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A SECOND LEASE OF LIFE FOR PERDANA PETROLEUM

AFTER seven long years of bleeding losses, oil and gas support services outfit Perdana Petroleum Bhd recently chalked up a net profit of RM11.38 million on the back of RM196.63 million in revenue for FY2022 ended Dec 31.

If Perdana managing director Jamalludin Obeng's view of its financial position is accurate, the worst is over for the company.

In a series of emails responding to questions from The Edge, he says, "We are finally out of the woods. We have cleaned our balance sheet following an impairment exercise in FY2021 [impairment loss on property, plant and equipment of RM219.07 million] and, given the increasing demand for offshore service vessels (OSVs) following a rebound in the oil and gas industry, we believe we should be able to [continuously] post encouraging results in the future."

In FY2022, Perdana — which has a fleet of eight anchor handling tug supply vessels (AHTS), five accommodation work barges and two accommodation work boats — managed to peg a utilisation rate of 59%, which Jamalludin expects to increase to 65% this year. Coupled with the 20% rise in daily charter rates (DCR), his sanguine outlook is understandable.

PERDANA PETROLEUM

We are finally out of the woods."
— Jamalludin

"With improved charter rates and the chance to better the utilisation rate in 2023, and the revision of the useful life of the AHTS [being increased by national oil company Petroliam Nasional Bhd] to 20 years from 15 years previously, and with continuous efforts to optimise costs, we believe the current profit trend can be sustained … Having said that, we are in an industry that is highly dependent on oil prices, thus we are still cautiously optimistic given the uncertainties in the current geopolitical dynamics, along with the rising inflation and interest rates," he says.

Jamalludin is guided by the US Energy Information Administration's energy outlook for January, which has Brent crude oil at an average of US$85 per barrel in 2023. This could indicate robust activities in the oil and gas and related industries.

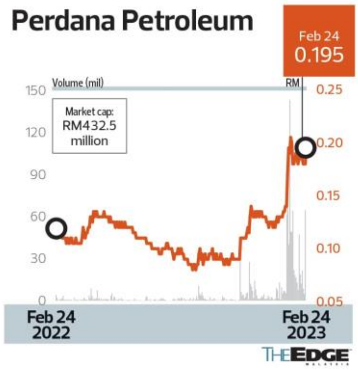
"Given the steady outlook of activities projected in the Petronas Activity Outlook 2023-2025, the gain in DCR is likely to be sustained. We foresee a steady outlook for the OSV sector," he says.

"Recent announcements of awards for major projects such as the Rosmari-Marjoram and Kasawari Carbon Capture and Storage projects by Carigali-PTTEPI Operating Co Sdn Bhd, augurs well for the OSV sector."
According to the Petronas Activity Outlook 2023-2025, the national oil company will require 204 ships to support drilling and other well-related projects and 147 OSVs to support production operations, or a total of 351 vessels, in 2023. Last year, it used 173 ships to support drilling operations and 166 for production operations, or 339 vessels in total.

Petronas' requirements for 2024 and 2025 are forecast at 333 and 329 vessels respectively.

Jamalludin sees Perdana being one of the main beneficiaries of the tenders, given the reduced number of available Malaysian owned and operated vessels. As a result, the company expects to see better utilisation of its vessels in 2023. It is noteworthy that some of the larger OSV players, such as Bumi Armada Bhd and Icon Offshore Bhd, have significantly reduced their fleets.

In its 2021 annual report, Bumi Armada said it had a fleet of 10 offshore marine services vessels. On its website, the company does not mention owning any OSVs. In stark contrast, in its 2013 annual report, it had a fleet of 50 OSVs.
Icon Offshore says on its website that it has a fleet of 25 OSVs. But it is known that the company is looking to hive off a number of its ships and could exit the business.



A number of smaller operators threw in the towel when the operating environment took a turn for the worse.

To recap, Brent crude was trading at US$145 per barrel in mid-July 2008, but tumbled to US$26 in February 2016. After a number of short-lived rallies, the Northwest European global benchmark plunged to about US$20 per barrel in April 2020 — its lowest since early 2002.

Last year, Brent crude averaged US$99.04 a barrel, after rising in the first half of 2022 on supply concerns following Russia's invasion of Ukraine. However, oil prices trended lower in the second half of the year on fears of a global economic slowdown. At the time of writing, the benchmark was trading at about US$83 per barrel.

Perdana is a dominant player in the OSV sphere, considering that it has about 40% market share with five accommodation work barges and 10% market share with eight AHTS.

In the past, Perdana's fleet was more or less entirely taken up by its 63.71% parent Dayang Enterprise Holdings Bhd, which is an established hook-up and commissioning and maintenance player. Work from Dayang currently accounts for between 40% and 50% of Perdana's business.

As at end-December last year, Perdana had net debt of just RM5.85 million, given its bank deposits and cash of RM45.42 million and total debt of RM51.27 million. Its net finance costs for FY2022 came to RM7.04 million, giving it an interest cover of 2.95 times.

ABSOLUTELY STOCKS

PERDANA PETROLEUM BERHAD (ALL FIGURES IN MYR MIL)	FY19 31/12/2019	FY20 31/12/2020	FY21 31/12/2021	FY2022Q4 31/12/2022
Financials				
Turnover	240.0	208.3	153.5	55.2
EBITDA	101.1	38.7	(196.1)	37.4
Interest expense	55.2	12.1	6.6	1.4
Pre-tax profit	(12.4)	(53.9)	(329.5)	18.8
Net profit - owners of company	(23.0)	(65.8)	(328.3)	20.5
Fixed assets - PPE	1,140.0	1,024.6	719.4	695.6
Total assets	1,006.4	1,008.4	733.1	737.0
Shareholders' fund	899.7	815.3	526.2	585.3
Gross borrowings	125.7	102.0	67.7	51.3
Net debt/(cash)	88.1	55.5	44.3	5.8

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In FY2022, Perdana generated net cash of RM64 million from its operating activities, compared with RM44.3 million in FY2021.

On its prospects, Perdana said in its last financial results filing on Feb 15: "The oil and gas industry rebounded in 2022 after several years of downturn due to low oil prices and the global pandemic, with Brent crude averaging at US$103 per barrel in 2022, compared to US$71 per barrel in 2021.

"Even though there was a clear momentum in the recovery of the OSV market, which gave rise to higher utilisation and charter rates for the offshore chartering segment of the oil and gas industry in 2022, we are still cautiously optimistic given the uncertainty in the outlook due to the current geopolitical dynamics, as well as rising inflation and interest rates."

Perdana's shares ended trading last Friday at 19.5 sen, translating into a market capitalisation of RM432.5 million for the group.

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About Perdana Petroleum Berhad
www.perdana.my

Perdana Petroleum Berhad ("Perdana" or the "Company") core businesses encompass the provision of offshore marine support services for the upstream oil and gas industry in the domestic and regional markets.

The Company owns and operates a fleet of vessels that's consist of Anchor Handling Tug Supply vessels, Accommodation Workboats and Workbarges to support an array of offshore activities from exploration, development, facilities installation, hook-up & commissioning, production, operation, and maintenance. Perdana Group's vessels are designed and fitted with reliable international-standard equipment to meet the challenging requirements of the offshore oil and gas industry.

Since 2004, Perdana Group has built a reputation for excellent service in its core activities of providing offshore support to a host of clients. The services rendered include:

- Workbarges and workboats for onboard accommodation and work facilities for offshore personnel;
- Towing, mooring, and anchoring of non-self-propelled barges and rigs; and
- Transportation of drilling, production and project materials and chemicals.