

COMPANY RESULTS

Sapura Energy (SAPE MK)

1QFY25: Temporarily Weak Rig EBITDA, And Last Quarter Of E&P Earnings

SAPE's 1QFY25 core loss was expected due to weak rig EBITDA, as three of its rigs are awaiting the next contract mobilisation from Apr 24. While it secured extension until Mar 25 for the restructuring and had been claiming back projects (ONGC in 2QFY25), but legacy issues remain. This also marks the final quarter for SapuraOMV (RM41m). The cash boost was largely due to the Brazil PLSVs, and we continue to view it as the light at the end of the tunnel. Retain HOLD. Target price: RM0.06.

1QFY25 RESULTS

Year to 31 Jan (RMm)	1QFY25	qoq % chg	yoy % chg	Comments
Revenue	1,176.4	11.1	23.6	
- E&C*	818.9	23.0	42.5	Closing off major projects, including the ONGC Central Processing Platform (CPP)
- O&M*	143.6	12.7	(0.6)	
- Drilling	251.6	(14.4)	(14.6)	Lower utilisation as 3 rigs were idle in 1Q before new contract
PBT	(24.4)	(96.6)	(114.0)	
- E&C	83.8	(137.1)	17.6	
- O&M	31.7	(205.5)	Na	This include settlement and impairment reversal of RM25.8m
- Drilling	(77.0)	41.9	Na	Due to lower utilisation and higher costs for Thailand projects
Finance cost	(185.1)	(13.3)	0.0	
Associates	125.5	(234.3)	6.6	E&P made RM41m vs RM44m yoy on lower O&G prices
Pre-tax profit	(24.4)	(96.6)	(114.0)	
Income tax	(28.3)	56.3	(4.5)	
Reported profit	82.1	(111.3)	(43.8)	Include RM52m net forex gains and RM12m disposal gains
Core profit	(36.6)	(93.8)	(57.7)	Exclude the above items and >RM30m from O&M division

Source: Sapura Energy \* E&C : Engineering and Construction; O&M: Operation and Maintenance; E&P: Exploration and Production

RESULTS

- **1QFY25 core loss considered in line.** Sapura Energy (SAPE) generated EBITDA of RM147m, of which the EBITDA for E&C/O&M/drilling segments were RM54m, RM34m and RM79m respectively. If we exclude the O&M EBITDA (which is mostly project settlement), the EBITDA generation is on track with our forecast. We had expected weak drilling performance, vs a typical quarterly EBITDA of >RM120m. This was due to the rigs SKD Berani, Esperanza and Pelaut awaiting the next contract mobilisation only from Apr 24 after completing the previous jobs by Jan 24. SKD T-9, is now on cold stack.
- **Cash boosted qoq from RM1.4b to RM1.6b.** Operating cash flow was low at RM58m. We note the accounts reported LBITDA of RM85m, due to about RM250m liquidation loss of subsidiary Sapura Energy Mexicana (SEM; RM135m was in minority interest). While free cash flow was minimal after a RM47m capex, the cash boost was primarily from a RM109m steady-state repayment from the JV entity of the Brazil pipelay vessels (PLSV).

KEY FINANCIALS

Year to 31 Jan (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,551	4,258	3,975	4,211	4,325
EBITDA	691	656	480	697	1,037
Operating profit	143	246	(204)	21	328
Net profit (rep./act.)	(3,158)	(509)	(447)	(155)	226
Net profit (adj.)	(78)	(980)	(447)	(155)	226
EPS (sen)	(0.4)	(5.1)	(2.3)	(0.8)	1.2
PE (x)	n.m.	n.m.	n.m.	n.m.	3.0
P/B (x)	(0.2)	(0.2)	(0.8)	(0.2)	(1.1)
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)	(11.2)	(3.7)	5.2
Net debt/(cash) to equity (%)	(339.2)	(229.4)	(1,009.5)	(165.2)	(880.5)
Interest cover (x)	1.1	0.8	0.7	1.0	1.5
ROE (%)	n.a.	n.a.	n.a.	n.a.	(9.2)
Consensus net profit	-	-	(447)	(400)	(167)
UOBKH/Consensus (x)	-	-	1.00	0.39	n.m.

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

HOLD

(Maintained)

Share Price	RM0.04
Target Price	RM0.06
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):	643.2
Market cap (US\$m):	136.3
3-mth avg daily t'over (US\$m):	0.2

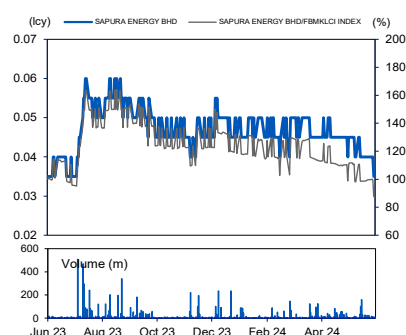
Price Performance (%)

52-week high/low	RM0.060/RM0.035			
1mth	3mth	6mth	1yr	YTD
(22.2)	(30.0)	(22.2)	0.0	(22.2)

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

- **Orderbook grew to RM7b from RM6.6b in Apr 24.** This does not include the JV orderbook of RM7.1b (vs RM7.3b qoq). Assuming no material changes, almost half of the orderbook will be part of FY25 revenue. The most prominent contract win was the new multi-year Petrobras contract for the six pipelay support vessels.
- **Rigs EBITDA should improve qoq...** All 10 of SAPE's available rigs are on contract, if excluding the cold-stack SKD T-9. This is aligned with our channel checks as Westwood Global reported the same, which implies the three aforementioned rigs had been mobilised for the new contract since Apr 24. Interestingly, we found that a rig subsidiary Sapura Raiqa remains active, suggesting that SAPE still intends to deliver the rig, while subsidiaries Sapura T-9 and Sapura Kinabalu are now dormant. The semi tender barge Raiqa's construction with Keppel was terminated years ago, and Keppel subsequently transferred the ownership to a "RigCo".
- **...although SapuraOMV's contribution will be discontinued effective 2QFY25.** Sustaining a high rig EBITDA is crucial for the group to be on track on its reset plans. SapuraOMV is now classified as an asset held for sale (the planned sale to TotalEnergies may complete by mid-25), and hence the RM41m associate profit is the final recognition.
- **Successfully obtained extra nine months from 11 Jun 24 for restructuring, though legacy issues remain.** The extension now also covers Brunei Shell Petroleum's litigation. Another good news is a successful arbitration claim from ONGC India worth US\$22.2m in May 24, which may be reflected in 2QFY25. However, the €50m claims from Yunneng (Taiwan offshore wind) still lingers. Another uncertainty is the remaining upstream assets held via Sapura Energy Ventures, ie the SB331 and SB332 fields (70% stake). We are unsure what is the cumulative minimum working commitment for the past five years, that is payable to Petronas by 19 Nov 24. Petronas recently reminded SAPE to update the status by 30 Jun 2024. Since SEM was declared bankrupt on 18 Apr 23 (due to COVID-19 situation that rendered >US\$30m owed to Mexican creditors), SEM attempted to appeal and obtained as high as 59% creditors support for a restructuring agreement, but was still deemed insufficient by the judge, and the unit was automatically considered bankrupt.
- **Retain forecasts,** as the PLSVs continued to be steady on cash flow contribution.

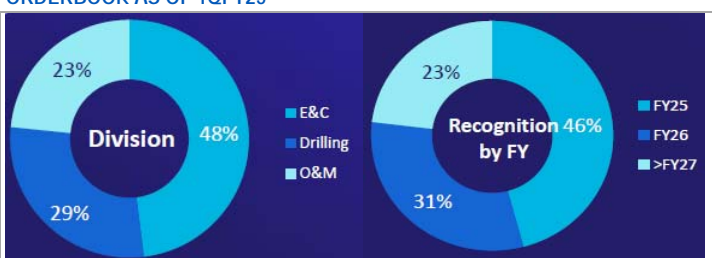
### VALUATION/RECOMMENDATION

- **Retain HOLD and diluted target of RM0.06.** Our target price assumes the successful sale of SapuraOMV (RM2.3b valuation), continuous RM1.8b white knight support (renewed in Mar 24), and improving EBITDA and JV generation largely due to the PLSVs (potential EBITDA US\$0.2b). We continue to view that the renewed PLSV contracts at rates as high as pre-14 periods, may be the light at the end of the tunnel. But actual execution of the contract still matters, and the timeline for a potential PN17 upliftment can only happen after Jan 25 at best. Hence, we advise a wait-and-see as a better position.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

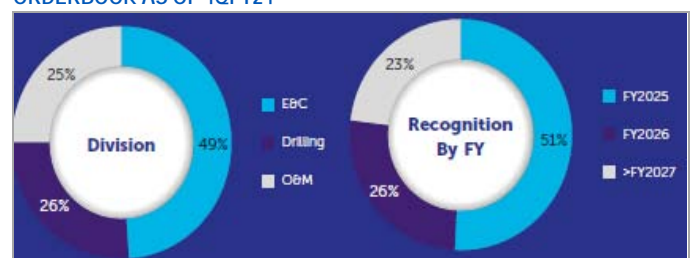
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Greenhouse gas (GHG) emissions disclosure:</b> Began to report Scope 1 and 2 emissions and strive to meet references from the Global Reporting Standards.</li> <li>- <b>Loss Time Injury (LTI) Frequency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

### ORDERBOOK AS OF 1QFY25



Source: Sapura Energy

### ORDERBOOK AS OF 4QFY24



Source: Sapura Energy

### ESTIMATED TIMELINE FOR EXTENDED SOA

Timeline	Events
End Aug 24	Completion of assessment and adjudication of remaining proof of debts
Sep 24	Issuance of Notice of Meeting
Early Oct 24	Scheme meetings for 23 applicants
Mid Oct 24	Application for approval of creditor approved schemes
End Oct 24	Hearing of application for approval
Nov 24	Submission of regularization plan
Jan 25	Bursa approval of regularization plan and issuance of circular
Jan 25	Extraordinary General Meeting for approving regularisation plan
2 months	Restructuring effective date; implementation of the plan

Source: Sapura Energy

### RIG STATUS AND REVENUE DAYS

Rigs	Client	Location	Technical Utilisation (Operational Performance)
Alliance	PCSB	Malaysia	100%
Berani	JX Nippon	Malaysia	97.62%
Esperanza	PCSB	Malaysia	99.72%
Jaya	Chevron	Angola	99.29%
Pelaut	PCSB	Malaysia	96.73%
T-10	PTTEP	Thailand	91.75%
T-11	PTTEP	Thailand	95.06%
T-12	PTTEP	Thailand	97.66%
T-17	PTTEP	Thailand	86.90%
T-18	PTTEP	Thailand	98.68%



Source: Sapura Energy

### PROFIT & LOSS

Year to 31 Jan (RMm)	2024	2025F	2026F	2027F
Net turnover	4,258	3,975	4,211	4,325
EBITDA	656	480	697	1,037
Deprec. & amort.	411	684	676	709
EBIT	246	(204)	21	328
Total other non-operating income	n.a.	0	0	0
Associate contributions	337	482	600	650
Net interest income/(expense)	(787)	(653)	(681)	(669)
Pre-tax profit	(413)	(375)	(60)	309
Tax	(106)	(90)	(105)	(100)
Minorities	10	18	10	18
Net profit	(509)	(447)	(155)	226
Net profit (adj.)	(980)	(447)	(155)	226

### CASH FLOW

Year to 31 Jan (RMm)	2024	2025F	2026F	2027F
Operating	311	(32)	971	1,139
Pre-tax profit	(413)	(375)	(60)	309
Tax	(125)	(90)	(105)	(100)
Deprec. & amort.	411	684	676	709
Working capital changes	190	(422)	379	203
Other operating cashflows	248	171	81	19
Investing	302	1,824	823	824
Capex (growth)	(198)	(198)	(198)	(198)
Investments	0	0	0	0
Proceeds from sale of assets	471	0	0	0
Others	29	2,022	1,021	1,022
Financing	(120)	(619)	(1,093)	(1,119)
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	5,546	5,475
Other LT assets	5,092	4,901	2,846	2,075
Cash/ST investment	1,454	2,025	2,154	2,870
Other current assets	2,127	1,497	1,878	1,509
Total assets	14,020	13,700	12,424	11,929
ST debt	10,982	10,364	9,271	8,152
Other current liabilities	7,128	4,087	7,398	4,301
LT debt	0	0	0	0
Other LT liabilities	102	102	102	102
Shareholders' equity	(4,153)	(826)	(4,309)	(600)
Minority interest	(38)	(27)	(38)	(27)
Total liabilities & equity	14,020	13,700	12,424	11,929

### KEY METRICS

Year to 31 Jan (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	15.4	12.1	16.5	24.0
Pre-tax margin	(9.7)	(9.4)	(1.4)	7.1
Net margin	(11.9)	(11.2)	(3.7)	5.2
ROA	n.a.	n.a.	n.a.	1.9
ROE	n.a.	n.a.	n.a.	(9.2)
Growth				
Turnover	(6.5)	(6.6)	5.9	2.7
EBITDA	(5.1)	(26.9)	45.1	48.8
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
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 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