

COMPANY RESULTS

Sapura Energy (SAPE MK)

9MFY25: Weakness On PLSV Reaches The Bottom

SAPE's 9MFY25 core profit was in line, despite weaknesses seen in the rig and JV PLSV setbacks before transitioning to new multi-year contracts. Due to the high subsea demand, Sapura Esmeralda secured additional backlog for three months, at spot rates lucrative enough to consider more market opportunities. Supported by Paratus Energy's outlook upgrade, our contrarian view is that the PLSV will anchor SAPE's FCF recovery out of PN17 eventually. Retain BUY. Target price: RM0.07.

3QFY25 RESULTS

Year to 31 Jan	3QFY25	qoq	yoy	Ytd FY25	yoy	Comments
(RMm)		% chg	% chg	(RMm)	% chg	
Revenue	1,152.9	(4.6)	4.4	3,537.9	10.6	
- E&C*	700.3	(6.6)	1.6	2,269.2	14.5	Two projects completed; 10 projects ongoing
- O&M*	192.8	13.7	21.5	505.9	11.7	Higher revenue and settlement claims qoq
Drilling	280.6	(16.1)	(14.0)	866.7	(8.0)	Lower revenue days at 833 vs 665 qoq
PBT	(261.2)	(853.9)	(514.4)	(250.9)	(183.4)	
- E&C	193.5	(20.0)	(356.7)	519.1	Na	Utilisation of yard/vessels: 0%/ 50%
- O&M	39.3	29.0	(771.6)	101.4	Na	1QFY25 due to a RM35m settlement claim
Drilling	(39.4)	146.3	(7.3)	(132.4)	267.9	Higher depreciation, idle days, finance costs
Finance cost	(235.9)	11.8	15.2	(632.2)	(274.8)	Likely around RM30m additional financing charges
Associates	67.7	(29.0)	(58.1)	288.5	(7.9)	Lower PLSV EBITDA qoq is temporary
Pre-tax profit	(261.2)	(853.9)	(514.4)	(250.9)	Na	
Income tax	(24.9)	(36.1)	(20.3)	(92.1)	5.0	
Reported profit	(293.1)	Na	Na	(216.2)	(198.4)	Forex loss in 3Q/9MFY25: RM213m/ RM267m
Core profit	(49.9)	(149.5)	(57.7)	14.4	(103.7)	Excluding forex, disposal gain and RM35m O&M

* E&C : Engineering and construction; O&M: Operation and maintenance; E&P: Exploration and production
Source: Sapura Energy

RESULTS

- Sapura Energy's (SAPE) 9MFY25 core profit is deemed in line, despite comprising merely 12%/9% of our/consensus forecasts. This excluded forex losses, 1QFY25 one-off O&M income, and additional financing charges in 3QFY25 (we assume RM25m for now, pending confirmation). 3QFY25 EBITDA of RM0.3b is deemed healthy (2Q/1QFY25: RM246m/ RM217m). Investors expect a stronger FY26, which will mark the start of a catapulting JV income trend from the Brazil pipelay support vessels (PLSV). PLSV income appeared weak vs the historical of RM80m-100m/quarter, alongside wider rig losses qoq, due to the full effects of cold-stacking rigs SKD T-9 (which remain jobless) and SKD Pelaut (contract deferred until FY26), but these are also within expectations.
- Orderbook unchanged qoq at RM6b. This does not include the JV orderbook of RM5.8b (vs RM6.5b qoq). It appears that SAPE is gaining some grounds at least in its appetite for contracts, as its bidbook increased materially qoq for the first time since it announced the reset/restructuring plans, ie from RM19b to RM26b qoq.

KEY FINANCIALS

Year to 31 Jan (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,551	4,258	4,293	4,441	4,587
EBITDA	691	656	655.3	713.3	770.6
Operating profit	143	246	223.9	287.4	323.8
Net profit (rep./act.)	(3,158)	(509)	116.4	175.8	180.6
Net profit (adj.)	(78)	(980)	116.4	175.8	180.6
EPS (sen)	(0.4)	(5.1)	0.6	0.9	0.9
PE (x)	n.m.	n.m.	6.7	4.4	4.3
P/B (x)	(0.2)	(0.2)	n.m.	n.m.	(504)n.m.
EV/EBITDA (x)	14.7	15.4	21.1	14.5	9.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(69.4)	(11.9)	2.7	4.0	3.9
Net debt/(cash) to equity (%)	(339.2)	(229.4)	(464.8)	(1,423.6)	(2,473.8)
Interest cover (x)	1.1	0.8	1.0	1.0	1.2
ROE (%)	n.a.	n.a.	2.1	2.8	2.8
Consensus net profit	-	-	(501)	(504)	n.m.
UOBKH/Consensus (x)	-	-	n.m.	n.m.	n.m.

Source: Sapura Energy, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	RM0.04
Target Price	RM0.07
Upside	+66.4%

COMPANY DESCRIPTION

Integrated engineering, procurement, construction, installation and commissioning (EPCIC) oil & gas player

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	SAPE MK
Shares issued (m):	18,375.9
Market cap (RMm):	735.0
Market cap (US\$m):	178.2
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

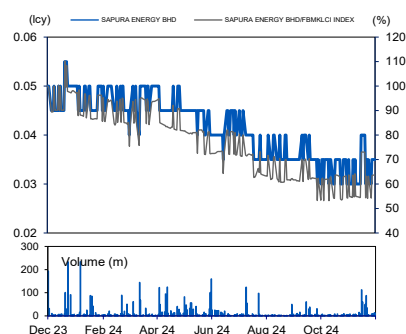
52-week high/low	RM0.06/RM0.03
1mth	0.0
3mth	(16.7)
6mth	(33.3)
1yr	(33.3)
YTD	(11.1)

Major Shareholders

Skim Amanah Saham Bumiputera	36.0
STSB	12.5

FY25 NAV/Share (RM)	(0.04)
FY25 Net Debt/Share (RM)	0.43

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kong Ho Meng
+603 2147 1987
homeng@uobkayhian.com

- SapuraOMV sale was successful, but still pending outcome of production sharing contracts (PSC) of SB331 and SB332.** To recap, this was the first PSC granted to a local consortium (ie SAPE and M3nergy) back in 2014, since Petronas' formation in 1974. Coincidentally, the award of the PSC was also being done when Datuk Anuar Taib was heading Petronas Carigali. Now he is stepping down as SAPE's CEO, after having served four years in navigating the group through a tumultuous path of financial difficulties that most people would find it impossible to overcome. The onshore PSC was extended several times until the recent deadline of 19 Nov 24. SAPE is in discussions with Petronas and there is no decision yet on the PSC's status beyond 19 Nov 24.
- Brazil PLSVs encountered delayed startup for new US\$2b backlog.** When the new Petrobras long-term contracts were awarded, the PLSVs Sapura Rubi, Sapura Jade and Sapura Esmeralda were originally scheduled to be mobilised by 1QFY25. However, the Petrobras campaign was delayed, and the delay resulted in the average daily charter rates (DCR) for the PLSV fleet being recognised at only US\$201,000 in 2Q24 (vs US\$209,000 qoq). On hind side, Paratus Energy revealed back in 2Q24 that the delayed rollout enabled the existing contracts to see a further extension of US\$74m, ie US\$62m (or additional 235 days) for Sapura Rubi, and US\$12m (60 days) for Sapura Esmeralda.
- More details from Paratus Energy's 3Q24 briefing.** On a gross level, Seagems (the unit that holds the PLSVs) reported a lower EBITDA and DCR of only US\$186,000 qoq. This was longer than the expected off-hire periods prior to transitioning to the new multi-year contracts, and PLSV Sapura Onix had a full quarter contribution at a lower DCR on a spot contract (working for Enauta on Yinson's FPSO installation). EBITDA margins dropped to 55%, but this will be the lowest point. Paratus is optimistic and upgraded its guidance, as Sapura Esmeralda secured another US\$35m backlog for three months at a very lucrative DCR. Paratus further stated that the Petrobras contracts allow flexibility to shift the PLSV start dates to May 25, if there are more lucrative spot opportunities.
- The true measure of SAPE's reset plans lies not in EBITDA...** We foresee group EBITDA level remaining challenging, especially in its rig division, if we assume there are more rigs expiring in the near term. One example is SKD Berani, whereby its contract may expire by Jan 25. We observed that peak drilling rig rates and the Petronas-Petros saga, had deferred exploration-stage/drilling programmes region-wide at least to 2H25, and this affected prospects of drillers like Velessto Energy.
- ...but in FCF, hence we retain forecasts.** As SAPE had applied to the regulators for further extension of time until May 25 to formalise its regularisation plan in view of its PN17 status, we now understand that the true measure of its financial recovery lies in FCF. FCF captures the ongoing execution risks via working capital and capex, but in addition to this also captures the steady returns from JVs. Also, as the PLSVs transition to the new Petrobras contracts at higher DCR, the implied average DCR from FY26 will see a close to 40% surge to US\$279,000, and hence we now forecast EBITDA margin of 60% and potential gross EBITDA of US\$400m.

VALUATION/RECOMMENDATION

- Retain BUY and target price of RM0.07.** Our target price already assumes successful sale of SapuraOMV (RM2.3b valuation) and a RM1.8b white knight support. But our contrarian angle is on improving FCF, largely due to the PLSVs which are based on 5x EV/ EBITDA, although we still apply a 60% discount to factor in the negative sentiment of the rigs. We continue to believe that the renewed PLSV contracts, with DCRs as high as those in the pre-2014 period, may be the light at the end of the tunnel. While we do acknowledge execution risks especially given SAPE's financial trouble, current price has limited downside risk. Investors may adopt a wait-and-see approach, but we think transparency on SAPE will improve, owing to its PLSV partner Paratus Energy which had a successful listing recently.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Greenhouse gas (GHG) emissions disclosure. Begun to report Scope 1 and 2 emissions and strive to meet references from the Global Reporting Standards. Loss Time Injury (LTI) Frequency improved yoy from 0.62 to 0.27 in FY24. Social <ul style="list-style-type: none"> Diversity. Female staff mix improved to 36%; however board representation was 9%. Governance <ul style="list-style-type: none"> - 55% of its board members are independent.

PLSV STATUS/DCR*, AS OF 2024

Vessel	2H 2024	2025	2026	2027
Diamante	\$142k		\$284k	
Topazio	\$142k		\$284k	
Esmeralda	\$193k		\$259k	
Onix	\$162k		\$284k	
Jade		\$282k		
Rubi	\$263k		\$282k	

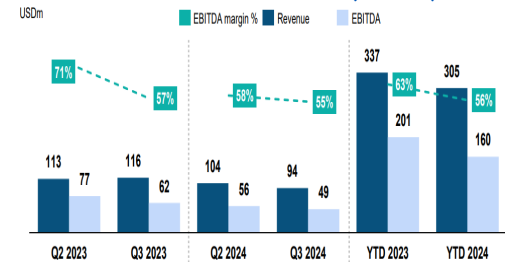
*Note: Daily Charter Rate (DCR)
Source: Paratus Energy

PLSV STATUS/DCR, AS OF 3Q24

Vessel	2H 2024	2025	2026	2027
Diamante	\$141k		\$284k	
Topazio	\$141k		\$284k	
Esmeralda	\$193k	\$340k	\$259k	
Onix	\$170k		\$284k	
Jade		\$282k		
Rubi	\$263k		\$282k	

Source: Paratus Energy

SEAGEMS OPERATIONS REVIEW (GROSS)



*Note: Dark blue: revenue; Light blue: EBITDA; Green box label: Margin
Source: Paratus Energy

RIG STATUS AND REVENUE DAYS

Rigs	Client	Location	Technical Utilisation (Operational Performance)
Alliance	PCSB	Malaysia	99.92%
Berani	JX Nippon	Malaysia	96.76%
Esperanza	PCSB	Malaysia	98.88%
Jaya	Chevron	Angola	95.48%
Pelaut	N/A	Malaysia	99.10%
T-9	N/A	Malaysia	N/A
T-10	PTTEP	Thailand	96.37%
T-11	PTTEP	Thailand	96.72%
T-12	PTTEP	Thailand	98.03%
T-17	PTTEP	Thailand	94.42%
T-18	PTTEP	Thailand	98.57%



Source: Sapura Energy

PROFIT & LOSS

Year to 31 Jan (RMm)	2024	2025F	2026F	2027F
Net turnover	4,258	4,293	4,441	4,587
EBITDA	656	655.3	713.3	770.6
Deprec. & amort.	411	431.4	425.9	446.8
EBIT	246	223.9	287.4	323.8
Total other non-operating income	n.a.	0	0	0
Associate contributions	337	617.8	673.8	660.4
Net interest income/(expense)	(787)	(653.5)	(681.5)	(669.3)
Pre-tax profit	(413)	188.2	279.7	314.8
Tax	(106)	(89.6)	(114.0)	(152.1)
Minorities	10	17.8	10.0	17.8
Net profit	(509)	116.4	175.8	180.6
Net profit (adj.)	(980)	116.4	175.8	180.6

CASH FLOW

Year to 31 Jan (RMm)	2024	2025F	2026F	2027F
Operating	311	233.8	1,146.3	(1,437.5)
Pre-tax profit	(413)	188.2	279.7	314.8
Tax	(125)	(89.6)	(114.0)	(152.1)
Deprec. & amort.	411	431.4	425.9	446.8
Working capital changes	190			
Other operating cashflows	248	(331.8)	547.0	(2,055.9)
Investing	302	1,824.5	823.2	824.5
Capex (growth)	(198)	(197.9)	(197.9)	(197.9)
Investments	0	0	0	0
Proceeds from sale of assets	471	0	0	0
Others	29	2,022.3	1,021.1	1,022.3
Financing	(120)	(618.6)	(1,093.4)	(1,118.6)
Dividend payments	0	0	0	0
Proceeds from borrowings	0	(500)	(1,000)	(1,000)
Loan repayment	(120)	(119)	(93)	(119)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	493	1,174	700	845
Beginning cash & cash equivalent	850	850	1,454	2,025
Changes due to forex impact	110	0	0	0
Ending cash & cash equivalent	1,454	2,025	2,154	2,870

BALANCE SHEET

Year to 31 Jan (RMm)	2024	2025F	2026F	2027F
Fixed assets	5,348	5,277.4	5,545.9	5,475.2
Other LT assets	5,092	4,138.2	4,138.2	4,138.2
Cash/ST investment	1,454	2,289.9	2,329.7	558.4
Other current assets	2,127	1,497	1,878	1,509
Total assets	14,020	13,561.5	16,406.9	12,283.5
ST debt	10,982	10,363.9	9,270.5	8,152.0
Other current liabilities	7,128	3,696.7	6,872.8	3,872.0
LT debt	0	0	0	0
Other LT liabilities	102	671.4	0.0	0.0
Shareholders' equity	(4,153)	(1,737.0)	(487.6)	(307.0)
Minority interest	(38)	(27)	(38)	(27)
Total liabilities & equity	14,020	13,561.5	16,406.9	12,283.5

KEY METRICS

Year to 31 Jan (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	15.4	15.3	16.1	16.8
Pre-tax margin	(9.7)	5.2	6.5	7.1
Net margin	(11.9)	39.2	39.2	39.2
ROA	n.a.	4.4	6.3	6.9
ROE	n.a.	n.a.	n.a.	(9.2)
Growth				
Turnover	(6.5)	(43.9)	(42.0)	(40.0)
EBITDA	(5.1)	(71.1)	(68.5)	(66.0)
Pre-tax profit	n.a.	(40.9)	(12.2)	(1.2)
Net profit	n.a.	(17.8)	24.1	27.5
Net profit (adj.)	n.a.	(43.9)	(42.0)	(40.0)
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	161.7	109.0	188.3	108.3
Debt to equity	(264.4)	(1,254.6)	(215.2)	(1,358.9)
Net debt/(cash) to equity	(229.4)	(1,009.5)	(165.2)	(880.5)
Interest cover (x)	0.8	0.7	1.0	1.5

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W