

Sarawak Energy

Recommendation: **NOT RANKED**

Stock Code: 2356

Bloomberg: SRWE MK

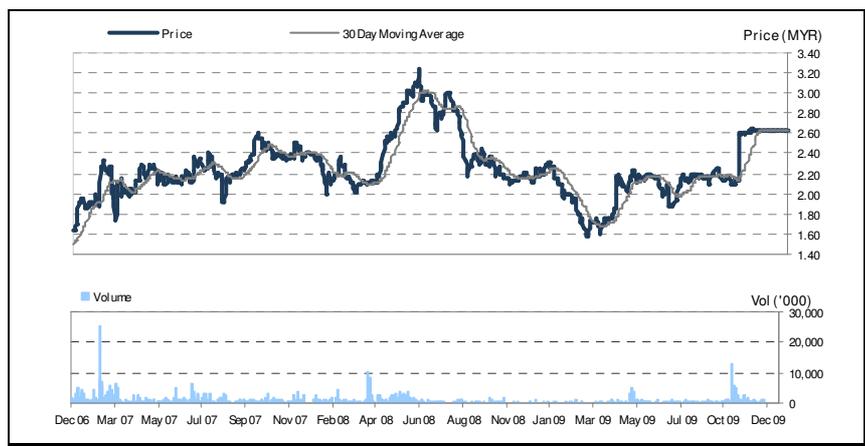
Price: MYR2.63

12-Month Target Price: NA

Date: January 4, 2010

Board: Main**Sector:** Trading/Services**GICS:** Utilities/Electric Utilities**Market Value - Total:** MYR4,013.7 mln

Summary: Sarawak Energy Bhd (SEB) is responsible for the generation, transmission and distribution of electricity in the State of Sarawak. It is also involved in steel fabrication and other support services.

Analyst: Hooi Tow, Chew**Recent Developments**

- Sarawak Energy will be delisted Jan. 5, 2010 as a result of the privatization by the state government of Sarawak. The state government already owns a 98.6% stake in the company via Delegation Sdn. Bhd., and it will invoke Section 34 of the Securities Commission Act to compulsorily acquire the remaining shares it does not own.

Recommendation & Investment Risks

- We cease coverage on Sarawak Energy following the delisting of its shares from Bursa Malaysia. Our last recommendation was a Sell with a target price of MYR2.65, which is the offer price under the privatization exercise.

Key Stock Statistics

FY Dec.	2008	2009E
Reported EPS (sen)	18.2	12.6
PER (x)	14.4	20.9
Dividend/Share (sen)	5.5	0.0
NTA/Share (MYR)	1.85	1.98
Book Value/Share (MYR)	1.85	1.98
No. of Outstanding Shares (mln)	1,526.1	
52-week Share Price Range (MYR)	1.58 - 2.64	
Major Shareholders:	%	
State Financial Secretary, Sarawak	98.6	

* Stock deemed Shariah compliant by the Securities Commission

Per Share Data

FY Dec.	2006	2007	2008	2009E
Book Value (MYR)	1.52	1.71	1.85	1.98
Cash Flow (sen)	33.6	39.1	35.3	30.2
Reported Earnings (sen)	16.8	22.0	18.2	12.6
Dividend (sen)	4.1	5.0	5.5	0.0
Payout Ratio (%)	17.8	20.6	22.7	0.0
PER (x)	15.7	12.0	14.4	20.9
P/Cash Flow (x)	7.8	6.7	7.5	8.7
P/Book Value (x)	1.7	1.5	1.4	1.3
Dividend Yield (%)	1.6	1.9	2.1	0.0
ROE (%)	11.6	11.2	10.1	6.5
Net Gearing (%)	2.0	7.5	14.6	38.3

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Page 1 of 4

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Profit & Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	1,319.2	1,339.3	1,296.3	1,418.2
Reported Operating Profit	415.8	330.9	298.6	351.6
Depreciation & Amortization	-251.8	-219.5	-266.4	-271.7
Net Interest Income / (Expense)	-34.0	-35.7	-44.0	-49.0
Reported Pre-tax Profit	400.7	293.7	258.6	306.6
Effective Tax Rate (%)	15.8	5.8	25.0	22.0
Reported Net Profit	335.5	275.6	192.0	237.2
Reported Operating Margin (%)	31.5	24.7	23.0	24.8
Reported Pre-tax Margin (%)	30.4	21.9	19.9	21.6
Reported Net Margin (%)	25.4	20.6	14.8	16.7

Source: Company data, S&P Equity Research

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Shariah-compliant stock - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Not Ranked	
1-Dec-09	Sell	2.65
20-Oct-09	Hold	2.65
21-Aug-09	Hold	2.30
19-May-09	Sell	2.00
3-Mar-09	Hold	1.70
26-Nov-08	Hold	2.30
2-Sep-08	Buy	2.64
1-Aug-08	Buy	3.36

