

Malaysia

REDUCE (no change)

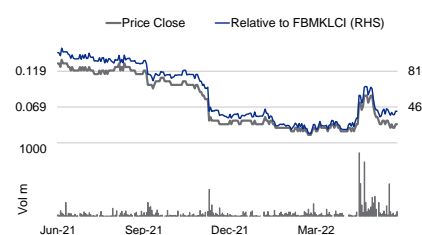
Consensus ratings*: Buy 2 Hold 1 Sell 9

Current price:	RM0.045
Target price:	RM0.005
Previous target:	RM0.005
Up/downside:	-88.9%
CGS-CIMB / Consensus:	-87.3%
Reuters:	SAEN.KL
Bloomberg:	SAPE MK
Market cap:	US\$163.3m
	RM719.1m
Average daily turnover:	US\$1.41m
	RM6.16m
Current shares o/s:	15,979m
Free float:	40.0%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-43.8	50	-66.7
Relative (%)	-36.8	60.3	-58.9

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

Analyst(s)

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Sapura Energy Bhd

Survival hinges on debt restructuring

- 1QFY1/23 core net profit of RM92m compares favourably against our RM570m and Bloomberg consensus's RM580m full-year loss forecasts.
- Still, we consider the results broadly in line as SAPE's quarterly earnings are historically volatile and unreliable indicators of the full-year actual results.
- Reiterate Reduce with RNAV-based TP of 0.5 sen; SAPE continues to face liquidity and execution challenges, as well as a complex debt restructuring.

Forex gains helped push SAPE into the black for 1QFY23

1QFY23 core net profit of RM92m compares well against the massive 4QFY22 core net loss of RM1.2bn; this was on account of heavy provisions in the immediately preceding quarter for loss-making E&C projects, cost overruns, liquidated damages, and Covid-19 compliance costs. SAPE also benefitted from RM176m in forex gains in 1QFY23, vs. a RM26m forex loss in 4QFY22; without the appreciation of the US\$, SAPE would have reported a 1QFY23 core net loss of RM84m. SAPE also booked in a share of profit of RM42m from its 50%-owned SapuraOMV in 1QFY23, up from a share of loss of RM20m in 4QFY22, due to the higher selling price of gas. Drilling pretax losses narrowed qoq due to better cost control. There were no exceptional items in 1QFY23.

Multiple challenges remain; recent contract wins lift the mood

Despite the sequentially-better results, many challenges remain with legacy loss-making contracts to make up between one-quarter and one-third of FY23F revenues, and also extending into FY24F with respect to the troubled CPP fabrication contract for ONGC's 98/2 project; we are concerned about additional cost provisions despite the 4QFY22 kitchen-sinking exercise. E&C assets remain poorly utilised up to end-Apr 2022, with the Lumut fabrication yard utilisation at only 31% and the key E&C offshore vessels only 25% utilised. Winning E&C contracts remains difficult, as oil companies and main contractors remain concerned about SAPE's ability to stay liquid enough to complete the jobs; securing bank guarantees and requisite working capital is also difficult. Still, there is hope with SAPE announcing on 16 Jun 2022 that it had won RM2.7bn in new contracts, comprising a mix of E&C and drilling contracts. SAPE is also cautious in its new contracting strategy, by including commodity price pass-through clauses.

Debt restructuring needs to succeed to avoid delisting

SAPE's auditors expressed material uncertainty in relation to its FY22 financial accounts and hence, SAPE was classified as a PN17 company under Bursa Malaysia's rules because as at 30 Apr 2022, SAPE's shareholders' equity of RM157m remained below the critical threshold of RM5.4bn, being 50% of its paid-up share capital. Even if the material uncertainty tag is lifted, SAPE will still need to have at least RM40m in shareholders equity, which is just a tad lower than SAPE's current position of RM157m in relation to the size of its potential annual losses; hence the success of SAPE's debt restructuring is critical to avoid a delisting. Upside risks include SAPE securing new sources of equity, and successful debt-to-equity swap exercises.

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)	9.74	NA	1.36	0.89	2.35
P/FCFE (x)	NA	3.19	11.74	0.52	NA
Net Gearing	110%	3911%	55%	59%	NA
P/BV (x)	0.08	2.82	0.10	0.12	NA
ROE	(2.3%)	(71.7%)	(15.0%)	(6.0%)	(9.4%)
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.99	0.99	0.93

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

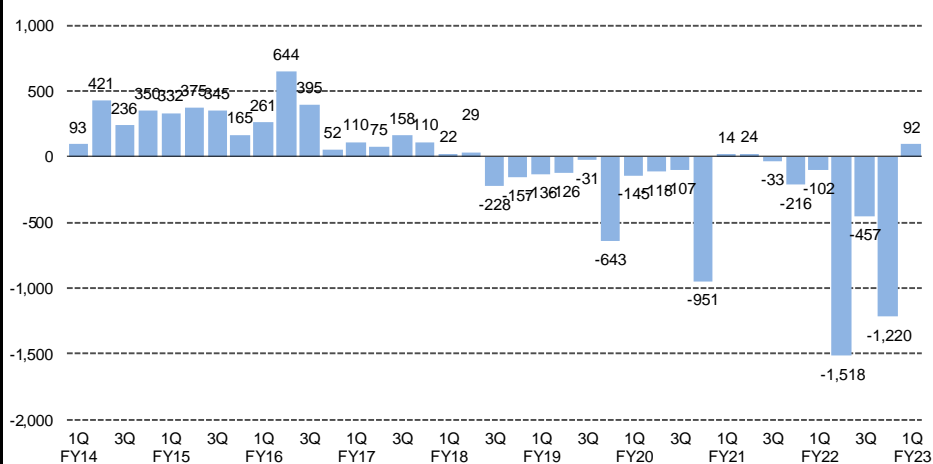
Results comparison table ►

Figure 1: Results comparison

FYE Jan (RM m)	1QFY23	1QFY22	yoy % chg	4QFY22	qoq % chg	Prev. FY23F	Comments
Revenue	886	1,471	(39.7)	453	95.5	3,430	Higher qoq due to higher E&C revenue in 1QFY23, with the
Operating costs	(644)	(1,324)	51.4	(1,483)	56.6	(3,192)	E&C revenue in 4QFY22 negatively affected by a reduction
EBITDA	242	146	65.7	(1,029)	123.6	238	in the percentage of completion of certain legacy projects
EBITDA margin (%)	27.4	9.9		(227.2)		6.9	that faced cost overruns.
Depn & amort.	(109)	(131)	16.7	(130)	15.9	(523)	EBITDA flipped into a profit in 1QFY23 vs. loss in 4QFY22, as
EBIT	134	16	nm	(1,159)	111.5	(285)	the immediately preceding quarter saw cost provisions for
Interest expense	(125)	(156)	19.6	(123)	(1.9)	(387)	projects that saw cost overruns, and other write-offs of
Interest & invt inc	10	8	32.0	35	(70.8)	37	rejected claims.
Associates' contrib	78	64	23.4	26	204.3	105	Share of associate earnings rose qoq in 1QFY23 due to higher
Exceptionals	-	5	(100.0)	(5,393)	nm	-	selling prices of gas at SapuraOMV, offset by lower
Pretax profit	97	(64)	251.2	(6,614)	101.5	(530)	production due to utilisation ramp-down at the Bintulu LNG
Tax	(9)	(38)	75.4	(3)	(175.1)	(120)	complex.
Tax rate (%)	9.7	(59.7)		(0.1)		(22.7)	
Minority interests	5	5	(11.4)	5	(9.6)	-	
Net profit	92	(97)	194.7	(6,613)	101.4	(650)	
Core net profit	92	(102)	189.9	(1,220)	107.5	(570)	Core net profit in 1QFY23 compared against the substantial
EPS (sen)	0.6	(0.6)	194.7	(41.4)	101.4	(3.6)	loss in 4QFY22, due to massive E&C cost provisions at the
Core EPS (sen)	0.6	(0.6)	189.9	(7.6)	107.5	(3.6)	immediately preceding quarter, and higher associate profits.

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 ►

Figure 3: RNAV valuation				
		FY1/21	FY1/22	FY1/23F
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
Total long-term assets (RM m)		13,549.6	11,203.5	10,958.5
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)
Revised value of long-term assets (RM m)		13,549.6	11,203.5	5,357.6
Less: Net debt (RM m)		(9,843.2)	(9,940.3)	(4,041.5)
* 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)
Revised net asset value (RNAV) (RM m)	a	4,001.8	(1,452.0)	28.2
No of shares (m)	b	18,375.9	18,375.9	38,742.8
- 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 onwards (third year)		-	-	20,366.9
RNAV/share (RM)	c = a/b	21.777	(7.901)	0.001
Rounding effect (RM)				0.004
Target price (RM)				0.005

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Our target price for SAPE remains at 0.5 sen, still based on revised net asset value (RNAV). We have assumed 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 5th year onwards but the interest is not payable in cash but rather via the issuance of more PIK notes, which are convertible from the 3rd 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 30 April 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 put downward pressure on SAPE's shares, regardless of the economic and business prospects facing SAPE in the future.

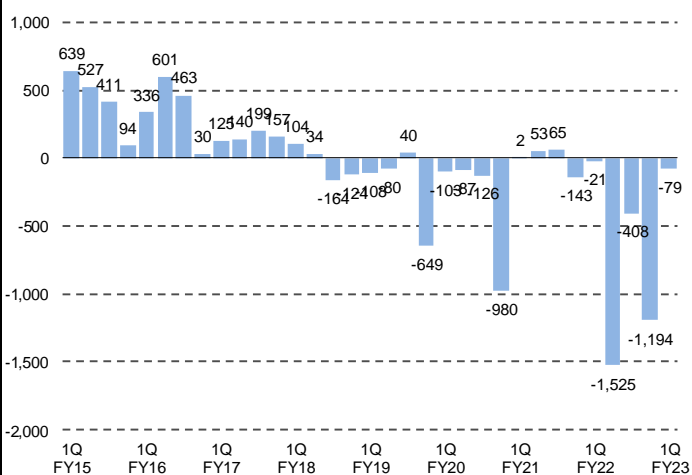
Further information on the results ►

Figure 4: Segmental breakdown

FYE Jan (RM m)	1QFY23	1QFY22	yoy %	4QFY22	qoq %	
			chg			chg Comments
Revenue (RM m)	886	1,471	(39.7)	453	95.5	1QFY23 rev rose qoq due to the downward revision in the 4Q of
Engineering & construction	709	1,248	(43.2)	241	194.5	the percentage of completion on E&C projects which suffered
Drilling & Energy Svs	232	252	(8.0)	264	(12.1)	from cost overruns.
- Drilling	232	252	(8.0)	264	(12.1)	Drilling rev fell qoq in 1QFY23 due to lower tender drilling rig
- Energy	-	-	nm	-	nm	utilisation rates and lower average daily charter rates.
Eliminations & others	(54)	(30)		(51)		
Profit before tax (RM m)	97	(64)	nm	(6,614)	101.5	
Engineering & construction	74	54	37.3	(974)	107.6	E&C turned around to a profit in 1QFY23 due to the cost
- Subsidiaries	29	43	(32.4)	(1,020)	102.8	provisions made in 4QFY22.
- Associates (Seabras, etc.)	46	12	293.9	46	-	Seabras Sapura in Brazil profits stable qoq.
Drilling & Energy Svs	(7)	74	(110.0)	(109)	93.2	
- Drilling	(49)	22	(323.3)	(89)	44.7	Energy turned around to a profit in 1QFY23 vs. the 4QFY22
- Energy	42	52	(19.4)	(20)	310.9	loss due to the higher selling prices of gas.
- Forex translation	176	(43)	512.0	(26)	777.8	Large forex gain of RM176m in 1QFY23, vs. forex loss of
Corporate exp & eliminations	(146)	(150)	2.3	(111)	(31.3)	RM26m in 4QFY22.

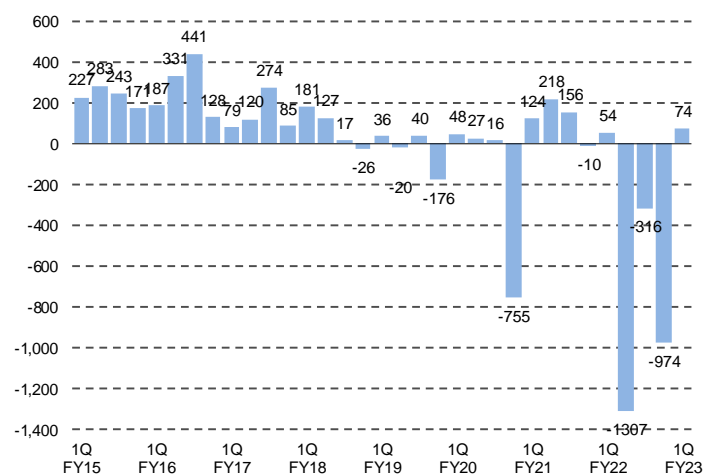
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Sapura Energy group's quarterly core pretax profit/(loss) (RM m)



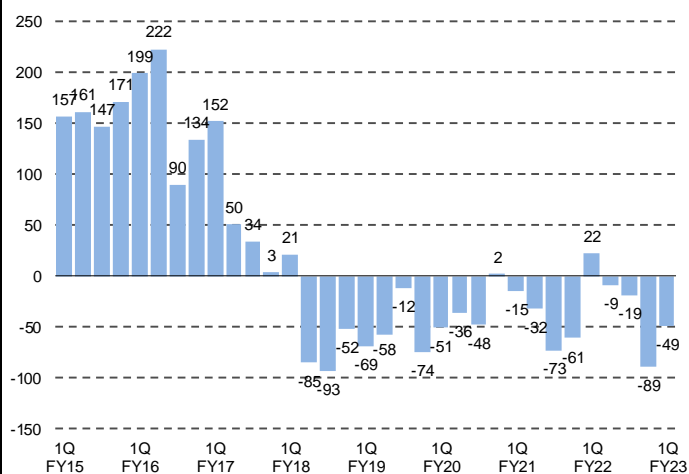
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Engineering & Construction quarterly core pretax profit/(loss) (RM m)



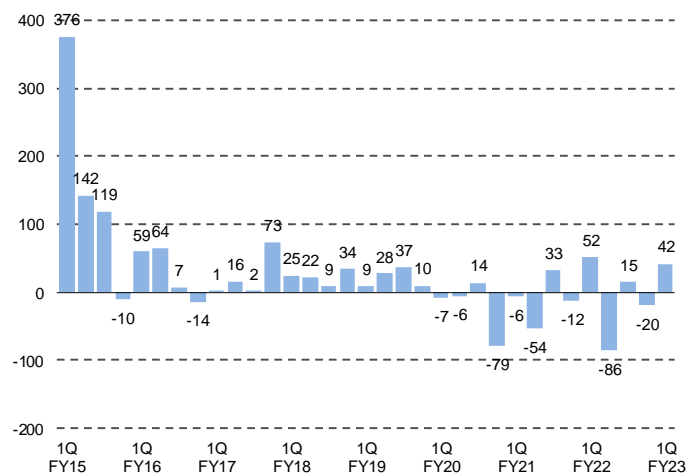
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Drilling quarterly core pretax profit/(loss) (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Sequential quarterly tables >

Figure 9: Results comparison



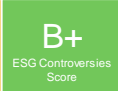




FYE Jan (RM m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Revenue	1,356.7	1,219.2	1,328.4	1,443.5	1,470.6	747.1	1,455.9	453.1	886.1
Operating costs	(1,157.5)	(901.9)	(1,217.0)	(1,410.2)	(1,324.3)	(1,923.2)	(1,704.3)	(1,482.6)	(643.6)
EBITDA	199.2	317.3	111.4	33.4	146.3	(1,176.1)	(248.4)	(1,029.5)	242.4
EBITDA margin (%)	14.7	26.0	8.4	2.3	9.9	(157.4)	(17.1)	(227.2)	27.4
Depn & amort.	(134.9)	(133.7)	(136.7)	(138.0)	(130.8)	(123.5)	(138.5)	(129.5)	(108.9)
EBIT	64.3	183.7	(25.3)	(104.6)	15.5	(1,299.6)	(386.9)	(1,159.0)	133.5
Interest expense	(138.8)	(119.7)	(124.4)	(109.5)	(156.0)	(118.7)	(124.1)	(123.0)	(125.4)
Interest & invt inc	28.4	8.9	77.7	18.7	7.7	19.0	7.4	34.9	10.2
Associates' contrib	82.3	(19.5)	80.9	15.1	63.6	(71.5)	66.4	25.8	78.4
Exceptionals	-	-	50.1	-	5.2	0.8	(211.9)	(5,392.9)	-
Pretax profit	36.2	53.4	59.0	(180.3)	(64.0)	(1,470.0)	(649.2)	(6,614.2)	96.8
Tax	(22.3)	(29.7)	(41.5)	(35.0)	(38.2)	(41.9)	(18.9)	(3.4)	(9.4)
Tax rate (%)	61.6	55.7	70.3	(19.4)	(59.7)	(2.9)	(2.9)	(0.1)	9.7
Minority interests	0.3	0.1	(0.3)	(0.7)	5.1	(4.9)	(1.2)	5.0	4.5
Net profit	14.2	23.7	17.2	(216.0)	(97.1)	(1,516.9)	(669.3)	(6,612.6)	91.9
Core net profit	14.2	23.7	(32.9)	(216.0)	(102.3)	(1,517.7)	(457.5)	(1,219.7)	91.9
EPS (sen)	0.1	0.1	0.1	(1.4)	(0.6)	(9.5)	(4.2)	(41.4)	0.6
Core EPS (sen)	0.1	0.1	(0.2)	(1.4)	(0.6)	(9.5)	(2.9)	(7.6)	0.6
Breakdown of exceptionals	-	-	50.1	-	5.2	0.8	(211.9)	(5,392.9)	-
- Prov for impairment on investment	-	-	-	-	-	-	-	-	-
- Gain/(loss) on disposal of PPE	-	-	50.1	-	5.2	0.8	0.1	0.9	-
- Impairment on PPE and oil and gas prop	-	-	-	-	-	-	(212.0)	(2,103.8)	-
- Others	-	-	-	-	-	-	-	(3,289.9)	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

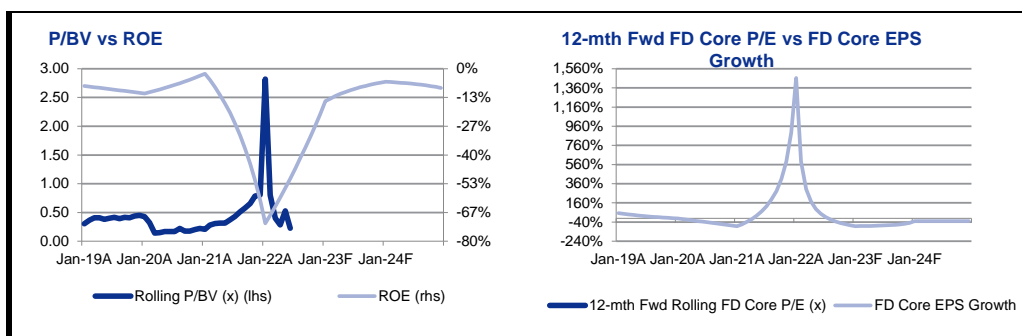
Figure 10: Segmental breakdown

FYE Jan (RM m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Revenue (RM m)	1,356.7	1,219.2	1,328.4	1,443.5	1,470.6	747.1	1,455.9	453.1	886.1
Engineering & construction	1,126.1	1,062.6	1,209.6	1,348.2	1,248.5	552.3	1,209.6	240.6	708.7
Drilling & Energy Svs	240.9	187.4	133.2	167.0	251.8	223.6	294.3	263.7	231.8
- Drilling	240.9	187.4	133.2	167.0	251.8	223.6	294.3	263.7	231.8
- Energy	-	-	-	-	-	-	-	-	-
Eliminations & others	(10.3)	(30.8)	(14.4)	(71.6)	(29.7)	(28.8)	(48.0)	(51.2)	(54.4)
Profit before tax (RM m)	36.2	53.4	59.0	(180.3)	(64.0)	(1,470.0)	(649.2)	(6,614.2)	96.8
Engineering & construction	123.9	218.1	155.9	(10.0)	54.2	(1,307.4)	(315.8)	(974.0)	74.5
- Subsidiaries	35.5	183.9	107.7	(37.5)	42.7	(1,321.8)	(367.4)	(1,019.7)	28.8
- Associates (Seabras, etc.)	88.4	34.2	48.1	27.6	11.6	14.4	51.6	45.6	45.6
Drilling & Energy Svs	(21.0)	(86.1)	(40.1)	(73.6)	74.1	(94.9)	(4.1)	(109.1)	(7.4)
- Drilling	(14.9)	(32.4)	(72.8)	(61.1)	22.1	(9.0)	(18.9)	(89.3)	(49.3)
- Energy	(6.1)	(53.6)	32.8	(12.5)	52.0	(85.9)	14.8	(19.9)	41.9
Impairments	-	-	-	-	-	-	(212.0)	(2,103.9)	-
- Engineering & Construction	-	-	-	-	-	-	(212.0)	(73.5)	-
- Drilling	-	-	-	-	-	-	-	(2,030.4)	-
- Energy	-	-	-	-	-	-	-	-	-
Other exceptional items	-	-	-	-	-	-	-	(3,289.9)	-
- Engineering & Construction	-	-	-	-	-	-	-	(1,621.5)	-
- Drilling	-	-	-	-	-	-	-	(1,668.4)	-
- Energy	-	-	-	-	-	-	-	-	-
- Forex translation	33.9	0.8	(6.0)	(37.7)	(42.7)	55.0	(28.9)	(26.0)	175.9
Corporate exp & eliminations	(100.6)	(79.4)	(50.8)	(59.0)	(149.6)	(122.8)	(88.3)	(111.3)	(146.2)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores	
	     
<p>ESG in a nutshell</p> <p>Sapura Energy (SAPE) is heavily invested in the production of fossil fuels and the service of hydrocarbon production activities, such as pipe-laying, 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>Keep your eye on</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>Implications</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&C) and drilling businesses.</p>
<p>ESG highlights</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>Implications</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>Trends</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>Implications</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&G businesses.</p>
<p><small>SOURCES: CGS-CIMB RESEARCH, REFINITIV, COMPANY REPORTS</small></p>	

BY THE NUMBERS



Profit & Loss

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

Cash Flow

(RMm)	Jan-21A	Jan-22A	Jan-23F	Jan-24F	Jan-25F
EBITDA	661.3	(2,307.7)	238.0	247.8	352.0
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
Cashflow From Operations	(252.9)	67.4	(1,578.8)	156.5	0.0
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
Cash Flow From Investing	(70.4)	(68.2)	(160.0)	(160.0)	(160.0)
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
Cash Flow From Financing	54.2	226.2	1,800.0	1,500.0	(6,320.4)
Total Cash Generated	(269.0)	225.3	61.2	1,496.5	(6,480.4)
Free Cashflow To Equity	(266.4)	225.3	61.2	1,496.5	(6,480.4)
Free Cashflow To Firm	99.2	424.5	(1,351.8)	275.0	(160.0)

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
Total Current Assets	4,213	3,327	2,948	4,798	0
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
Total Non-current Assets	18,477	12,909	12,651	12,393	0
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
Total Current Liabilities	6,527	15,839	3,671	5,690	0
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
Total Non-current Liabilities	7,225	143	4,606	4,606	0
Total Provisions	0	0	0	0	0
Total Liabilities	13,752	15,982	8,277	10,296	0
Shareholders' Equity	8,947	255	7,323	6,895	0
Minority Interests	-9	-1	-1	-1	0
Total Equity	8,938	254	7,322	6,894	0

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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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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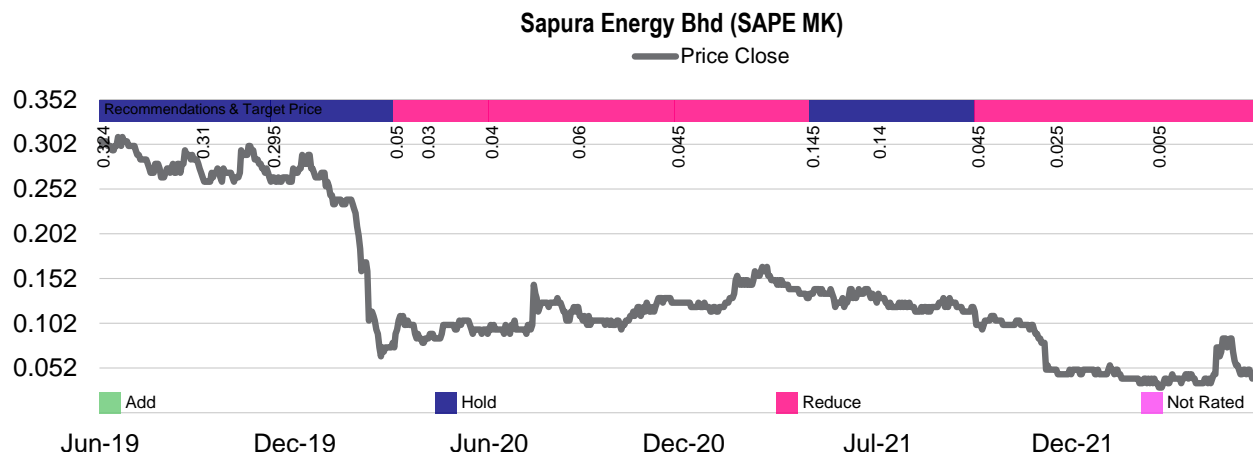
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
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>	
Sector Ratings	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.
Country Ratings	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.