

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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Sapura Energy likely to list E&P unit on Bursa

> Shahril says the interest it has drawn from S'pore and Australia shows the hidden value in company

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KUALA LUMPUR: Sapura Energy Bhd's exploration and production (E&P) business, which is ripe for a listing, is likely to be listed locally although it has attracted interest from Singapore and Australia.

"This process is ongoing. I think you also see a lot of news about Singapore and Australia inviting us. That in itself shows the hidden value in this company," its president and group CEO Tan Sri Shahril Shamsuddin told SunBiz (pix).

Shahril, who initially declined to comment on which markets the group is considering for the listing, hinted at a listing on the local bourse when pressed further.

"I think at the end of the day, we will see how things progress, looking at what the conditions are. I cannot say, but I think a lot of you know that I'm very patriotic. That's why we built a Malaysian company flying the Malaysian flag with a Malaysian armada conquering markets way beyond our shores.

"It's all about developing Malaysians to be competitive globally. It's important to us... the idea, the vision, was to build a Malaysian independent oil and gas company that can make our national oil company independent of foreign contractors," he said.



Early this year, Sapura Energy confirmed that it was considering a listing of its E&P business and the engagement of advisers to evaluate and advise on it.

The E&P business achieved revenue of RM850.4 million in the financial year ended Jan 31, 2018 (FY18), driven mainly by crude oil sales amid higher average realised oil prices in FY18 versus FY17.

The segment recorded a profit of RM281 million due to the positive impact of higher crude oil price and cost saving measures partially offset with the cessation of Berantai Risk Service Contract in the second quarter of FY17.

Shahril said Sapura Energy, which suffered a net loss of RM2.5 billion in FY18, will focus on managing its top line and bottom line, and lowering its debts in hopes of returning to profitability.

"We don't foresee any major impairments (for FY19). There are a lot of exercises going on and we have a target to bring down our debt substantially with all the activities that are running. We hope to turnaround the corner," he said.

Shahril, who was recently thrust under the spotlight when the Minority Shareholder Watch Group (MSWG) expressed concern over his "excessively high" pay package, said that the contracts won for this year so far have already exceeded the total clinched in FY18.

For the first six months of FY19, the group won RM4.5 billion worth of orderbook compared with RM2.8 billion for the whole of FY18. As of the first quarter ended April 30, 2018, the group's total order book stood at RM16.7 billion.

Despite market competition, Shahril said, the group embarked on some key initiatives that will enable it to achieve its targeted order book of RM18 billion

to RM20 billion in the next two years.

"Before the crash in 2014, we were pretty much addressing (markets like) Australia, Southeast Asia and one country in South America, which is Brazil. But, today, when I talk about foundation in infrastructure, we address the Middle East, East and West Africa, Brazil, Mexico, Caspian, Australia, Southeast Asia and India," he said.

Shahril said this calendar year, the group is qualified to bid for projects in these markets that are worth a total of US\$350 billion (RM1.42 billion). To be qualified to bid, firms must have the engineering, financial and project management capabilities as well as track record, among others.

In calendar year 2017, the group made bids for US\$2.5 billion worth of jobs. This year, it is bidding for US\$5.8 billion worth of jobs.

"There are fewer bids in the market and more competition, but we have been managing this for the past three years," said Shahril.

Commenting on oil price, he said Sapura Energy's budgeting is based on a conservative US\$55 per barrel.

"You can't predict the oil price. What I told my research team was, look at supply and demand. We knew that around this time, it's coming close to balancing already. People not investing means natural oil decline, thus supply is going to be squeezed. Not included in there is geopolitical issues; it is just pure supply and demand," he said.

He said without the Organization of the Petroleum Exporting Countries in the picture, the oil price is already balancing based purely on supply and demand, and prices are expected to firm up.

"It has firmed up and I think we are at the level where it can sustain. That's my personal view but it is impossible to say," he added.

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Shahril leaves Sapura's remuneration committee

PETALING JAYA: Sapura Energy Bhd's embattled president and group CEO Tan Sri Shahril Shamsuddin has left the group's remuneration committee, a week after his pay package came under scrutiny.

In a filing with Bursa Malaysia Friday, the group said the composition of the board remuneration committee has been revised.

The committee now comprises four members namely chairman and non-independent non-executive director Datuk Hamzah Bakar as well as three independent non-executive directors Mohamed Rashdi Mohamed Ghazali,

Datuk Muhammad Noor Hamid and Datuk Ramlan Abdul Rashid.

Previously, the committee comprised three members namely Hamzah, Mohamed Rashdi and Shahril.

Last week, the Minority Shareholder Watch Group (MSWG) urged shareholders at the group's AGM to vote against the re-election of Mohamed Rashdi and Muhammad Noor, as well as the payment of directors' fees and benefits up to RM5.6 million.

MSWG said that the directors have not been performing their fiduciary duties in safeguarding the interests of shareholders as the issue of Shahril's "excessive"

remuneration has been ongoing for several years.

A representative of the Employees Provident Fund threw support behind MSWG at the AGM and even went a step further to vote against the re-election of Shahril.

Earlier this week, Shahril told SunBiz in an interview that he was willing to leave the remuneration committee to appease shareholders who are concerned over his pay package.

Sapura Energy's share price fell 0.82% or half sen to close at 60.5 sen with 60.75 million shares traded.