

## Malaysia

**REDUCE** (no change)

Consensus ratings\*: Buy 2 Hold 0 Sell 9

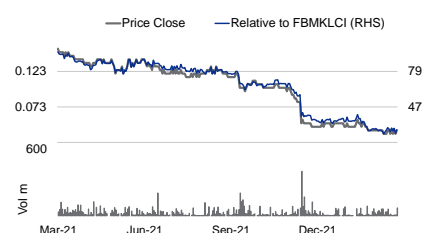
Current price:	RM0.04
Target price:	RM0.005
Previous target:	RM0.025
Up/downside:	-87.5%
CGS-CIMB / Consensus:	-89.7%

Reuters:	SAEN.KL
Bloomberg:	SAPE MK
Market cap:	US\$152.4m
	RM639.2m
Average daily turnover:	US\$0.25m
	RM1.06m
Current shares o/s:	15,979m
Free float:	40.0%

\*Source: Bloomberg

**Key changes in this note**

- FY23-24F core loss per share forecasts widened 164-190% as SAPE may continue suffering from losses from the execution of its legacy contracts.
- FY25F core loss per share forecast introduced in this report.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-11.1	-75.8
Relative (%)	0.7	-17	-73.5

Major shareholders	% held
PNB	40.0
Tan Sri Dato' Seri Shahril	13.9

**Analyst(s)**

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# Sapura Energy Bhd

## A shadow of its former self

- SAPE's FY1/22 was worse than expected, with its RM3.3bn core net loss 32% wider than our forecast and 72% wider than consensus.
- SAPE's survival now hinges on creditors agreeing to its debt-to-equity swap proposal; even so, a share price overhang may persist for years to come.
- Reiterate Reduce, with a lower RNAV-based TP of 0.5 sen.

**Shareholders' equity reduced to just 1.6 sen/share on 31 Jan 2022**

SAPE's 4QFY22 core net loss of RM1.2bn was 2.7x wider than 3QFY22's RM457m loss as the company undertook a comprehensive review of its E&C portfolio of ongoing projects and made provisions for foreseeable contract losses (where, in its estimation, it is unlikely to make profits on particular contracts), cost overruns, liquidated damages, and Covid-19 compliance costs and also reversed prior quarters' provisions for cost reimbursement claims that are unlikely to be approved by its clients. SAPE made similar provisions in 2QFY22 (and also in 4QFY20) but were apparently insufficient, which suggests that SAPE may have underestimated the full extent of its problems in the past. SAPE blamed its state of affairs on 'legacy contracts' that did not factor in Covid-19-related compliance costs but that is not likely to be the only issue, in our view; SAPE's misfortunes are probably due to over-optimistic cost estimates, aggressive bid prices in past efforts to win contracts and possible management competency issues. The company's core net losses would have been even wider if it did not on 4 Feb 2022 unilaterally terminate its windfarm installation contract offshore Taiwan that was haemorrhaging heavily. SAPE's reported net loss in 4QFY22 ballooned to RM6.6bn due to RM3.3bn goodwill write-off and RM2.1bn asset impairment (mainly on drilling assets), which reduced its shareholders' equity from RM6.8bn as at 31 Oct 2021 (43 sen/share) to just RM0.25bn as at 31 Jan 2022 (1.6 sen/share). Excluding the RM1.7bn of goodwill left on its balance sheet (mainly E&C related), SAPE has a net liability position of RM1.45bn.

**SAPE may be hamstrung by liquidity woes for the next one year**

SAPE has proposed a scheme of arrangement (SOA) with its banks and creditors and also secured a restraining order to prevent its creditors from filing liquidation claims. Part of the SOA involves the banks swapping a chunk of borrowings into new SAPE shares, which, over the next 3-4 years, may more than double SAPE's share base from the current 15,979m shares to as much as 38,743m shares. This is likely to create a huge long-term share overhang as the holders of the new shares may be eager to sell to recoup their funds. In the immediate term, progress of SAPE's many E&C projects remain stalled due to lack of access to working capital funds. Industry newspaper Upstream reported recently that SAPE failed to pay its subcontractor for the jackets fabricated for India's ONGC's 98/2 offshore project, with the topsides for the offshore facilities stuck at SAPE's Lumut yard due to its financial woes. Under these circumstances, SAPE is not likely to win new E&C contracts until the SOA is sorted out in one year's time. Upside risk: faster-than-expected resolution to SAPE's debt crisis.

**Financial Summary**

	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
Revenue (RMm)	5,348	4,127	3,430	4,342	4,340
Operating EBITDA (RMm)	661	-2,308	238	248	352
Net Profit (RMm)	-161	-8,896	-570	-428	-326
Core EPS (RM)	-0.01	-0.21	-0.04	-0.03	-0.02
Core EPS Growth	(84%)	1463%	(83%)	(25%)	(34%)
FD Core P/E (x)	NA	NA	NA	NA	NA
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	9.62	NA	1.02	0.57	2.09
P/FCFE (x)	NA	2.84	10.44	0.46	NA
Net Gearing	110%	3911%	55%	59%	NA
P/BV (x)	0.07	2.51	0.09	0.11	NA
ROE	(2.3%)	(71.7%)	(15.0%)	(6.0%)	(9.4%)
% Change In Core EPS Estimates			(190%)	(164%)	
CGS-CIMB/Consensus EPS (x)			1.32	6.70	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

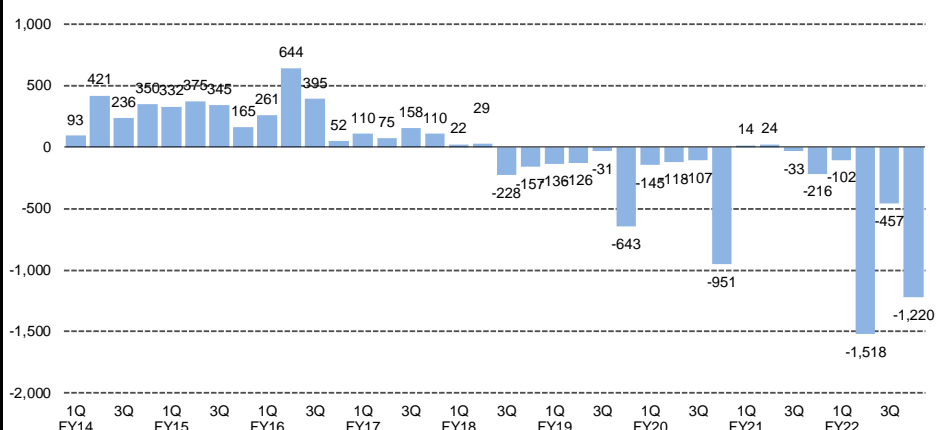
## Results comparison table ►

Figure 1: Results comparison

FYE Jan (RM m)	4QFY22	4QFY21	yoy % chg	3QFY22	qoq % chg	4QFY22 Cum	4QFY21 Cum	yoy % chg	Prev.	FY22F	Comments
Revenue	453	1,444	(68.6)	1,456	(68.9)	4,127	5,348	(22.8)	5,651	4QFY22 rev fell qoq as SAPE's projects stalled from lack of	
Operating costs	(1,483)	(1,410)	(5.1)	(1,704)	13.0	(6,434)	(4,687)	(37.3)	(7,021)	working capital liquidity, and cost overruns that reduced the	
EBITDA	(1,029)	33	nm	(248)	(314.5)	(2,308)	661.3	(449.0)	(1,370)	percentage of completion calculation.	
EBITDA margin (%)	(227.2)	2.3	(17.1)	(17.1)	(55.9)	12.4			(24.2)	EBITDA loss widened as SAPE made more provisions for fore-	
Depn & amort.	(130)	(138)	6.1	(139)	6.5	(522)	(543)	3.8	(579)	seeable contract losses on its E&C contracts, provisions for	
EBIT	(1,159)	(105)	nm	(387)	(199.5)	(2,830)	118	nm	(1,949)	liquidated damages, and wrote-off claims that were not	
Interest expense	(123)	(110)	(12.3)	(124)	0.9	(522)	(492)	(6.0)	(590)	approved by clients.	
Interest & invt inc	35	19	86.7	7	375.2	69	134	(48.4)	23		
Associates' contrib	26	15	70.8	66	(61.2)	84	159	(47.0)	123	Share of associate earnings fell qoq due to a RM19.9m write-	
Exceptionals	(5,393)	-	nm	(212)	nm	(5,599)	50	nm	(212)	off of well drilling costs at 50%-owned SapuraOMV.	
<b>Pretax profit</b>	<b>(6,614)</b>	<b>(180)</b>	<b>nm</b>	<b>(649)</b>	<b>(918.9)</b>	<b>(8,797)</b>	<b>(32)</b>	<b>nm</b>	<b>(2,604)</b>	Exceptionals in 4QFY22 include RM3.3bn goodwill write-off	
Tax	(3)	(35)	90.2	(19)	81.9	(102)	(129)	20.3	(131)	and RM2.1bn impairment on drilling assets mainly.	
Tax rate (%)	(0.1)	(19.4)		(2.9)		(1.2)	(405.1)		(5.0)		
Minority interests	5	(1)	nm	(1)	506.1	4	(1)	nm	-		
<b>Net profit</b>	<b>(6,613)</b>	<b>(216)</b>	<b>nm</b>	<b>(669)</b>	<b>(887.9)</b>	<b>(8,896)</b>	<b>(161)</b>	<b>nm</b>	<b>(2,735)</b>		
<b>Core net profit</b>	<b>(1,220)</b>	<b>(216)</b>	<b>nm</b>	<b>(457)</b>	<b>(166.6)</b>	<b>(3,297)</b>	<b>(211)</b>	<b>nm</b>	<b>(2,492)</b>	4QFY22 core net loss widened qoq due to foreseeable loss	
EPS (sen)	(41.4)	(1.4)	nm	(4.2)	(887.9)	(55.7)	(1.0)	nm	(16.6)	provisions against E&C projects, liquidated damages provisions,	
Core EPS (sen)	(7.6)	(1.4)	nm	(2.9)	(166.6)	(20.6)	(1.3)	nm	(15.6)	provisions for cost overruns, etc.	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Sapura Energy quarterly core net profit/(loss) (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Abbreviation key

E&C: Engineering & Construction business

EPCIC: Engineering, Procurement, Construction, Installation and Commissioning works

CPP: Central processing platform

FEED: Front-end engineering and design work for oil and gas developments

TDR: Tender drilling rig business

PLSV: Pipe-lay supply vessel business in Brazil

E&P: Exploration & Production, upstream division, under 50%-owned SapuraOMV

T&I: Transportation & Installation

## RNAV valuation table ➤

<b>Figure 3: RNAV valuation</b>				
		<b>FY1/21</b>	<b>FY1/22</b>	<b>FY1/23F</b>
Fixed assets (RM m)		9,218.6	6,732.5	6,382.5
Investment in associates and JVs (RM m)		4,109.4	4,331.6	4,436.6
Other long-term assets (RM m)		221.6	139.4	139.4
<b>Total long-term assets (RM m)</b>		<b>13,549.6</b>	<b>11,203.5</b>	<b>10,958.5</b>
Minus: Divestment of stakes in existing ordinary shares of Sapura Drilling Sdn Bhd (a Brunei company), Sapura Technology Solutions Sdn Bhd, and Sapura Geosciences Sdn Bhd (RM m)		-	-	(5,600.9)
<b>Revised value of long-term assets (RM m)</b>		<b>13,549.6</b>	<b>11,203.5</b>	<b>5,357.6</b>
<b>Less: Net debt (RM m)</b>		<b>(9,843.2)</b>	<b>(9,940.3)</b>	<b>(4,041.5)</b>
* Short-term debt		(3,263.5)	(10,658.0)	(357.3)
* Long-term debt		(7,068.7)	-	(4,463.2)
* Cash		489.0	717.8	779.0
Add: Non-cash current assets (RM m)		3,724.1	2,609.2	2,169.3
Less: Non-debt current liabilities (RM m)		(3,263.2)	(5,180.6)	(3,313.5)
Less: Non-debt long-term liabilities (RM m)		(156.7)	(143.0)	(143.0)
Less: Minority interest (RM m)		(8.8)	(0.8)	(0.8)
<b>Revised net asset value (RNAV) (RM m)</b>	<b>a</b>	<b>4,001.8</b>	<b>(1,452.0)</b>	<b>28.2</b>
<b>No of shares (m)</b>	<b>b</b>	<b>18,375.9</b>	<b>18,375.9</b>	<b>38,742.8</b>
- Existing share base		15,979.1	15,979.1	15,979.1
- Shares from the potential conversion of RCPS-i on 29 Jan 2024F (fifth anniversary)		2,396.9	2,396.9	2,396.9
- Shares from the potential conversion of Perpetual Convertible Payment-In-Kind (PIK) notes from CY25F		-	-	20,366.9
RNAV/share (RM)	c = a/b	21.78	(7.90)	0.001
Rounding effect (RM)				0.004
<b>Target price (RM)</b>				<b>0.005</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Our target price for SAPE is now reduced from 2.5 sen to 0.5 sen, still based on revised net asset value (RNAV). The reduction in our RNAV reflects the net impact of SAPE's impairments against fixed assets in 4QFY22, our expectations of wider core net losses for SAPE in the forecast years, and the assumption that the current proposed scheme of arrangement (SOA) with its creditors will succeed.

The SOA involves:

- (A) RM1.3bn in outstanding trade creditors that will be classified into various classes. The creditors that are considered core to the operations will be fully repaid over four years (5% in the first year, 40% in the second year, 40% in the third year, and 15% in the fourth year). The creditors that are not core to the operations will be repaid only 20% of the amount owing over four years (5%, 40%, 40% 15%) while the small creditors will be fully repaid within 12 months. We have not reflected the value of the 80% haircut against the non-core creditors in our RNAV calculation due to insufficient disclosure.
- (B) RM10.2bn in bank debts or multi-currency facilities (MCF) that will be restructured in this way:
  - a. 25% will be refinanced, with 0% interest rate in the first year, 2% in the second year, and 5% in the third year onwards;
  - b. 20% will be exchanged into 'perpetual convertible payment-in-kind' ('PIK') notes where no interest will be payable for the first five years and a 5% interest is charged from the 5<sup>th</sup> year onwards but the interest is not payable in cash but rather via the issuance of more PIK notes, which are convertible from the 3<sup>rd</sup> year onwards into new SAPE shares at 10 sen/share; and

- c. 55% will be exchanged into 'perpetual zero-coupon notes', exchangeable into existing ordinary shares of Sapura Drilling Sdn Bhd (a Brunei company), Sapura Technology Solutions Sdn Bhd, and Sapura Geosciences Sdn Bhd, which are all unlisted companies, after the 3rd anniversary of the scheme's effective date. Effectively, SAPE is exchanging its stakes in these three private companies for debts owed to the banks.

(C) RM1.8bn to be raised from the MCF financiers as 'senior rescue financing', if the banks want to participate, with a minimum of RM100m per financier. The MCF financiers are Maybank, CIMB Bank, RHB Bank, AmBank, EXIM Bank, UOB, ING, SCB and Sumitomo Mitsui.

In essence, SAPE is proposing to repay only 25% of its bank debts via refinancing, with 75% of the MCF debt of RM10.2bn to be swapped into equity of SAPE and its private subsidiaries in this manner:

- 20% of the MCF debt (RM2bn) that will be exchanged for PIK notes will ultimately be swapped into 20.4bn new SAPE shares at 10 sen each, while
- 55% of the MCF debt (RM5.6bn) that will be exchanged for 'perpetual zero-coupon notes' will ultimately be swapped into existing shares of the three private companies listed above. We have assumed that the total net asset value of the three private companies is also RM5.6bn and deducted this value against the gross asset value of SAPE; if the total net asset value of the three private companies is less/more than RM5.6bn, then the RNAV of SAPE will be higher/lower than what we have calculated.

Separately, we have attached zero value to SAPE's intangibles and goodwill, which amounted to RM1.7bn as at 31 January 2022 (written down from c.RM5bn as at 31 October 2021).

Against the value of SAPE's long-term assets, we deduct net debt, add non-cash current assets, deduct non-debt current liabilities and long-term liabilities, and deduct minority interest, to arrive at our RNAV estimate. The long-term liabilities reflect the assumption that 75% of the MCF debt of RM10.2bn will be swapped into various forms of equity in the future.

To derive our RNAV/share estimate, we divide the RNAV estimate against the enlarged number of shares, taking into account:

- a. The Islamic redeemable convertible preference shares (RCPS-i) that will likely be converted into 2,396.9m new SAPE shares on 29 January 2024F, which is its fifth anniversary; and
- b. The potential conversion of the perpetual convertible payment-in-kind (PIK) notes into 20,367m new SAPE shares from CY25F onwards, which is after its third anniversary of issue.

The RCPS-i is redeemable only at the discretion of SAPE but we think that SAPE will not be in a position to redeem the RCPS-i under current circumstances. Hence, conversion is the most likely scenario. The 2,396.9m RCPS-i was issued on 29 January 2019 at a price of 41 sen and is convertible on a one-for-one basis into new SAPE ordinary shares on its fifth anniversary. Although SAPE's share price is significantly below the RCPS-i conversion price of 41 sen, the RCPS-i will almost certainly be converted because otherwise they will expire worthless on their maturity date of 29 January 2024F given that SAPE is under no obligation to redeem them. The RCPS-i is currently accounted for as equity on SAPE's balance sheet; hence, its conversion into new ordinary shares will not make any difference to SAPE's shareholders' equity position. However, the number of outstanding ordinary shares will increase upon conversion and we take this into consideration when deriving our target price that is based on RNAV/share.

Meanwhile, the PIK notes are perpetual in nature and there is no option for redemption by SAPE and they will most likely be converted into new SAPE

shares after their third anniversary of issue because no actual cash interest is payable on them.

Over the next 3-4 years, SAPE's share base may more than double from the current 15,979m shares to as much as 38,743m shares. The holders of the new shares may be eager to sell to recoup their funds and this could pressure SAPE's shares downward, regardless of the economic and business prospects facing SAPE in the future.

## Earnings revision table ►

Figure 4: Earnings revision

RM m	2022A	2023F			2024F			2025F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	4,127	6,417	3,430	-47%	6,530	4,342	-34%		4,340	
EBITDA	(2,308)	894	238	-73%	861	248	-71%		352	
Reported PBT	(8,797)	(2)	(450)	-25817%	38	(308)	-921%		(206)	
Core pretax profit	(3,199)	(51)	(450)	-784%	54	(308)	-672%		(206)	
Reported net profit	(8,896)	(147)	(570)	-287%	(113)	(428)	-279%		(326)	
Reported EPS	(0.56)	(0.01)	(0.04)	-287%	(0.01)	(0.03)	-279%		(0.02)	
Core net profit	(3,297)	(196)	(570)	-190%	(162)	(428)	-164%		(326)	
Core EPS	(0.21)	(0.01)	(0.04)	-190%	(0.01)	(0.03)	-164%		(0.02)	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

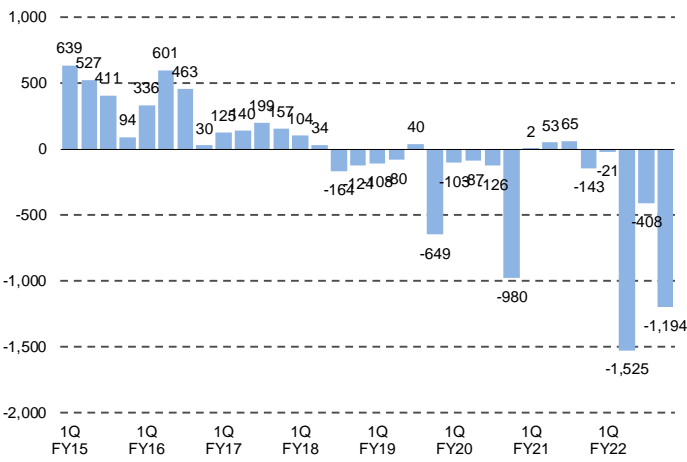
## Further information on the results ►

Figure 5: Segmental breakdown

FYE Jan (RM m)	4QFY22	4QFY21	yoy %	3QFY22	qoq %	3QFY22	3QFY21	yoy %	
			chg		chg	Cum	Cum	chg	Comments
<b>Revenue (RM m)</b>	<b>453</b>	<b>1,444</b>	(68.6)	<b>1,456</b>	(68.9)	<b>3,674</b>	<b>3,904</b>	(5.9)	4QFY22 rev fell qoq due to the downward revision in the percentage of completion on E&C projects which suffered from cost overruns. SAPE made provisions in foreseeable contract losses
Engineering & construction	241	1,348	(82.2)	1,210	(80.1)	3,010	3,398	(11.4)	
Drilling & Energy Svs	264	167	57.9	294	(10.4)	770	561	37.1	
- Drilling	264	167	57.9	294	(10.4)	770	561	37.1	2QFY22 and 4QFY22 due to cost overruns.
- Energy	-	-	nm	-	nm	-	-	nm	Drilling rev rose yoy due to higher tender rig utilisation rates and higher average daily charter rates.
Eliminations & others	(51)	(72)		(48)		(106)	(55)		
<b>Profit before tax (RM m)</b>	<b>(6,614)</b>	<b>(180)</b>	nm	<b>(649)</b>	(918.9)	<b>(2,183)</b>	<b>149</b>	nm	
Engineering & construction	(974)	(10)	nm	(316)	(208.4)	(1,569)	498	(415.1)	E&C suffered large losses in 4QFY22, due to provisions for foreseeable losses, liquidated damages, cost overruns, Covid-19
- Subsidiaries	(1,020)	(38)	nm	(367)	(177.5)	(1,646)	327	(603.2)	costs, and reversal of claims that were not approved by clients.
- Associates (Seabras, etc.)	46	28	65.6	52	(11.5)	78	171	(54.6)	
Drilling & Energy Svs	(109)	(74)	(48.3)	(4)	nm	(25)	(147)	83.1	Drilling losses widened qoq.
- Drilling	(89)	(61)	(46.0)	(19)	(371.2)	(6)	(120)	95.1	Energy losses were reported in 4QFY22 due to write-off of well costs, partially offset by higher average selling prices and more production.
- Energy	(20)	(12)	(59.4)	15	(234.2)	(19)	(27)	29.1	
Impairments	(2,104)	-	nm	(212)	nm	(212)	-	nm	
- Engineering & Construction	(74)	-	nm	(212)	nm	(212)	-	nm	
- Drilling	(2,030)	-	nm	-	nm	-	-	nm	
- Energy	-	-	nm	-	nm	-	-	nm	
Other exceptional items	(3,290)	-	nm	-	nm	-	-	nm	
- Engineering & Construction	(1,622)	-	nm	-	nm	-	-	nm	
- Drilling	(1,668)	-	nm	-	nm	-	-	nm	
- Energy	-	-	nm	-	nm	-	-	nm	
- Forex translation	(26)	(38)	31.1	(29)	10.2	(17)	29	(157.8)	
Corporate exp & eliminations	(111)	(59)	(88.5)	(88)	(26.1)	(361)	(231)	(56.3)	

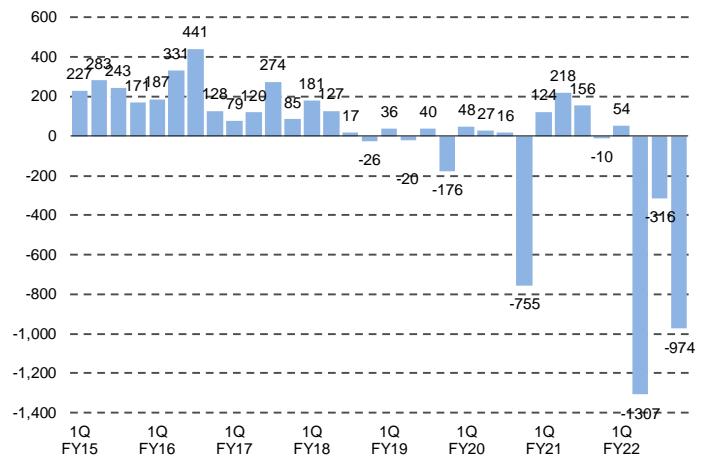
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: Sapura Energy group's quarterly core pretax profit/(loss) (RM m)**



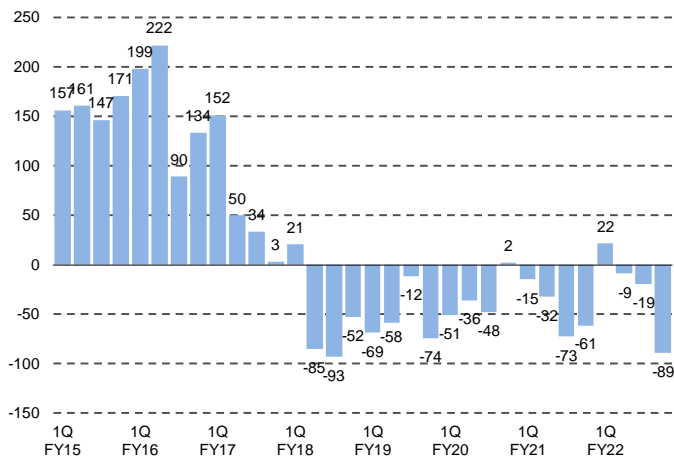
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: Engineering & construction quarterly core pretax profit/(loss) (RM m)**



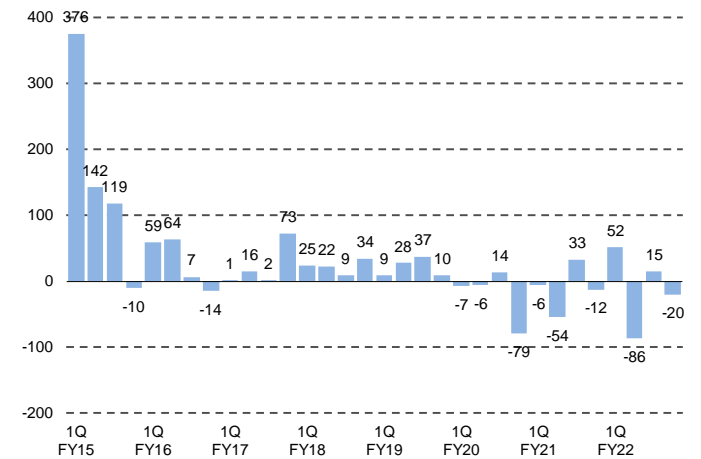
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Drilling quarterly core pretax profit/(loss) (RM m)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: Energy quarterly core pretax profit/(loss) (RM m)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## Sequential quarterly tables ►

Figure 10: Results comparison



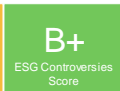




FYE Jan (RM m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Revenue	1,111.9	1,356.7	1,219.2	1,328.4	1,443.5	1,470.6	747.1	1,455.9	453.1
Operating costs	(1,777.0)	(1,157.5)	(901.9)	(1,217.0)	(1,410.2)	(1,324.3)	(1,923.2)	(1,704.3)	(1,482.6)
<b>EBITDA</b>	<b>(665.1)</b>	<b>199.2</b>	<b>317.3</b>	<b>111.4</b>	<b>33.4</b>	<b>146.3</b>	<b>(1,176.1)</b>	<b>(248.4)</b>	<b>(1,029.5)</b>
EBITDA margin (%)	(59.8)	14.7	26.0	8.4	2.3	9.9	(157.4)	(17.1)	(227.2)
Depn & amort.	(134.5)	(134.9)	(133.7)	(136.7)	(138.0)	(130.8)	(123.5)	(138.5)	(129.5)
<b>EBIT</b>	<b>(799.6)</b>	<b>64.3</b>	<b>183.7</b>	<b>(25.3)</b>	<b>(104.6)</b>	<b>15.5</b>	<b>(1,299.6)</b>	<b>(386.9)</b>	<b>(1,159.0)</b>
Interest expense	(147.2)	(138.8)	(119.7)	(124.4)	(109.5)	(156.0)	(118.7)	(124.1)	(123.0)
Interest & invt inc	20.9	28.4	8.9	77.7	18.7	7.7	19.0	7.4	34.9
Associates' contrib	(57.1)	82.3	(19.5)	80.9	15.1	63.6	(71.5)	66.4	25.8
Exceptionals	(3,283.9)	-	-	50.1	-	5.2	0.8	(211.9)	(5,392.9)
<b>Pretax profit</b>	<b>(4,267.0)</b>	<b>36.2</b>	<b>53.4</b>	<b>59.0</b>	<b>(180.3)</b>	<b>(64.0)</b>	<b>(1,470.0)</b>	<b>(649.2)</b>	<b>(6,614.2)</b>
Tax	30.2	(22.3)	(29.7)	(41.5)	(35.0)	(38.2)	(41.9)	(18.9)	(3.4)
Tax rate (%)	0.7	61.6	55.7	70.3	(19.4)	(59.7)	(2.9)	(2.9)	(0.1)
Minority interests	2.2	0.3	0.1	(0.3)	(0.7)	5.1	(4.9)	(1.2)	5.0
Net profit	(4,234.5)	14.2	23.7	17.2	(216.0)	(97.1)	(1,516.9)	(669.3)	(6,612.6)
<b>Core net profit</b>	<b>(950.6)</b>	<b>14.2</b>	<b>23.7</b>	<b>(32.9)</b>	<b>(216.0)</b>	<b>(102.3)</b>	<b>(1,517.7)</b>	<b>(457.5)</b>	<b>(1,219.7)</b>
EPS (sen)	(26.2)	0.1	0.1	0.1	(1.4)	(0.6)	(9.5)	(4.2)	(41.4)
Core EPS (sen)	(5.9)	0.1	0.1	(0.2)	(1.4)	(0.6)	(9.5)	(2.9)	(7.6)
<b>Breakdown of exceptionals</b>	<b>(3,283.9)</b>	<b>-</b>	<b>-</b>	<b>50.1</b>	<b>-</b>	<b>5.2</b>	<b>0.8</b>	<b>(211.9)</b>	<b>(5,392.9)</b>
- Prov for impairment on investment	-	-	-	-	-	-	-	-	-
- Gain/(loss) on disposal of PPE	0.4	-	-	50.1	-	5.2	0.8	0.1	0.9
- Impairment on PPE and oil and gas prop	(240.9)	-	-	-	-	-	-	(212.0)	(2,103.8)
- Others	(3,043.4)	-	-	-	-	-	-	-	(3,289.9)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Segmental breakdown

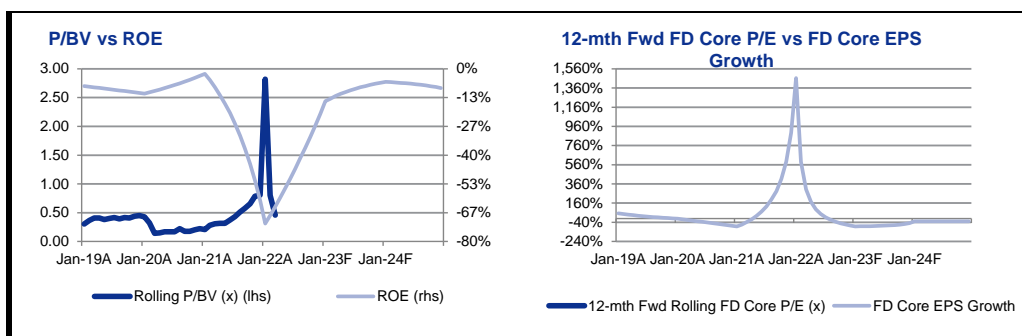
FYE Jan (RM m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Revenue (RM m)	1,111.9	1,356.7	1,219.2	1,328.4	1,443.5	1,470.6	747.1	1,455.9	453.1
Engineering & construction	859.7	1,126.1	1,062.6	1,209.6	1,348.2	1,248.5	552.3	1,209.6	240.6
Drilling & Energy Svs	253.2	240.9	187.4	133.2	167.0	251.8	223.6	294.3	263.7
- Drilling	253.2	240.9	187.4	133.2	167.0	251.8	223.6	294.3	263.7
- Energy	-	-	-	-	-	-	-	-	-
Eliminations & others	(0.7)	(10.3)	(30.8)	(14.4)	(71.6)	(29.7)	(28.8)	(48.0)	(51.2)
<b>Profit before tax (RM m)</b>	<b>(4,267.0)</b>	<b>36.2</b>	<b>53.4</b>	<b>59.0</b>	<b>(180.3)</b>	<b>(64.0)</b>	<b>(1,470.0)</b>	<b>(649.2)</b>	<b>(6,614.2)</b>
Engineering & construction	(755.0)	123.9	218.1	155.9	(10.0)	54.2	(1,307.4)	(315.8)	(974.0)
- Subsidiaries	(776.7)	35.5	183.9	107.7	(37.5)	42.7	(1,321.8)	(367.4)	(1,019.7)
- Associates (Seabras, etc.)	21.7	88.4	34.2	48.1	27.6	11.6	14.4	51.6	45.6
Drilling & Energy Svs	(77.0)	(21.0)	(86.1)	(40.1)	(73.6)	74.1	(94.9)	(4.1)	(109.1)
- Drilling	2.0	(14.9)	(32.4)	(72.8)	(61.1)	22.1	(9.0)	(18.9)	(89.3)
- Energy	(79.0)	(6.1)	(53.6)	32.8	(12.5)	52.0	(85.9)	14.8	(19.9)
<b>Impairments</b>	<b>(240.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(212.0)</b>	<b>(2,103.9)</b>
- Engineering & Construction	(30.9)	-	-	-	-	-	-	(212.0)	(73.5)
- Drilling	(210.0)	-	-	-	-	-	-	-	(2,030.4)
- Energy	-	-	-	-	-	-	-	-	-
<b>Other exceptional items</b>	<b>(3,043.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,289.9)</b>
- Engineering & Construction	(1,063.4)	-	-	-	-	-	-	-	(1,621.5)
- Drilling	(1,980.0)	-	-	-	-	-	-	-	(1,668.4)
- Energy	-	-	-	-	-	-	-	-	-
- Forex translation	(2.9)	33.9	0.8	(6.0)	(37.7)	(42.7)	55.0	(28.9)	(26.0)
Corporate exp & eliminations	(147.7)	(100.6)	(79.4)	(50.8)	(59.0)	(149.6)	(122.8)	(88.3)	(111.3)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores	
	     
<p><b>ESG in a nutshell</b></p> <p>Sapura Energy (SAPE) is heavily invested in the production of fossil fuels and in the service of hydrocarbon production activities, such as pipe-laying, the fabrication, transportation and installation of offshore structures, and production drilling activity via its fleet of tender drilling rigs. Prior to 2014, it purchased three major businesses, i.e. the oil and gas fabrication yard in Lumut from Kencana Petroleum, the tender drilling rig business from Seadrill, and interests in Malaysian offshore oil and gas fields from Newfield. Its stretched balance sheet was further wounded by the subsequent oil price crash of 2014 and again in 2020, leaving it with a heavy debt burden that the cash-generation potential and liquidation values of its ageing assets will struggle to support. Financing its energy transition will be a major challenge and longer-term existential risks from the gradual end of the hydrocarbon era are high.</p>	
<p><b>Keep your eye on</b></p> <p>SAPE is undergoing a business review and has indicated its intention to sell some assets or whole businesses by 2023F in order to raise cash to facilitate its energy transition. It is also undergoing a scheme of arrangement with its creditors to reduce its unsustainable debt burden.</p>	<p><b>Implications</b></p> <p>We suspect that SAPE may put its upstream and gas production assets up for sale as it has a 50% shareholding in SapuraOMV. SAPE has stated that its primary focus going forward will be the engineering and construction (E&amp;C) and drilling businesses.</p>
<p><b>ESG highlights</b></p> <p>SAPE may continue to invest in its gas production assets in SK408, especially the upcoming Jerun sweet gas field development, as well as the SK310 B14 sour gas field. Funds from SapuraOMV's sale of the Peninsular Malaysia oilfield assets to Jadestone Energy for US\$9m (with US\$6m as contingent payment) will probably be reinvested in the gas fields.</p>	<p><b>Implications</b></p> <p>The disposal of the oilfields and reinvestment into the sweet gas fields of SK310 B15 and of SK408 are positive for SAPE's ESG credentials as natural gas is 20-25% less carbon intensive than oil. Furthermore, the SK310 B14 field will be developed with CO2 and H2S capture, making production from the sour gas field environmentally friendly.</p>
<p><b>Trends</b></p> <p>SAPE had earlier bid for offshore windfarm installation work, offering three of its offshore construction vessels, i.e. the Sapura 3500, Sapura 3000, and LTS 3000. In the longer term, SAPE intends to invest in offshore windfarm production assets by 2026F to facilitate its energy transition. However, SAPE has put the Sapura 3500 vessel up for sale in order to raise cash and address its unsustainable debt situation.</p>	<p><b>Implications</b></p> <p>With only a maximum of three vessels to offer for windfarm installation work, SAPE's exposure to business opportunities from the energy transition is limited. SAPE's long-term goal of renewable energy asset ownership is dependent on its ability to lighten its debt load and divest some of its existing O&amp;G businesses.</p>
<p><small>SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV</small></p>	



## BY THE NUMBERS



### Profit & Loss

(RMm)	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
<b>Total Net Revenues</b>	<b>5,348</b>	<b>4,127</b>	<b>3,430</b>	<b>4,342</b>	<b>4,340</b>
<b>Gross Profit</b>	<b>661</b>	<b>-2,308</b>	<b>238</b>	<b>248</b>	<b>352</b>
<b>Operating EBITDA</b>	<b>661</b>	<b>-2,308</b>	<b>238</b>	<b>248</b>	<b>352</b>
Depreciation And Amortisation	-543	-522	-523	-523	-510
<b>Operating EBIT</b>	<b>118</b>	<b>-2,830</b>	<b>-285</b>	<b>-275</b>	<b>-158</b>
Financial Income/(Expense)	-457	-501	-365	-233	-248
Pretax Income/(Loss) from Assoc.	159	84	105	105	105
Non-Operating Income/(Expense)	98	48	95	95	95
<b>Profit Before Tax (pre-EI)</b>	<b>-82</b>	<b>-3,199</b>	<b>-450</b>	<b>-308</b>	<b>-206</b>
Exceptional Items	50	-5,599	0	0	0
<b>Pre-tax Profit</b>	<b>-32</b>	<b>-8,797</b>	<b>-450</b>	<b>-308</b>	<b>-206</b>
Taxation	-129	-102	-120	-120	-120
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>-160</b>	<b>-8,900</b>	<b>-570</b>	<b>-428</b>	<b>-326</b>
Minority Interests	-1	4	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>-161</b>	<b>-8,896</b>	<b>-570</b>	<b>-428</b>	<b>-326</b>
Recurring Net Profit	-211	-3,297	-570	-428	-326
<b>Fully Diluted Recurring Net Profit</b>	<b>-211</b>	<b>-3,297</b>	<b>-570</b>	<b>-428</b>	<b>-326</b>

### Cash Flow

(RMm)	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
<b>EBITDA</b>	<b>661.3</b>	<b>(2,307.7)</b>	<b>238.0</b>	<b>247.8</b>	<b>352.0</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(459.5)	2,322.6	(1,427.3)	166.5	0.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(94.1)	552.7	80.0	80.0	(352.0)
Net Interest (Paid)/Received	(378.7)	(398.8)	(349.5)	(217.7)	0.0
Tax Paid	18.2	(101.4)	(120.0)	(120.0)	0.0
<b>Cashflow From Operations</b>	<b>(252.9)</b>	<b>67.4</b>	<b>(1,578.8)</b>	<b>156.5</b>	<b>0.0</b>
Capex	(164.2)	(154.4)	(160.0)	(160.0)	(160.0)
Disposals Of FAs/subsidiaries	52.1	13.4	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	41.7	72.9	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(70.4)</b>	<b>(68.2)</b>	<b>(160.0)</b>	<b>(160.0)</b>	<b>(160.0)</b>
Debt Raised/(repaid)	56.8	226.2	1,800.0	1,500.0	(6,320.4)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
Other Financing Cashflow	(2.6)	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>54.2</b>	<b>226.2</b>	<b>1,800.0</b>	<b>1,500.0</b>	<b>(6,320.4)</b>
Total Cash Generated	(269.0)	225.3	61.2	1,496.5	(6,480.4)
<b>Free Cashflow To Equity</b>	<b>(266.4)</b>	<b>225.3</b>	<b>61.2</b>	<b>1,496.5</b>	<b>(6,480.4)</b>
<b>Free Cashflow To Firm</b>	<b>99.2</b>	<b>424.5</b>	<b>(1,351.8)</b>	<b>275.0</b>	<b>(160.0)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
Total Cash And Equivalents	489	718	779	2,276	0
Total Debtors	1,460	1,325	1,102	1,395	0
Inventories	423	429	213	273	0
Total Other Current Assets	1,841	855	855	855	0
<b>Total Current Assets</b>	<b>4,213</b>	<b>3,327</b>	<b>2,948</b>	<b>4,798</b>	<b>0</b>
Fixed Assets	9,219	6,733	6,383	6,033	0
Total Investments	4,109	4,332	4,437	4,542	0
Intangible Assets	4,928	1,706	1,693	1,680	0
Total Other Non-Current Assets	222	139	139	139	0
<b>Total Non-current Assets</b>	<b>18,477</b>	<b>12,909</b>	<b>12,651</b>	<b>12,393</b>	<b>0</b>
Short-term Debt	3,263	10,658	357	1,857	0
Current Portion of Long-Term Debt					
Total Creditors	2,717	3,705	1,838	2,358	0
Other Current Liabilities	546	1,475	1,475	1,475	0
<b>Total Current Liabilities</b>	<b>6,527</b>	<b>15,839</b>	<b>3,671</b>	<b>5,690</b>	<b>0</b>
Total Long-term Debt	7,069	0	4,463	4,463	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	157	143	143	143	0
<b>Total Non-current Liabilities</b>	<b>7,225</b>	<b>143</b>	<b>4,606</b>	<b>4,606</b>	<b>0</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>13,752</b>	<b>15,982</b>	<b>8,277</b>	<b>10,296</b>	<b>0</b>
Shareholders' Equity	8,947	255	7,323	6,895	0
Minority Interests	-9	-1	-1	-1	0
<b>Total Equity</b>	<b>8,938</b>	<b>254</b>	<b>7,322</b>	<b>6,894</b>	<b>0</b>

### Key Ratios

	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
Revenue Growth	(17.1%)	(22.8%)	(16.9%)	26.6%	(0.0%)
Operating EBITDA Growth	N/A	(449%)	N/A	4%	42%
Operating EBITDA Margin	12.4%	(55.9%)	6.9%	5.7%	8.1%
Net Cash Per Share (RM)	-0.62	-0.62	-0.25	-0.22	0.00
BVPS (RM)	0.56	0.02	0.46	0.38	0.00
Gross Interest Cover	0.24	-5.42	-0.74	-0.99	-0.50
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	99.8	123.2	129.1	104.9	58.8
Inventory Days	31.52	24.17	36.68	21.65	12.52
Accounts Payables Days	203.9	182.2	316.9	187.0	108.2
ROIC (%)	0.8%	(19.1%)	(4.7%)	(3.9%)	(2.4%)
ROCE (%)	0.8%	(18.6%)	(2.3%)	(1.8%)	(1.4%)
Return On Average Assets	1.1%	(14.4%)	(1.3%)	(1.2%)	(0.9%)

### Key Drivers

	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
Oil Price (US\$/bbl)	41.6	62.8	60.1	63.9	-
Average Day Rate - Drilling Rigs (US\$)	90,730.1	105,942.0	120,945.5	105,000.0	N/A
Average Util. Rate - Drilling Rigs (%)	28.3%	49.3%	49.3%	49.3%	51.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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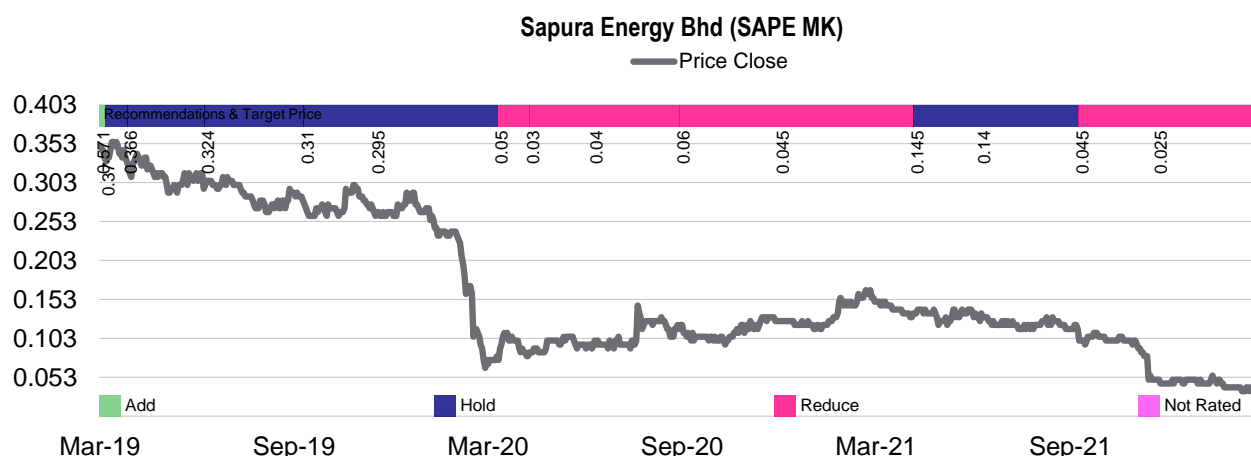
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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
<b>Country Ratings</b>	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

