

Perdana Petroleum (PETR MK)

Share Price: MYR1.19

MCap (USD): 242M

Malaysia

Target Price: MYR1.70 (+43%)

ADTV (USD): 0.7M

Oil & Gas

BUY

(Unchanged)

No surprises, an M&A target

- FY14 results within our expectations but below street's.
- An M&A candidate - major shareholder Dayang may be keen to raise its stake beyond the current 28.6%.
- Reiterate BUY with an unchanged MYR1.70 TP based on unchanged 10x 2016 PER.

What's New

4QFY14 core net profit of MYR15m (-46% QoQ, -32% YoY) took FY14 core earnings to MYR87m (+41% YoY), accounting for 102% of our full-year forecast but only 90% of consensus.

The QoQ weakness was expected, due to (i) lower utilisation following the immobilisation of two OSVs in 4Q14 (i.e. Horizon and Liberty) and (ii) higher opex from earlier-than-scheduled dry-docking works for three of its vessels - Liberty (169 pax workboat), Sovereign (169 pax workboat) and Expedition (10k bhp AHTS) in 4Q14, to take advantage of the low-activity monsoon period.

What's Our View

Our forecasts are unchanged. Following the change in dry-docking schedule, only Marathon (12k bhp AHTS) is earmarked for dry-docking works in 2015. We expect softer YoY earnings for 2015 before rebounding in 2016 due to: (i) fewer OSVs in operation (16 units vs 17 in 2014) and (ii) lower utilisation.

Fleet rejuvenation may be part of Perdana's 2015 agenda as it targets to refresh its fleet (average profile: 5.5 years for 2015). The disposal of Enterprise (built in 2001, 241 pax AWB, currently chartered to UMW OG) will lower the fleet age profile to 4.9 years.

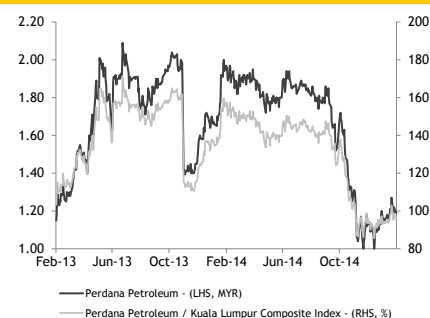
Risk-reward ratio remains compelling following the recent weakness in its share price. Perdana offers resilient earnings visibility with 70% of its OSVs contracted on long-term charters (orderbook of up to MYR1.1b extending into 2019) for the stable 'production phase' segment of the O&G value chain.

FYE Dec (MYR m)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	274.6	347.2	342.7	407.9	435.8
EBITDA	114.6	172.6	140.6	185.5	204.0
Core net profit	61.6	87.0	80.1	121.6	141.1
Core EPS (sen)	8.5	12.0	11.0	16.7	19.4
Core EPS growth (%)	nm	41.1	(7.9)	51.7	16.1
Net DPS (sen)	0.0	2.0	0.0	0.0	0.0
Core P/E (x)	14.0	9.9	10.8	7.1	6.1
P/BV (x)	1.5	1.3	1.2	1.0	0.9
Net dividend yield (%)	0.0	1.7	0.0	0.0	0.0
ROAE (%)	12.1	14.3	11.6	15.5	15.4
ROAA (%)	6.4	6.8	5.7	7.7	8.0
EV/EBITDA (x)	14.5	8.1	9.9	7.7	7.1
Net debt/equity (%)	91.2	89.9	72.9	67.4	59.7

Key Data

52w high/low (MYR)	1.97/1.00
3m avg turnover (USDm)	0.7
Free float (%)	58.4
Issued shares (m)	739
Market capitalization	MYR878.9M
Major shareholders:	
-Dayang Enterprise Holdings Bhd.	28.6%
-Lembaga Tabung Haji	8.4%
-KHO POH ENG	5.1%

Share Price Performance



	1 Mth	3 Mth	12 Mth
Absolute(%)	(0.8)	(4.8)	(39.0)
Relative to index (%)	(1.2)	(4.8)	(38.3)

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	5	1	0
	Maybank Consensus		% +/-
Target Price (MYR)	1.70	1.61	5.6
'15 PATMI (MYRm)	80	107	(24.9)
'16 PATMI (MYRm)	122	113	7.6

Source: FactSet; Maybank

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Summary results table

FY Dec (MYR'm)	Quarterly results					Cumulative results		
	4Q14	4Q13	% YoY	3Q14	% QoQ	12M14	12M13	% YoY
Turnover	77.5	78.1	(0.6)	93.8	(17.3)	347.2	274.7	26.4
EBITDA	37.6	39.5	(4.8)	56.4	(33.3)	172.0	113.6	51.5
Int. expense	(8.8)	(8.0)	9.8	(7.1)	24.9	(32.0)	(18.6)	71.8
Int. income	0.2	0.2	(18.8)	0.2	18.3	0.6	1.0	(43.7)
EI	0.1	0.1	2.0	(0.3)	NM	1.1	0.0	NM
Pretax profit	15.3	21.1	(27.6)	27.7	(44.8)	89.5	65.4	36.9
Tax	(0.3)	0.2	NM	(0.7)	(59.9)	(1.5)	(3.4)	(56.9)
Minority interest	0.0	0.6	NM	0.0	NM	0.0	(0.3)	NM
Net profit	15.0	21.9	(31.4)	27.0	(44.4)	88.0	61.7	42.8
Recurring net profit	14.9	21.8	(31.6)	27.4	(45.5)	87.0	61.6	41.1
	4Q14	4Q13	+/-ppt	3Q14	+/-ppt	12M14	12M13	+/-ppt
EBITDA margin (%)	48.5	50.6	(2.1)	60.1	(11.6)	49.5	41.3	8.2
PBT margin (%)	19.7	27.1	(7.3)	29.5	(9.8)	25.8	(16.4)	42.2
Tax rate (%)	1.9	(0.8)	2.6	2.6	(0.7)	1.6	5.2	(3.6)

Sources: Company, Maybank KE

Exceptional items for FY14

Perdana reported a net exceptional gain of MYR1.1m, comprising: (i) MYR18.9m in forex gain and (ii) accretion of refundable deposits (MYR3.6m) from the termination of vessels under the sales & leaseback arrangement in 4Q13, which if offset by an impairment loss on goodwill will amount to MYR16.8m from two subsidiaries; Perdana Marine Offshore Pte Ltd (MYR6.7m) and Ampangship Marine S/B (MYR10.1m).

Perdana's fleet profile

Vessel name	Type; DP	Year built	Client	On sales & leaseback	Contract Tenure/ (extension)
Petra Frontier	5,220bhp AHTS; DP1	2008	Spot	No	Spot
Petra Ranger	5,220bhp AHTS; DP1	2009	Spot	No	Spot
Petra Adventurer	10,800bhp AHTS; DP2	2008	PCSB	Yes	Jan 13 - Dec 17/(18)
Petra Traveller	10,800bhp AHTS; DP2	2008	PCSB	Yes	Jan 13 - Dec 17/(18)
Petra Horizon	10,880bhp AHTS; DP2	2008	Available/ off-hire	No	-
Petra Voyager	10,880bhp AHTS; DP2	2009	PCSB	Yes	Jan 13 - Dec 17/(18)
Petra Expedition	10,800bhp AHTS; DP2	2009	PCSB	Yes	Jan 13 - Dec 17/(18)
Petra Marathon	12,240bhp AHTS; DP2	2010	Murphy	No	Jul 12 - Jun 15
Petra Enterprise	241 pax AWB	2001	Ocean Pro Off - PCSB	No	Mar 14 - Feb 16/(17)
Petra Odyssey	300 pax AWB	2011	Dayang/ Shell	No	Aug 13 - Jul 18/(19)
Perdana Excelsior	300 pax AWB	2013	Dayang/ Shell	No	Aug 13 - Jul 18/(19)
Perdana Endurance	300 pax AWB	2013	Dayang/ Shell	No	Aug 13 - Jul 18/(19)
Perdana Protector	300 pax AWB	2013	Dayang/ Shell	No	Jul 19
Perdana Resolute	300 pax AWB	2013	Dayang/ Shell	No	Jul 19
Petra Liberty	169 pax workboat	2009	Available/ off-hire	No	-
Petra Sovereign	169 pax workboat	2010	Dayang/ Shell	No	Aug 13 - Jul 18/(19)

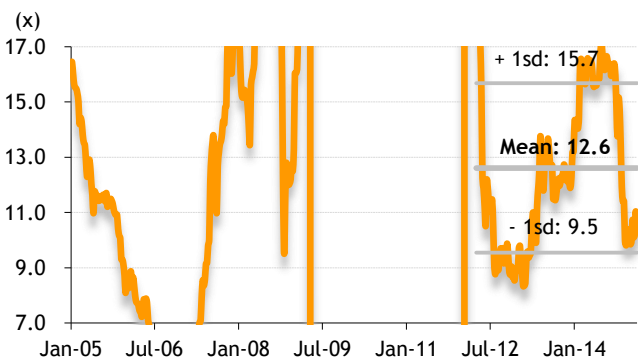
Sources: Company, Maybank KE

Perdana's OSVs under construction

Vessel name	Type	Year built
Perdana Emerald	300 pax AWB	4Q14
SK 317	500 pax AWB	1Q16
SK 318	500 pax AWB	2Q16
SK 319 (option)	500 pax AWB	3Q16
SK 320 (option)	500 pax AWB	4Q16

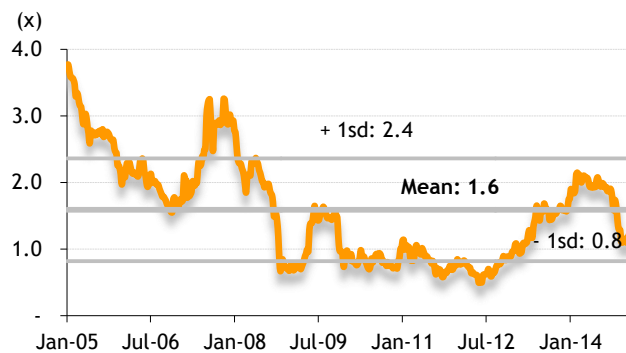
Sources: Company, Maybank KE

Perdana: 12M forward PER



Source: Bloomberg, Maybank KE

Perdana: 12M forward P/BV



Source: Bloomberg, Maybank KE

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Metrics					
P/E (reported) (x)	14.0	9.8	10.8	7.1	6.1
Core P/E (x)	14.0	9.9	10.8	7.1	6.1
P/BV (x)	1.5	1.3	1.2	1.0	0.9
P/NTA (x)	na	na	na	na	na
Net dividend yield (%)	0.0	1.7	0.0	0.0	0.0
FCF yield (%)	nm	nm	7.0	nm	nm
EV/EBITDA (x)	14.5	8.1	9.9	7.7	7.1
EV/EBIT (x)	19.9	11.6	12.5	9.2	8.3

INCOME STATEMENT (MYR m)

Revenue	274.6	347.2	342.7	407.9	435.8
Gross profit	92.1	158.7	153.2	200.4	219.5
EBITDA	114.6	172.6	140.6	185.5	204.0
Depreciation	30.6	52.2	29.5	29.5	29.5
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	84.0	120.4	111.1	156.0	174.5
Net interest income / (exp)	(18.6)	(32.0)	(29.4)	(32.2)	(30.8)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	1.1	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	65.4	89.5	81.7	123.8	143.7
Income tax	(3.4)	(1.5)	(1.6)	(2.2)	(2.6)
Minorities	(0.3)	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	61.7	88.0	80.1	121.6	141.1
Core net profit	61.6	87.0	80.1	121.6	141.1

BALANCE SHEET (MYR m)

Cash & Short Term Investments	61.0	99.2	124.6	235.7	181.2
Accounts receivable	31.8	37.8	38.1	45.3	48.4
Inventory	1.3	1.8	4.9	5.8	6.1
Property, Plant & Equip (net)	961.6	1,122.6	1,143.1	1,301.8	1,460.5
Intangible assets	27.5	10.7	10.7	10.7	10.7
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	99.1	115.2	112.3	112.3	112.3
Total assets	1,182.3	1,387.4	1,433.6	1,711.6	1,819.2
ST interest bearing debt	114.1	143.0	143.0	143.0	143.0
Accounts payable	14.1	13.0	17.1	20.4	21.8
LT interest bearing debt	459.8	544.4	509.4	662.6	627.6
Other liabilities	32.0	30.0	30.0	30.0	30.0
Total Liabilities	620.4	730.4	699.5	855.9	822.3
Shareholders Equity	562.2	654.4	723.7	845.3	986.4
Minority Interest	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Total shareholder equity	561.9	654.1	723.4	845.0	986.1
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	1,182.3	1,384.4	1,422.9	1,700.9	1,808.4

CASH FLOW (MYR m)

Pretax profit	65.4	89.5	81.7	123.8	143.7
Depreciation & amortisation	(30.6)	(52.2)	(29.5)	(29.5)	(29.5)
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	20.7	(26.2)	0.7	(4.9)	(2.0)
Cash taxes paid	(3.4)	(1.5)	(1.6)	(2.2)	(2.6)
Other operating cash flow	(18.8)	26.6	0.0	0.0	0.0
Cash flow from operations	94.5	140.6	110.3	146.2	168.6
Capex	(480.6)	(148.4)	(50.0)	(188.2)	(188.2)
Free cash flow	(386.1)	(7.8)	60.3	(42.0)	(19.5)
Dividends paid	0.0	(14.8)	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	323.2	113.5	(35.0)	153.2	(35.0)
Perpetual securities distribution	0.0	(46.0)	0.0	0.0	0.0
Other invest/financing cash flow	83.1	(52.7)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	20.2	(7.9)	25.3	111.2	(54.5)

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Ratios					
Growth ratios (%)					
Revenue growth	5.8	26.4	(1.3)	19.0	6.8
EBITDA growth	246.7	50.6	(18.5)	31.9	10.0
EBIT growth	980.0	43.4	(7.7)	40.4	11.9
Pretax growth	nm	36.9	(8.7)	51.4	16.1
Reported net profit growth	nm	42.8	(9.0)	51.8	16.1
Core net profit growth	nm	41.1	(7.9)	51.8	16.1
Profitability ratios (%)					
EBITDA margin	41.7	49.7	41.0	45.5	46.8
EBIT margin	30.6	34.7	32.4	38.2	40.0
Pretax profit margin	23.8	25.8	23.9	30.4	33.0
Payout ratio	0.0	16.5	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	22.5	25.4	23.4	29.8	32.4
Revenue/Assets (x)	0.2	0.3	0.2	0.2	0.2
Assets/Equity (x)	2.1	2.1	2.0	2.0	1.8
ROAE (%)	12.1	14.3	11.6	15.5	15.4
ROAA (%)	6.4	6.8	5.7	7.7	8.0
Liquidity & Efficiency					
Cash conversion cycle	30.7	13.1	17.6	13.5	13.6
Days receivable outstanding	62.4	36.1	39.9	36.8	38.7
Days inventory outstanding	5.1	3.0	6.3	9.3	10.0
Days payables outstanding	36.8	25.9	28.7	32.6	35.1
Dividend cover (x)	nm	6.1	nm	nm	nm
Current ratio (x)	0.9	1.1	1.2	1.8	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	1.9	1.9	2.0	2.0	2.2
Net debt/equity (%)	91.2	89.9	72.9	67.4	59.7
Net interest cover (x)	4.5	3.8	3.8	4.8	5.7
Debt/EBITDA (x)	5.0	4.0	4.6	4.3	3.8
Capex/revenue (%)	175.0	42.8	14.6	46.1	43.2
Net debt/ (net cash)	512.9	588.2	527.8	569.8	589.4

Source: Company; Maybank

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