

Buy (unchanged)

Share price: MYR2.44
Target price: MYR2.68 (unchanged)

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Stock Information

Description: An integrated O&G service provider with 6 core operations: IPF, drilling, EPC, marine services, O&M, development, operations & maintenance of oilfield facilities.

Ticker:	SAKP MK
Shares Issued (m):	5,004.4
Market Cap (MYR m):	12,210.7
3-mth Avg Daily Turnover (US\$ m):	7.32
ST Index:	1,660.67
Free float (%):	45.9

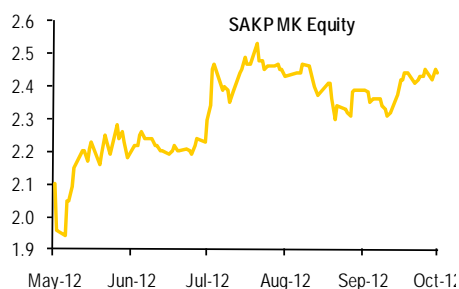
Major Shareholders:

	%
Sapura Technology Sdn Bhd	19.0
Khasera Baru Sdn Bhd	15.9
EPF	11.8
Seadrill Limited	6.4

Key Indicators

Net cash / (debt) (RM m):	(3,869.8)
NTA/shr (RM):	0.20
Net Gearing (x):	0.6

Historical Chart



Performance:

52-week High/Low MYR2.59/MYR1.91

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	2.1	6.1	-	-	-
Relative (%)	1.0	4.8	-	-	-

SapuraKencana Petroleum Charter Extension for T-6 Rig Secured

Reiterate BUY; TP unchanged at MYR2.68. Securing the charter extension for the T-6 rig at similar rates is operationally positive for SAKP and reflects the rising intensity of drilling activities in Malaysia. Our forecasts are unchanged. SAKP is one of our top picks in the O&G space. Our TP is pegged to 20x FY1/14 EPS, fair value for a growth stock with low gearing, skilled management and a strong track record.

Three-month extension for T-6 rig charter. SAKP's 51%-owned subsidiary, Tioman Drilling Company S/B, received confirmation from Carigali PTTEPI Operating Company (CPOC) that it would extend the contract charter for the T-6 tender rig beyond the original period ending 20 Apr 2013, for a further three months to 20 Jul 2013.

Charter extension is worth USD9.2m. This implies daily charter rate (DCR) of USD99k, comparable to the current rates. Contractually, CPOC has the option to extend the T-6 charter for another three months beyond 20 Jun 2013. We reckon the likelihood that CPOC will exercise the second extension is high, considering the need to support its rising drilling activities.

Our forecasts are unchanged, for we have imputed this potential in our estimates. Apart from T-6, we note that SAKP's four other tender rigs in operation, namely T-3, T-9, T-10 and Teknik Berkat, are nearing their contract expiries in 1H13. We expect these rigs too will be offered extensions, as is permitted in their respective contracts.

Earnings upside bias. Our forecasts do not incorporate earnings potential arising from: (i) the Berantai RSC project, in which SAKP holds a 50% stake with Petrofac; and (ii) Petrofac's USD1.6b charter contract. Earnings from the former will kick in from 4QFY1/13, while the latter will contribute meaningfully only from FY16 onward. There is scope for SAKP to leverage on its low gearing to add new assets (i.e. via M&A and/ or new orders) to its drilling and pipe-lay vessel fleet.

SapuraKencana Petroleum – Summary Earnings Table

FYE Jan (MYR m)	2013F	2014F	2015F
Revenue	5,057.8	6,145.7	6,739.4
EBITDA	1,034.5	1,246.6	1,390.3
Recurring Net Profit	482.6	670.7	822.5
Recurring Basic EPS (Sen)	9.6	13.4	16.4
EPS growth (%)	-	39.0	22.6
DPS (Sen)	0.0	0.0	0.0
PER	25.3	18.2	14.8
EV/EBITDA (x)	13.5	10.8	9.3
Div Yield (%)	0.0	0.0	0.0
P/BV(x)	2.2	2.0	1.7
Net Gearing (%)	32.5	20.6	9.3
ROE (%)	7.9	11.4	12.4
ROA (%)	7.5	8.1	8.7
Change in net profit (%)	-	-	-
Consensus net profit (MYR'm)	565.2	766.1	918.5

Listed on 17 May 2012; Source: Maybank KE

INCOME STATEMENT (MYR m)

FY Jan	2013F	2014F	2015F
Revenue	5,057.8	6,145.7	6,739.4
EBITDA	1,034.5	1,246.6	1,390.3
Depreciation & Amortisation	(158.0)	(164.3)	(170.9)
Operating Profit (EBIT)	876.5	1,082.3	1,219.4
Interest (Exp)/Inc	(180.0)	(222.0)	(212.2)
Associates	123.0	143.2	177.0
One-offs	(75.4)	0.0	0.0
Pre-Tax Profit	744.1	1,003.5	1,184.2
Tax	(149.6)	(160.6)	(189.5)
Minority Interest	(172.2)	(172.2)	(172.2)
Net Profit	422.4	670.7	822.5
Recurring Net Profit	497.8	670.7	822.5
Revenue Growth %	-	21.5%	9.7%
EBITDA Growth (%)	-	20.5%	11.5%
EBIT Growth (%)	-	23.5%	12.7%
Net Profit Growth (%)	-	82.6%	22.6%
Recurring Net Profit Growth (%)	-	34.7%	22.6%
Tax Rate %	20.1%	16.0%	16.0%

CASH FLOW (MYR m)

FY Jan	2013F	2014F	2015F
Profit before taxation	422.4	670.7	822.5
Depreciation	158.0	164.3	170.9
Net interest receipts/(payments)	180.0	222.0	212.2
Working capital change	354.9	61.4	33.5
Cash tax paid	(149.6)	(160.6)	(189.5)
Others (incl'd exceptional items)	18.8	(32.5)	(27.5)
Cash flow from operations	984.5	925.4	1,022.1
Capex	(400.0)	(400.0)	(400.0)
Disposal/(purchase)	0.0	0.0	0.0
Others	0.0	0.0	0.0
Cash flow from investing	(400.0)	(400.0)	(400.0)
Debt raised/(repaid)	1,844.0	(280.0)	(280.0)
Equity raised/(repaid)	0.0	0.0	0.0
Dividends (paid)	0.0	0.0	0.0
Interest payments	0.0	0.0	0.0
Others	0.0	0.0	0.0
Cash flow from financing	1,844.0	(280.0)	(280.0)
Change in cash	2,428.5	245.4	342.1

Sources: Company, Maybank KE

BALANCE SHEET (MYR m)

FY Jan	2013F	2014F	2015F
Fixed Assets	3,039.1	3,274.7	3,503.8
Other LT Assets	4,911.8	4,911.8	4,911.8
Cash/ST Investments	4,539.5	4,784.9	5,127.0
Other Current Assets	2,126.3	2,603.7	2,963.1
Total Assets	14,616.5	15,575.0	16,505.7
ST Debt	1,065.9	1,065.9	1,065.9
Other Current Liabilities	2,175.6	2,571.2	2,787.1
LT Debt	5,277.0	4,997.0	4,717.0
Other LT Liabilities	54.0	54.0	54.0
Minority Interest	500.4	672.6	844.9
Shareholders' Equity	5,543.5	6,214.2	7,036.7
Total Liabilities-Capital	14,616.5	15,575.0	16,505.7
Share Capital (m)	5,004.4	5,004.4	5,004.4
Gross Debt/(Cash)	6,342.9	6,062.9	5,782.9
Net Debt/(Cash)	1,803.5	1,278.1	655.9
Working Capital	3,424.2	3,751.4	4,237.0

RATES & RATIOS

FY Jan	2013F	2014F	2015F
EBITDA Margin %	20.5%	20.3%	20.6%
Op. Profit Margin %	17.3%	17.6%	18.1%
Net Profit Margin %	8.4%	10.9%	12.2%
ROE %	7.9%	11.4%	12.4%
ROA %	3.2%	4.4%	5.1%
Net Margin Ex. EI %	9.8%	10.9%	12.2%
Dividend Cover (x)	nm	nm	nm
Interest Cover (x)	4.9	4.9	5.7
Asset Turnover (x)	0.3	0.4	0.4
Asset/Debt (x)	2.3	2.6	2.9
Debtors Turn (days)	115.8	92.4	96.9
Creditors Turn (days)	166.1	151.8	159.9
Inventory Turn (days)	11.0	12.9	13.6
Net Gearing %	0.3	0.2	0.1
Debt/ EBITDA (x)	6.1	4.9	4.2
Debt/ Market Cap (x)	0.6	0.6	0.6

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Maybank Kim Eng Research uses the following rating system:

BUY	Total return is expected to be above 10% in the next 12 months (excluding dividends)
HOLD	Total return is expected to be between -10% to +10% in the next 12 months (excluding dividends)
SELL	Total return is expected to be below -10% in the next 12 months (excluding dividends)

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The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date

EV = Enterprise Value

PBT = Profit Before Tax

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