of its FY18 financial results. While still too preliminary to assess financial impacts at this juncture, this win is undoubtedly positive and solidifies the Group's longer-term prospects, particularly with crude oil prices looking likely to hold up above the USD60 per barrel levels. Our **Trading Buy** call is retained with an unchanged target price of RM1.11.

§ **Block 30** is located in shallow waters (about 70 meters) directly to the south-west of the Zama fields, and to the north of the Amoca fields. Zama is notable as it has been estimated to contain P90 (high) and P10 (best) gross reserves, ranging from 1.4bn to 2.0bn barrels of oil-equivalent, with a possibility to extend off the block. The Sureste Basin as a whole is a proven hydrocarbon province and includes the Saline, Campeche-Sigsbee and Vilharmosa uplift basins.

§ **Joint venture partners** for the project are DEA Deutsche Erdoel Mexico (40% stake) and Premier Oil Plc (30%), with Sapura Energy holding the remaining 30% through wholly-owned subsidiary Sapura Exploration and Production Sdn Bhd. Immediate plans are to acquire 3D seismic readings by 2019 ahead of firming up drilling locations in 2020.

§ **Other recent developments.** This comes on the heels of a recent maiden foray into New Zealand via a series of farm-in agreements to 5 offshore exploration permits within the Tranaki Basin, a prolific oil and gas region. Partners for this particular project are OMW New Zealand Limited and Mitsui E&P Australia Pty Limited. All five offshore exploration permits are also located in shallow waters, where discovered volumes to date total more than 2.5bn barrels of oil equivalent. The agreement provides access to a large acreage footprint of more than 8,900 square kilometers. It has been reported that total works secured by the Group year-to-date are in excess of RM3bn, one of which includes engineering, procurement, construction, installation and commissioning (EPCIC) works for the Pegaga Development Project awarded by Mudabala Petroleum.

KEY FORECAST TABLE

FYE Jan (RMm)	2017A	2018A	2019F	2020F	2021F	CAGR
Revenue	7,651.3	5,894.9	9,359.6	11,178.9	12,840.8	13.8%
Operating Profit	2,735.4	1,456.7	1,598.3	1,909.0	2,192.8	-5.4%
Pre-tax Profit	667.9	-191.3	356.5	677.2	962.8	9.6%
Core PATAMI	241.0	-243.0	260.9	495.7	704.6	13.6%
EPS (Sen)	7.1	-5.4	4.4	8.3	11.8	13.6%
P/E (x)	7.1	-	11.6	6.1	4.3	
DPS (Sen)	0.0	0.0	0.0	0.0	0.0	
Div Yield (%)	-	-	-	-	-	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Jan (RMm)	2017A	2018A	2019F	2020F	2021F
Revenue	7,651.3	5,894.9	9,359.6	11,178.9	12,840.8
Operating Profit	2,735.4	1,456.7	1,598.3	1,909.0	2,192.8
Other Income	360.8	276.5	441.3	527.1	605.5
Administration Expenses	-504.7	-1541.9	-617.4	-737.4	-847.0
Pre-tax Profit	667.9	-191.3	356.5	677.2	962.8
Income Tax	-179.1	-181.2	-95.6	-181.6	-258.1
Effective Tax Rate (%)	0.3	-94.7	0.3	0.3	0.3
Minorities	2.2	-1.3	0.0	0.0	0.0
PATAMI	241.0	-243.0	260.9	495.7	704.6
Growth					
Revenue	-25%	-23%	59%	19%	15%
Gross Profit	-46%	-47%	10.0%	19%	15%
PATAMI	-126%	<100%	>100%	90%	42%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Jan (RMm)	2017A	2018A	2019F	2020F	2021F
Property, plant and equipment	15,140.0	11,454.7	13,492.5	12,656.7	11,812.7
Trade receivables	3,269.1	2,530.1	1,692.4	2,021.4	2,321.9
Other assets	15,555.3	14,297.7	16,377.1	17,578.2	17,385.3
Cash and bank balances	3,519.5	1,716.2	3,676.0	4,337.0	3,803.9
Total Assets	37,483.9	29,992.7	35,238.0	36,593.2	35,323.7
ST Borrowings	3,511.1	1,722.2	1,889.0	1,771.9	1,653.8
LT Borrowings	15,136.0	14,692.9	12,143.3	11,391.0	10,631.4
Trade payables	3,837.6	2,797.1	4,463.7	5,331.4	6,124.0
Other liabilities	1,919.0	1,330.2	1,977.4	2,031.2	2,057.8
Total Liabilities	24,403.6	20,542.4	20,473.4	20,525.5	20,467.0
Total Equity	13,080.3	9,450.3	14,764.6	16,067.7	14,856.8
Total Equity and Liabilities	37,483.9	29,992.7	35,238.0	36,593.2	35,323.7

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Jan	2017A	2018A	2019F	2020F	2021F
Book Value Per Share	2.2	1.6	2.4	2.6	2.4
NTA Per Share	2.2	2.6	2.4	2.6	2.4
EPS (Sen)	7.1	-5.8	4.4	8.3	11.8
DPS (Sen)	1.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	0.6	-	0.7	1.4	2.0
ROE (%)	1.6	-	1.8	3.2	4.9

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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