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# SapuraCrest Petroleum Bhd

Nov 2, RM4.10

**AMRESEARCH (NOV 2) BUY:** SapuraCrest Petroleum (SapCrest) announced that it has been awarded a massive US\$1.4 billion (RM4.4 billion) contract to charter and operate three pipe-laying support vessels (PLSVs) from Petróleo Brasileiro SA (Petrobras). This is the company's maiden entry into this region.

As mentioned in our earlier reports, the group had offered the lowest bids for three out of six flexible pipe-laying charters in Brazil. We understand that the vessels could cost potentially cost US\$200 million each or a combined US\$600 million.

Recall that the company has a capital expenditure programme that could reach RM2.7 billion, which includes these new pipe-laying construction vessels. With Kencana's additional borrowings of US\$290 million for the two new tender-assisted drilling rigs, we estimate that the merged Kencana-SapuraCrest's net gearing could rise from 0.3 times to 1.

But as revenue contribution is scheduled to materialise by 4Q2014, we maintain our forecast for FY2012 to FY2014 earnings. The stock currently trades at an attractive CY2012F PER of only 16 times vis-à-vis its 2007 peak of 29 times. We reiterate our "buy" call on SapCrest with an unchanged fair value of RM5.44 per share based on an unchanged CY2012F PER of 22 times for the group's merged earnings with Kencana Petroleum.

