

Sapura-Kencana expects CAGR of 15%

Merger expected to be completed by February with listing of new entity in 1Q

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KUALA LUMPUR: The merged entity of Kencana Petroleum Bhd and SapuraCrest Petroleum Bhd (SapCrest), expects to achieve a compound annual growth rate (CAGR) of 15% to 20% in revenue "over the next few years".

Speaking after the Kencana AGM and EGM yesterday, CEO Datuk Mokhzani Mahathir said the CAGR is based on the growth rate of both Kencana and SapCrest over the last five years.

Kencana obtained shareholders approval yesterday for the merger. It is expected to be completed by end-February and is on track to be listed on Bursa Malaysia in the first quarter of 2012 pending regulatory approvals.

Asked about dividend policy, Mokhzani said no dividend policy or target has been set for the merged entity, Sapura-Kencana Petroleum Bhd, at the moment.

"We would love to pay dividends. Traditionally both SapCrest and Kencana have paid dividends, albeit at different percentages. But you know we will [be] working towards that because shareholder value is very important to us."

On the integration process after the merger, Mokhzani does not believe there will be a cul-

ture shock between the two companies: "We are not strangers to each other and a lot of us come from the same background. We have crossed paths many times, so I do not think there will be any major culture shock. We will look at what is best practice and adopt that in the merged entity."

"I think it is going to be business as usual where we will go up the [engineering, procurement, construction, installation and commissioning] EPCIC contracts, which is one of the main reasons why we are merging," he added.

Mokhzani said once Sapura-Kencana Petroleum has established itself in Australia and Latin America, North America will be the next market the merged entity will look into. "From what we know there are going to be a lot of things coming up in the Gulf of Mexico and Cuba."

He said Central Asia is also on the radar of Sapura-Kencana Petroleum as he believes the region will start to boom in a couple of years. As such, Mokhzani said it will have to assess its scope of services to oil majors in Central Asia.

Commenting on crude oil prices, he said Sapura-Kencana Petroleum will be content as long as prices stay above US\$60 a barrel.

"At US\$60 to US\$80 plus, even deepwater projects are viable. So there is no reason to think that the amount of business ... for the oil and gas industry will decrease in the next couple of years. I don't think you will see a sudden crash to US\$38

as we saw in 2008/09."

Sapura-Kencana Petroleum will have 9,000 people on its payroll worldwide, according to Mokhzani, across more than 20 countries ranging from Malaysia, Thailand, Australia, to Brazil and the US.

The merger will result in the country's largest oil and gas service provider and the world's fifth largest EPCIC company by asset base.

Under the merger, which involves cash and a share swap, Integral Key Bhd (IKB), a special purpose vehicle, will acquire all assets and liabilities of Kencana for a total consideration of RM5.98 billion and SapCrest for RM5.87 billion.

Kencana's shareholders will receive an aggregate offer price of RM3 per share, which consists of 49 sen in cash and RM2.51 in value in IKB shares for each Kencana share.

As for SapCrest, its shareholders will receive an aggregate offer price of RM4.60 per share amounting to 68.5 sen in cash and RM3.92 in value in IKB shares for each SapCrest share.

A total of 2.5 billion new IKB shares (of RM1 each) at an issue price of RM2 per share and RM875 million in cash will be distributed by end-February 2012. The cash payout to shareholders of both entities amounts to RM1.84 billion.

Upon listing on the Main Market of Bursa Malaysia, IKB, which will change name to Sapura-Kencana Petroleum, will have a market capitalisation of RM10 billion and a combined order book of RM12.8 billion.