

RH Petrogas (RHP SP)

Being Prudent For A Better Year Ahead. Partial Approval For FUYU1

RHP issued a 3Q13 profit warning last Friday. Losses are expected due to US\$11.8m of one-off write offs for non-commercial exploration wells and provisions for inventories, which turned obsolete. That said, we are glad that its recent exploration efforts are looking positive and it has received partial approval for the development of its oilfield in China, Fuyu 1. Maintain BUY. Target price: S\$1.60.

What's New

- **Issued a profit warning.** RH Petrogas (RHP) issued a 3Q13 profit warning last Friday. Losses are expected due to a) write-off for three non-commercial exploration wells (Klaimas-1, Klabaru-1 and Klari-2), amounting to US\$14.0m but offset by write-back in deferred tax liabilities of US\$6.0m previously provided for these wells resulting in a net write-off of US\$8m and b) write-off of obsolete inventories totaling US\$3.8m.
- **On the positive side,** RHP received an approval from the National Development and Reform Commission (NDRC) for its additional supporting study, which was a new requirement forming part of the overall development (ODP) plan submission. While this is not the final approval, it is a positive step towards obtaining full approval for its ODP, which would likely be given very soon.
- **Slight delay to Zircon-1 exploration efforts.** Recall, that the Zircon-1 exploration well offshore Island PSC was spudded on 5 September and reached a total depth of 1,525m on 25 September. We understand that RHP is going through some acidizing activities, resulting in a slight delay to its initial plan. However, we are glad that the slight delay did not result in any additional costs and that oil has been found while drilling.
- **Preparing for wire-line logging at Basin PSC.** Recall that the Klagalo-1 exploration well onshore Basin PSC was drilled and reached a total depth of 7,077 feet recently. We gather from management that 150 feet of oil columns was discovered.

BUY
(Maintained)

Company Update

Share Price S\$0.705
Target Price S\$1.60
Upside +126.3%

Company Description

RH Petrogas is an upstream oil & gas company that has exploration, development and production assets

Stock Data

GICS sector Energy
Bloomberg ticker: RHP SP
Shares issued (m): 733.3
Market cap (SGDm): 517.0
Market cap (US\$m): 416.0
3-mth avg daily t'over (US\$m): 3.4

Price Performance (%)

52-week high/low SGD0.920/SGD0.415

1mth	3mth	6mth	1yr	YTD
(21.7)	48.4	39.6	41.0	34.3

Major Shareholders

Shareholder	%
Woodsville Int	28.9
Sharptone Investments	18.1
RH Capital	17.5

FY13 NAV/Share (USD) 0.28
FY13 Net Debt/Share (USD) 0.02

Price Chart



Source: Bloomberg

Analysts

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Key Financials

Year to 31 Dec (US\$m)	2011	2012	2013F	2014F	2015F
Net turnover	89	86	96	135	176
EBITDA	34	29	24	38	63
Operating profit	21	18	14	23	45
Net profit (rep./act.)	3	6	(9)	7	15
Net profit (adj.)	3	6	3	7	15
EPS (US\$ cent)	0.6	1.2	0.5	0.9	2.0
PE (x)	88.3	48.1	120.7	59.8	28.2
P/B (x)	2.4	1.6	2.0	2.3	2.1
EV/EBITDA (x)	12.6	14.7	17.6	11.2	6.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	3.3	7.1	(9.3)	5.1	8.4
Net debt/(cash) to equity (%)	51.3	7.6	7.9	21.4	35.2
Interest cover (x)	19.1	13.2	11.5	10.6	12.2
ROE (%)	2.7	4.2	(5.0)	4.0	7.9
Consensus net profit	-	-	2	8	18
UOBKH/Consensus (x)	-	-	1.61	0.83	0.81

Source: RH Petrogas, Bloomberg, UOB Kay Hian

Monday, November 11, 2013

Profit & Loss

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
Net turnover	86	96	135	176
EBITDA	29	24	38	63
Deprec. & amort.	11	10	15	18
EBIT	18	14	23	45
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(2)	(2)	(4)	(5)
Pre-tax profit	16	0	20	40
Tax	(10)	(9)	(13)	(25)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	6	(9)	7	15
Net profit (adj.)	6	3	7	15

Balance Sheet

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
Fixed assets	69	126	160	191
Other LT assets	206	206	206	206
Cash/ST investment	29	29	34	34
Other current assets	16	18	24	31
Total assets	319	379	425	463
ST debt	5	5	35	65
Other current liabilities	53	56	77	100
LT debt	37	37	37	37
Other LT liabilities	43	109	96	68
Shareholders' equity	181	172	179	194
Minority interest	0	0	0	0
Total liabilities & equity	319	379	425	463

Cash Flow

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
Operating	19	4	34	39
Pre-tax profit	16	0	20	40
Tax	(8)	(9)	(13)	(25)
Deprec. & amort.	11	10	15	18
Associates	0	0	0	0
Working capital changes	(6)	4	21	22
Non-cash items	0	0	0	0
Other operating cashflows	5	(2)	(9)	(15)
Investing	(29)	(68)	(49)	(49)
Capex (growth)	(28)	(68)	(49)	(49)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(1)	0	0	0
Financing	14	73	30	20
Dividend payments	0	0	0	0
Issue of shares	0	73	0	0
Proceeds from borrowings	44	0	30	20
Loan repayment	(29)	0	0	0
Others/interest paid	(2)	0	0	0
Net cash inflow (outflow)	4	9	15	10
Beginning cash & cash equivalent	21	25	29	34
Changes due to forex impact	4	(5)	(10)	(10)
Ending cash & cash equivalent	29	29	34	34

Key Metrics

Year to 31 Dec (%)	2012	2013F	2014F	2015F
Profitability				
EBITDA margin	33.9	25.4	28.5	35.5
Pre-tax margin	18.8	0.1	14.7	22.6
Net margin	7.1	(9.3)	5.1	8.4
ROA	2.0	(2.6)	1.7	3.3
ROE	4.2	(5.0)	4.0	7.9
Growth				
Turnover	(3.4)	11.1	40.7	30.4
EBITDA	(14.0)	(16.6)	57.6	62.7
Pre-tax profit	(13.9)	(99.4)	21,159.5	100.8
Net profit	108.2	(245.9)	n.a.	112.3
Net profit (adj.)	108.2	(52.6)	139.9	112.3
EPS	83.5	(60.1)	101.9	112.3
Leverage				
Debt to total capital	18.9	19.7	28.8	34.5
Debt to equity	23.4	24.6	40.4	52.8
Net debt/(cash) to equity	7.6	7.9	21.4	35.2
Interest cover (x)	13.2	11.5	10.6	12.2

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