

20 August 2014

Perdana Petroleum

Stable 2Q14 Results

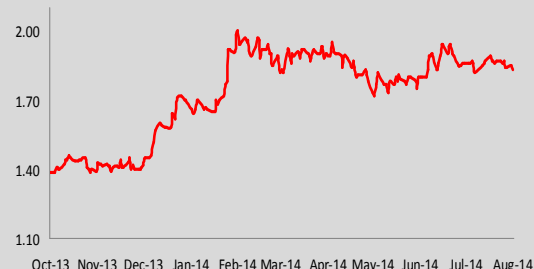
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- Period** ■ 2Q14/1H14
- Actual vs. Expectations** ■ Perdana Petroleum (PERDANA) reported 2Q14 core net profit of RM23.9m which brought 1H14 core net profit to RM44.8m; coming in at 44.6% and 46.2% of our (RM100.4m) and consensus (RM96.9m) FY14 estimates, respectively.
- Our 1H14 core net profit forecast excludes unrealised forex gains of RM1.25m.
- We deem the results within expectations as we expect stronger 2H14 results on the back of full-quarter contribution of vessels chartered to Dayang Enterprise Bhd (**DAYANG; OP; TP: RM4.82**).
- Dividends** ■ No dividends were declared as expected.
- Key Results Highlights** ■ **QoQ**, The core net profit was up 14.2% mainly due to better vessel utilisation and lower administrative and finance costs in 2Q14.
- **YoY**, net profit jumped by 81.3%, due to: (i) better utilisation and charter rates for its vessels due to the improvement in the OSV segment and (ii) earnings contribution from the new vessels which came in for Dayang since 2H13.
- **YTD**, 1H14 net profit increased to RM44.8m compared to RM24.3m in 1H13 (+84.6% YoY) thanks to better utilisation and charter rates for its vessels as mentioned above.
- Outlook** ■ Improvement in earnings prospects from 2Q14 onwards is expected, driven by full-quarter contribution of vessels chartered to DAYANG. PERDANA is due to receive one more vessel in end-14.
- Medium-to-longer-term prospects are stable on the back of PERDANA's long-term contracts (15 OSVs).
- Currently, only two vessels (two 5,000bhp AHTS) are on spot charters and PERDANA is confident of securing recurring contracts for such vessels given the OSV market up-cycle.
- Longer term prospects will hinge on PERDANA's future fleet expansion and they have already ordered two accommodation workbarges in June, which will be delivered in 1Q-2QCY16. They have build-options for another two.
- Change to Forecasts** ■ As the results are within expectations, we maintain our FY14-15E forecasts for now.
- Rating** ■ **Maintain OUTPERFORM.**
- Valuation** ■ Our target price of RM2.47 is based on an unchanged target PER of 15.5x (in line with PERDANA's +1.5 historical standard deviation forward level on top of its average mean from 2006 to 2008) on CY15 EPS of 15.3 sen.
- Risks to Our Call** ■ (i) Lower-than-expected daily charter rates and utilisation rates and (ii) sudden downturn in crude oil prices that could adversely impact the offshore oil and gas services industry.

OUTPERFORM ↔

Price: RM1.83
Target Price: RM2.47 ↔

Share Price Performance



KLCI	1872.16
YTD KLCI chg	0.3%
YTD stock price chg	15.1%

Stock Information

Bloomberg Ticker	PETR MK
Market Cap (RM m)	1,351.3
Issued shares	738.4
52-week range (H)	2.01
52-week range (L)	1.19
3-mth avg daily vol:	2,506,191
Free Float	61%
Beta	1.4

Major Shareholders

DAYANG ENTERPRISE	24.8%
LEMBAGA TABUNG	9.5%
EPF	8.1%

Summary Earnings Table

FY Dec (RM'm)	2013A	2014E	2015E
Turnover	274.7	413.5	442.5
EBIT	86.0	137.6	153.4
PBT	65.6	106.7	123.0
Net Profit (NP)	61.1	100.4	115.8
Core Net Profit	61.1	100.4	115.8
Consensus (NP)	-	96.9	114.1
Earnings Revision (%)	-	-	-
Core EPS (sen)	8.4	13.8	15.9
Core EPS growth (%)	152.9	64.4	15.3
NDPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	0.7	0.9	1.0
BV/Share (RM)	0.8	0.9	1.1
Core PER	21.8	13.2	11.5
Price/NTA (x)	2.5	2.1	1.8
Gearing (%)	0.9	1.0	0.8
Dividend Yield (%)	0.0	0.0	0.0

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Income Statement									
	Q2	Q1	Q-o-Q	Q2	Y-o-Y	6M	6M	Y-o-Y	
FY Dec (RM m)	FY14	FY14	Chg	FY13	Chg	FY14	FY13	Chg	
Turnover	88.6	87.3	1.5	71.7	23.6	175.8	128.4	36.9	
EBIT	39.2	31.3	25.2	20.8	88.7	70.5	36.7	92.0	
Interest Expenses	-15.0	-8.9	68.5	-5.5	175.4	-24.0	-8.2	191.2	
Share of Associate	0.0	0.0	NA	0.0	NA	0.0	0.0	NA	
Pretax profit	24.1	22.4	8.0	15.3	57.7	46.5	28.5	63.3	
Taxation	-0.1	-0.3	-62.4	-1.8	-92.5	-0.5	-3.7	-86.9	
MI	0.0	0.0	-100.0	-0.4	-100.0	0.0	-0.6	-100.2	
Net profit	24.0	22.0	9.1	13.2	82.4	46.0	24.3	89.7	
Core Net profit	23.9	20.9	14.2	13.2	81.3	44.8	24.3	84.6	
EPS (sen)	3.2	2.8		1.8		6.1	3.3		
NDPS (sen)	0.0	0.0		0.0		0.0	0.0		
NTA/share (RM)	0.8	0.8		0.9		0.8	0.9		
EBIT margin (%)	44.2	35.9		29.0		40.1	36.7		
Pretax margin (%)	27.3	25.6		21.4		26.4	22.2		
Net margin (%)	27.0	24.0		18.4		25.5	18.9		
Effective tax rate (%)	-0.5	-1.6		-11.5		-1.0	-12.9		

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	1.46	1,349.7	14.9	13.5	11.7	0.0	14.8	2.2	10.0	15.8	1.86	OP
BARAKAH	1.59	992.3	20.2	11.8	8.6	0.0	26.7	5.4	70.6	38.2	1.74	MP
COASTAL	5.19	2,758.0	18.2	13.9	12.2	1.5	15.0	2.7	30.7	13.8	5.94	OP
DAYANG	3.70	3,051.4	25.4	14.0	12.3	2.0	18.0	4.6	80.9	14.4	4.82	OP
DIALOG	1.79	9,177.3	43.0	35.7	32.4	2.4	15.2	6.5	20.5	10.2	1.83	MP
GASMSIA	3.43	4,404.1	25.0	22.4	20.6	3.1	17.1	4.4	11.6	8.4	3.54	UP
MHB	3.32	5,312.0	29.3	32.4	18.5	3.0	7.0	2.1	-9.6	75.5	3.24	UP
PANTECH	1.06	624.6	11.2	10.5	8.8	4.4	15.1	1.7	6.6	18.6	1.23	OP
PCHEM	6.60	52,800.0	16.8	15.6	13.8	3.2	14.5	2.4	7.4	13.5	7.19	OP
PERDANA	1.83	1,351.3	22.1	13.5	11.7	0.0	10.9	2.4	64.3	15.4	2.47	OP
PERISAI	1.42	1,693.7	22.6	50.9	11.3	0.0	6.2	1.7	-46.3	349.5	2.01	OP
PETGAS	22.64	44,798.5	30.1	24.9	23.6	2.3	14.5	4.4	20.8	5.8	21.54	MP
SKPETRO	4.12	24,687.7	24.8	18.3	15.5	0.0	10.0	2.5	35.3	18.1	5.57	OP
UZMA	3.59	947.8	28.2	20.3	13.4	0.0	26.0	7.3	39.3	51.3	4.30	OP
WASEONG	1.92	1,483.5	45.9	15.4	12.4	2.6	3.3	1.5	199.1	23.6	2.17	OP
YINSON	2.94	3,036.4	51.3	25.1	21.6	0.0	11.9	6.1	104.6	15.7	2.31	UP
Simple Average			26.8	21.1	15.5							
Weighted Average			25.2	21.0	18.2							

Source: Kenanga Research

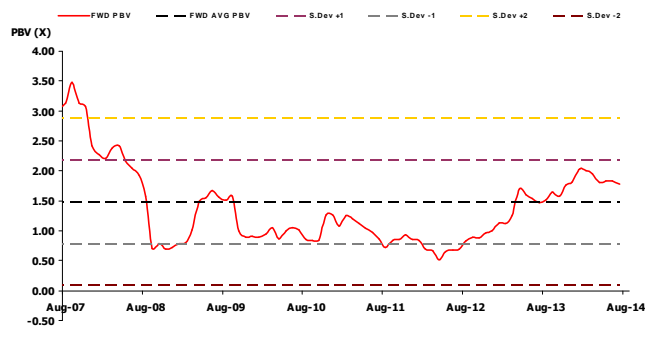
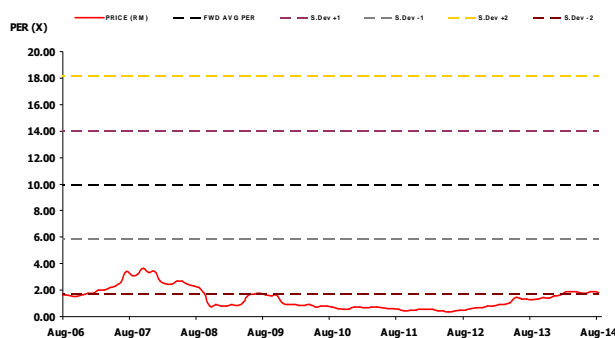
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Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E	FY Dec (RM'm)	2011A	2012A	2013A	2014E	2015E
Turnover	255.9	259.5	274.7	413.5	442.5	Growth (%)					
EBITDA	-14.6	40.9	116.9	180.9	202.5	Turnover	0.4	1.4	5.8	50.5	7.0
Depreciation	-35.7	-25.3	-30.9	-43.3	-49.1	EBITDA	54.0	-380.9	185.9	54.7	12.0
Operating Profit	-50.3	15.6	86.0	137.6	153.4	Operating Profit	10.1	-131.1	450.7	60.0	11.5
Interest Expense	-18.6	-17.9	-20.5	-30.9	-30.5	PBT	0.4	-96.7	-2991.7	62.8	15.2
Associate	0.8	3.0	0.0	0.0	0.0	Core Net Profit	2.1	-134.9	152.9	64.4	15.3
Exep. Items	0.0	0.0	0.0	0.0	0.0						
PBT	-68.9	-2.3	65.6	106.7	123.0						
Taxation	-0.5	-1.2	-3.5	-5.3	-6.1						
Minority Interest	0.2	0.0	-1.0	-1.0	-1.0	Profitability (%)					
Net Profit	-69.2	-3.4	61.1	100.4	115.8	EBITDA Margin	-5.7	15.8	42.6	43.7	45.8
Core Net Profit	-69.2	24.2	61.1	100.4	115.8	Operating Margin	-19.6	6.0	31.3	33.3	34.7
						PBT Margin	-26.9	-0.9	23.9	25.8	27.8
						Core Net Margin	-27.0	9.3	22.2	24.3	26.2
						Effective Tax Rate	-0.8	-51.4	5.3	5.0	5.0
						ROA	-8.5	3.2	5.2	6.8	7.4
						ROE	-14.7	5.3	10.9	15.2	14.9
						DuPont Analysis					
						Net Margin (%)	-27.0	9.3	22.2	24.3	26.2
						Assets Turnover (x)	0.3	0.3	0.2	0.3	0.3
						Leverage Factor (x)	1.7	1.6	2.1	2.2	2.0
						ROE (%)	-14.7	5.3	10.9	15.2	14.9
						Leverage					
						Debt/Asset (x)	0.3	0.3	0.5	0.5	0.5
						Debt/Equity (x)	0.6	0.6	1.0	1.2	1.0
						Net Cash/(Debt)	-207.4	-215.2	-512.9	-681.1	-612.6
						Net Debt/Equity (x)	0.4	0.5	0.9	1.0	0.8
						Valuations					
						EPS (sen)	-9.5	3.3	8.4	13.8	15.9
						NDPS (sen)	0.0	0.0	0.0	0.0	0.0
						NTA (RM)	0.6	0.6	0.7	0.9	1.0
						BVPS (RM)	0.6	0.6	0.8	0.9	1.1
						PER (x)	-19.1	54.8	21.8	13.2	11.5
						Net Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
						P/NTA (x)	3.0	3.1	2.5	2.1	1.8
						P/BVPS (x)	2.8	2.9	2.4	2.0	1.7
						EV/EBITDA (x)	-76.5	27.4	12.1	8.8	7.5

Source: Kenanga Research

Forward PER band Standard Deviation

Forward P/BV band Standard Deviation



Source: Bloomberg, 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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