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CORPORATE 14

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BY JOSE BARROCK

A joint venture between Coastal Energy Co, Petra Energy Bhd and Vestigo Petroleum Sdn Bhd could be awarded a risk service contract (RSC) by national oil company Petroliam Nasional Bhd soon, industry sources say.

It is understood that the three companies are currently evaluating data for a cluster of fields before making a selection.

“The [joint-venture and shareholding] structure will be formed once the data is shown to be positive, after which an award by Petronas will follow,” an industry source says.

If all goes well, the award of the RSC will likely be made in July or August this year, the source adds.

Executives of Petra Energy were tight-lipped when contacted, while Vestigo CEO Keith Collins could not be contacted.

The RSC award would contribute positively to the earnings of the companies involved.

Petra Energy's largest shareholder is Tan Sri Bustari Yusuf, who has an almost 27.5% stake in the company. Its other shareholders include Wah Seong Corp Bhd with 26.9%, Lembaga Tabung Haji with 9.9% and Datuk Mohamed Nizam Abdul Razak — the brother of Prime Minister Datuk Seri Najib Razak — with 9.1%.

Vestigo is a wholly-owned subsidiary of Petronas, while Coastal Energy is wholly owned by Compania Espanola de Petroleos SA, also known as Cepsa. At one time, the family of flamboyant young businessman Low Taek Jho @ Jho Low was also a partner of Cepsa via Strategic Resources (Global) Ltd when Coastal Energy was taken over late last year, but his family's block appears to have been taken over by Cepsa.

Vestigo holds the RSC for the Tembikai field, off the coast of Terengganu, which was awarded at end-March this year. Meanwhile, its joint venture with SapuraKencana Petroleum Bhd (SKP) is slated to bag the RSC for the Bubun field. Thus, the latest RSC from Petronas could either be its second or third, if successful.

A second RSC for Coastal-Petra JV

Coastal Energy and Petra Energy already have a 70:30 joint-venture company called Coastal Energy KBM Sdn Bhd. The JV company is developing the Kapal, Banang and Meranti (KBM) cluster of oilfields after being awarded the contract by Petronas in late June 2012.

Late last year, the Kapal field — located off the shores of Peninsular Malaysia — struck oil, with the initial production estimated at between 10,000 barrels per day (bpd) and a peak of 13,000 bpd.

According to industry players, this RSC has put Coastal Energy and Petra Energy in a good light as work was done within budget and the time frame taken was only slightly off schedule.

In contrast, other RSCs — for the Berantai cluster, awarded to SKP and Petrofac Ltd, and for the Balai cluster, held by a consortium made up of ROC Oil of Australia, Dialog Group Bhd and Petronas Carigali Sdn Bhd — have had to grapple with several issues.

In July 2013, it was reported that there was a six-month delay in the Balai cluster due to bad weather and changes in the conversion of the early production vessel known as *Balai Mutiara*.

Earnings found wanting

The success of the KBM cluster has not been reflected in Petra Energy's financials as it only struck oil late last year.

For the fourth quarter ended Dec 31, 2013, Petra Energy suffered a net loss of RM1.1 million on sales of RM159.4 million. In its notes, the company attributes the bleeding to an impairment loss of RM8.9 million.

For the financial year ended Dec 31, 2013, its net profit rose 56% to RM11.7 million, although revenue fell 24.7% to RM492.8 million.

It is also noteworthy that for FY2013, Petra Energy's net cash flow from operating activities was a negative RM71.5 million. Meanwhile, its finance cost for the year was RM12 million, a tad higher than its net profit.

As at end-December last year, the company had cash and bank balances of RM112.3 million while its long-term borrowings stood at RM106.3 million and short-term debt commitments were RM94.4 million.

In the notes to the financials, Petra Energy says, “The oil and gas industry is slated for sustained growth over the next three to five years in both the offshore and onshore sectors.

“The government's focus on domestic oil and gas production by enhancing oil recovery, developing small fields and increasing exploration activities to locate new fields is one of the key growth areas that would positively impact the Petra Energy group.”

In a note released after the company's financial results were announced, RHB Research

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Institute says FY2014 may be the year Petra Energy sees its earnings turn around. The research house forecasts that Petra Energy will register a net profit of RM52.2 million on revenue of RM947 million in the current financial year.

Petra Energy closed at RM2.54 last Friday. Over the past year, the stock has gained more than 70%. **E**

PETRA ENERGY ANNUAL REPORT



Petra Energy is one of the more prominent oil and gas players in the country

COMPANY DATA, RHB ESTIMATES

RHB's forecasts and valuations on Petra Energy

	DEC 2011	DEC 2012	DEC 2013	DEC 2014F	DEC 2015F
Total turnover (RM mil)	650	654	493	947	1,047
Reported net profit (RM mil)	3.3	7.4	7.7	52.2	71.8
Recurring net profit (RM mil)	3.3	7.4	7.7	52.2	71.8
Recurring net profit growth (%)	(80.6)	124.5	3.85	76.8	37.6
Recurring EPS (RM sen)	0.01	0.02	0.02	0.16	0.22
DPS (RM sen)	0.00	0.01	0.01	0.03	0.04
Recurring P/E (x)	229	102	98	14	11
P/B (x)	2.22	2.18	1.58	1.45	1.31
P/CF (x)	6.8	13.6	NA	5.3	5.2
Dividend yield (%)	0.1	0.3	0.3	1.4	1.9
EV/Ebitda (x)	17.4	15.2	20.9	7.7	6.2
Return on average equity (%)	1.0	2.2	1.9	10.4	13.1
Net debt to equity (%)	32.4	26.3	18.4	21.9	14.1