

## SapuraCrest lands first contract in 2012

### SapuraCrest Petroleum Bhd Jan 11 (RM4.60)

**Maintain neutral with unchanged target price RM4.60:** SapuraCrest Petroleum Bhd's equally-owned joint venture company (with Subsea7), SapuraAcergy Sdn Bhd, has secured a contract worth US\$100 million (RM315 million) for a sub-sea construction project off the Vietnamese coast.

The scope includes installation of 28km of 12-inch diameter pipeline, a 28km umbilical, pipeline end terminations (PLETs) and subsea isolation valve (SSIV) structures, spools and pre-commissioning. The job is expected to start mid-2012.

Recall, SapCrest secured a sizable RM4.2 billion contract from Petrobras to construct, charter and operate three units of pipe-laying support vessels (PLSV) in December last year, lifting its outstanding order book to an estimated RM11 billion.

Although the Vietnam contract is relatively small (equivalent to about 3% of its existing backlog), we are positive on the continuous new contract replenishment flow.

Assuming a net profit margin of 12% with the completion period assumption of one year, we expect this project to contribute RM18 million (about RM9 million each in FY13 and FY14) to SapCrest.

Given the earnings impact is minimal and we are fine-tuning our numbers pending the completion of the proposed merger with Kencana Petroleum Bhd, we make no change to our forecasts at the current juncture. We are maintaining our target price (TP) for SapCrest at RM4.60, at par with the offer price for its merger deal.

Our TP implies 21 times price-earnings ratio 2012, which is about plus one standard deviation above its historical average since 2007. The proposed merger with Kencana and the listing of Sapura Kencana is expected to be completed by the first quarter of 2012. — *MIDF Research, Jan 11*

### SapuraCrest Petroleum Bhd

FYE Jan (RM mil)	FY09	FY10	FY11	FY12F
Revenue	3,483.8	3,257.0	3,180.0	2,739.7
Ebit	383.0	362.4	350.7	356.4
Pretax profit	281.0	364.0	415.1	428.5
Net profit	115.7	171.6	231.0	280.0
EPS (sen)	9.1	13.4	18.1	21.9
EPS (%)	47.9	48.3	34.6	21.2
PER (x)	50.0	33.7	25.2	20.8
Net dividend (sen)	5.0	7.0	8.5	9.9
Net dividend (%)	1.1	1.5	1.9	2.2

Source: Company, forecasts by MIDFR