

PRESS RECORD

Media : The Edge Malaysia
Section : Corporate, Trade Wise
Date Published : 4-10 August 2014
Page : 10
Reporter : Jose Barrock

Perdana could bag St Joseph barge contract

BY JOSE BARROCK

Oil and gas support services outfit Perdana Petroleum Bhd stands a good chance of bagging a workbarge contract from Shell Sarawak Bhd to be used at the St Joseph oil field, located off Usukan Bay, north-east of Labuan.

Perdana and a few other companies have been shortlisted for the job, which could be awarded within the next two months.

"It's now in the final technical clarification stage. We stand a good chance because our barge is still under construction and will only be ready in November. This gives us flexibility to accommodate the client's needs," Perdana executive director Datuk Henry Kho Poh Eng tells *The Edge* in an exclusive interview.

The Enhanced Oil Recovery (EOR) project at the St Joseph field is scheduled to take off next March, so the successful bidder will basically provide a barge for Shell to carry its facilities, including tanks, chemical injection equipment and process equipment.

The 300-man workbarge, *Perdana Emerald*, is being built by Singapore listed Nam Cheong Offshore Pte Ltd out of its shipyard in Miri, Sarawak.

Kho says the value of the contract could improve Perdana's bottom line, albeit marginally. "You take the number of days and multiply it by the utilisation rate."

The daily market rate for the barge is US\$25,000 (RM80,000) to US\$26,000, market sources say, and the contract is for, all in, about 2½ to three years.

This could translate into revenue of US\$22.5 million to US\$28.1 million for Perdana over the charter period, if everything pans out.

According to CIMB Investment Bank's oil and gas analyst Norziana Mohd Inon, based on a margin assumption of 15% to 18%, the annual net profit contribution to Perdana could be in the region of RM5 million to RM6 million.

For the first quarter ended March



For the first quarter of the year, Perdana's utilisation rate for its assets was 90%. Other than two 5,000hp anchor handling tugs that are out on six-month charters, the rest of its fleet of 17 ships have locked in long-term charters.



Kho: I am quite confident she [Perdana Emerald] will land a long-term contract

31, Perdana registered a net profit of RM22 million on the back of RM87.3 million in revenue. Norziana pegged Perdana's net profit for the financial year 2014 ending December at RM95.1 million. In FY2013, Perdana reported a net profit of RM61.66 million on revenue of RM274.67 million.

Norziana has an "add" call on Per-

dana with a target price of RM2.40, which is a 28% premium to the counter's close of RM1.87 last Friday. At RM1.87, Perdana's market capitalisation stood at RM1.38 billion.

However it has to be pointed out that the EOR project at St Joseph is a pilot project, and there could be more jobs in store for Perdana if it bags this contract. "Once proven successful, we don't know how many more there will be. This is chemical injection, there are many other methods as well. The next process may require another barge with different process equipment," Kho says.

On what would happen should *Perdana Emerald* lose this contract, Kho is quick to point out that the barge is also lined up for another job regionally. "I am quite confident she [Perdana Emerald] will land a long-term contract. There is huge demand," he says.

With stronger demand, Kho notes, charter rates have strengthened considerably in recent years. Three to five years ago, charter rates for workboats were in the region of US\$16,000 to US\$17,000 a day, but have since shot up to US\$27,000 to US\$28,000 a

day. For barges, the gains in charter rates have been substantial. "They have gone up so much because of demand," Kho explains.

For the first quarter of the year, Perdana's utilisation rate for its assets was 90%. Other than two 5,000hp anchor handling tugs that are out on six-month charters, the rest of its fleet of 17 ships have locked in long-term charters.

Kho says, "Eighty-eight percent of our assets are locked in on long-term charters, but we will be looking at utilisation rate of 92% to 93%. With all the assets locked in, we have to look at new vessels, new assets."

Interestingly, in June this year Perdana put in an order for two 500-men work barges at a total cost of US\$84 million from Nam Cheong, to be delivered in FY2016. There is also an option for two more similar sized ships.

These two vessels have been ordered without any locked-in charter contracts, but Kho is not perturbed. "In business, you basically have to foresee future requirements. Over the last 16 to 18 months, we bought five new barges, all [of them] with-

Perdana Petroleum



out locked-in charters. The vessels are on long-term charters now. We cannot be continuously building the same series of 300-men barges. We have to build for the future," he says.

Kho adds that by the time the first vessel is delivered in the first quarter of 2016, he and his team would have acquired enough market intelligence on whether or not to take up the option for the other two ships.

Last year, Kho said he visited a company in Singapore that was building a 400-man barge, which has since been chartered out to Middle-Eastern parties. So he does not foresee Perdana having any problems in securing contracts for the new vessel.

Year-to-date, Perdana's stock has gained more than 17%. "The share price is generally a reflection of our fundamentals. But we are still small. If you look at Singaporean companies (in our business), their market capitalisation is as much as US\$3 billion. Ours is only RM1.4 billion, so we are actually very small. But the good thing is, this is also an indication that we have room for expansion," says Kho.