

2018 to be a better year for Perdana Petroleum

Thursday, 2 May 2018 | Borneo Post

KUCHING: The year ahead is slated to be better for Perdana Petroleum Bhd, buoyed by the price of crude oil which is hovering above the US\$60 per barrel mark.

The local oil and gas industry supporter in its Annual Report 2017 released earlier this week included its expectations of its vessel utilisation rate to improve as more vessels are earmarked for Dayang Enterprise Holdings Bhd's (Dayang) offshore maintenance and hook-up commissioning contracts with various oil majors where activities are already projected to be ramping higher.

“Also, we are hopeful the higher crude oil prices would help boost the general sentiment for the oil majors and translate to more OSV chartering opportunities,” said Datuk Ling Suk Kiong, Perdana Petroleum's executive chairman in his statement and management discussion and analysis within the Annual Report.

Ling said Perdana Petroleum could leverage on its outstanding track record to offer its relevant services to tap into the offshore oil and gas industry in Malaysia and the regional markets.

“We have submitted various tenders under direct and umbrella contracts with oil majors, both locally and regionally,” he continued. “Furthermore, Perdana Petroleum will partner with Dayang to bid for more maintenance jobs which are relatively more resilient in nature.

“We believe our streamlined operations will help us to prevail through this challenging time.”

Looking back on Perdana Petroleum's performance in 2017, Ling said the firm continued to be impacted by the sluggish offshore support vessel (OSV) market as sub-par vessel utilisation rate as well as depressed vessel charter rates were the major factors for our less-than-inspiring financial performance.

“The year 2017 was also the third successive year that Perdana Petroleum was in the red, reflecting a dismal operating environment for the whole OSV industry.

“Inevitably, going into 2018, we envisaged that the worst is far from over yet as we predominantly expect a weak first quarter as a result of the monsoon season.

“Despite the fact that the Group had also undertaken massive restructuring and right sizing over the past two years which have helped us to weather the storm, seemingly more has to be done to improve the areas of cash flows sustainability and the high debt level, other than seeking for financial aid from Dayang,” Ling added.

He noted that over the last two years, Perdana Petroleum had been highly dependent on Dayang for its financial support.

Presently, various concerted efforts are continuously channelled into the areas of capital raising at Perdana Petroleum to bring in the needed funds and also for Perdana Petroleum to be able to survive on her own without being overly dependent on Dayang Group, he said.

“Therefore, it is imperative that the areas of marketing the unchartered vessels from the fleet to improve the vessel utilisation and also to generate more revenue, have been given top priority.

“Further, we remain hopeful that the ongoing private placement exercise and the rigorous marketing exercise of the vessels will yield positive results in the coming months. In addition, the synergistic tie-ups with our major shareholder, Dayang Enterprise should also provide more vessel charters.”

One of Perdana Petroleum’s major success was its cost optimisation initiative which resulted in a positive outcome as its administrative expenses improved by approximately 20 per cent in 2017.

“Note that this is on top of the significant savings of close to 60 per cent attained in 2016’s financial results. We believe that Perdana Petroleum is now on a stronger footing to bid for more jobs as our cost-efficient structure may give us a competitive edge at winning contracts.

“Since 2015, we had fostered strong working relationships with Dayang, as evident in the number of vessels chartered to Dayang. Indeed, we are grateful that our major shareholder has always been supportive despite the hardship experienced in our business as some of the contracts with Dayang are on “callout basis”.

“Nevertheless, we will continue to work together with Dayang for our business strategic planning as we look to create and enhance synergistic value by leveraging on the niche expertise of both parties while we will also be continuously looking at longer term contracts and charter opportunities outside of Malaysia especially in the regional and international markets.”

The executive chairman noted that Perdana’s vessel fleet in 2017 stood at 16 OSVs, consisting of eight anchor handling tug supply vessels (AHTS), six accommodation work barges and two workboats.

While vessel utilisation has been slow in 2015 and 2016, Ling was confident that this should improve as the recovery in oil price is expected to lead to more robust vessel chartering activities.

“The three years umbrella contract for vessel charters with Petronas secured back in March 2017 where job orders are based on a call-out basis will likely result in more work orders/contracts in 2018,” he added.

“We also received a major contract win in January 2018 from our major shareholder, Dayang for the provision of two accommodation work barges and two AHTS vessels for a duration of nine months with an option of three monthly extensions, commencing from 1 March 2018 for an estimated contract value of RM41.8 million.

PERDANA PETROLEUM BERHAD (372113-A)

“Currently, we have a total job tenders worth RM505 million. We would like to assure our shareholders that we will try our utmost effort to win and secure more new jobs in order to offer better earnings visibility.”

Reference: <http://www.theborneopost.com/2018/05/02/2018-to-be-a-better-year-for-perdana-petroleum/>