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BIMB SECURITIES RESEARCH
بي أي عيم بي سيكوريتيس ريسارچه
PP16795/03/2013(031743)
www.bisonline.com

Company update

BUY ◄► **Price:** **RM0.63**
Target Price: **(+35%) RM0.85**

Hibiscus Petroleum

Direct proxy to crude recovery

- **We continue to like Hibiscus as it provides direct exposure to the upstream business which is poise to benefit from the recovery in crude oil prices.**
- **We remain excited with its earnings prospect over FY18-20F on the back of higher production from Anasuria and the potential structural growth arising from the new PSC role in North Sabah.**
- **Maintain BUY call with a revised DCF-derived TP of RM0.85 (from: RM0.65, WACC: 9.0%). Our strong conviction on Hibiscus is also underpinned by its business model which is focused on acquiring quality producing assets from major oil companies.**

Well workover programs to boost Anasuria production

Hibiscus plans to execute 4 well workover (of which 1 has been carried out in Jul) projects in FY18. This would boost production to 4,200 bpd from the current level of 3,200 bpd. The increment would be in stages and management expects to achieve the higher flow rate by end FY18.

North Sabah acquisition on track

Hibiscus expects to complete the acquisition of the North Sabah field either in late 2017 or early 2018. We expect the acquisition to come through while management noted that economic interest to Hibiscus has taken effect from 1 Jan 2017. While transaction delays would impact estimates, it is mitigated by the lower cash outlay for the purchase consideration. Management expects to execute its planned capex shortly after the transfer of ownership. This would boost output to 10,000bpd from current 7,500bpd (based on 50% stake) by 2020.

Huge upgrades on higher crude oil price assumed

Hibiscus' FY17 core performance exceeded our estimates if not for the higher-than-expected effective tax rate. This was largely due to lower average realised price assumed. Adjusting for that and after factoring recent management updates, we raised our FY18/FY19/FY20 earnings forecasts by 235%, 45%, and 48% respectively.

Maintain BUY with a higher TP at RM0.85

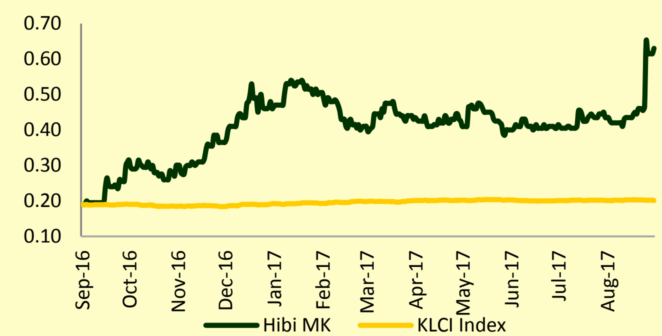
We reiterate our BUY call on Hibiscus with a higher DCF-derived TP of RM0.85 which implies 11.8x FY18F PE before easing to 3.6x FY19F PE. Our DCF assumes a WACC of 9.0%.

Fair value sensitivity analysis

Our sensitivity analysis showed that every ±US$5/bbl swing in crude oil price, assuming combined production rate of 11,800bpd (ie. base case) from both fields, would impact our target price by ±RM0.16.

Stock Data			
Bloomberg Ticker	HIBI MK	Altman Z-score	2.2
Market Cap	948.7	YTD price chg	53.7%
Issued shares	1,505.8	YTD KLCI chg	7.8%
52-week range (H/L)	0.70 / 0.19	Beta	1.1
3-mth avg daily volume	25,527,310	**Major Shareholders**	
Free Float	72.2%	Hibiscus Upstream	11.7%
Shariah Compliant	Y	Polo Inv	9.6%
		Mohd Zulkifli	6.5%

Share Price Chart



Share Performance (%)	**1mth**	**3mth**	**12mth**
Absolute	44.8	57.5	223.1
vs. KLCI	44.8	58.4	205.2

Consensus	**FY18E**	**FY19E**
Net Profit (RM m)	152.2	253.5
EPS (sen)	10.6	17.0

Financial Highlights

FYE 30 Jun	**FY16**	**FY17**	**2018E**	**2019E**	**2020E**
Turnover	81.7	261.3	575.9	944.9	1,095.6
EBITDA	-13.0	132.3	340.3	598.5	747.1
Pretax profit	-56.3	62.0	267.6	520.9	662.6
Core Profit	**-116.5**	**25.5**	**115.2**	**271.9**	**340.5**
EPS (sen)	-11.0	1.8	7.3	17.1	21.4
PER (x)	-5.8	36.2	8.8	3.7	3.0
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
P/B Value	1.2	1.2	1.1	0.9	0.7
Margins					
EBITDA margin (%)	-16.0	50.6	59.1	63.3	68.2
Pretax margin (%)	-68.9	23.7	46.5	55.1	60.5
Core margin (%)	-142.6	9.8	20.0	28.8	31.1
ROE (%)	-21.3	3.9	13.8	25.7	25.0
ROA (%)	-12.8	2.0	8.1	16.4	17.2
Net Gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Bloomberg, BIMB Securities Research

An oil and gas growth stock

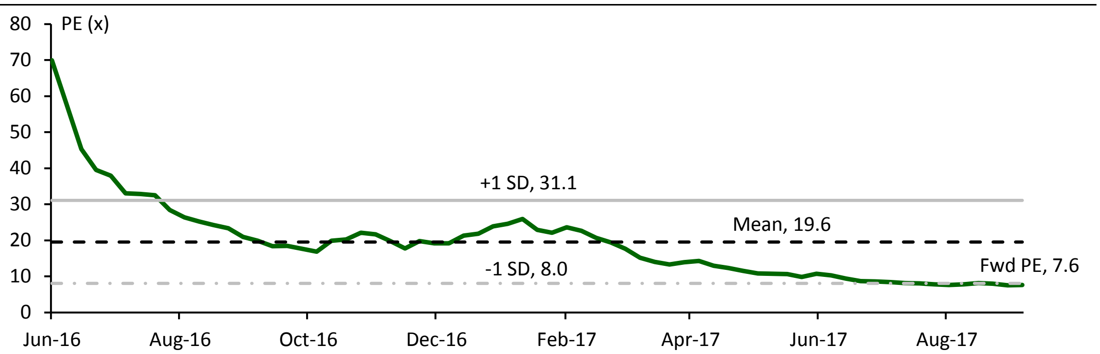
We continue to like Hibiscus for its sole business as an oil producer which provides direct exposure to benefit from the crude oil price recovery. Our positive view on its prospects was emboldened by its strong FY17 performance while recent and future well workover projects planned in FY18 for its existing field, Anasuria, should enhance production output.

Recent updates from management points to the acquisition of the North Sabah PSC are well underway with possible completion sometime in early 2018. We were also made to understand that the North Sabah PSC acquisition has entered the transition mode while the economic interest to Hibiscus took effect from 1 Jan 2017. Overall, these points to a solid structural earnings growth while management also noted that the company adopts a lean cost structure where cash opex at both fields are contained to less than US$20/bbl.

Hibiscus' share price has risen steadily ahead of its financial turnaround since it announced the completion of the Anasuria field acquisition on 10 Mac 2016. Recently, its share price posted a fresh one-year high and broke the previous psychological resistant level of around RM0.55/share. We believe this reflects the market's growing confidence over its earnings prospects especially now that it is on the brink of acquiring another producing asset.

Despite the strong share price performance, we reckon that current price levels largely ignores the value from its potential acquisition of the North Sabah PSC. On revised forecast, the stock trades just below -1SD level of forward PE at 7.6x (Chart 1).

Chart 1 : Hibiscus historical 1-year forward PE



Source: Bloomberg, BIMB Securities

We have raised our FY18/FY19/FY20 earnings forecast by 235%/45%/48% respectively. The changes made were on the back of revised cost structure and effective tax rate following recent management updates and higher crude oil price assumptions (raised by US$5/bbl) amidst better-than-expected average realised price in FY17.

Furthermore, we also note that the Brent crude oil benchmark prices over Jul-Sep 2017 (1QFY18) traded steadily c.US$50-55/bbl supported by demand growth. In OPEC's recent report released in Sep 2017, the cartel raised the forecasted global oil demand growth by 70,000 bpd to 1.35m bpd while overall demand is expected to reach c.98.1m bpd in 2017. The higher consumptions mainly arose from OECD Europe and China on the back of global economic growth picking up.

In the report, OPEC also noted that the contango structure of crude oil futures curve continued to ease and started to shift to backwardation. This, it noted, might point to a possible tightening in crude oil supply market as speculators begin to clear off physical stocks instead of holding on for higher prices in the future.

Maintain BUY; TP raised to RM0.85

We reiterate our BUY call on Hibiscus with a higher DCF-derived TP of RM0.85 (from: RM0.65) which implies 11.8x FY18F PER before easing further to 3.7x FY19F PER. Our DCF assumes a WACC of 9.0% as summarised below:

Table 1: DCF breakdown

Items	RM m	RM	Remarks
WACC (%)	9.0%		Risk-free 4%, risk premium 5%
Terminal growth rate (%)	-		
NPV of Anasuria	744.0	0.46	
NPV of North Sabah	922.8	0.58	
NPV Group opex	(333.0)	(0.22)	
Total Enterprise value	**1,334.0**	**0.82**	
Less: net (debt) / cash	54.5	0.03	Implies RM0.03/share
Total Equity value	**1,388.4**	**0.85**	
No. of shares (m)	1,588.2		Inclusive shares dilution from private placement
Equity value per share (RM)		**0.85**	Implies FY18F PE of 11.8x

Source: BIMB Securities

Fair value sensitivity analysis

In determining our fair value, we note that there are five key determinants, highlighted below, which forms our base case scenario (Table 2).

Table 2: Base case assumptions

FYE Jun	FY18F	FY19F	FY20F	FY21 thereafter
Average crude oil price (USD/bbl)	55.0	60.0	65.0	70.0
GBP/MYR	5.40	5.30	5.20	5.10
USD/MYR	4.20	4.00	3.80	3.60
Production rate in Anasuria* (bpd)	3,800	4,400	5,100	Decline 8% annually
Production rate in North Sabah* (bpd)	8,000	9,000	10,000	Decline 8% annually

**Figures are net to Hibiscus*
Source: BIMB Securities, Company

Assuming our base case as above, we valued Hibiscus' two assets, the Anasuria and North Sabah fields at RM0.47 and RM0.58 respectively (Table 3 and 4). Varying our assumed crude oil price by ±US$5/bbl and average daily production volume by ±200bpd for Anasuria and ±500bpd for North Sabah, we found that in a worst case scenario (red cells) where price and volume declines, Hibiscus' intrinsic value could dwindle to just RM0.018 while in a best case scenario (green cells), the intrinsic value could rise to RM1.72. This is arrived after we factor in group operating expense at RM0.22/share (ie. Table 1).

Table 3: Anasuria fair value for 2018

Intrinsic value (RM)	Crude oil price (USD/bbl)								
Average daily prod (bpd)	35	40	45	50	55	60	65	70	75
3,400	0.103	0.170	0.229	0.312	0.385	0.458	0.531	0.603	0.676
3,600	0.137	0.192	0.271	0.345	0.422	0.498	0.575	0.651	0.728
3,800	0.174	0.239	0.308	0.387	0.468	0.549	0.630	0.711	0.792
4,000	0.196	0.265	0.359	0.444	0.529	0.613	0.698	0.783	0.868
4,200	0.221	0.317	0.397	0.486	0.575	0.664	0.753	0.842	0.931

Source: BIMB Securities, Company

Table 4: North Sabah fair value for 2018

Intrinsic value (RM)	Crude oil price (USD/bbl)								
Average daily prod (bpd)	35	40	45	50	55	60	65	70	75
7,000	0.135	0.214	0.290	0.387	0.485	0.552	0.623	0.695	0.783
7,500	0.163	0.251	0.339	0.441	0.530	0.597	0.674	0.760	0.832
8,000	0.205	0.286	0.395	0.504	0.581	0.661	0.745	0.817	0.912
8,500	0.225	0.323	0.436	0.535	0.610	0.694	0.775	0.875	0.952
9,000	0.272	0.375	0.495	0.583	0.673	0.760	0.847	0.932	1.012

Source: BIMB Securities, Company

Shariah compliance

We reviewed Hibiscus' Shariah Status in accordance with the screening methodology and processes adopted by the Shariah Advisory Council of Securities Commissions Malaysia (SACSC) (Table 5). We see there is yet any risk of the company losing its Shariah status as of end of FY17.

Table 5: Hibiscus's Shariah Status review as of unaudited account FY17

Business Activity Benchmark	**Hibiscus**	**SACSC Benchmark**	
NPI/TO (%)	0.0%	5%	Below the allowable limit set by SACSC
Financial Ratios Benchmark	**Hibiscus**	**SACSC Benchmark**	
C/TA (%)	4.1%	33%	Below the allowable limit set by SACSC
D/TA (%)	0.0%	33%	Below the allowable limit set by SACSC

Source: BIMB Securities

Management update

We recently met management and left reassured of the company's prospect. We continue to like Hibiscus as it remains focused on its strategy to enhance producing assets instead of undertaking riskier development and exploration activities. Key highlights from the meeting are as follows:

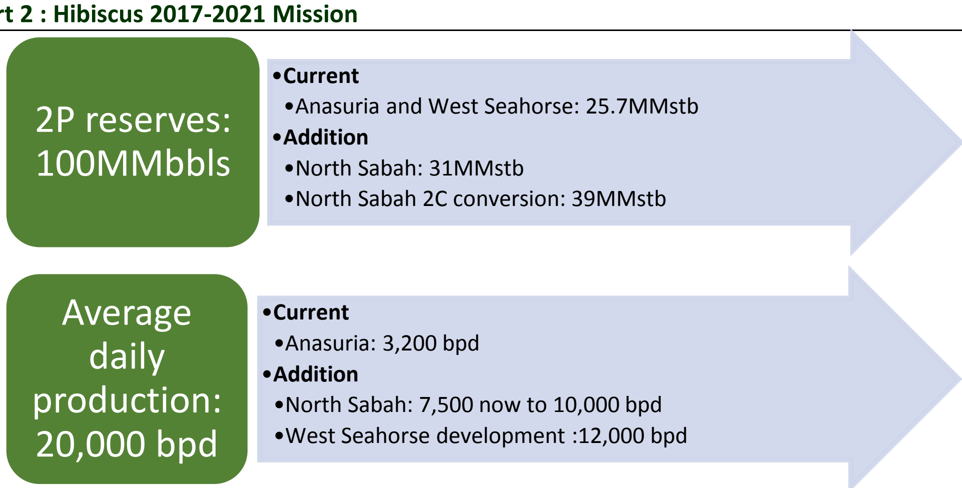
Business condition:

- Hibiscus portfolio comprises of explorations, development and production of assets. Given the limited sources of capital and uncertain crude oil prices, management is selective on the assets it acquires. Its strategy is to focus on producing assets with low production costs i.e. Anasuria clusters and North Sabah fields which are located in shallow waters (ie. depth of <100 meters).
- Management is aware of the threat of renewable energy (RE) to crude oil demand. However, its in-house research indicates that crude oil demand would be supported by the growing global demand. While management acknowledges the rising supply of REs, it believes the existing infrastructure and technology is still insufficient to ensure RE as a reliable replacement to fossil fuel as the main source of energy.
- Management is comfortable with crude oil prices remaining at current price levels of US$50-55/bbl. This is due to the existing production cost at its two assets are contained below US$20/bbl which provides sufficient FCF for future investments.
- **Our thoughts:** We believe Hibiscus would continue to benefit from the crude oil price recovery. We also believe that at current price level, this portends to possibly more divestment of late-life assets by oil majors providing more opportunities for Hibiscus to grow its portfolio of assets.

Business direction:

- Hibiscus strives to hit 100MMbbls of 2P oil reserves and 20,000 bbl/day of oil production by 2021. Considering current production level of Anasuria and North Sabah are at 3,200 bpd and 6,000 bpd respectively (net production to Hibiscus), management is confident that the production target it sets is attainable. It expects to add another 12,000 bpd of oil production from its Australia assets.

Chart 2 : Hibiscus 2017-2021 Mission



Source : BIMB Securities, Company

- **Our thoughts:** We opine that the company is moving in a right direction as stable FCF generation from producing assets would underpin its future investment plan to grow production level as well as its 2P reserves. As an upstream producer, it is independent from the capex spending of oil majors which provides a unique and compelling investment proposition when compared against other listed companies within the oil and gas space in Malaysia.

North Sabah update:

- Management expects to complete the acquisition by end 2017 or sometime in early 2018. Capex planning are underway based on data provided by the promoters. Management expects to execute the planned capex the soonest possible to ensure production can be enhanced upon the transfer of ownership.
- The acquisition of the North Sabah field also includes the manpower of the field (as opposed to the Anasuria cluster which only involved acquisition of the oilfield). Even after absorbing the existing staffs, management expects operating costs at the field would remain at c.US$13/bbl.
- To enhance the production level in North Sabah, Hibiscus no longer adopts EOR technique due to the prohibitive costs vis-à-vis current crude oil prices. Moreover, we understand from management that the operating company has completed the previous EOR agreement with Petronas Carigali.
- **Our thoughts:** We believe Hibiscus' would be able to contain, if not lower, production costs as there is no requirement for it to continue with the expensive EOR extraction technique. Management has been proactive to in ensuring capex execution is done swiftly as this allows Hibiscus to capitalize on the current depressed oilfield services rates.

Major project status for West Seahorse Project in Australia:

- As reported by *theedgemarkets.com* on 15 Sep 2017, Hibiscus' wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd, was granted Major Project Status for the West Seahorse Project which is located in Gippsland Basin, off the coast of Victoria.
- This Major Project Status is granted by the Australian Minister for Industry, Innovation and Science to oil and gas companies operating in the country. This avails Hibiscus preferential treatment to upon securing regulatory approval when carrying out its activities.
- The Major Project Status was accorded to Hibiscus since 2013 when it applied for field development plan. This status, however, would be expiring at end 2017. Therefore, the Australian Minister had renewed its Major Project Status to enable the company to continue its field development plan.
- Nevertheless, Hibiscus has deferred the Final Investment Decision (FID) for the field. Management guided that the project would be revisited when crude oil price stabilises over US$60-65/bbl.
- **Our thoughts:** The renewed Major Project Status has no financial effect to Hibiscus as it currently focuses on existing producing assets in Anasuria and the upcoming North Sabah PSC.

Private placement

- The company announced on 31 May 2017 that it would undertake a placement of up to 144,384,429 of new ordinary shares. This represents the new issuance of up to 10% of the existing issued and paid-up share capital of the company.
- Subsequently on 15 August 2017, it completed the first tranche of this private placement by issuing 62,000,000 new ordinary shares at RM0.385/share.
- Management expects to complete the second tranche in 2QFY18 where proceeds would be utilized as part of the North Sabah pre-acquisition expense. This would also mark its last private placement in the near to medium term as assets in its existing portfolios are self-sufficient.
- **Our thoughts:** We believe structural earnings growth from North Sabah may more than offset the potential dilution from its enlarged share base. Indeed, we believe that the company are more prepared to gear up post-acquisition of North Sabah.

Stronger Anasuria and a boost from North Sabah

Brief recap on FY17

Hibiscus Petroleum lifted c.1.13m barrel of crude oils and exported 779mmscf of gas from Anasuria fields in FY17 which translated to a daily average production of c.3,200 bpd in FY17. While this was slightly lower than our forecast of 3,300 bpd, the average realised price of US$49/bbl was well above our assumption of US$45/bbl, pushing pretax earnings to 31% ahead of our estimates (Table 7).

Table 6: Anasuria operational performance

Items	Units	1Q17	2Q17	3Q17	4Q17	FY17	vs BIMB (%)
Average daily oil production	bbl/day	3,032.0	3,934.0	2,617.0	3,204.0	3,200	96.9
Total oil sold	bbl	271,576	298,909	273,419	284,963.0	1,128,867	93.7
Average realised oil price	USD/bbl	45.2	41.7	52.9	50.5	47.6	108.9
Average daily gas export rate	boe/day	374.0	474.0	257.0	317.0	355.0	
Total gas exported	mmscf	206.0	262.0	138.0	173.0	779.0	
Average OPEX	USD/boe	18.4	13.0	15.1	14.0	15.1	17.1

Source: Company, BIMB Securities

However, net earnings was short of our estimates at only 90% (Table 7). This was due to 4Q17 effective tax rate surging to 69% of its PBT as a result of under provisioning its tax expenses in prior quarters. This mainly arose from deferment in capex spending which otherwise would have been eligible for tax deduction. In total, FY17 effective tax rate stood at 55% against our assumption of 38%.

Earnings revision

Following Hibiscus' strong FY17 earnings performance, we revisited our assumptions and raised our FY18/19/20F earnings by 235%, 45%, and 48% respectively. We continue to expect Hibiscus' earnings to grow by a staggering 13x over its FY17 earnings from FY18 to FY20 period.

Table 7: Earnings outlook

FYE Jun (RM m)	Actual	Previous			After			Change (%)		
	FY17	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
Revenue	261.3	509.0	855.6	990.6	575.9	944.9	1095.6	13.1	10.4	10.6
EBITDA	132.3	235.3	460.8	561.5	340.3	598.5	747.1	44.6	29.9	33.1
EBIT	59.8	162.4	384.8	482.1	267.6	520.9	662.5	64.8	35.4	37.4
Pretax profit	62.0	162.6	384.9	482.4	267.6	520.9	662.6	64.6	35.3	37.3
Net profit	27.7	34.4	187.3	230.0	115.2	271.9	340.5	234.8	45.2	48.1
Core profit	25.5	34.4	187.3	230.0	115.2	271.9	340.5	234.8	45.2	48.1

Source: BIMB Securities, Company

We expect earnings to grow strongly on the back of higher production output from Anasuria and the structural growth from the acquisition of the North Sabah field. The key assumptions to our earnings forecasts are summarised as follow (Table 8):

Table 8: Key assumptions revision

FYE Jun (RM m)	Previous			After			Comment
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	
Crude oil (USD/bbl)	50	55	60	55	60	65	Increases US$5/bbl p.a.
GBP/MYR	5.40	5.30	5.20	5.40	5.30	5.20	
USD/MYR	4.20	4.00	3.80	4.20	4.00	3.80	
Anasuria prod. (bpd)	3,795	4,364	5,019	3,800	4,400	5,100	Roundup figures
Anasuria opex (GBP m)	15.8	16.5	17.4	15.0	15.0	15.0	Opex payable to Petrofac
Anasuria cost per bbl	14.6	13.8	12.9	14.3	12.8	11.4	Exclude decom cost US$6.5-12/bbl
Anasuria capex (GBP m)	1.8	10.0	5.0	3.5	10.0	5.0	FY17 capex deferred to FY18
North Sabah prod. (bpd)	8,000	9,000	10,000	8,000	9,000	10,000	
North Sabah opex (USD m)	40.9	49.3	58.4	38.6	39.7	41.0	
North Sabah cost per bbl	14.0	15.0	16.0	13.2	12.8	11.8	Exclude decom cost US$5/bbl
North Sabah capex (USD m)	7.5	10.0	12.5	15.0	20.0	25.0	Spend US$100m in 4-5 years

Source: BIMB Securities, Company

- **Higher crude oil price assumption.** We raised crude oil price assumptions by US$5/bbl. We noted that Brent crude oil benchmark has been traded steadily c.US$50-55/bbl in July-Sep 2017 (1QFY18) as demand growth supported the price. In OPEC's September report, the cartel raised global oil demand growth forecast by 70,000 bpd to 1.35m bpd with overall demand to reach c.98.1m bpd arising from better consumptions from OECD Europe and China on the back of higher global economic growth.

  The report also note that the contango structure of crude oil futures curve continued to ease and started to shift into backwardation. It further noted that this might indicate a tightening in crude oil supply market as speculators begin to clear off physical stocks now rather than store oil for future delivery at higher price.

- **Maintained production level for Anasuria.** We retain our expectation that Anasuria's production level would be raised to 10,000bpd (5,000 bpd to Hibiscus) over the next 2-3 years through various planned well workover projects. According to management, AOC will execute 4 workover projects in FY18. This would boost average production level up to c.4,200 bpd by mid-2018 from current level of 3,200 bpd. We have assumed FY18 production level to average at c.3,800bpd.

  We think this is achievable as Hibiscus aims to ensure the overall facility uptime to sustain over 85% by undertaking scheduled maintenance of its FPSO for a month from mid-Sep 2017. During this period, management guided that the facilities would be turned off completely but the earnings impact is expected to be minimal as it had done a crude oil offtake in August.

- **Pared down production cost assumed for North Sabah.** We pared down the cost of production assumed for North Sabah as we believe Hibiscus' would adopt a leaner cost structure. This was evident by the cost reduction at Anasuria from $23/bbl when it first operated to $15/bbl in the latest 4QFY17 result.

- **Effective tax rate assumption sustained.** We note that Hibiscus' effective tax rate would remain elevated (ie. c.57%). This is mainly due to non-cash charges including depreciation and amortisation expenses which are not eligible for tax deduction under UK's oil and gas tax regime. However, moving forward, management guided that the effective tax rate on its operating profits shall not exceed 40%, subject to tax benefits arising from capex spending.

BUY recommendation with new TP of RM0.85

We reiterate our BUY call on Hibiscus with a higher DCF-derived TP of RM0.85 which implies 11.8x FY18F PER before easing to 3.7x FY18F PER. Our DCF assumes a WACC of 9.0%.

Table 9: DCF breakdown

Items	RM m	Remarks
WACC (%)	9.0%	Risk-free 4%, risk premium 5%
Terminal growth rate (%)	-	
NPV of Anasuria	744,0	
NPV of North Sabah	922.8	
NPV Group opex	(333.0)	
Total Enterprise value	**1,334.0**	
Less: net (debt) / cash	54.5	
Total Equity value	**1,388.4**	
No. of shares (m)	1,588.2	Inclusive shares dilution from private placement
Equity value per share (RM)	**0.85**	Implies FY18F PE of 11.8x

Source: Bloomberg, BIMB Securities

Key risks to our target price and recommendations are:

- Delay and/or failure in North Sabah acquisition may disappoint market expectation
- Disruption in the production of its assets
- Sharp drop in crude oil price which could be due to various reasons including geopolitical and natural disasters may affect its earnings

Key catalysts to our target price and recommendations are:

- Faster pace in crude oil price recovery
- Better cost containment in operating oil fields

Income Statement

FYE 30 Jun (RM m)		2016	2017	2018F	2019F	2020F
Revenue		81.7	261.3	575.9	944.9	1,095.6
EBITDA		(13.0)	132.3	340.3	598.5	747.1
Depreciation & Amortisation		(30.9)	(72.5)	(72.7)	(77.6)	(84.6)
EBIT		(43.9)	59.8	267.6	520.9	662.5
PBT		(56.3)	62.0	267.6	520.9	662.6
Taxation		(3.6)	(34.3)	(152.4)	(249.0)	(322.0)
Net Profit		(60.0)	27.7	115.2	271.9	340.5
Core Net Profit		(116.5)	25.5	115.2	271.9	340.5
Core EPS	(sen)	(11.0)	1.8	7.3	17.1	21.4
Dividend / Share	(sen)	-	-	-	-	-

Source: Company, BIMB Securities

Balance Sheet

FYE 30 Jun (RM m)	2016	2017	2018F	2019F	2020F
Non-Current Assets					
PPE	211.5	202.6	231.3	336.0	419.2
Investment in associate	1.9	4.1	4.1	4.1	4.1
Investment in JV	-	-	-	-	-
Intangible asset	997.1	1,029.3	1,009.8	960.6	913.7
Current Assets					
Trade and other receivables	2.0	7.4	7.9	12.9	15.0
Other receivables	21.5	17.5	17.5	17.5	17.5
Tax recoverable	-	-	-	-	-
Inventories	5.5	4.0	11.2	16.5	16.2
Amount owing by JV	0.1	0.2	0.2	0.2	0.2
Amount owing by assoc	0.7	-	-	-	-
Cash and cash equivalents	28.7	54.5	138.8	222.9	393.1
Escrow account	-	-	100.6	239.7	390.7
Total Assets	**1,269.2**	**1,319.6**	**1,521.4**	**1,810.3**	**2,169.6**
Equity					
Share capital	13.1	675.3	675.3	675.3	675.3
Other reserve	703.0	92.9	164.3	164.3	164.3
Accumulated (loss)/gain	(131.9)	(25.8)	89.4	361.3	701.8
Non-Current Liabilities					
Deferred consideration	26.5	-	-	-	-
Contingent consideration	1.5	1.8	1.8	1.8	1.8
Deferred tax liabilities	390.9	325.6	325.6	325.6	325.6
Provision for decommissioning costs	115.4	124.8	139.8	156.6	175.4
Current Liabilities					
Trade payables	0.1	0.2	0.4	0.7	0.6
Other payables	88.8	58.0	58.0	58.0	58.0
Deferred consideration	55.8	31.4	31.4	31.4	31.4
Amount owing to JV	0.3	0.3	0.3	0.3	0.3
Amount owing to association	5.4	0.0	0.0	0.0	0.0
Redeemable Convertible Preference Shares	0.2	0.2	0.2	0.2	0.2
Total Equity and Liabilities	**1,269.2**	**1,319.6**	**1,521.4**	**1,810.3**	**2,169.6**

Source: Company, BIMB Securities

Cash Flow

FYE 30 Jun (RM m)	2016	2017	2018F	2019F	2020F
Operating Cash flow					
PBT	(56.3)	62.0	267.6	520.9	662.6
D&A	30.9	72.5	72.7	77.6	84.6
Unwinding of decommission cost	-	-	15.0	16.8	18.8
Interest income	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
Unrealised (gain)/loss on FX	(0.9)	(17.5)	-	-	-
Finance cost	8.2	22.0	-	-	-
(Reversal)/Impairment of associate	(0.7)	(1.9)	-	-	-
(Reversal)/Impairment of JV	229.0	-	-	-	-
(Reversal)/Impairment of intangible asset	17.5	-	-	-	-
(Reversal)/Impairment of receivables	2.2	8.7	-	-	-
Result of associate	4.1	0.5	-	-	-
Result of JV	63.4	-	-	-	-
Negative goodwill	(364.1)	-	-	-	-
Write-off business development	30.9	-	-	-	-
Changes in WC					
Receivables	(2.0)	(5.4)	(0.5)	(5.1)	(2.1)
Payable	0.1	0.2	0.2	0.2	(0.0)
Inventories	(5.5)	1.5	(7.2)	(5.3)	0.3
Total working capital	**(7.5)**	**(3.7)**	**(7.5)**	**(10.1)**	**(1.8)**
Income tax paid	(0.0)	(11.3)	(152.4)	(249.0)	(322.0)
CFO	**62.5**	**101.9**	**195.3**	**356.1**	**442.1**
Investing Cash Flow					
Capex	(0.0)	(0.7)	(50.4)	(133.0)	(121.0)
Acquisition of intangible asset	(104.4)	(0.7)	(31.5)	-	-
Deposits for investment	-	(10.4)	-	-	-
Net cash outflow for business combination	(27.6)	(71.4)	-	-	-
CFI	**(131.8)**	**(83.2)**	**(81.9)**	**(132.9)**	**(120.9)**
Financing Cash Flow					
Proceeds of issuance of new shares	92.6	27.8	71.5	-	-
Cash advance from directors	3.2	-	-	-	-
Repayment of cash advances from directors	(0.5)	(2.7)	-	-	-
Escrow account			(100.6)	(139.1)	(151.0)
CFF	**95.2**	**25.2**	**(29.1)**	**(139.1)**	**(151.0)**
Net change	**25.9**	**43.8**	**84.3**	**84.1**	**170.2**
Beginning cash	5.9	28.7	54.5	138.8	222.9
Net forex difference	(3.1)	-	-	-	-
Ending cash	**28.7**	**54.5**	**138.8**	**222.9**	**393.1**

Source: Company, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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