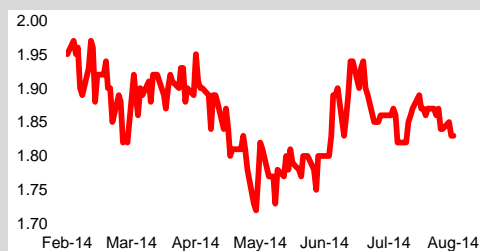


**PERDANA PETROLEUM BERHAD**
*Outperform*
**DESCRIPTION**

An offshore support service provider. Owns a fleet of vessels including AHTS vessels, work barges and work boats. Perdana is in a leading market position within the mid-sized 10,000 brake horsepower (bhp) class AHTS vessels.

<b>12-Month Target Price</b>	RM2.32
<b>Current Price</b>	RM1.83
<b>Expected Return</b>	26.6%

<b>Market</b>	Main
<b>Sector</b>	Oil & Gas
<b>Bursa Code</b>	7108
<b>Bloomberg Ticker</b>	PETR MK
<b>Shariah-compliant</b>	Yes

**SHARE PRICE CHART**


52 Week Range (RM)	1.19-2.01
3-Month Average Vol ('000)	2,479.3

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-1.6	5.8	-8.5
Relative Returns	-1.6	6.9	-7.9

**KEY STOCK DATA**

Market Capitalisation (RM m)	1351.3
No. of Shares (m)	738.4

**MAJOR SHAREHOLDERS**

	%
Dayang Enterprise Holdings Berhad	24.5
Lembaga Tabung Haji	8.6
Employees Provident Fund	5.6

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## Sailing Steadily

Perdana Petroleum's 1HFY14 result has met 38% and 50% of our revenue and earnings estimates respectively. 2QFY14 revenue registered RM88.6m (+23.6% YoY, +1.5% QoQ), while earnings is on track with RM24.0m (+82.3% YoY, +9.1% QoQ). YoY performance is buoyed by continued high vessel utilisation (15 of 18 vessels on long-term contracts – 83% of total fleet), and enhancement of higher charter rates. Perdana's performance is reaffirmed by its earnings visibility from its c.RM1.3bn order book of longer-term contracts up to 2019. Our **Outperform** recommendation with an unchanged TP of RM2.32, is based on our DCF valuation using a 10.1% WACC to reflect a 20-year life expectancy of the vessels. The counter is only trading at a current PE of 14.6x, vs. its peers who are in the high-double digits multiple.

- Charter rates boost earnings.** 2Q revenue only grew marginally by 1.5% on a quarterly basis, lower than expected due to the impact of i) mobilisation income recognised in 1QFY14, ii) Perdana Resolute's hire to have only begun early May, thus only recording partial contribution for the quarter, and ii) Perdana Voyager seeing some idle time as it was sent for dry docking. Albeit this, the improvement in charter rates contributed to higher earnings registered this quarter. We are adjusting our revenue by -10% to account for the loss in revenue in 1Q and 2Q, however earnings will be maintained as we are assuming Perdana is able to adjust its costs further and receive higher charter rates which has reflected better margins.
- Growth on track.** The recent orders of 2 units of 500 men work barges (with an option for another two), is in line with the Group's expansion strategy. Perdana's next phase of growth will be to venture into their 2<sup>nd</sup> new-build programmes of vessels for FY15 and to acquire more new assets in line with the Group's plan to have a balanced fleet of AHTS and work barges/workboats.
- Prospects.** i) Current oil prices have stabilised around USD90-USD100/bbl, an attractive price level for O&G companies to carry out economically viable activities, and ii) the growth in offshore activities coupled with Petronas' strategies to boost the O&G industry. Perdana has set aside RM300m for its own capex needs.
- Shariah-compliant status** will not be met by the Group in the next review, which could see some overhang issues come to the fore. We do see this as a liquidity window for investors to accumulate however, for those who have non-shariah mandates.

**KEY FORECAST TABLE**

FYE Dec	2012A	2013A	2014F	2015F	2016F	CAGR
Revenue	259.5	274.6	419.2	532.2	532.2	19.7%
Operating Profit	11.2	84.0	105.6	116.9	120.2	80.8%
Pre-tax Profit	-2.3	65.4	93.7	105.6	109.5	n/m
Core Net Profit	-3.7	61.7	92.4	104.2	108.1	n/m
EPS (Sen)	-0.5	8.4	12.5	14.1	14.7	n/m
P/E (x)	n/m	21.9	14.6	13.0	12.5	
DPS (Sen)	0.0	0.0	0.0	0.0	0.0	
Div Yield (%)	0.0	0.0	0.0	0.0	0.0	

Source: Company, PublicInvest Research estimates  
\*n/m (not meaningful) due to negative starting figures



Table 1: Results Summary

<u>FYE Dec</u> <u>(RM m)</u>	<u>2Q14</u>	<u>2Q13</u>	<u>1Q14</u>	<u>QoQ</u> <u>Chg</u>	<u>YoY</u> <u>Chg</u>	<u>YTD 14</u>	<u>YTD 13</u>	<u>YoY</u> <u>Chg</u>	<u>Comments</u>
Revenue	88.6	71.7	87.3	1.5%	23.6%	175.8	128.4	36.9%	Higher vessel utilisation YoY, coupled with increase in no. of vessels and charter rates in 2Q. QoQ however, utilisation was lower from 1Q as Perdana Resolute is only on hire from early May, while Perdana Voyager was sent for dry docking.
Cost of sales	-48.8	-49.9	-46.7	4.5%	-2.2%	-95.6	-89.0	7.4%	
Gross profit	39.7	21.7	40.5	-2.0%	83.0%	80.3	39.4	103.7%	
Other income	1.6	3.6	2.3	-30.0%	-55.2%	3.9	10.2	-62.0%	
Other expenses	-10.0	-6.9	-11.5	-13.4%	44.9%	-21.5	-14.8	45.6%	
Operating profit	31.3	18.4	31.3	0.2%	70.5%	62.6	34.8	79.8%	
Finance costs	-7.2	-3.1	-8.9	-19.3%	134.5%	-16.1	-6.4	153.4%	
<b>Pre-tax profit</b>	<b>24.1</b>	<b>15.3</b>	<b>22.4</b>	<b>8.0%</b>	<b>57.7%</b>	<b>46.5</b>	<b>28.5</b>	<b>63.3%</b>	<b>Result of higher revenue generated.</b>
Tax	-0.1	-1.8	-0.3	-62.4%	-92.5%	-0.5	-3.7	-86.9%	
Net profit	24.0	13.6	22.0	9.1%	77.1%	46.0	24.8	85.5%	
Minorities	0.0	-0.4	0.0	-100.0%	-100.0%	0.0	-0.6	0.0%	
Core net profit	24.0	13.2	22.0	9.1%	82.3%	46.0	24.3	89.7%	
EPS (sen)	3.2	2.6	2.9	8.6%	20.1%	6.1	4.9	24.0%	
Gross Margin	0.4	0.3	0.5	-3.4%	48.0%	0.9	0.6	48.5%	
Pre-tax Margin	0.3	0.2	0.3	6.4%	27.6%	0.5	0.4	18.7%	
Net Margin	0.3	0.2	0.3	7.5%	43.3%	0.5	0.4	35.1%	
<b>Revenue</b>	<b>88.6</b>	<b>71.7</b>	<b>87.3</b>	<b>1.5%</b>	<b>23.6%</b>	<b>175.8</b>	<b>128.4</b>	<b>36.9%</b>	
Marine offshore support services	88.6	71.7	87.3	1.5%	23.6%	175.8	128.4	36.9%	
Investment holdings	2.2	0.1	2.2	0.0%	>100%	4.4	0.2	>100%	

Source: Source: Company, PublicInvest Research



Figure 1: Perdana Marine Fleet Profile

	<b><u>Anchor Handling Tug and Supply (AHTS)</u></b>	<b><u>Age</u></b>	<b><u>Year Delivered</u></b>	<b><u>BHP</u></b>	<b><u>Contract</u> <i>* Expiry based on Primary Term</i></b>
1	Perdana Marathon	4	2010	12240	Murphy (3yrs exp 2015 extended from 2+1)
2	Perdana Voyager	5	2009	10880	Carigali (5+1 exp 31 Dec 2017)
3	Perdana Expedition	5	2009	10880	
4	Perdana Traveller	6	2008	10800	
5	Perdana Adventurer	6	2008	10800	
6	Perdana Horizon	6	2008	10880	
7	Perdana Frontier	6	2008	5220	Carigali (Spot, but with extensions up to 31 Dec 2014)
8	Perdana Ranger	5	2009	5220	Carigali (Spot, but with extensions up to 31 Dec 2014)
	<b><u>Work Barge</u></b>			<b><u>Pax</u></b>	
9	Perdana Superior	5	2009	300 men	Hess (2 yr exp 2015)
10	Perdana Enterprise	13	2001	241 men	Ocean Pro (2+1 exp Feb 2016)
11	Perdana Odyssey	3	2011	300 men	Dayang for Shell (5+1 exp 2018)
12	Perdana Excelsior	1	2013	300 men	
13	Perdana Endurance	1	2013	300 men	
14	Perdana Protector	1	2013	300 men	
15	Perdana Resolute	1	2014	300 men	
16	Perdana Emerald (SK312)		<i>Delivery October 2014</i>		
	<b><u>Workboat</u></b>				
17	Perdana Sovereign	4	2010	169men	Dayang for Shell (5+1 exp 2018)
18	Perdana Liberty	5	2009	170 men	Charter to Alam, end user Carigali (exp Oct 2014)

Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2012A	2013A	2014F	2015F	2016F
Revenue	259.5	274.6	419.2	532.2	532.2
Operating Profit	11.2	84.0	105.6	116.9	120.2
Other Income	15.2	32.7	36.4	42.6	42.6
Other Expenses	-65.6	-40.8	-52.3	-80.0	-82.1
Finance Costs	-17.9	-18.6	-12.0	-11.3	-10.6
Pre-tax Profit	-2.3	65.4	93.7	105.6	109.5
Income Tax	-1.2	-3.4	-0.9	-1.1	-1.1
Effective Tax Rate (%)	0.5	-0.1	0.0	0.0	0.0
Minorities	-0.2	-0.3	-0.3	-0.3	-0.3
Core Net Profit	-3.7	61.7	92.4	104.2	108.1
<b>Growth</b>					
Revenue	1%	6%	53%	27%	0%
Gross Profit	-15354%	49%	32%	27%	3%
Net Profit	0%	0%	0%	0%	0%

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Dec (RM m)	2012A	2013A	2014F	2015F	2016F
Property, plant and equipment	474.3	961.6	1,061.6	1,161.6	1,361.6
Inventories	3.8	1.3	2.1	2.7	2.7
Trade receivables	89.3	49.8	76.0	96.5	96.5
Cash and bank balances	40.8	61.0	48.5	49.8	42.3
<b>Total Assets</b>	<b>757.9</b>	<b>1,182.3</b>	<b>1,296.8</b>	<b>1,419.2</b>	<b>1,611.7</b>
ST Borrowings	84.8	114.1	120.0	120.0	120.0
LT Borrowings	165.9	459.8	450.0	450.0	450.0
Trade payables	42.4	41.2	67.3	85.4	84.2
Minority Interests	-0.2	-0.2	-0.2	-0.2	-0.2
<b>Total Liabilities</b>	<b>298.9</b>	<b>620.4</b>	<b>642.5</b>	<b>660.6</b>	<b>659.4</b>
<b>Total Equity</b>	<b>459.0</b>	<b>561.9</b>	<b>654.3</b>	<b>758.6</b>	<b>952.3</b>
<b>Total Equity and Liabilities</b>	<b>757.9</b>	<b>1,182.3</b>	<b>1,296.8</b>	<b>1,419.2</b>	<b>1,611.7</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec	2012A	2013A	2014F	2015F	2016F
Book Value Per Share	0.6	0.8	0.9	1.0	1.3
NTA Per Share	0.6	0.8	0.9	1.0	1.3
EPS (Sen)	-0.5	8.4	12.5	14.1	14.7
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	-0.5	5.2	7.1	7.3	6.7
ROE (%)	-0.8	11.0	14.1	13.7	11.4

Source: Company, PublicInvest Research estimates



## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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