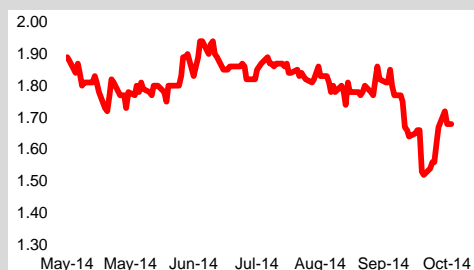


DESCRIPTION

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.

12-Month Target Price	RM2.07
Previous Target Price	RM2.32
Current Price	RM1.68
Expected Return	23.4%

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

SHARE PRICE CHART


52 Week Range (RM)	1.38-2.01
3-Month Average Vol ('000)	2,151.4

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-7.2	-7.7	-8.7
Relative Returns	-6.8	-7.3	-9.6

KEY STOCK DATA

Market Capitalisation (RM m)	1240.6
No. of Shares (m)	738.4

MAJOR SHAREHOLDERS

	%
Dayang Enterprise Holdings Berhad	26.0
Lembaga Tabung Haji	8.6
Koh Eng Poh	5.3

Research Team

T 603 2268 3000

F 603 2268 3014

E research@publicinvestbank.com.my

A Strategic Disposal

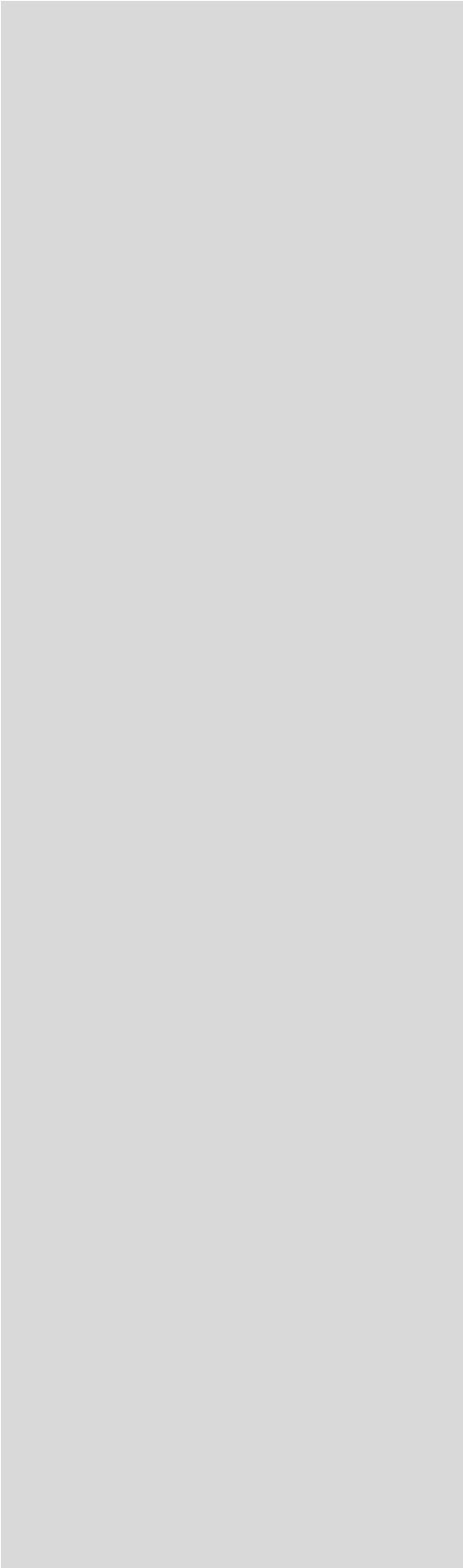
Perdana's wholly-owned subsidiary, Perdana Neptune Limited, has entered into an MoA with Huston Limited for the disposal of Perdana Superior, a 5-year old 300 men accommodation work barge (AWB) for USD28.5m (c.RM93.5m). The disposal is part of the Group's fleet renewal programme, and concurrently benefits the buyer by way of obtaining a vessel for a charter contract in hand. The delivery of the vessel is expected before the end of November 2014, with the Group to receive a gain on disposal of c.RM1.0m. The proceeds will be channeled back into the Group for operating expenses, repayment of bank borrowings and funding of new assets. We maintain our **Outperform** call, however with a revised TP of RM2.07 in light of the revision of asset schedules coupled with weaker industry sentiment.

- Gains on disposal.** We laud Perdana for this disposal, as they have disposed a 5-year asset for a value comparable to its current market rate. A new vessel of this specification with a 70T pedestal crane today would cost c.USD27m to USD28m. For Huston Limited however, even if they placed an order for a new build vessel, it takes about 20 to 24 months to construct. The Group furthermore will benefit from cost savings of c.RM2m from the need to dry dock Perdana Superior (dry docking is done 5 years after delivery). The original cost of investment for Perdana Superior was RM108.0m with a NBV as at 31 October 2014 is RM92.0m.
- Payment terms.** A deposit of USD1.0m will be made, whereby the first half will be made within 14 days of execution of the MoA and the second half on receipt of the firm notification for delivery and not later than 90 days after the payment of the first installment. The balance of USD27.5m will then be paid no later than 1 day after the Vessel is physically ready for delivery.
- Maintain Outperform.** With a revised TP of RM2.07 is based on our DCF valuation using a 12.8% WACC to reflect a 20-year life expectancy of the vessels. Perdana's performance is reaffirmed by its earnings visibility from its c.RM1.2bn order book up to 2019 of long-term contracts. Our new TP considers i) the soon to be delivered Perdana Emerald (SK312)'s prospective charter contracts bided for is expected to start only around February or early March, thus idle time is assumed. ii) Perdana Liberty which will be dry docked in November to potentially be chartered by early-2015. We are positive on the next kicker for Perdana that is their orders of 2 units of 500 men AWB (with an option for another two), scheduled to be delivered 1QFY16 and 2QFY16 respectively. These AWBs which are limited in supply, should command stable and higher charter rates to enhance earnings going forward.

KEY FORECAST TABLE

FYE Dec	2012A	2013A	2014F	2015F	2016F	CAGR
Revenue	259.5	274.6	436.3	445.6	526.9	19.4%
Operating Profit	11.2	84.0	104.6	116.9	132.4	85.3%
Pre-tax Profit	-2.3	65.4	93.6	105.6	121.8	n/m
Core Net Profit	-3.7	61.7	92.4	104.2	120.2	n/m
EPS (Sen)	-0.5	8.4	12.5	14.1	16.3	n/m
P/E (x)	n/m	20.1	13.4	11.9	10.3	
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



- **Industry prospects.** The uncertainty of current oil price levels is assumed to have minimal impact on Perdana, mainly due to its charter contracts' focus on brownfield maintenance and activities. These existing fields already in operation would continue regardless of oil prices as Petronas still needs the revenue. Serving Malaysian waters at the medium term should see activities buoyed by Petronas' strategies to continue boosting the domestic O&G industry
- **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.



Figure 1: Perdana Marine Fleet Profile

	<u>Anchor Handling Tug and Supply (AHTS)</u>	<u>Age</u>	<u>Year Delivered</u>	<u>BHP</u>	<u>Contract</u> <i>* Expiry based on Primary Term</i>
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)
	<u>Work Barge</u>			<u>Pax</u>	
9	Perdana Superior	5	2009	300 men	Hess (2 yr exp 2014) *To be disposed by Nov 2014
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)	Delivery November 2014			
	<u>Workboat</u>				
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	436.3	445.6	526.9
Operating Profit	11.2	84.0	104.6	116.9	132.4
Other Income	15.2	32.7	28.1	28.7	34.0
Other Expenses	-65.6	-40.8	-47.7	-48.9	-59.6
Finance Costs	-17.9	-18.6	-12.0	-11.3	-10.6
Pre-tax Profit	-2.3	65.4	93.6	105.6	121.8
Income Tax	-1.2	-3.4	-0.9	-1.1	-1.2
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	120.2
Growth					
Revenue	1%	6%	59%	2%	18%
Gross Profit	-15354%	49%	35%	10%	15%
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	968.1	1,068.1	1,268.1
Inventories	3.8	1.3	2.2	2.2	2.6
Trade receivables	89.3	49.8	79.1	80.8	95.6
Cash and bank balances	40.8	61.0	143.9	160.3	85.0
Total Assets	757.9	1,182.3	1,302.0	1,420.0	1,559.8
ST Borrowings	84.8	114.1	120.0	120.0	120.0
LT Borrowings	165.9	459.8	451.9	466.5	386.9
Trade payables	42.4	41.2	70.5	69.7	83.3
Minority Interests	-0.2	-0.2	-0.2	-0.2	-0.2
Total Liabilities	298.9	620.4	647.7	661.4	595.5
Total Equity	459.0	561.9	654.3	758.5	964.4
Total Equity and Liabilities	757.9	1,182.3	1,302.0	1,420.0	1,559.8

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	16.3
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	7.7
ROE (%)	-0.8	11.0	14.1	13.7	12.5

Source: Company, PublicInvest Research estimates



RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	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.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

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

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PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129