

PP14767/09/2012(030761)

SapuraKencana Petroleum Berhad

“Bundle of Contract Wins”

SapuraKencana’s Petroleum Berhad (SapuraKencana) has successfully secured multiple of transportation and installation (T&I) work in Mexico, Indonesia, Vietnam and India with a combined value of approximately USD269 million (RM969 million) which could replenish the group’s orderbook by 4% to RM26.7 billion. We value SapuraKencana at RM3.22 and the stock is a **BUY**.

- Mexico award.** SapuraKencana Mexicana S.A.P.I. de C.V. has secured the installation of structures and superstructures of fixed marine platforms, pipe laying and lifting of major power generation equipment, utilising the DP3 heavy-lift and pipelay vessel SapuraKencana 3500 in Gulf of Mexico by Pemex Exploración y Producción. The contract is worth between USD41.2 million (RM148.3 million) and USD98.1 million (RM353.2 million).
- Indonesia award.** SapuraKencana TL Offshore Sdn Bhd (SKTLO) in consortium with PT Encona Inti Industri of Indonesia, (TL Offshore-Encona Consortium) has been awarded with the contract for the work of offshore and onshore pipeline installation for the construction of 14” x 200km - Kalija 1 Natural Gas Transmission Pipeline of Kepodang (Tambak Lorok Segment) by PT PGAS Solution. The work will be performed in the Muriah PSC, Central Java, Indonesia. The contract value is USD97.5 million (RM351.0 million).
- Vietnam and India award.** SKTLO has been awarded a contract for the provision of services for the Installation of i) nearshore, offshore pipeline and facilities ii) wellhead facilities for Thai Binh - Ham Rong project in Offshore Vietnam by PTSC Offshore Services Joint Stock Company. SKTLO also secured a contract for the provision of transport and installation services for the PB Gas Lift Riser Replacement project at Panna Offshore Field, offshore north-west of

Tuesday, May 12, 2015

BUY (TP: RM3.22)

Current Price (RM)	RM2.78
New Target Price (RM)	RM3.22
Previous Target Price (RM)	RM2.93
Previous Recommend.	BUY
Upside To Target Price	16%
Dividend Yield (FY17)	1%

Stock Code	
Bloomberg	SAKP MK

Stock & Market Data	
Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	No
Issued Shares (mn)	5,992
Market Cap (RM mn)	16,718
YTD Chg In Share Price	20%
Beta (x)	1.82
52-week Hi/Lo (RM)	4.51 2.02
3M Average Volume (shrs)	14.81mn
Estimated Free Float	22%

Major Shareholders	
Sapura Holdings	17%
STSB	16%
EPF	15%
Khasera Baru	9%

Note	
OCSS - Offshore Construction & Subsea Services	
DES - Drilling and Energy Services	
Fab & HUC - Fabrication, Hook-up Commissioning & Offshore Vessel Support	

Company Update - SapuraKencana Petroleum

Mumbai, India by BG Exploration and Production India Limited. The total value of the awards in Vietnam and India is USD73.5 million (RM264.6 million).

- **Boost orderbook by 4%.** We are positive on the new ‘bundle of contract wins’ in 2015 which could replenish the group’s orderbook by 4% to RM26.7 billion. We estimate that the total RM968 million contracts secured in Mexico, Indonesia, Vietnam and India may potentially contribute RM77 million per annum to the group’s bottom-line, based on FY16 PBT margin assumption of 16% and assuming the projects’ timeframe is two years. The group expected to enjoy bulk of contribution in FY17.
- **Change to forecast.** We maintain our FY16 and FY17 earnings for now as the new contract secured is within our new job wins projection. Given that, FY16 and FY17 earnings are projected to increase by 6% y-o-y and 8% y-o-y lifted by i) steady contribution from DES segment and ii) potential contribution from Vietnam’s E&P business.
- **Valuation & recommendation.** We re-value our target price for SapuraKencana at RM3.22 by putting into consideration of potential re-entry of the stock into Shariah list in the upcoming May review. Our TP is based on 14x PER (35% discount to last 3-years average low PER) pegged to FY17 EPS of 23sen and reiterate our **BUY** call underpinned by i) solid orderbook of approximately RM26.7 billion, which one of the largest in our oil and gas space and ii) healthy contract wins moving forward.

Table 1: Peers Comparison (Calenderised)

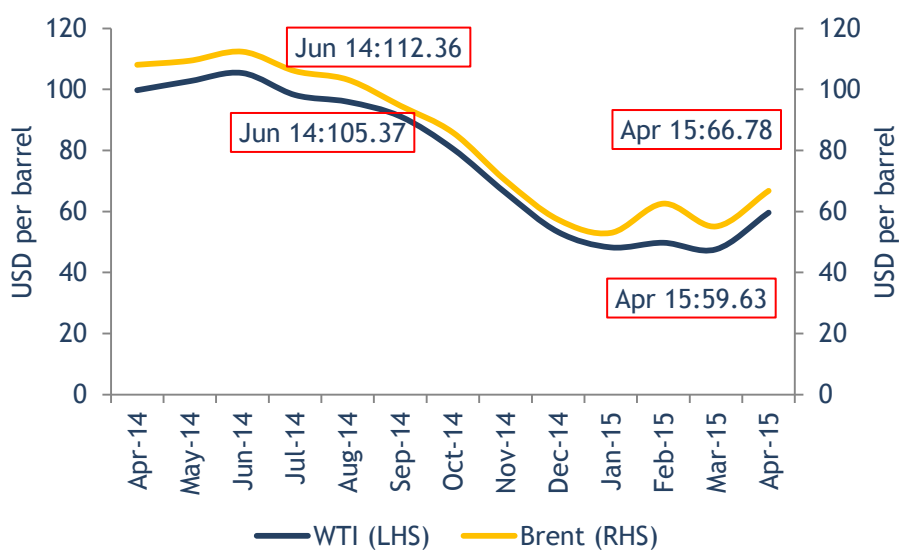
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.78	20	21	13.7	12.7	1.2	1.1	13	1	2.93	Hold
Wah Seong	Dec	1.28	14	15	9.2	8.6	0.8	0.8	12	4	1.38	Hold
Bumi Armada	Dec	1.25	8	10	15.7	11.7	1.0	1.0	4	2	1.28	Hold
Dialog Group	Jun	1.61	5	5	34.3	31.0	4.8	4.6	15	1	1.66	Hold
Alam Maritim	Dec	0.69	7	7	9.5	9.4	0.7	0.7	9	NA	0.72	Hold
MMHE	Dec	1.21	8	8	15.1	15.4	0.7	0.7	8	NA	1.33	Hold
PetDag	Dec	21.64	71	79	30.1	27.0	4.0	3.9	11	2	18.90	Sell
Dayang	Dec	2.65	24	28	10.8	9.3	2.4	2.1	22	3	2.95	Buy
UMW-OG	Dec	2.13	15	17	14.8	13.3	1.4	1.2	8	0.5	3.20	Buy
Perisai	Dec	0.54	6	9	10.0	5.9	0.6	0.5	1	NA	NR	NR
Perdana Petroleum	Dec	1.47	12	15	11.4	9.3	1.3	1.1	14	1	NR	NR
TH Heavy	Dec	0.31	3	4	12.1	9.0	0.8	0.7	(20)	NA	NR	NR
Petra Energy	Dec	1.53	15	16	9.3	9.0	0.8	0.8	7	1	NR	NR
Deleum	Dec	1.62	16	18	10.1	9.2	2.0	1.7	23	5	NR	NR
Uzma	Dec	2.31	21	23	11.3	10.0	1.6	1.2	19	2	NR	NR
KNM	Dec	0.64	7	8	8.9	7.8	0.5	0.4	2	NA	NR	NR
Average					14.1	12.4	1.5	1.4	9	2		

Source: Bloomberg, M&A Securities

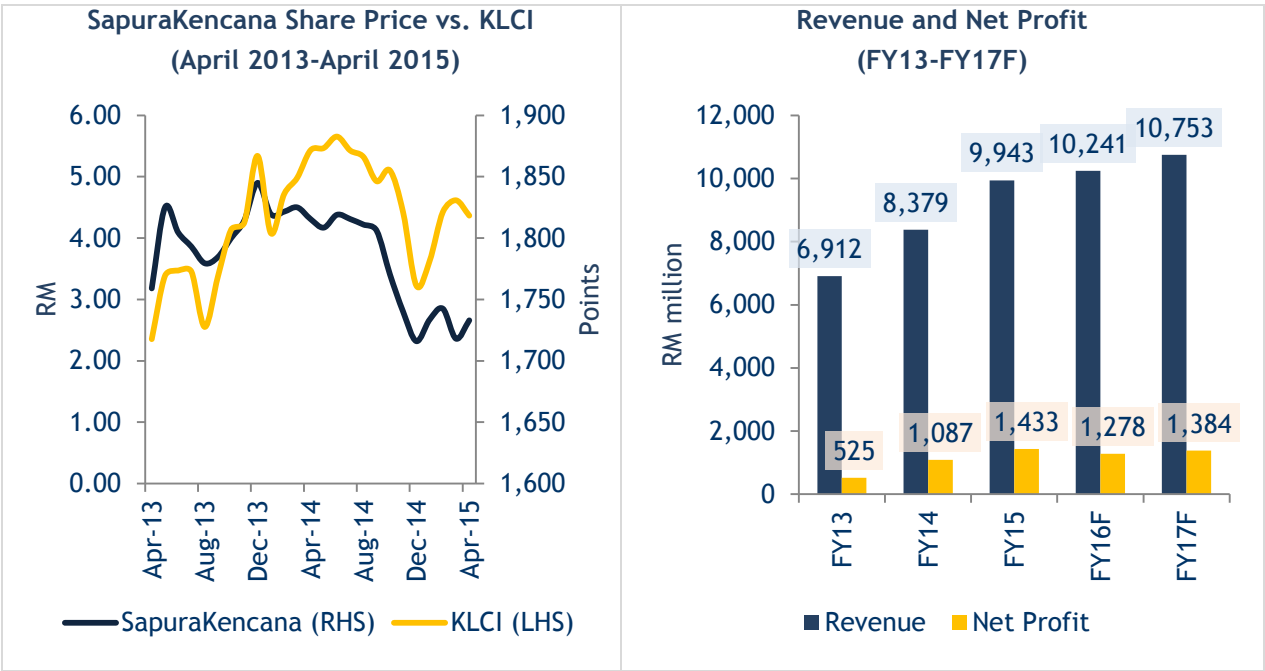
Table 2: Financial Forecast

YE: Jan (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	6,912	8,379	9,943	10,241	10,753
EBIT	922	1,846	3,107	1,639	1,828
Net interest	(227)	(444)	(651)	(666)	(699)
Pre-tax profit	830	1,208	1,616	1,639	1,774
Taxation	(166)	(84)	(183)	(360)	(390)
Net Profit	525	1,087	1,433	1,278	1,384
EPS (sen)	10	19	24	21	23.10
EBIT Margin	13%	22%	31%	16%	17%
Pre-tax margin	12%	14%	16%	16%	17%
PER (x)	27.9	22.7	9.6	13.0	12.0
P/BV (x)	2.3	1.4	1.2	1.3	1.2
DPS (sen)	NA	NA	4	3	3
Dividend Yield	NA	NA	2%	1%	1%

Source: Bursa Malaysia, M&A Securities

WTI vs. Brent Crude Oil Price
(April 2014-April 2015)

Source: Bloomberg



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

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

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office:

Level 1,2,3 No.45 & 47,43-6

The Boulevard, Mid Valley City,

Lingkaran Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893

Website: www.mnaonline.com.my