

26 November 2014

Perdana Petroleum

Safely inline for 3Q14

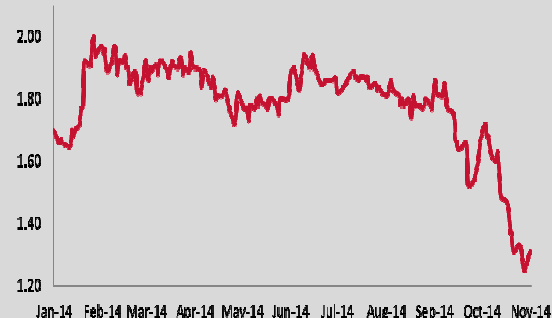
By Cezzane See | cezzane@kenanga.com.my

OUTPERFORM ↔

Price: **RM1.31**
Target Price: **RM1.61** ↓

- | | |
|--------------------------------|---|
| Period | <ul style="list-style-type: none"> 3Q14/9M14 |
| Actual vs. Expectations | <ul style="list-style-type: none"> Perdana Petroleum (PERDANA) reported 3Q14 core net profit of RM28.2m; bringing 9M14 net profit to RM72.9m. This was within our (RM100.4m) and consensus' (RM96.4m) net profit forecasts at 72.6% and 75.6% respectively. Our 9M14 core net profit forecast excludes unrealised forex gains of RM0.1m. |
| Dividends | <ul style="list-style-type: none"> PERDANA has surprisingly declared a DPS of 2.0sen in 3Q14. |
| Key Results Highlights | <ul style="list-style-type: none"> QoQ, The core net profit was up 18.0% mainly due to better vessel utilisation and finance costs within the quarter. YoY, net profit jumped by 81.5%, due to: (i) better utilisation and charter rates for PERDANA's vessels due to the improvement in the OSV segment and (ii) earnings contribution from the new vessels. YTD, 9M14 net profit increased by +100% due mainly to better utilisation and charter rates for its vessels as mentioned above. |
| Outlook | <ul style="list-style-type: none"> PERDANA has received another vessel in Oct-14 which we understand is targeted for Chemical Enhanced Oil Recovery (CEOR) work. However, assuming the CEOR does not go ahead there are other prospects as well. Medium-to-longer-term prospect is stable on the back of PERDANA's long-term contracts (12 OSVs). By next year about 5 vessels (two 5k BHP; one 10k BHP AHTSs and 2 workboat/barges) will be up for charter renewals. Longer-term outlook will hinge on demand for PERDANA's 500-men workbarges that will be delivered in 1-2Q16, which should enjoy strong demand. |
| Change to Forecasts | <ul style="list-style-type: none"> As the results are within expectations, we maintain our FY14-15E forecasts for now. |
| Rating | Maintain OUTPERFORM. |
| Valuation | <ul style="list-style-type: none"> In our view the oil and gas sector has undergone a derating in lieu of the uninspiring crude oil prices. Furthermore, the OSV segment should be most pressured given the heightened competition (as most of the OSV players have embarked on fleet renewals in the past 2 years). As such we are reducing our PER on the stock to 11x (from 14.5x). The ascribed PER of 11x is 1x above the 10x ascribed to Alam Maritim (MP; TP: RM1.84) mainly it has more longer-term contracts and its fleet-mix is skewed towards brownfield activities; which should be relatively unscathed by crude oil price downtrends. Our target price is thus reduced to RM1.61 (from RM2.31 previously). |
| Risks to Our Call | <ul style="list-style-type: none"> (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. |

Share Price Performance



KLCI	1838.56
YTD KLCI chg	-1.5%
YTD stock price chg	-17.6%

Stock Information

Bloomberg Ticker	PETR MK
Market Cap (RM m)	967.3
Issued shares	738.4
52-week range (H)	2.01
52-week range (L)	1.22
3-mth avg daily vol:	2,468,476
Free Float	58%
Beta	1.8

Major Shareholders

DAYANG ENTERPRISE	26.0%
LEMBAGA TABUNG	8.6%
EPF	5.3%

Summary Earnings Table

FY Dec (RM'm)	2013A	2014E	2015E
Turnover	274.7	413.5	415.2
EBIT	86.0	137.6	143.8
PBT	65.6	106.7	113.4
Net Profit (NP)	61.1	100.4	106.7
Core Net Profit	61.1	100.4	106.7
Consensus (NP)	-	96.4	112.1
Earnings Revision (%)	-	-	-
Core EPS (sen)	8.4	13.8	14.7
Core EPS growth (%)	152.9	64.4	6.3
NDPS (sen)	0.0	2.0	2.0
NTA/Share (RM)	0.7	0.9	1.0
BV/Share (RM)	0.8	0.9	1.0
Core PER	15.6	9.5	8.9
Price/NTA (x)	1.8	1.5	1.3
Gearing (%)	0.9	1.1	0.8
Dividend Yield (%)	0.0	1.5	1.5

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Income Statement

	Q3	Q2	Q-o-Q	Q3	Y-o-Y	9M	9M	Y-o-Y
FY Dec (RM m)	FY14	FY14	Chg	FY13	Chg	FY14	FY13	Chg
Turnover	93.8	88.6	5.9	68.2	37.6	269.7	128.4	110.0
EBIT	34.8	31.3	10.9	20.0	73.7	97.4	36.7	165.4
Interest Expenses	-7.1	-7.2	-2.1	-4.2	66.5	-23.2	-8.2	181.8
Share of Associate	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Pretax profit	27.7	24.1	14.8	15.8	75.6	74.2	28.5	160.7
Taxation	-0.7	-0.1	438.9	0.1	-920.9	-1.2	-3.7	-67.6
MI	0.0	0.0	N.M.	-0.4	-99.7	0.0	-0.6	-100.0
Net profit	27.0	24.0	12.5	15.5	74.1	73.0	24.3	201.1
Core Net profit	28.2	23.9	18.0	15.5	81.5	72.9	24.3	200.7
EPS (sen)	3.2	2.8	14.2	1.8	81.3	6.1	3.3	84.6
NDPS (sen)	2.0	0.0	N.M.	0.0	N.M.	2.0	0.0	N.M.
NTA/share (RM)	0.8	0.8	3.2	0.9	-14.5	0.8	0.9	-14.5
EBIT margin (%)	37.1	44.2		29.4		39.0	36.7	
Pretax margin (%)	29.5	27.3		23.2		27.5	22.2	
Net margin (%)	30.0	27.0		22.8		27.0	18.9	
Effective tax rate (%)	-2.5	-0.5		0.5		-1.6	-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	0.85	781.2	8.6	10.6	10.1	0.0	14.8	1.3	-19.0	5.6	0.84	MP
BARAKAH	1.29	974.4	15.5	8.7	7.0	0.0	28.2	5.3	77.5	25.7	1.62	OP
COASTAL	3.54	1,880.4	12.4	9.5	8.3	2.2	15.0	1.9	30.7	13.8	4.67	OP
DAYANG	2.80	2,455.0	20.4	12.6	9.9	2.6	18.0	3.7	61.8	27.8	4.25	OP
DIALOG	1.56	7,692.0	37.6	31.2	27.3	2.7	14.5	5.5	20.6	14.1	1.73	OP
GASMSIA	3.41	4,378.4	24.8	22.2	20.5	3.1	17.1	4.4	11.6	8.4	3.54	MP
MHB	1.84	2,944.0	16.2	27.5	16.0	2.7	7.0	1.1	-41.0	72.4	1.84	UP
PANTECH	0.92	546.1	9.8	9.2	7.7	4.4	15.1	1.5	6.6	18.6	1.23	OP
PCHEM	5.78	46,240.0	14.7	16.0	13.0	3.7	14.5	2.1	-7.9	23.0	6.68	OP
PERDANA	1.31	967.3	15.8	9.6	9.1	0.0	10.9	1.7	64.3	6.3	1.61	OP
PERISAI	0.75	894.5	11.9	78.5	9.0	0.0	6.2	0.9	-81.6	767.5	1.08	MP
PETDAG	16.94	16,829.1	20.7	25.3	20.7	2.8	16.9	3.5	-18.1	22.0	18.54	UP
PETGAS	22.56	44,640.2	30.0	26.1	25.0	2.8	14.5	4.3	14.9	4.7	22.14	MP
SKPETRO	3.26	19,534.4	19.6	14.5	12.3	0.0	10.0	2.0	35.3	18.1	4.24	OP
UZMA	2.61	689.0	20.5	17.8	11.6	0.0	26.0	5.3	15.2	53.0	2.70	MP
WASEONG	1.54	1,189.0	36.8	11.9	9.0	3.2	3.3	1.2	208.7	32.4	2.23	OP
YINSON	2.83	2,922.8	49.3	24.1	20.8	0.0	11.9	5.9	104.6	15.7	2.31	UP
Simple Average			21.5	20.9	14.0							
Weighted Average			22.7	21.1	18.0							

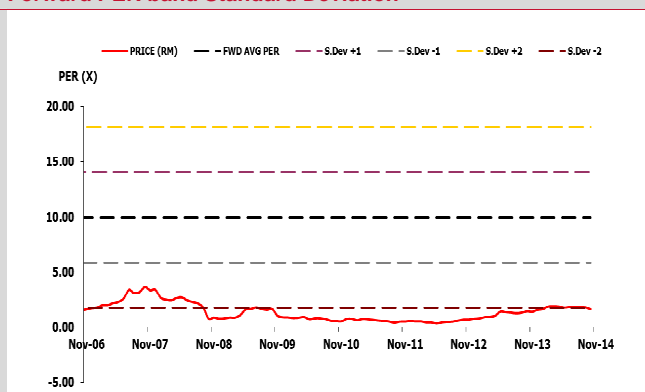
Source: Kenanga Research

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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	415.2	Growth (%)					
EBITDA	-14.6	40.9	116.9	180.9	192.9	Turnover	0.4	1.4	5.8	50.5	0.4
Depreciation	-35.7	-25.3	-30.9	-43.3	-49.1	EBITDA	54.0	-380.9	185.9	54.7	6.7
Operating Profit	-50.3	15.6	86.0	137.6	143.8	Operating Profit	10.1	-131.1	450.7	60.0	4.5
Interest Expense	-18.6	-17.9	-20.5	-30.9	-30.5	PBT	0.4	-96.7	-2991.7	62.8	6.2
Associate	0.8	3.0	0.0	0.0	0.0	Core Net Profit	2.1	-134.9	152.9	64.4	6.3
Exep. Items	0.0	0.0	0.0	0.0	0.0						
PBT	-68.9	-2.3	65.6	106.7	113.4	Profitability (%)					
Taxation	-0.5	-1.2	-3.5	-5.3	-5.7	EBITDA Margin	-5.7	15.8	42.6	43.7	46.5
Minority Interest	0.2	0.0	-1.0	-1.0	-1.0	Operating Margin	-19.6	6.0	31.3	33.3	34.6
Net Profit	-69.2	-3.4	61.1	100.4	106.7	PBT Margin	-26.9	-0.9	23.9	25.8	27.3
Core Net Profit	-69.2	24.2	61.1	100.4	106.7	Core Net Margin	-27.0	9.3	22.2	24.3	25.7
						Effective Tax Rate	-0.8	-51.4	5.3	5.0	5.0
						ROA	-8.5	3.2	5.2	6.8	6.9
						ROE	-14.7	5.3	10.9	15.2	13.9
						DuPont Analysis					
						Net Margin (%)	-27.0	9.3	22.2	24.3	25.7
						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	13.9
						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	-618.5
						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	14.7
						NDPS (sen)	0.0	0.0	0.0	2.0	2.0
						NTA (RM)	0.6	0.6	0.7	0.9	1.0
						BVPS (RM)	0.6	0.6	0.8	0.9	1.0
						PER (x)	-13.8	39.4	15.6	9.5	8.9
						Net Div. Yield (%)	0.0	0.0	0.0	1.5	1.5
						P/NTA (x)	2.2	2.2	1.8	1.5	1.3
						P/BVPS (x)	2.0	2.1	1.7	1.5	1.3
						EV/EBITDA (x)	-58.8	21.1	9.9	7.4	6.6

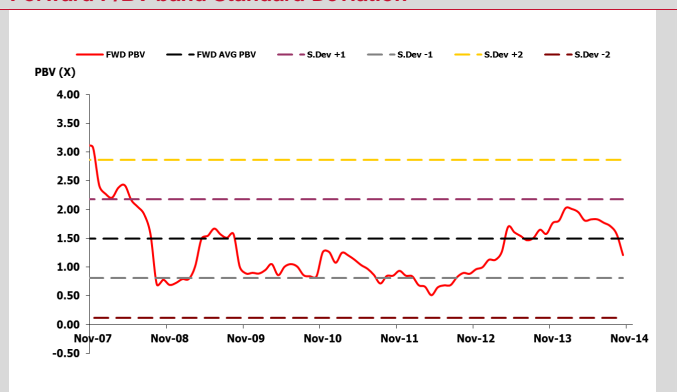
Source: Kenanga Research

Forward PER band Standard Deviation



Source: Kenanga Research

Forward P/BV band Standard Deviation



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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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Published and printed by:

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