

## RH Petrogas (RHP SP)

Oil &amp; Gas - Exploration &amp; Production

Market Cap: USD345m

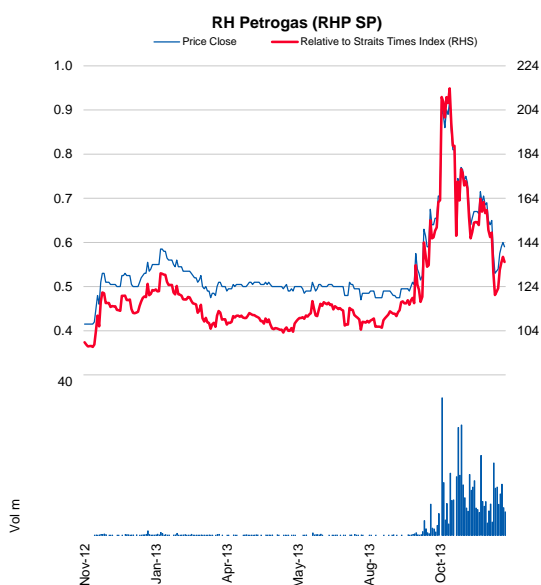
**Buy** (Maintained)

Target Price: SGD1.38

Price: SGD0.59

## Roadshow And Operation Highlights

Macro	◆◆
Risks	◆◆◆◆
Growth	◆◆◆◆
Value	◆◆◆◆



Source: Bloomberg

Avg Turnover (SGD/USD)	5.13m/4.12m
Cons. Upside (%)	149.2
Upside (%)	134
52-wk Price low/high (SGD)	0.42 - 0.92
Free float (%)	35

Shareholders (%)	
Tan Sri Datuk Sir Tiong Hiew King	64.6

We took RHP's management on a non-deal roadshow on Tuesday. The company has published its 2014 drilling programme, planned reserve upgrades, and schedule of upcoming news flow. Operationally, wireline logs indicate potential hydrocarbon zones in the Klagalo-1 well, while development wells at Klalin-15 and -17 have gas and condensate flows with rates to be confirmed. The stock is trading at a 35% discount to its production assets. Maintain BUY, with SGD1.38 TP.

- ◆ **Heavy focus on drilling development wells in 2014.** RHP's 2014 work programme includes nine development wells and one appraisal well (contingent on Klagalo-1 being successful) in the Basin PSC. For Fuyu, 40 development wells are planned for 2Q-3Q14, with a deep exploration well to test the deep gas zone. Total net drilling capex is USD60m, and management expects >80% cash refund in 2014 from cost recovery oil.
- ◆ **2P reserves to treble.** RHP targets to upgrade 19mmboe (million barrels of oil equivalent) of 2C resources to 2P reserves in 2014. This will bring RHP's EV/2P ratio down from USD30.9/boe to USD11.4/boe by end-2014. KrisEnergy trades at an EV/2P of USD27.6/boe. The Asian average is USD21/boe.
- ◆ **Positive developments.** We understand the Klagalo-1 well was completed ahead of schedule, with no hiccups in cementing and perforation, and wireline logs indicate potential hydrocarbons. Three zones will be each be tested for seven days. We expect the Klalin -15 and -17 wells to boost existing output with gas and condensate flows.
- ◆ **50% historical exploration success rate.** Management shared that RHP has had six successful exploration wells out of 12 drilled in its three-year history. This is a commendable track record, indicating success in executing its strategy to focus on low-to-medium risk assets.
- ◆ **Targeting oilfield acquisition.** RHP is looking to acquire a producing field in the South-East Asian region. We do not expect this to be a large acquisition. Project financing should be available, and the agreement could be finalised within a few months.
- ◆ **Maintain BUY, SGD1.38 TP.** RHP continues to trade at a 35% discount to its production assets, implicitly pricing in a Brent crude price of USD80/bbl, or a 32% discount rate, both of which are too pessimistic.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13F	Dec-14F	Dec-15F
Total turnover (USDm)	89	86	96	124	186
Reported net profit (USDm)	2.9	6.1	(10.9)	3.3	14.8
Recurring net profit (USDm)	2.9	6.1	(10.9)	3.3	14.8
Recurring net profit growth (%)	65.0	108.2	(279.2)	na	348.6
Core EPS (USD)	0.01	0.01	(0.02)	0.00	0.02
Core P/E (x)	73	40	na	104	23
Return on average equity (%)	2.7	4.2	(5.3)	1.4	6.2
P/B (x)	1.96	1.60	1.51	1.48	1.40
P/CF (x)	7.0	12.7	11.2	19.4	9.7
EV/EBITDA (x)	8.2	8.9	46.5	9.2	6.2
Net debt to equity (%)	51.3	7.6	net cash	2.3	9.3
Our vs consensus EPS (%)			9.4	(60.7)	(19.1)

Source: Company data, OSK-DMG estimates

Lee Yue Jer +65 6232 3898  
[yuejer.lee@sg.oskgroup.com](mailto:yuejer.lee@sg.oskgroup.com)

Jason Saw +65 6232 3871  
[jason.saw@sg.oskgroup.com](mailto:jason.saw@sg.oskgroup.com)

## Additional Notes

**New information published.** RHP has published the latest slides of its company website at [www.rhpetrogas.com](http://www.rhpetrogas.com). The new important information includes the drilling programme for 2014 and targeted upgrades to 2P reserves.

**Focus on low-risk onshore development wells.** RHP has secured two drilling rigs (from only one throughout 2013) to ramp up its drilling programme in 2014. We note that the company will be focusing on the low-hanging fruit of low-risk, less expensive onshore development wells in the Basin PSC, which should boost production.

Figure 1: Drilling programme 2014

PSC	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Basin	2 development wells	2 development wells	4 development wells	1 development well
	1 appraisal well			
Island				
West Belida			1 exploration well	G&G
Fuyu-1		20 development wells	20 development wells	
			1 deep exploration well	
SK331		700 km seismic acquisition and processing		

Source: OSK-DMG estimates

**Klagalo game plan.** We understand that if the Klagalo-1 well proves successful, the Klagalo-2 appraisal well will be drilled. Following that, RHP will submit the data to the consultants (likely GCA) for verification. Once the report is issued in about two months' time, the company will be able to upgrade the discovered oil to 2C resources. Note that the consultants may report a higher or lower figure than the 32.4mmboe we currently assume, as this depends on their choice of parameters for estimating the recoverable oil in ground. Of course, if the well is dry, RHP will simply write it off and recover the cash costs from the Basin PSC's cost recovery oil.

**Take the misses with the hits.** Investors should keep in mind that drilling is a high-risk, high-return game, with low success rates being compensated for by high payoffs. RHP's track record of 50% exploration success rate is high (indeed, this is the success rate promised by Rex International (REXI SP, NR)'s new technology), but does not preclude failure. The Zircon-1 dry well is a good example, to which investors overreacted. Note also that statistically, a 50% chance does not mean a failure will be followed by a success, instead, it reflects a long-run overall average.

**More on Zircon.** In the company's latest published slides, it was revealed that the Zircon-1 well encountered 40 feet of oil shows, but which proved to be tight. The Zircon prospect is larger in area and would have cost much more to develop than the Koi prospect, and a joint development had been originally planned. With this new information, management has decided not to revisit Zircon, which will sharply reduce future drilling and development costs, which for offshore developments, can run well over USD100m. We expect RHP to write off the well in 4Q13, but cost recovery is being applied and there would be no net effect on earnings.

**Clarifying "post mortem" and "plug and abandon (P&A)".** Investors had earlier panicked on seeing these phrases in the announcement on Zircon-1. First, a "post-mortem" is conducted for all drills, regardless of success. It is simply a standard post-drilling analysis. Second, at least 80% of global offshore exploration wells are plugged and abandoned (P&A), regardless of success. The function of an exploration well is to discover oil and gas and to delineate the likely boundaries of the reservoir. Future development plans may not include the exploration well as part of the production network, and thus it is usually more economical to plug and abandon the well today than to contract another expensive offshore rig for the sole purpose of performing the P&A later. This leads to the vast majority of offshore exploration wells being P&A. Going forward, we also expect the Koi-2 appraisal well to be P&A regardless of success, as there is no development plan for the field as of today. Meanwhile, the company will recover the exploration costs in cost recovery oil, so there is no net loss to the company.

**Upgrading 18.9mmboe of 2C resources into 2P reserves.** We gather that the 18.9mmboe refer to the following – 9.5mmboe in the North Klalin area, 2.34mmboe in the Southeast Walio area, and 7.1mmboe in the Fuyu-1 Phase I block. With this new information, we upgrade the risking on the North Klalin and SE Walio areas to 90%, from 50% previously.

**Figure 2: Major valuation kicker**

- Targeting to convert 19 MMBOE of 2C into 2P in 2014

Year	2P	2C	Prospective resources
2013	11	65	1,030
2014	30	46	1,030

(all units stated in MMBOE)

Source: OSK-DMG estimates

**We use conservative risking percentages and NPV/bbl assumptions.** From the Society of Petroleum Engineers (SPE)'s table below, the economic chance of success is 50-95% for contingent resources at the development pending stage. This is the appropriate stage for North Klalin, SE Walio and TBC. We had used a 50% risking earlier, at the extreme low end of the scale. Our current 90% risking more accurately reflects the near-development stage of these fields. Note that under this methodology, 2C resources only command an NPV/bbl value 50% of the 2P reserves – this presents significant upside to our TP following the upgrade to 2P reserves.

**Figure 3: Industry risking factors**

TOTAL PETROLEUM INITIALLY-IN-PLACE (PIIP)			PRODUCTION			PROJECT STATUS	GCoS	ECoS
			RESERVES	1P	2P			
DISCOVERED PIIP	COMMERCIAL	RESERVES	On Production				100%	100%
			Under Development				100%	100%
			Planned for Development				100%	90-100%
			Development Pending				100%	50-95%
			Development on Hold				100%	20-80%
			Development not Viable				100%	0-30%
	SUB-COMMERCIAL	CONTINGENT RESOURCES	Unrecoverable					
			1C	2C	3C			
			Prospect				10-50%	5-25%
			Lead				0-15%	0-10%
UNDISCOVERED PIIP	PROSPECTIVE RESOURCES	Low Estimate	Best Estimate	High Estimate				
		Play				N/A	N/A	
		Unrecoverable						

← Range of Uncertainty →

Source: SPE

**Fewer worries for Fuyu-1 approval.** While management expects approval of the Overall Development Plan (ODP) in 4Q13, we recognise that the National Development and Reform Committee (NDRC) is a powerful national body which cannot be rushed. Even if the approval is granted only in 1Q14, this does not affect RHP's drilling plans, as the 40 development wells are scheduled for the spring and summer seasons of 2Q-3Q14. Furthermore, management stated that in the past 10 years, the NDRC has approved about 30 ODPs across China, without a single rejection.

**More transparency and investor engagement.** RHP has committed to being more transparent and is now engaging investors more actively by publishing a schedule of expected news flow. We like this positive development. The high-impact news will be the Klagalo-1 results and the approval of the Fuyu-1's ODP and the North Klalin's Plan of Development (POD). The test results on Klalin-15 and -17 are likely to be low risk and low impact, being overall positive.

Figure 4: Scheduled upcoming news flow

Timeframe	PSC	Event
Dec-13	Basin	Announcement on test results of Klagalo-1 exploration well
Dec-13	Basin	Announcement on test results of Klalin-15 and Klalin-17 development wells
Dec-13	Fuyu	Overall Development Plan approval targeted
Jan-14	Island	Announcement on progress on exploration drilling of Koi-2 appraisal well
Mar-14	Basin	North Klalin Field Plan of Development approval targeted

Source: Company

**Valuation models.** Our NPV-and-risking model incorporates a longer-term view of the company's valuation, which attaches a conservative 10% risking to most of the company's exploration-stage resources. We also assume that the Fuyu-1 shallow oil field will commence production by mid-2014.

**Our model does not assume Basin and Island PSC contract extension.** Our NPV model for the Basin and Island production fields (the first two lines totalling 11mmboe of 2P reserves) has production cut off in 2020, when the PSC is set to expire. RHP is applying for an extension of the contract to 2030, although the approval process could take a long time. Should approval be granted, there will be potential significant upside to the 2P reserves and the NPVs of these fields, with positive knock-on effects on the size and valuation of the 2C resources.

Figure 5: Our NPV-and-risking model

Country	Field	Equity %	2P mmboe	2C mmboe	Prospective Resources mmboe	Risking %	Risked mmboe	NPV USDm	NPV USD/boe
<b>Production / Near-production Stage</b>									
Indonesia	Basin	60%	9.0			100%	9.0	144.7	16.1
Indonesia	Island	33%	2.0			100%	2.0	29.3	14.6
China	Fuyu-1 Shallow Oil	49%		35.0		100%	35.0	350.6	10.0
			<b>11.0</b>	<b>35.0</b>	<b>0.0</b>		<b>46.0</b>	<b>524.5</b>	<b>11.4</b>
<b>Development / Re-activation / Appraisal Drilling Stage</b>									
Indonesia	Basin - North Klalin	60%		9.5		90%	8.6	68.7	8.0
Indonesia	Basin - SE Walio	60%		2.3		90%	2.1	16.9	8.0
Indonesia	Island - TBC	60%		7.0		60%	4.2	30.7	7.3
Indonesia	Island - Koi	33%		5.0		30%	1.5	11.0	7.3
Indonesia	Island - North Sele	33%		5.7		30%	1.7	12.5	7.3
			<b>0.0</b>	<b>29.5</b>	<b>0.0</b>		<b>18.1</b>	<b>139.8</b>	<b>7.7</b>
<b>Exploration Stage</b>									
Indonesia	Basin - Klagalo	60%			32.4	20%	6.5	6.5	1.0
China	Fuyu-1 Deep Gas	49%			27.0	30%	8.1	8.1	1.0
Indonesia	West Belida	94%			5.0	10%	0.5	0.5	1.0
Malaysia	SK331	80%			180.0	10%	18.0	18.0	1.0
Indonesia	Basin - Wario & Arar	60%			399.6	10%	40.0	40.0	1.0
Indonesia	Island - Koi & Sele Strait	33%			386.0	10%	38.6	38.6	1.0
			<b>0.0</b>	<b>0.0</b>	<b>1,030.0</b>		<b>111.6</b>	<b>111.6</b>	<b>1.0</b>
<b>Total:</b>			<b>11.0</b>	<b>64.5</b>	<b>1,030.0</b>		<b>175.7</b>	<b>776.0</b>	<b>4.4</b>
		<b>Value (USDm)</b>	<b>Per share</b>						
		Producing / near-production	524.5	0.72					
		Development/ appraisal	139.8	0.19					
		Exploration	111.6	0.15					
		Adjust for Group gross cash USDm	78.0	0.11	Adjusted for placement				
		Adjust for Group gross debt (USDm)	-48.1	-0.07					
		<b>Target equity value (USDm)</b>	<b>805.9</b>	<b>1.10</b>					
		Shares (m)	731.3						
		Forex rate		1.25					
		<b>Equity value per share (SGD/share)</b>		<b>1.38</b>					

Source: OSK-DMG estimates

**Liquidation value of SGD1.03 per share.** Figure 6 provides the current valuation of RHP's assets, ie the conservative estimates of the market value of its assets as of today. Note that Fuyu-1's value is halved as its oil is still classified as 2C contingent resources, while zero value is attributed to the prospective resources. RHP should still trade at a minimum of SGD1.03 today on the back of these marketable assets.

Figure 6: Market valuation of reserves and resources as of 28 Nov 2013

Country	Field	Equity %	2P mmmboe	2C mmmboe	Prospective Resources			2P Value USDm/ mmmboe	2C Value USDm/ mmmboe	PR Value USDm/ mmmboe	2P Value USDm	2C Value USDm	PR Value USDm
					mmboe	mmboe	mmboe						
<b>Production / Near-production</b>													
Indonesia	Basin	60%	9.0				16.1				144.7		
Indonesia	Island	33%	2.0				14.6				29.3		
China	Fuyu-1 - Shallow Oil	49%		35.0				5.0				175.3	
			<b>11.0</b>	<b>35.0</b>	<b>0.0</b>				<b>173.9</b>	<b>175.3</b>	<b>0.0</b>		
<b>Development / Re-activation / Appraisal Drilling Stage</b>													
Indonesia	Basin - North Klalin	60%		9.5				8.0				76.4	
Indonesia	Basin - SE Walio	60%		2.3				8.0				18.8	
Indonesia	Island - TBC	33%		7.0				7.3				51.2	
Indonesia	Island - Koi	33%		5.0				7.3				36.6	
Indonesia	Island - North Sele	33%		5.7				7.3				41.7	
			<b>0.0</b>	<b>29.5</b>	<b>0.0</b>				<b>0.0</b>	<b>224.6</b>	<b>0.0</b>		
<b>Exploration Stage</b>													
Indonesia	Basin - Klagalo	60%				32.4				0.0			0.0
China	Fuyu-1 - Deep Gas	49%				27.0				0.0			0.0
Indonesia	West Belida	94%				5.0				0.0			0.0
Malaysia	SK331	80%				180.0				0.0			0.0
Indonesia	Basin - Walio / Arar	60%				399.6				0.0			0.0
Indonesia	Island - Koi & Sele Strait	33%				386.0				0.0			0.0
			<b>0.0</b>	<b>0.0</b>	<b>1,030.0</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>Total</b>			<b>11.0</b>	<b>64.5</b>	<b>1,030.0</b>				<b>173.9</b>	<b>399.9</b>	<b>0.0</b>		
<b>Value (USDm) Per Share</b>													
	2P		173.9	0.24									
	2C		399.9	0.55									
	Resources		0.0	0.00									
	Add cash		78.0	0.11	Adjusted for placement.								
	Less debt		-48.1	-0.07	Debt as of 3Q13.								
	<b>Equity value</b>		<b>603.8</b>	<b>0.83</b>									
	Shares (m)		731.3										
	Forex rate			1.25	USD/boe								
	<b>Equity value (SGD)</b>			<b>1.03</b>	<b>Implicit EV/(2P+2C) Valuation</b>		<b>8.0</b>						

Source: OSK-DMG estimates

**Most important valuation ratios are EV/2P and EV/(2P+2C).** The key valuation ratios of exploration & production companies are the enterprise value to 2P reserves, and to 2P+2C resources. Unless the company is in the mature, high-production stage, typical P/E and EV/EBITDA ratios will fail to capture the true value of the recoverable oil. On these ratios, RHP's 2014 figures look appealing. Its EV/2P ratio will be only USD11.4/boe compared with USD27.6/boe for KrisEnergy, the Asian average of USD21/boe, and the global average of USD18/boe.

The EV/(2P+2C) figure for RHP indicates similar undervaluation. It currently stands at USD4.5/boe, compared with USD11.5/boe for KrisEnergy, the Asian average of USD9.3/boe, and the global average of USD7.3/boe. Assuming the Klagalo resources and the Fuyu deep gas resources get upgraded to 2C, RHP's ratio falls further to USD2.5/boe.

**Peculiar trading correlation with Rex.** We notice that RHP shares have been trading in lockstep with Rex International. This is peculiar – Rex' business model is based on using and selling its technology and its oilfields are in the US, Oman and Norway, whereas RHP is a very traditional Asia-focused E&P company.

RHP should trade at similar valuations and should be more highly correlated with KrisEnergy, which has similar-sized 2P+2C figures with fields also in the Asian region. We believe that investors have misunderstood the differences between these companies, and are trading on inaccurate perceptions.

Figure 7: Peers' EV/(2P+2C) valuations much higher in Singapore and globally

Company Name	Ticker	EV (USDm)	2P Reserves (mboe)	2C Resources (mboe)	Prospective Resources (mboe)	EV / 2P (USD/boe)	EV / (2P + 2C) (USD/boe)	EV / (2P + 2C + Prospective) (USD/boe)
<b>Singapore</b>								
RH Petrogas	RHP SP	340.3	11.0	64.5	1,044.0	30.9	4.5	0.30
KrisEnergy	KRIS SP	876.4	31.7	44.6	1,442.0	27.6	11.5	0.58
Interra Energy	ITRR SP	130.2	13.9	0.0	54.9	9.4	n.a.	1.89
Ramba Energy	RMBA SP	146.3	7.1	0.0	281.6	20.5	n.a.	0.51
Mirach Energy	MENR SP	141.0	0.0	1.1	24.8	n.a.	n.a.	5.45
Loyz Energy	LOYZ SP	109.9	6.2	6.8	0.0	17.7	8.4	n.a.
<b>Average (Singapore)</b>		<b>290.7</b>	<b>11.7</b>	<b>19.5</b>	<b>474.6</b>	<b>21.2</b>	<b>8.1</b>	<b>1.75</b>
<b>Hong Kong</b>								
PetroChina	857 HK	320,401.7	11,018.0	10,000.0		29.1	15.2	n.a.
CNOOC	883 HK	94,481.9	3,492.0			27.1	n.a.	n.a.
Sinopec	386 HK	150,083.8	3,964.0			37.9	n.a.	n.a.
<b>Average (Hong Kong)</b>		<b>188,322.5</b>	<b>6,158.0</b>			<b>31.3</b>	<b>15.2</b>	<b>n.a.</b>
<b>India</b>								
Cairn India	CAIR IN	7,024.4	871.0			8.1	n.a.	n.a.
Oil and Natural Gas Corporation	ONGC IN	40,418.7	1,451.0			27.9	n.a.	n.a.
<b>Average (India)</b>		<b>23,721.5</b>	<b>1,161.0</b>			<b>18.0</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Indonesia</b>								
Benakat Petroleum	BIPI IJ	976.2	33.9	0.0	0.0	28.8	n.a.	n.a.
Energi Mega Persada	ENRG IJ	697.0	523.0	0.0	0.0	1.3	n.a.	n.a.
MedcoEnergi	MEDC	1,052.6	283.0	0.0	n.a.	3.7	n.a.	n.a.
<b>Average (Indonesia)</b>		<b>908.6</b>	<b>280.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.3</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Thailand</b>								
PTT Exploration & Production	PTTEP TB	21,491.6	901.0	2,200.0	0.0	23.9	6.9	n.a.
<b>Asian Average (Regional)</b>		<b>42,558.1</b>	<b>1,507.1</b>	<b>1,119.7</b>	<b>316.4</b>	<b>20.99</b>	<b>9.32</b>	<b>1.75</b>
<b>Australia</b>								
Neon Energy	NEN AU	112.4	9.1			12.4	n.a.	n.a.
Horizon Oil	HZN AU	536.7	19.6	76.1	111.0	27.4	5.6	2.6
AWE Limited	AWE AU	600.8	110.0	96.6		5.5	2.9	n.a.
Karoon Gas	KAR AU	814.5	0.0	135.0	3,260.0		6.0	0.2
Oil Search	OSH AU	13,160.8	552.0	365.0		23.8	14.4	n.a.
Woodside Petroleum	WPL AU	31,685.3	1,543.6	2,214.0		20.5	8.4	n.a.
ROC Oil	ROC AU	229.9	15.0	22.9		15.3	6.1	n.a.
<b>Average (Australia)</b>		<b>6,734.3</b>	<b>321.3</b>	<b>484.9</b>	<b>1,685.5</b>	<b>17.5</b>	<b>7.2</b>	<b>1.4</b>
<b>USA</b>								
Santos Ltd	SSLTY US	15,707.0	1,406.0	1,965.0		11.2	4.7	n.a.
Chevron	CUX US	238,730.2	13,246.7			18.0	n.a.	n.a.
Exxon Mobil	XOM US	434,035.8	25,200.0			17.2	n.a.	n.a.
ConocoPhillips	COP US	107,555.4	8,600.0		43,000.0	12.5	n.a.	2.1
<b>Average (USA)</b>		<b>199,007.1</b>	<b>12,113.2</b>	<b>1,965.0</b>		<b>14.7</b>	<b>4.7</b>	<b>2.1</b>
<b>London</b>								
Salamander Energy	SMDR LN	695.2	88.0	81.8	845.0	7.9	4.1	0.7
Premier Oil	PMO LN	4,000.4	300.0	780.0		13.3	3.7	n.a.
British Petroleum	BP LN	168,555.0	17,000.0			9.9	n.a.	n.a.
Royal Dutch Shell	RDSA LN	241,334.8	13,600.0			17.7	n.a.	n.a.
Soco International	SIA LN	1,817.0	128.5	0.0	0.0	14.1	n.a.	n.a.
<b>Average (London)</b>		<b>83,280.5</b>	<b>6,223.3</b>	<b>287.3</b>	<b>422.5</b>	<b>12.6</b>	<b>3.9</b>	<b>0.7</b>
<b>Average (Global IOC and NOC)</b>		<b>132,382.5</b>	<b>7,051.7</b>	<b>4,094.8</b>	<b>21,500.0</b>	<b>22.43</b>	<b>8.82</b>	<b>2.08</b>
<b>Average (Global Non IOC/NOC)</b>		<b>1,761.2</b>	<b>158.1</b>	<b>98.5</b>	<b>588.6</b>	<b>15.76</b>	<b>6.72</b>	<b>1.53</b>
<b>Sample Global Average</b>		<b>61,224.0</b>	<b>3,368.6</b>	<b>859.7</b>	<b>3,576.0</b>	<b>17.95</b>	<b>7.32</b>	<b>1.59</b>
<b>RHP today</b>		<b>340.3</b>	<b>11.0</b>	<b>64.5</b>	<b>1,030.0</b>	<b>30.94</b>	<b>4.51</b>	<b>0.31</b>
<b>RHP 2014</b>		<b>340.3</b>	<b>29.9</b>	<b>105.0</b>	<b>970.6</b>	<b>11.37</b>	<b>2.52</b>	<b>0.31</b>
<b>RHP 2015</b>		<b>340.3</b>	<b>41.9</b>	<b>171.2</b>	<b>892.4</b>	<b>8.11</b>	<b>1.60</b>	<b>0.31</b>

Source: OSK-DMG estimates

## Financial Exhibits

<b>Profit &amp; Loss (USDm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover	89	86	96	124	186
Cost of sales	(57)	(54)	(62)	(81)	(125)
<b>Gross profit</b>	<b>33</b>	<b>32</b>	<b>35</b>	<b>42</b>	<b>61</b>
Gen & admin expenses	(5)	(5)	(7)	(8)	(8)
Other operating costs	(7)	(8)	(32)	(10)	(11)
<b>Operating profit</b>	<b>20</b>	<b>18</b>	<b>(5)</b>	<b>25</b>	<b>42</b>
Operating EBITDA	33	29	6	38	59
Depreciation of fixed assets	(13)	(10)	(11)	(13)	(17)
<b>Operating EBIT</b>	<b>20</b>	<b>18</b>	<b>(5)</b>	<b>25</b>	<b>42</b>
Other recurring income	1	0	7	-	-
Interest expense	(2)	(2)	(3)	(3)	(3)
<b>Pre-tax profit</b>	<b>19</b>	<b>16</b>	<b>(1)</b>	<b>22</b>	<b>39</b>
Taxation	(16)	(10)	(10)	(19)	(25)
<b>Profit after tax &amp; minorities</b>	<b>3</b>	<b>6</b>	<b>(11)</b>	<b>3</b>	<b>15</b>
<b>Reported net profit</b>	<b>3</b>	<b>6</b>	<b>(11)</b>	<b>3</b>	<b>15</b>
<b>Recurring net profit</b>	<b>3</b>	<b>6</b>	<b>(11)</b>	<b>3</b>	<b>15</b>

Source: Company data, OSK-DMG estimates

<b>Cash flow (USDm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>20</b>	<b>18</b>	<b>(5)</b>	<b>25</b>	<b>42</b>
<b>Depreciation &amp; amortisation</b>	<b>13</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>17</b>
<b>Change in working capital</b>	<b>7</b>	<b>(6)</b>	<b>3</b>	<b>1</b>	<b>4</b>
Other operating cash flow	3	5	31	-	-
<b>Operating cash flow</b>	<b>43</b>	<b>29</b>	<b>40</b>	<b>39</b>	<b>63</b>
Interest received	0	0	0	-	-
Interest paid	(1)	(2)	(3)	(3)	(3)
Tax paid	(11)	(8)	(10)	(19)	(25)
<b>Cash flow from operations</b>	<b>31</b>	<b>19</b>	<b>27</b>	<b>18</b>	<b>35</b>
Capex	(28)	(28)	(41)	(52)	(53)
Other investing cash flow	(1)	(1)	(1)	-	-
<b>Cash flow from investing activities</b>	<b>(29)</b>	<b>(29)</b>	<b>(42)</b>	<b>(52)</b>	<b>(53)</b>
Proceeds from issue of shares	-	-	58	-	-
Increase in debt	31	16	6	10	10
Other financing cash flow	(14)	(2)	-	-	-
<b>Cash flow from financing activities</b>	<b>17</b>	<b>14</b>	<b>64</b>	<b>10</b>	<b>10</b>
Cash at beginning of period	6	24	29	77	52
<b>Total cash generated</b>	<b>19</b>	<b>4</b>	<b>49</b>	<b>(25)</b>	<b>(8)</b>
Forex effects	(1)	0	-	-	-
<b>Implied cash at end of period</b>	<b>24</b>	<b>28</b>	<b>78</b>	<b>52</b>	<b>45</b>

Source: Company data, OSK-DMG estimates

## Financial Exhibits

Balance Sheet (USDm)	Dec-11	Dec-12	Dec-13F	Dec-14F	Dec-15F
Total cash and equivalents	24	29	77	52	45
Inventories	5	6	2	2	3
Accounts receivable	6	9	12	15	23
Other current assets	1	1	1	1	1
<b>Total current assets</b>	<b>35</b>	<b>44</b>	<b>91</b>	<b>71</b>	<b>72</b>
Tangible fixed assets	65	68	79	118	154
Intangible assets	140	140	140	140	140
Total other assets	55	67	62	62	62
Total non-current assets	259	275	281	320	356
<b>Total assets</b>	<b>294</b>	<b>319</b>	<b>372</b>	<b>390</b>	<b>428</b>
Short-term debt	1	5	11	21	31
Accounts payable	49	49	51	56	68
Other current liabilities	6	3	4	4	4
<b>Total current liabilities</b>	<b>56</b>	<b>58</b>	<b>65</b>	<b>80</b>	<b>103</b>
Total long-term debt	79	37	37	37	37
Other liabilities	50	43	41	41	41
<b>Total non-current liabilities</b>	<b>128</b>	<b>80</b>	<b>78</b>	<b>78</b>	<b>78</b>
<b>Total liabilities</b>	<b>184</b>	<b>138</b>	<b>143</b>	<b>158</b>	<b>181</b>
Share capital	138	200	258	258	258
Retained earnings reserve	(28)	(19)	(30)	(26)	(11)
<b>Shareholders' equity</b>	<b>110</b>	<b>181</b>	<b>229</b>	<b>232</b>	<b>247</b>
<b>Total equity</b>	<b>110</b>	<b>181</b>	<b>229</b>	<b>232</b>	<b>247</b>
<b>Total liabilities &amp; equity</b>	<b>294</b>	<b>319</b>	<b>372</b>	<b>390</b>	<b>428</b>

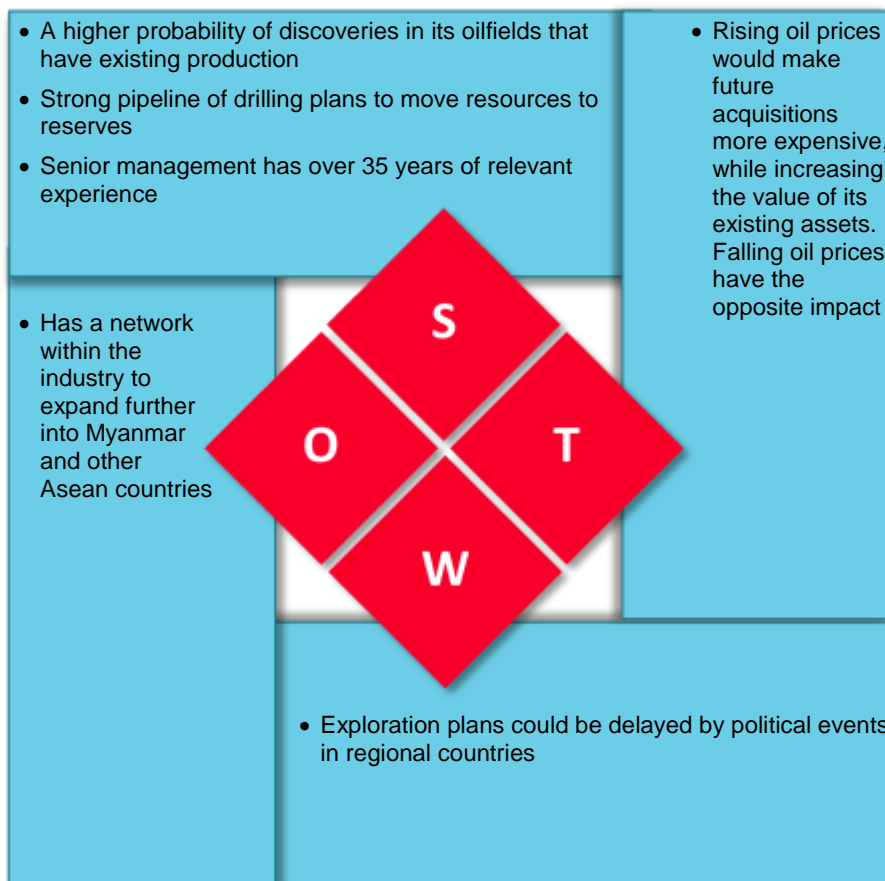
Source: Company data, OSK-DMG estimates

Key Ratios (USD)	Dec-11	Dec-12	Dec-13F	Dec-14F	Dec-15F
Revenue growth (%)	76.2	(3.4)	11.5	28.4	50.6
Operating profit growth (%)	214.2	(8.0)	(125.3)	0.0	72.6
Net profit growth (%)	65.0	108.2	(279.2)	0.0	348.6
EPS growth (%)	64.8	83.5	(243.9)	0.0	348.6
Bv per share growth (%)	0.5	22.6	5.9	1.4	6.4
Operating margin (%)	22.4	21.3	(4.8)	19.9	22.8
Net profit margin (%)	3.3	7.1	(11.4)	2.7	8.0
Return on average assets (%)	1.0	2.0	(3.2)	0.9	3.6
Return on average equity (%)	2.7	4.2	(5.3)	1.4	6.2
Net debt to equity (%)	51.3	7.6	(12.7)	2.3	9.3
Recurrent cash flow per share	0.07	0.04	0.04	0.02	0.05

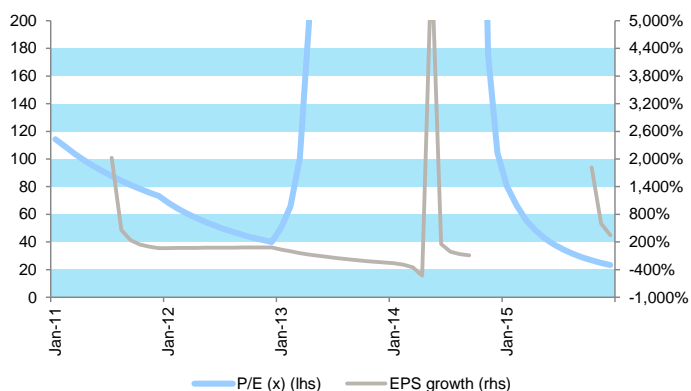
Source: Company data, OSK-DMG estimates



## SWOT Analysis

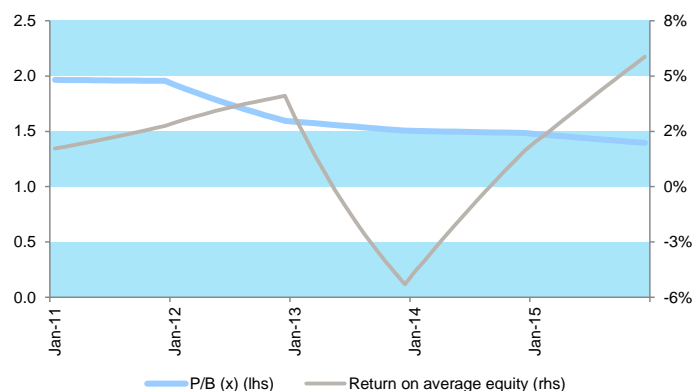


P/E (x) vs EPS growth



Source: Company data, OSK-DMG estimates

P/BV (x) vs ROAE



Source: Company data, OSK-DMG estimates

## Company Profile

RH Petrogas is an exploration & production company with oil & gas concessions in Indonesia, Malaysia and China. It has two producing fields in Indonesia and is currently developing the Chinese concession for production. Exploration and appraisal wells are planned for concessions in Malaysia and Indonesia.

## Recommendation Chart



Source: OSK-DMG estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-11-22	Buy	1.38	0.58
2013-11-18	Buy	1.38	0.58
2013-11-11	Buy	1.33	0.69
2013-10-31	Buy	1.33	0.67
2013-10-03	Buy	1.33	0.90
2013-10-01	Buy	1.47	0.71

Source: OSK-DMG estimates, Bloomberg

## DMG & Partners Research Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months  
**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain  
**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months  
**Take Profit:** Target price has been attained. Look to accumulate at lower levels  
**Sell:** Share price may fall by more than 10% over the next 12 months  
**Not Rated:** Stock is not within regular research coverage

## DISCLAIMERS

This research is issued by DMG & Partners Research Pte Ltd and it is for general distribution only. It does not have any regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this research report. You should independently evaluate particular investments and consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities or investment instruments mentioned in this report.

The information contained herein has been obtained from sources we believed to be reliable but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions and views expressed in this report are subject to change without notice.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities.

DMG & Partners Research Pte Ltd is a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB" which in turn is a wholly-owned subsidiary of RHB Capital Berhad) and Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited.

DMG & Partners Securities Pte Ltd and their associates, directors, and/or employees may have positions in, and may effect transactions in the securities covered in the report, and may also perform or seek to perform broking and other corporate finance related services for the corporations whose securities are covered in the report. This report is therefore classified as a non-independent report.

As of 27 November 2013, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd, do not have proprietary positions in the subject companies, except for:

a) -

As of 27 November 2013, none of the analysts who covered the stock in this report has an interest in the subject companies covered in this report, except for:

a) -

## DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore
<p><b>Malaysia Research Office</b>  RHB Research Institute Sdn Bhd  Level 11, Tower One, RHB Centre  Jalan Tun Razak  Kuala Lumpur  Malaysia  Tel : +(60) 3 9280 2185  Fax : +(60) 3 9284 8693</p>	<p><b>RHB OSK Securities Hong Kong Ltd.</b>  (formerly known as OSK Securities Hong Kong Ltd.)  12th Floor  World-Wide House  19 Des Voeux Road  Central, Hong Kong  Tel : +(852) 2525 1118  Fax : +(852) 2810 0908</p>	<p><b>DMG &amp; Partners Securities Pte. Ltd.</b>  10 Collyer Quay  #09-08 Ocean Financial Centre  Singapore 049315  Tel : +(65) 6533 1818  Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p><b>PT RHB OSK Securities Indonesia</b>  (formerly known as PT OSK Nusadana Securities Indonesia)  Plaza CIMB Niaga  14th Floor  Jl. Jend. Sudirman Kav.25  Jakarta Selatan 12920, Indonesia  Tel : +(6221) 2598 6888  Fax : +(6221) 2598 6777</p>	<p><b>RHB OSK (China) Investment Advisory Co. Ltd.</b>  (formerly known as OSK (China) Investment Advisory Co. Ltd.)  Suite 4005, CITIC Square  1168 Nanjing West Road  Shanghai 20041  China  Tel : +(8621) 6288 9611  Fax : +(8621) 6288 9633</p>	<p><b>RHB OSK Indochina Securities Limited</b>  (formerly known as OSK Indochina Securities Limited)  No. 1-3, Street 271  Sangkat Toeuk Thla, Khan Sen Sok  Phnom Penh  Cambodia  Tel: +(855) 23 969 161  Fax: +(855) 23 969 171</p>
Bangkok		
<p><b>RHB OSK Securities (Thailand) PCL</b>  (formerly known as OSK Securities (Thailand) PCL)  10th Floor, Sathorn Square Office Tower  98, North Sathorn Road, Silom  Bangrak, Bangkok 10500  Thailand  Tel: +(66) 862 9999  Fax : +(66) 108 0999</p>		