

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

Target Price **RM0.15**
Previously **RM0.15**
Current Price **RM0.125**

Capital upside	20.0%
Dividend yield	0.0%
Expected total return	20.0%

Sector coverage: Oil & Gas

Company description: Sapura provides integrated oil and gas services and solutions.

Share price


	1M	3M	12M
Absolute	-14.3	-11.1	20.0
Relative	-6.4	-1.8	31.0

Stock information

Bloomberg ticker	SAPE MK
Bursa code	5218
Issued shares (m)	15,979
Market capitalisation (RM m)	1,997
3-mth average volume ('000)	35,031
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★★

Major shareholders

Skim Amanah Saham Bumiputera	40.4%
Sapura Holdings Sdn Bhd	10.6%
KWAP	2.9%

Earnings summary

FYE (Jan)	FY21	FY22f	FY23f
PATMI – core (RM m)	(80.3)	97.6	200.3
EPS – core (sen)	(0.4)	0.5	1.0
P/E (x)	NM	24.8	12.1

Sapura Energy

Drilling into profitability

Sapura has secured seven contract wins (2 E&C, 2 O&M and 3 drilling) with a combined value of RM1.2bn. The job wins were within our expectations. All in, we maintain our BUY rating on the stock with an unchanged TP of RM0.15 pegging to 0.3x FY22 P/B. Sapura's recent string of contract wins and its successful cost optimisation measures will continue to propel the Company forward.

NEWSBREAK

Sapura Energy has announced seven contract wins worth an estimated RM1.2bn:

- (i) Provision of transportation and installation of Pemanis Wellhead Platform Topside from PTTEP Sarawak. [8 months]
- (ii) Replacement of subsea pipeline and risers including transportation and installation services from Enquest Petroleum. [5 months]
- (iii) Provision of MCM works for PM8 extension PST from Enquest Petroleum. [1 year]
- (iv) TMM services for Sarawak Shell and Sabah Shell. [3 years and 4 months]
- (v) Provision of tender drilling rig for drilling activities in offshore Malaysia by Petronas Carigali. [2 years + 2 years optional extension]
- (vi) Integrated rig, drilling and completion services contract by Petronas Carigali for 6 wells in offshore Malaysia. [3-4 months]
- (vii) Provision of offshore drilling rig (T-17) in gulf of Thailand by PTTEP Group. [3 years + 1 year optional extension]

HLIB's VIEW

The return of drilling contracts. We believe that the recent flurry of drilling contract wins is a very positive leading indicator towards the recovery of the exploration segment of O&G. Sapura currently has 7 active tender drilling rigs and we expect its strong performance from its drilling segment to continue.

Contract wins expected to add on to increased operational efficiencies. We believe that Sapura would be able to capitalise on its contract wins with its improved operational efficiencies over the last few quarters as FY21 operational expenses has decreased by 32% YoY. We believe that Sapura will be in the black from FY22 onwards after being in the red for 4 consecutive years (from FY18-FY22).

Minimal solvency risk at this juncture. Its recent refinancing of its RM10.3bn debt will provide Sapura with timely financial headroom to meet its debt obligations on the back of a recovering O&G sector.

Forecast. We maintain our earnings forecast as the contract wins were within our expectations.

Maintain BUY at TP of RM0.15. We maintain our BUY call with a TP of RM0.15 based on 0.3x FY22 BVPS as we remain positive on Sapura due to its (i) improving operational efficiencies, (ii) strong and stable oil prices and (iii) improved prospects on contract wins.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jan	FY20	FY21	FY22f	FY23f	FY24f
Cash	772.4	489.0	1,288.8	1,139.2	1,062.5
Receivables	2,657.6	3,187.0	2,620.1	2,790.0	2,841.0
Inventories	383.9	423.3	260.7	277.6	282.7
PPE	9,638.9	9,218.6	9,279.8	9,326.0	9,357.2
Others	9,295.5	9,347.2	9,347.2	9,347.2	9,347.2
Assets	22,748.3	22,665.1	22,796.7	22,880.0	22,890.6
Payables	2,703.0	2,669.0	2,053.0	2,186.1	2,226.0
Debt	10,256.1	10,332.2	10,982.2	10,732.2	10,482.2
Others	614.6	727.1	727.1	727.1	727.1
Liabilities	13,573.7	13,728.4	13,762.3	13,645.4	13,435.3
Shareholder's equity	9,182.5	8,945.6	9,043.2	9,243.4	9,464.1
Minority interest	(7.9)	(8.8)	(8.8)	(8.8)	(8.8)
Equity	9,174.7	8,936.8	9,034.4	9,234.6	9,455.2

Income Statement

FYE Jan	FY20	FY21	FY22f	FY23f	FY24f
Revenue	6,449.2	5,347.8	6,170.0	6,570.0	6,690.0
EBITDA	(236.7)	824.6	1,046.8	1,121.8	1,149.8
EBIT	(757.8)	284.2	508.0	568.0	581.0
Finance cost	(664.6)	(492.4)	(494.2)	(482.9)	(471.7)
Associates & JV	155.0	158.8	101.0	150.5	150.3
Profit before tax	(4,551.8)	(31.7)	114.8	235.6	259.6
Tax	(12.8)	(128.5)	(17.2)	(35.3)	(38.9)
Net profit	(4,564.6)	(160.3)	97.6	200.3	220.6
Minority interest	(3.8)	0.6	-	-	-
Core PATMI	(1,401.5)	(80.3)	97.6	200.3	220.6
Exceptionals	(3,163.1)	(80.5)	-	-	-
Reported PATMI	(4,564.6)	(160.9)	97.6	200.3	220.6
Consensus core PATMI			(59.3)	16.9	57.4
HLIB/ Consensus			NM	11.8	3.8

Cash Flow Statement

FYE Jan	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	(4,551.8)	(31.7)	114.8	235.6	259.6
D&A	521.1	540.4	538.8	553.8	568.8
Working capital	415.8	(347.9)	113.4	(53.7)	(16.1)
Taxation	(71.7)	18.2	(17.2)	(35.3)	(38.9)
Others	3,782.6	(14.2)	-	-	-
CFO	96.2	164.8	749.8	700.4	773.3
Capex	(345.5)	(164.2)	(600.0)	(600.0)	(600.0)
Others	258.7	93.8	-	-	-
CFI	(86.9)	(70.4)	(600.0)	(600.0)	(600.0)
Changes in debt	(6,806.3)	71.5	650.0	(250.0)	(250.0)
Shares issued	-	-	-	-	-
Dividends	-	-	-	-	-
Others	(520.3)	(439.6)	-	-	-
CFF	(7,326.6)	(368.2)	650.0	(250.0)	(250.0)
Net cash flow	(7,317.3)	(273.7)	799.8	(149.6)	(76.7)
Forex	(8.7)	(9.7)	-	-	-
Others	-	-	-	-	-
Beginning cash	8,098.4	772.4	489.0	1,288.8	-
Ending cash	772.4	489.0	1,288.8	1,139.2	-

Valuation & Ratios

FYE Jan	FY20	FY21	FY22f	FY23f	FY24f
Core EPS (sen)	(7.2)	(0.4)	0.5	1.0	1.1
P/E (x)	NM	NM	24.8	12.1	11.0
EV/EBITDA (x)	(37.0)	10.9	8.4	7.7	7.3
DPS (sen)	-	-	-	-	-
Dividend yield	-	-	-	-	-
BVPS (RM)	0.5	0.5	0.5	0.5	0.5
P/B (x)	0.3	0.3	0.3	0.3	0.3
EBITDA margin (%)	(3.7)	15.4	17.0	17.1	17.2
EBIT margin (%)	(11.8)	5.3	8.2	8.6	8.7
PBT margin (%)	(70.7)	(3.0)	1.6	3.0	3.3
Net margin (%)	(21.7)	(1.5)	1.6	3.0	3.3
ROE (%)	(15.3)	(0.9)	1.1	2.2	2.3
ROA (%)	(7.4)	(0.4)	0.5	1.1	1.2
Net gearing (x)	1.03	1.10	1.07	1.04	1.00

Assumptions

FYE Jan	FY20	FY21	FY22f	FY23f	FY24f
Revenue					
E&C	4,590	3,850	4,700	5,100	5,220
Drilling	1,859	1,323	1,470	1,470	1,470
Energy	0	0	0	0	0
Others	0	175	0	0	0

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Published & printed by:

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next -12 months.