

24 February 2015

Perdana Petroleum

Unscheduled Dry-docking Hits 4Q14

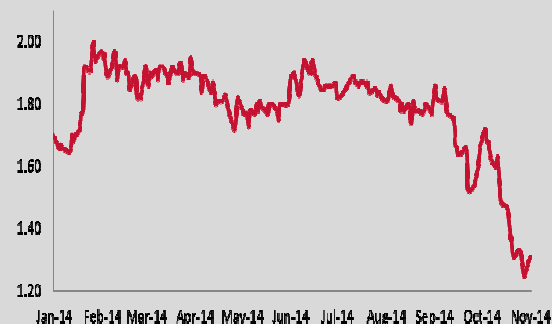
UNDERPERFORM

Price: **RM1.19** ↓
Target Price: **RM1.10** ↓

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Period	<ul style="list-style-type: none"> 4Q14/FY14
Actual vs. Expectations	<ul style="list-style-type: none"> Perdana Petroleum (PERDANA) reported 4Q14 core net profit of RM11.9m; bringing FY14 net profit to RM84.9m. This is below our (RM90.7m) and consensus' (RM96.4m) net profit forecasts at 93.6% and 88.0%, respectively. Core net profit excludes: (i) FOREX gain of RM18.9m, (ii) deposit accretion of RM3.6m, and (iii) RM16.8m goodwill impairment. The main reason behind the weaker-than-expected results is the earlier-than-scheduled dry-docking of 3 vessels (1 AHTS & 2 workboats) in 4Q14 resulting in lower vessel utilisation.
Dividends	<ul style="list-style-type: none"> No dividends have been declared for the quarter as expected.
Key Results Highlights	<ul style="list-style-type: none"> Core net profit in 4Q14 plunged 57.7% QoQ due to lower vessel utilisation resulting from higher dry docking activities and interim maintenance of vessels. Net profit has also declined by 32.5% YoY in 4Q14 underpinned by lower vessel utilisation due to dry docking in the quarter compared to last year. Full year FY14 net profit surged by 53.9% YoY due to significantly higher vessel utilisation rate (FY14: 92.0% vs. FY13: 80.0%) and partial contribution from the Petra Resolute, a 300-pax work barge delivered in early 2014.
Outlook	<ul style="list-style-type: none"> PERDANA has taken delivery of Petra Emerald, a 300-pax accommodation barge in 4Q14. It will be replacing Petra Enterprise which is serving a multi-year contract running up to Feb-16. The latter will therefore be put-up for sale. Out of its fleet of 17 vessels, only 4 vessels (Petra Frontier, Petra Ranger, Petra Horizon and Petra Liberty) are exposed to the spot charter market while the remaining are on long-term charters spanning to 2018/2019. PERDANA is likely to be the least exposed OSV player to renegotiation of rates by Petronas as it is already providing relatively low rates compared to its peers (DCR of USD1.9/bhp vs. USD2.2-2.3/bhp by other OSV players) given that contracts were won pre-rebound cycle (i.e. 2013). No further vessel additions are expected in FY15. The group will be saving resources for incoming deliveries of two higher-end 500-pax work barges scheduled to take place in 1Q16 and 2Q16 respectively.
Change to Forecasts	<ul style="list-style-type: none"> We cut our FY15 earnings forecast by 7.3% as we lowered our blended vessel utilization rate for AHTS and workbarge to 82.3% and 94.3% (from 94.9% and 95.7% previously), respectively. We have also introduced our FY16 core net profit forecast of RM97.5m based on assumptions of: (i) 82.3% and 94.3% blended vessel utilization for AHTS and workbarges respectively, and (ii) partial contribution from its two upcoming 500-pax work barge to be delivered in 1H16 (DCR assumed: RM90,000/day)
Rating	Downgraded to UNDERPERFORM (from MARKET PERFORM) previously due to unexciting earnings prospects in the near term.
Valuation	<ul style="list-style-type: none"> As a result of earnings cut, TP is reduced to RM1.10 from RM1.19 previously based on unchanged 9.0x target PER. This valuation is in-line with small cap valuation range of (7x-10x) in an industry down cycle.
Risks to Our Call	<ul style="list-style-type: none"> Better-than-expected utilisation rates of vessels on spot charter. Stronger-than-expected rebound in crude oil price.

Share Price Performance



KLCI	1809.39
YTD KLCI chg	2.7%
YTD stock price chg	7.2%

Stock Information

Bloomberg Ticker	PETR MK Equity
Market Cap (RM m)	878.9
Issued shares	738.6
52-week range (H)	1.98
52-week range (L)	0.99
3-mth avg daily vol:	2,279,313
Free Float	58%
Beta	1.8

Major Shareholders

DAYANG ENTERPRISE HO	28.6%
LEMBAGA TABUNG HAJI	8.4%
POH ENG KHO	5.3%

Summary Earnings Table

FY Dec (RM'm)	2014A	2015E	2016E
Turnover	347.3	372.4	398.1
EBIT	121.5	120.7	133.7
PBT	89.5	93.6	102.6
Net Profit (NP)	88.6	89.0	97.5
Core Net Profit	84.9	89.0	97.5
Consensus (NP)	-	96.4	116.6
Earnings Revision (%)	-	-7.3	-
Core EPS (sen)	12.2	12.2	13.4
Core EPS growth (%)	45.1	0.4	9.6
NDPS (sen)	2.0	2.0	3.0
NTA/Share (RM)	0.9	1.0	1.1
BV/Share (RM)	0.9	1.0	1.1
Core PER	9.8	9.7	8.9
Price/NTA (x)	1.4	1.2	1.1
Gearing (%)	0.9	0.8	1.0
Dividend Yield (%)	1.7	1.7	2.5

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Income Statement								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
Y/E : Dec (RM m)	FY14	FY14	Chg	FY13	Chg	FY14	FY13	Chg
Turnover	77.6	93.8	-17.3	78.1	-0.6	347.3	274.7	26.4
EBIT	24.1	34.8	-30.7	29.3	-17.8	121.5	65.6	85.3
Interest Expenses	-8.8	-7.1	24.8	-8.0	9.8	-32.0	0.0	
Share of Associate	0.0	0.0		0.0		0.0	0.0	
Pretax profit	15.3	27.7	-44.8	21.3	-28.2	89.5	65.6	36.6
Taxation	0.3	-0.7	-140.2	0.1	226.4	-0.9	-3.5	-74.2
MI	0.0	0.0	0.0	-0.1	-98.3	0.0	-1.0	-103.0
Net profit	15.6	27.0	-42.2	21.3	-26.8	88.6	61.1	45.1
Core Net profit	11.9	28.2	-57.7	17.7	-32.5	84.9	55.1	53.9
EPS (sen)	1.6	3.8	-57.7	2.4	-32.5	11.6	7.5	53.9
GDPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	0.9	0.8	5.1	0.7	20.3	0.9	0.7	20.3
EBIT margin	31.0	37.1		37.5		35.0	23.9	
Pretax margin	19.7	29.5		27.3		25.8	23.9	
Net margin	15.4	30.0		22.6		24.4	20.1	
Effective tax rate	1.9	-2.5		0.4		-1.0	-5.3	

Source: Company

Malaysian Oil & Gas Sector Comparisons

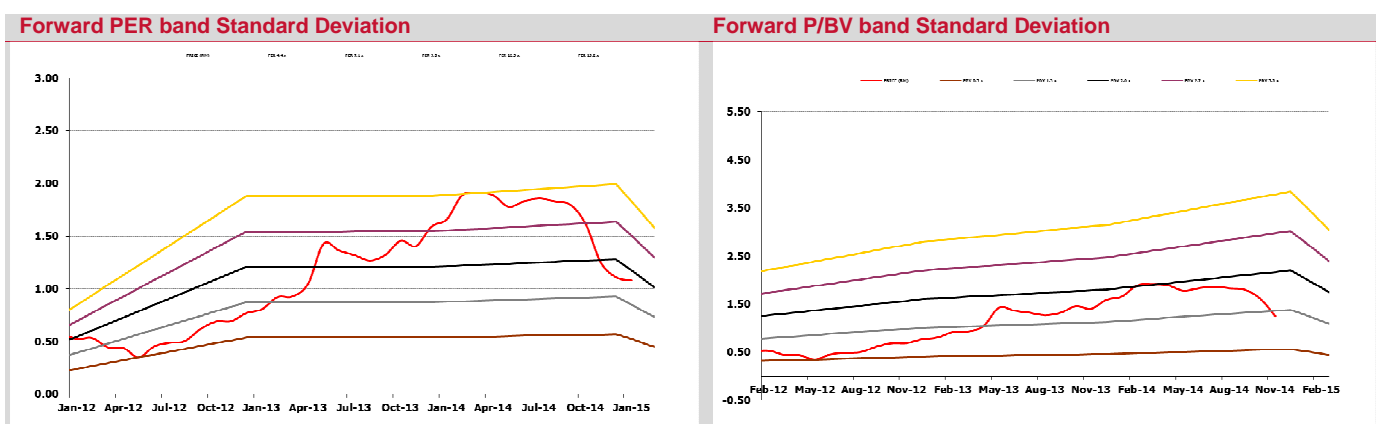
Company	Price (RM)	Market Cap (RM m)	PER(x)			Est. Div. Yld. (%)	His. ROE (%)	His. P/BV (x)	NP Growth (%)		Target Price (RM)	Rating
			CY13	CY14	CY15				CY14	CY15		
ALAM	0.79	725.7	8.0	9.9	9.4	0.0	14.8	1.2	-19.0	5.6	0.59	UP
BARAKAH	1.05	801.9	15.5	8.7	6.9	0.0	28.2	4.4	77.5	25.7	1.34	OP
COASTAL	3.06	1,625.5	10.7	8.2	7.2	2.6	15.0	1.6	30.7	13.8	3.42	OP
DAYANG	2.80	2,455.0	20.4	13.5	12.6	2.5	18.0	3.7	51.1	7.5	2.23	MP
DIALOG	1.60	7,934.7	38.8	32.2	28.2	2.6	14.5	5.6	20.6	14.1	1.67	OP
GASMSIA	2.60	3,338.4	18.9	19.4	27.0	2.8	17.1	3.3	-2.2	-28.4	2.22	UP
MHB	1.43	2,288.0	12.6	23.4	16.5	0.0	7.0	0.9	-46.2	42.4	1.04	UP
PANTECH	0.79	468.4	8.4	9.8	8.5	5.1	15.1	1.3	-14.4	15.1	0.72	UP
PCHEM	5.51	44,080.0	14.0	16.2	14.4	3.8	14.5	2.0	-13.4	12.1	5.73	OP
PERDANA	1.19	878.9	14.4	9.9	9.9	0.0	10.9	1.6	45.0	0.5	1.10	UP
PERISAI	0.66	781.2	10.4	68.5	10.5	0.0	6.2	0.8	-81.6	550.0	0.44	UP
PETDAG	18.72	18,597.5	22.9	37.0	22.9	3.1	16.9	3.9	-38.2	61.6	15.93	UP
PETGAS	22.54	44,600.6	30.0	26.1	24.9	2.8	14.5	4.3	14.9	4.7	22.14	MP
SKPETRO	2.94	17,616.9	17.7	13.2	12.6	0.0	10.0	1.8	34.0	4.9	3.03	OP
UZMA	2.61	703.0	20.9	18.2	11.9	0.0	26.0	5.4	15.2	53.0	UR	UR
WASEONG	1.42	1,094.2	33.9	11.0	8.3	3.5	3.3	1.1	208.7	32.4	1.55	MP
YINSON	2.76	2,850.5	48.1	23.1	19.8	0.0	11.9	5.7	108.2	16.8	3.34	OP
Simple Average			20.3	20.5	14.8							
Weighted Average			22.5	22.5	19.2							

Source: Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM'm)	2012A	2013A	2014A	2015E	2016E
Turnover	259.5	274.7	347.3	372.4	398.1	Growth (%)					
EBITDA	40.9	116.9	163.2	166.7	187.7	Turnover	1.4	5.8	26.4	7.2	6.9
Depreciation	-25.3	-30.9	-41.7	-46.0	-54.0	EBITDA	-380.9	185.9	39.6	2.2	12.6
Operating Profit	15.6	86.0	121.5	120.7	133.7	Operating Profit	-131.1	450.7	41.2	-0.6	10.7
Interest Expense	-17.9	-20.5	-32.0	-27.1	-31.1	PBT	-96.7	-2991.7	36.6	4.6	9.6
Associate	3.0	0.0	0.0	0.0	0.0	Core Net Profit	-134.9	152.9	45.1	0.4	9.6
Exep. Items	0.0	0.0	0.0	0.0	0.0						
PBT	-2.3	65.6	89.5	93.6	102.6	Profitability (%)					
Taxation	-1.2	-3.5	-0.9	-4.7	-5.1	EBITDA Margin	15.8	42.6	47.0	44.8	47.1
Minority Interest	0.0	-1.0	0.0	0.0	0.0	Operating Margin	6.0	31.3	35.0	32.4	33.6
Net Profit	-3.4	61.1	88.6	89.0	97.5	PBT Margin	-0.9	23.9	25.8	25.1	25.8
Core Net Profit	24.2	61.1	84.9	89.0	97.5	Core Net Margin	9.3	22.2	25.5	23.9	24.5
						Effective Tax Rate	-51.4	5.3	5.0	5.0	5.0
						ROA	3.2	5.2	6.5	6.1	5.5
						ROE	5.3	10.9	13.5	12.1	11.8
						DuPont Analysis					
						Net Margin (%)	9.3	22.2	25.5	23.9	24.5
						Assets Turnover (x)	0.3	0.2	0.3	0.3	0.2
						Leverage Factor (x)	1.6	2.1	2.1	2.0	2.1
						ROE (%)	5.3	10.9	13.5	12.1	11.8
						Leverage					
						Debt/Asset (x)	0.3	0.5	0.5	0.5	0.5
						Debt/Equity (x)	0.6	1.0	1.1	0.9	1.1
						Net Cash/(Debt)	-215.2	-512.9	-604.4	-580.9	-852.1
						Net Debt/Equity (x)	0.5	0.9	0.9	0.8	1.0
						Valuations					
						EPS (sen)	3.3	8.4	12.2	12.2	13.4
						NDPS (sen)	0.0	0.0	2.0	2.0	3.0
						NTA (RM)	0.6	0.7	0.9	1.0	1.1
						BVPS (RM)	0.6	0.8	0.9	1.0	1.1
						PER (x)	-13.8	39.4	15.6	9.5	8.9
						Net Div. Yield (%)	0.0	0.0	1.7	1.7	2.5
						P/NTA (x)	2.0	1.6	1.4	1.2	1.1
						P/BVPS (x)	1.9	1.5	1.3	1.2	1.1
						EV/EBITDA (x)	19.7	9.4	7.3	7.0	3.1

Source: Kenanga Research



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Stock Ratings are defined as follows:**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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