

Sapura Energy Berhad

Secures First Job in UAE

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SAPNRG, in partnership with Petrofrac, is reported to have secured an EPC contract from ADNOC for the Dalma Gas Development Project, worth in total USD591m. Assuming 50:50 stakes in the partnership, this means SAPNRG's portion could be worth ~USD296m. Overall, we are positive on the win, with this being its first contract award in UAE. Maintain OP and TP of RM0.33.

Secures contract from ADNOC. The press has reported that SAPNRG, via its partnership with Petrofrac Emirates LLC, has secured a contract from the Abu Dhabi National Oil Company (ADNOC), for the Dalma Gas Development Project.

The scope of works includes: engineering, procurement, fabrication, transportation, construction, installation, testing and commissioning of all offshore facilities, several wellhead platforms, 189km of subsea pipelines, cables and umbilical forming the Dalma Gas Development Project.

Takeaways from the contract award. Overall, we are positive on the new win, with this being SAPNRG's first job in the UAE. According to *Upstream*, the package for the contract is reported to be worth USD591m. Assuming a 50:50 partnership, SAPNRG's stake would thus be worth USD296m (or ~RM1.2b). Considering the competition, having successfully fought off McDermott International and Saipem who were thought to be contending bidders, we believe margins for the project could be around the low-teens percentage. This also represents SAPNRG's first (known) contract win in FY21, bringing its order-book to a guesstimated value of ~RM16b.

On a bigger picture, the win could also help build SAPNRG's track record in the region, enabling further job wins in the future. This award, and together with another onshore package awarded wholly to Petrofrac, are understood to be the first major upstream EPC contracts dished out by ADNOC this year, with more than USD10b worth of projects understood to be in the tendering stage but yet to be awarded. Meanwhile, to recap, SAPNRG is also one the players under Saudi Aramco's long-term agreement (LTA), thus qualifying it for direct tenders for jobs from Aramco. The Middle East is the single largest region for SAPNRG's tender book, making up about ~32% of ~USD8b tender-book, and as such, we believe strengthening its position in the region would be target for the company.

Maintain OUTPERFORM, with unchanged TP of RM0.33, pegged to 0.4x FY20E PBV. No changes were made to our FY20-21E numbers, as it is still within our FY21E order-book replenishment assumption of RM5b.

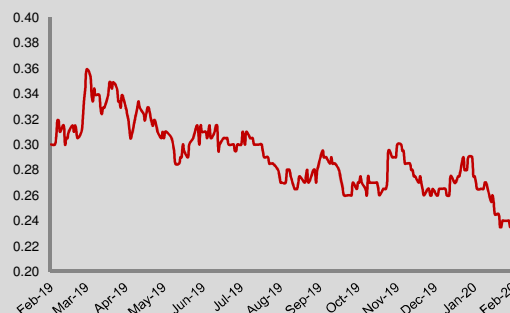
Our OP call is premised on **the stock currently trading at floor valuations of merely 0.3x PBV**, and below its rights issue exercise price of RM0.30. We believe earnings turnaround is a long-term eventuality, with all the fundamental building blocks gradually put in place, such as: (i) strong order-book backed by job wins, (ii) finance and depreciation expenses now much palatable post-rights and impairments, (iii) gradual increase in drilling rigs utilisation, and (iv) first gas from SK408 to boost E&P segment.

Risks to our call include: (i) lower-than-expected order-book replenishment, (ii) costs overruns, (iii) poorer-than-expected drilling rigs utilisation, (iv) lower-than-expected E&P production volumes, and (v) poorer-than-expected operating margins.

OUTPERFORM ↔

Last Price : **RM0.240**
Target Price : **RM0.330** ↔

Share Price Performance



KLCI 1,534.16
YTD KLCI chg -3.4%
YTD stock price chg -11.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SAPE MK Equity
Market Cap (RM m)	3,835.0
Shares outstanding	15,979.1
52-week range (H)	0.37
52-week range (L)	0.23
3-mth avg daily vol:	57,275,410
Free Float	39%
Beta	1.6

Major Shareholders

Skim Amanah Saham Bumiputera	26.9%
Sapura Holdings Sdn Bhd	12.5%
Tan Sri Shahril Shamsuddin	5.0%

Summary Earnings Table

FY Jan (RM'm)	2019A	2020E	2021E
Turnover	4,568.4	7,632.3	5,716.9
EBIT	(398.6)	(315.2)	(188.4)
PBT	(1,054.6)	(587.2)	(352.1)
Net Profit (NP)	207.5	(440.4)	(264.0)
Core Net Profit	(884.8)	(440.4)	(264.0)
Consensus (NP)		(426.0)	(27.1)
Earnings Revision (%)	-	-	-
Core EPS (sen)	-5.4	-2.7	-1.6
CNP growth (%)	N.M.	N.M.	N.M.
DPS (sen)	0.5	0.0	0.0
BV/Share (RM)	0.8	0.8	0.8
Core PER	N.M.	N.M.	N.M.
Price/BV (x)	0.3	0.3	0.3
Net-Gearing (x)	0.6	0.8	0.9
Dividend Yield (%)	2.0	0.0	0.0



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Income Statement

FY Jan (RM'm)	2017A	2018A	2019A	2020E	2021E
Revenue	7,651.3	5,895.0	4,568.4	7,632.3	5,716.9
Op. Profit	1,010.9	1,456.7	(398.6)	(315.2)	(188.4)
PBT	385.2	(2,323.6)	(1,054.6)	(587.2)	(352.1)
Net Profit	208.3	(2,323.6)	207.5	(440.4)	(264.0)
C. Net Profit	241.0	(345.9)	(884.8)	(440.4)	(264.0)

Balance Sheet

FY Jan (RM'm)	2017A	2018A	2019A	2020E	2021E
Fixed Assets	15,140	11,455	10,025	11,433	11,423
Inta. Assets	8,484	7,919	7,997	7,997	7,997
Oth. LT ass.	6,518	5,892	4,247	6,518	6,818
Inventories	458	377	354	359	269
Receivables	3,234	2,530	2,790	2,977	2,230
Other CA	95	104	85	85	85
Cash	3,520	1,716	8,098	2,090	1,352
Total Assets	37,449	29,993	33,596	31,459	30,174
Payables	3,794	2,822	2,401	4,068	3,047
ST Borrow.	3,511	1,722	5,839	2,722	2,722
Oth. ST Liab	24	84	161	161	161
LT Borrow.	15,136	14,693	11,147	10,693	10,693
Oth. LT Lia.	1,904	1,221	177	177	177
Mino. Int.	4	0	(3)	0	0
Net Assets	13,076	9,450	13,875	13,435	13,171
Share Capi.	8,066	8,066	10,872	10,872	10,872
Reserves	5,010	1,384	3,003	2,563	2,299
Equity	13,076	9,450	13,875	13,435	13,171

Cashflow Statement

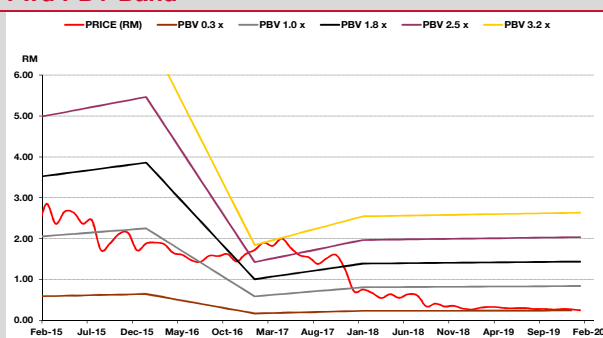
FY Jan (RM'm)	2017A	2018A	2019A	2020E	2021E
Opera. CF	3,135	911	363	294	(3)
Investing CF	(97)	(894)	2,856	(829)	(735)
Financ. CF	(1,589)	(1,729)	3,033	(4,000)	(4,000)

Source: Kenanga Research

Financial Data & Ratios

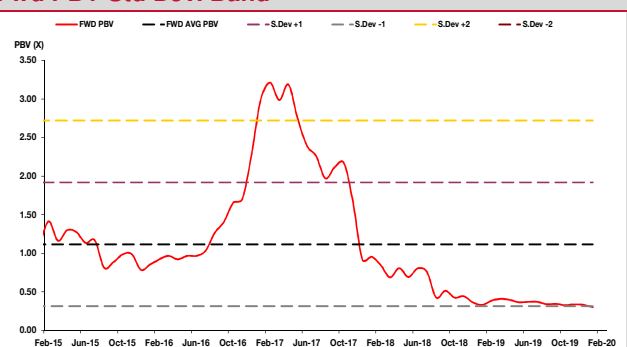
FY Jan (RM'm)	2017A	2018A	2019A	2020E	2021E
Growth					
Revenue	(24.9)	(23.0)	(22.5)	67.1	(25.1)
EBIT	(50.9)	44.1	(127.4)	(20.9)	(40.2)
PBT	(154.1)	(703.1)	(54.6)	(44.3)	(40.0)
Core NP	(66.3)	(243.5)	155.8	(50.2)	(40.0)
Profitability					
Oper. Margin	13.2	24.7	-8.7	-4.1	-3.3
PBT Margin	5.0	-39.4	-23.1	-7.7	-6.2
CNP Margin	3.1	-5.9	-19.4	-5.8	-4.6
Eff. Tax Rate	46.5	-7.8	-13.5	25.0	25.0
ROA	0.6	-1.2	-2.6	-1.4	-0.9
ROE	1.8	-3.7	-6.4	-3.3	-2.0
DuPont Analysis					
N.Margin(%)	3.1	-5.9	-19.4	-5.8	-4.6
Ass. T/O(x)	0.2	0.2	0.1	0.2	0.2
Leve. Fac. (x)	2.9	3.2	2.4	2.3	2.3
ROE (%)	1.8	-3.7	-6.4	-3.3	-2.0
Leverage					
Debt/Asset (x)	0.5	0.5	0.5	0.4	0.4
D./Equity (x)	1.4	1.7	1.2	1.0	1.0
N.(Cash)/Debt	15128	14699	8887	11325	12063
Net D/E (x)	1.16	1.56	0.64	0.84	0.92
Valuations					
EPS (sen)	1.5	-2.1	-5.4	-2.7	-1.6
DPS (sen)	1.0	1.0	0.5	0.0	0.0
BV/s. (RM)	0.8	0.6	0.8	0.8	0.8
PER (x)	16.7	-11.7	-4.6	-9.2	-15.3
Div. Yield (%)	4.1	4.1	2.0	0.0	0.0
P/BV (x)	0.3	0.4	0.3	0.3	0.3

Fwd PBV Band



Source: Bloomberg, Kenanga Research

Fwd PBV Std Dev. Band



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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUMI ARMADA BHD	0.390	2,291.8	N	12/2019	-15.9%	0.0%	34.4%	2.3%	10.1	7.5	7.4	0.7	0.7	9.0%	0.0%	0.530	OP
DAYANG ENTERPRISE HLDGS BHD	2.86	3,222.5	Y	12/2019	0.3%	47.8%	4.6%	23.1%	20.2	19.3	15.7	2.9	2.6	14.2%	0.0%	2.75	MP
DIALOG GROUP BHD	3.38	19,057.5	Y	06/2020	17.7%	6.1%	4.5%	9.7%	35.6	34.0	31.0	5.0	4.8	14.4%	1.2%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.800	1,280.0	Y	12/2020	3.2%	28.4%	360.0%	23.2%	N.A.	134.7	109.4	0.5	0.5	0.4%	0.0%	0.890	OP
MISC BHD	7.90	35,263.6	Y	12/2020	3.4%	5.4%	0.6%	1.0%	21.9	21.8	21.6	1.0	1.0	4.6%	3.8%	8.70	OP
PANTECH GROUP HOLDINGS BHD	0.490	367.1	Y	02/2020	1.3%	5.9%	-19.3%	8.9%	8.4	10.4	9.5	0.7	0.6	6.1%	4.1%	0.570	OP
PETRONAS CHEMICALS GROUP BHD	6.54	52,320.0	Y	12/2019	-13.9%	4.8%	-30.3%	14.5%	10.5	15.1	13.2	1.7	1.6	11.1%	3.3%	7.70	MP
PETRONAS DAGANGAN BHD	22.18	22,034.8	Y	12/2019	-5.6%	2.0%	12.9%	7.7%	26.3	23.3	21.6	3.7	3.6	15.6%	3.0%	22.75	MP
SAPURA ENERGY BHD	0.240	3,835.0	Y	01/2020	67.1%	-25.1%	-200.9%	-166.8%	N.A.	N.A.	N.A.	0.3	0.3	-3.2%	0.0%	0.330	OP
SERBA DINAMIK HOLDINGS	2.43	7,493.8	Y	12/2019	23.2%	14.3%	17.2%	13.3%	19.3	16.5	14.6	3.6	3.1	20.2%	3.8%	2.50	OP
UZMA BHD	0.865	276.8	Y	06/2020	21.4%	2.2%	215.5%	9.8%	28.5	9.0	8.2	0.6	0.5	6.2%	0.0%	0.850	MP
VELESTO ENERGY BHD	0.340	2,793.3	Y	12/2019	7.9%	16.8%	61.7%	122.4%	N.A.	94.7	42.6	1.0	1.0	1.0%	0.0%	0.430	OP
WAH SEONG CORP BHD	1.29	993.9	Y	12/2020	16.5%	4.1%	-3.4%	6.6%	14.2	14.7	13.8	1.0	1.0	6.7%	0.0%	1.40	MP
YINSON HOLDINGS BHD	7.00	7,489.8	Y	01/2020	0.1%	70.1%	-17.9%	66.8%	28.7	35.0	21.0	4.4	4.0	11.9%	0.9%	8.05	OP

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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