

26 March, 2024

Sapura Energy (SAPE MK)

Below

TRADING
BUYShare Price RM0.04
Target Price RM0.06 +50%

Getting Closer to Finalise the PRS

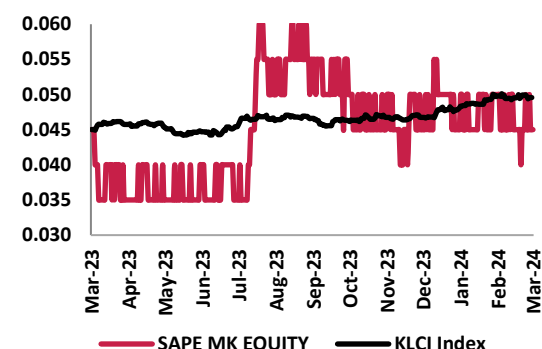
• **Maintain Trading BUY (TP: RM0.06).** Sapura Energy recorded a large headline loss of RM715mn in 4QFY24 mainly due to (i) loss at exploration and production (E&P) segment due to impairment, (ii) forex loss of RM126mn, and (iii) loss at engineering and construction (E&C) segment potentially due to project cost overruns to complete legacy projects including ONGC's KG-DWN-98/2 Central Processing Platform. Overall, FY24 core loss of RM966mn exceeded our initial core loss estimate of RM372mn. We expect the company to finalise its PN17 regularisation plan soon ahead of the submission deadline of 31st May 2024. We expect a favourable outcome from its proposed restructuring scheme (PRS) amidst the upcycle in O&G development projects. Hence, we maintain our **TRADING BUY** recommendation on Sapura Energy with **TP RM0.06**.

• **Key highlights.** Revenue declined 13% YoY to RM1.1bn mainly dragged by drilling segment which fell by 33% to RM294mn following the completion of I-RDC contract in 4QFY23. However, LBT narrowed to RM714mn from RM3.3bn in the absence of impairment of PPE and goodwill amounting to RM2.6bn in 4QFY23. Despite continuous losses, it maintained its net debt position at RM9.5bn. During the quarter, there were issuance of 2.4bn of new ordinary shares following full conversion of RCPS-I at issue price of RM0.41/share.

• **Earnings forecast.** No change to earnings forecast.

• **Outlook.** Orderbook declined to RM5bn (3Q24: RM5.4bn) due to lack of new contract win amidst lack of access to working capital and bank guarantee facility. However, the company remains committed to restructure its debt burden to a sustainable level via the PRS of which it has obtained the approval-in-principal from majority of its financiers. The company is also expected to submit its PN17 regularisation plan to the authorities no later than 31st May 2024. Key to the regularisation plan and PRS is the divestment of SapuraOMV which is on target for completion.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(11.1)	(20.0)	(11.1)
vs FBM KLCI	(10.5)	(24.5)	(19.1)

Stock Data

ESG Rating	Fair
Mkt Cap (RM mn)	735.0
Beta	1.3
Free float (%)	48.3
Issued shares (mn)	18,375.94
52w H/L (RM)	0.065 / 0.03
3m avg daily volume	25,672,870

Major Shareholders (%)

ASN	40.7
Sapura Holdings SB	9.2
Jurudata SB	1.8

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Table 1: Quarterly figures

Sapura Energy FYE 31 Jan (RM mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	%	2024F	12M/F
Revenue	1,217	1,104	1,059	-4%	-13%	4,551.3	4,257.6	-6%	4,977.1	86%
EBITDA	255	(60)	(138)	131%	-154%	653.5	(9.6)	-101%	476.1	-2%
EBIT	66	(159)	(258)	62%	-488%	104.8	(420.1)	-501%	(53.9)	779%
Pretax profit	(3,347)	63	(700)	-1211%	-79%	(3,149.4)	(399.0)	-87%	(274.0)	146%
Taxation	28	(31)	(18)	-42%	-165%	(72.0)	(105.9)	47%	(100.0)	106%
PATAMI	(3,303)	31	(715)	-2414%	-78%	(3,203.5)	(494.9)	-85%	(372.0)	133%
Core PATAMI	(286)	(228)	(575)	152%	101%	(596.8)	(965.9)	62%	(372.0)	260%
EPS (sen)	(1.8)	(1.4)	(3.6)			(1.8)	(3.6)			
EBITDA margin (%)	21.0	(5.4)	(13.0)			14.4	-0.2			
PBT margin (%)	(275.0)	5.7	(66.1)			-69.2	-9.4			
Core profit margin (%)	(23.5)	(20.6)	(54.3)			-13.1	-22.7			
Effective tax rate	(0.8)	(49.6)	2.6			2.3	26.5			

Source: BIMB Securities, Company

Table 2: Quarterly segments breakdown

Segments	4Q23	3Q24	4Q24	QoQ	YoY	Comments
Revenue (RM mn)						
E&C	693	689	666	-3%	-4%	
O&M	113	159	127	-20%	12%	
Drilling	436	326	294	-10%	-33%	
Total	1,243	1,174	1,087	-7%	-13%	
PBT (RM mn)						
E&C	(881)	(75)	(226)	200%	-74%	
O&M	35	(6)	(30)	414%	-186%	
Drilling	(1,655)	(43)	(54)	28%	-97%	
E&P	(333)	74	(182)	-345%	-45%	
Corporate/elimination	(513)	112	(222)	-297%	-57%	
Total	(3,347)	63	(714)	-1233%	-79%	
PBT margin (%)						
E&C	-127%	-11%	-34%			
O&M	31%	-4%	-24%			
Drilling	-379%	-13%	-18%			

Source: BIMB Securities, Company

Table 3: TP derivation breakdown

Items	RM mn	per share (RM)	Remarks
E&C	1,346.6	0.08	4x EV/EBITDA FY25F
O&M	3,522.3	0.22	1.5 FY23 P/B
Drilling	1,111.7	0.07	10x FY23 P/E
SapuraOMV	2,500.0	0.16	1.5x FY23 P/B
Brazil JV	2,400.0	0.15	1.2x FY23 P/B
Enterprise value	10,880.6	0.68	
Add: (Net debt)/cash	(9,765.8)	(0.61)	As at audited account FY23
Total equity value	1,114.8	0.07	
No. of shares (mn)	18,376		Enlarged shares from full conversion of 2.4bn I-RCPS
Equity value per share (RM)	0.061		

Source: BIMB Securities

Table 4: Earnings forecast

FYE Jan (RM mn)	2022	2023	2024F	2025F	2026F
Turnover	4,100	4,192	4,977	4,688	4,635
EBITDA	-2,317	328	476	469	500
Pretax profit	-8,932	-458	-274	-463	-546
Core Net Profit	-3,445	-556	-372	-561	-644
Consensus			-421	-432	-459
EPS (sen)	-21.6	-3.5	-2.3	-3.5	-4.0
PER (x)	-0.3	-1.6	-2.4	-1.6	-1.4
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
BVPS (RM)	0.01	-0.18	-0.20	-0.24	-0.28
P/B (x)	0.1	10.3	(0.3)	(0.3)	(0.2)
Key Ratios (%)					
ROE	-200.8	n.m.	n.m.	n.m.	n.m.
EBITDA margin	-56.5	7.8	9.6	10.0	10.8
Pretax margin	-217.8	-10.9	-5.5	-9.9	-11.8
Net margin	-84.0	-13.3	-7.5	-12.0	-13.9

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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