



MEDIA COVERAGE

MEDIA : The Edge Markets	TITLE: BIMB upgrades Scomi Energy's shares to 'buy' with a 41 sen target price
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BIMB upgrades Scomi Energy's shares to 'buy' with a 41 sen target price

KUALA LUMPUR (July 9): BIMB Securities Research has upgraded Scomi Energy Services Bhd (SES)'s shares to a 'buy' call, with a maintain on earnings projection and target price of 41 sen, based on 11 times price earnings ratio (11x PER) on unchanged calendar year 2016 earnings per share (CY16 EPS).

In a management meet-up with SES, BIMB learnt the former was awaiting approval for a new design plan on the Ophir risk service contract (RSC) from Petroliam Nasional Bhd (Petronas), which asked it to re-look into their project costing.

"The management assured that at lower oil price level of US\$55/barrel, Ophir RSC is still worthwhile to be given the green light, based on the revised design plan. Ophir's first oil timeline by the second half of 2016, remains unchanged," BIMB said in a company update note.

According to SES, the domestic oilfield revenue contribution would remain low, due to lower rig counts and activities in Malaysia, where five out of nine rigs belong to Petronas.

Contributions to SES from Petronas are expected to decline from 16% to average about 8% of company's revenue, BIMB was told, adding it expects to see the Middle East, Brazil and Argentina pick up in activities, moving forward.

SES (valuation: 0.5; fundamental: 1) was also looking at a few marginal field developments locally, and India and Indonesia via partnerships.

"SES aims to improve its gross profit margin from the current 24.4% to a range of 26%, by adopting a more stringent control on its chemical and logistic costs.

"The outlook for the marine segment remains gloomy from the impact of low coal prices, hence affecting the volume of coal tonnage transport," BIMB said.

Despite the tumble in oil prices and adverse domestic and international economy, BIMB views SES as a beneficiary of a stronger dollar, because 80% of its revenue is USD-denominated.

It stated SES would also benefit from the wide range of new products and services offering, through acquisitions or joint ventures that could increase its global market footprint.

“We are maintaining our financial year 2016 and 2017 earnings projection at RM86.2 million and RM87.5 million, as we prefer to remain conservative, given the current ongoing sector headwind faced for the year.

“We maintain our target price at 41 sen, based on 11x PER on unchanged CY16 EPS. Given that the current stock price has been dragged down by a series of misfortunes and present more than 10% upside, we upgrade SES to buy,” BIMB added.

At 12.30pm, SES shares remained unchanged at 34 sen, giving it a market capitalisation of RM796.15 million.