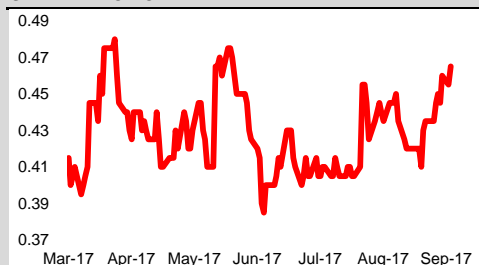


HIBISCUS PETROLEUM
Outperform
DESCRIPTION

A oil and gas production and development company, currently producing average 3,500bbls/day. Hibiscus has 26.7mbbls/day of 2P reserves (Anasuria Cluster – UK), and 6.8mbbls of 2C resources (West Seahorse Field – Australia).

Target Price	RM1.06
Current Price	RM0.47
Expected Return	+128.3%
Market	Main
Sector	Oil & Gas
Bursa Code	5199
Bloomberg Ticker	HIBI MK
Shariah-compliant	Yes

SHARE PRICE CHART


52 Week Range (RM)	0.19-0.56
3-Month Average Vol ('000)	11,316.1

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	6.9	10.7	12.0
Relative Returns	6.9	12.3	13.1

KEY STOCK DATA

Market Capitalisation (RM m)	700.2
No. of Shares (m)	1505.8

MAJOR SHAREHOLDERS

	%
Hibiscus Upstream Sdn Bhd	11.2
Polo Investments Limited	9.2
Mohd Zulkefli Bin Mohd	6.3
Littleton Holdings Pte Ltd	3.6

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Becoming Of A Major Player

Hibiscus Petroleum (Hibiscus) continues to deliver production from its first producing field, the Anasuria Cluster in UK with average c.3500bbls/day, anchoring its position more prominently amongst its oil peers. We remain positive on the Group's performance, reaffirmed by its ability and perseverance to continue securing producing assets. In October 2016, the Group announced another milestone, the conditional sale and purchase agreement (SPA) for the Group to acquire the 50% stake of the North Sabah Enhanced Oil Recovery (EOR) PSC. We are initiating coverage on Hibiscus with an **Outperform** call with a TP of RM1.06 premised on our sum-of-parts valuation. Our valuation is based on the relative undervaluation of Hibiscus' Anasuria Cluster asset valued at RM0.58 based on our DCF valuation with an 11.0% WACC, and after close review of its upcoming North Sabah acquisition based on its 2P reserves only, we believe would add another RM0.48 to the Group's fair value.

- **North Sabah PSC updates.** Petronas Carigali Sdn Bhd (PCSB) has waived their pre-emption rights under the joint operating agreement (JOA), and with Petronas providing its approval to Shell which is conditional for the assignment of interest to the PSC in favour of Hibiscus. We believe the acquisition is in the bag, and is expected to complete by end-2017 at the latest. Assuming the 50% conversion of the field's 2C contingent resources into 2P reserves, we are estimating the asset's fair value to be worth RM0.86 (Hibiscus' portion).
- **O&G alternative funding.** We understand the concerns on the Group's frequent rounds of private placement initiatives. This is largely related to the cost of equity to be cheaper relative to the traditional cost of borrowings for certain O&G activities. Hibiscus' placement exercises are not entirely dilutive as it has translated to the better performance of the Group with improving EBITDA and stronger cashflows.
- Our **Outperform** recommendation is premised on the undervaluation of the Anasuria Cluster which has already been secured, and the potential upside from the North Sabah PSC on Hibiscus' valuation. It also takes into consideration i) further potential upside from conversion of 2C to 2P reserves for North Sabah which has *not yet* been factored into our valuation, ii) lower OPEX cost which would ensure the viability of its producing fields, and iii) opportunities for cheaper assets in a lower oil price environment, whereby Hibiscus has demonstrated to have the ability to identify and secure high value assets from large companies.

KEY FINANCIAL TABLE (RM m)

FYE Jun (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	81.7	261.3	694.0	818.7	819.6
Gross Profit	40.9	168.2	446.7	527.0	527.6
Pre-tax Profit	-56.3	62.0	224.6	266.6	268.5
Net Profit	-60.0	106.1	269.6	320.0	322.3
Core Net Profit	-176.0	99.3	269.6	320.0	322.3
EPS (Sen)	-5.7	7.3	18.7	22.2	22.3
P/E (x)	-8.2	6.3	2.5	2.1	2.1
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, PublicInvest Research estimates

About Hibiscus

Hibiscus was listed on Bursa Malaysia on 25 July 2011 as a Special Purpose Acquisition Company (SPAC). The Group's major milestones since then was i) completing the acquisition of the Anasuria Cluster, a 50:50 joint-operating asset with Ping Petroleum which is currently producing about average 3,500bbls/day of oil and with 19.2mbbls 2P oil reserves and 5.2mbbls 2C oil resources, ii) successfully completing the drilling of an exploratory well in Sea Lion under VIC/P57 in Australia, and iii) signing a SPA agreement with Shell Malaysia to acquire 50% of Sabah Shell Petroleum Company's interest in the 2011 North Sabah EOR PSC, thus on track in expanding its portfolio.

Over the years, the Group has evolved from an exploration-based company (up to 2014) during its qualifying acquisition stages to becoming an O&G production and development-focused company. The Group's core operations are supported by contributions from its first producing field, the Anasuria Cluster in UK acquired from Shell UK Limited, Shell EP Offshore Ventures Limited and Esso (Exxon) Exploration and Production UK Limited.

Hibiscus has subsequently been able to capitalise on its working relationship with Shell, through signing the conditional SPA to acquire its 50% stake of the North Sabah Enhanced Oil Recovery (EOR) PSC. The partnership with PCSB seems within reach, with the expected completion by 2017.

The Management



Dr Kenneth Gerard Pereira Managing Director

Dr Kenneth Gerard Pereira, has been the Managing Director of Hibiscus Petroleum since 13 September 2010. He holds a Bachelor of Science (Honours) degree in Engineering from the University of Bath, United Kingdom, a Masters in Business Administration from Cranfield University, United Kingdom and a Doctorate in Business Administration from the University of South Australia, Australia. His doctorate research topic was entitled "Start-up, Survival and Growth Strategic Actions of Initially Small Oil and Gas Exploration and Production Companies".

Dr Kenneth has 27 years' experience in the O&G industry, both in the services and exploration and production sectors. He began his career with Schlumberger Overseas S.A. in 1983 as a Field Service Engineer working in Brunei, Thailand, France, Libya, Italy, Norway and Tunisia. In 1990, he joined the Sapura Group, overseeing the service of telecommunication products and later, moved to the Group Corporate Planning Department.

In 1997, he was appointed as Vice President of Energy Sector Projects and initiated the building of the oil and gas services business of the company under the Sapura Energy Sendirian Berhad banner. Between 1997 and 2001, several service based businesses in the oil and gas value chain were grown organically or acquired and by 2001, the annual revenue of the oil and gas service business of the Sapura Group was in excess of RM100m. In 2003, the Sapura Group successfully acquired Crest Petroleum Berhad and he became the Chief Operating Officer (COO) of SapuraCrest Petroleum Berhad (now part of Sapura Energy Berhad Group).

In 2009, Dr Kenneth became Managing Director of Interlink Petroleum Ltd, an oil and gas exploration and production company listed on the Mumbai Stock Exchange (2009 to 2011). In 2009, he was appointed to the board of STP Energy Pte Ltd, a privately held Singaporean company with offshore oil and gas exploration interests in New Zealand.



Dr Pascal Petronella Hos
Vice President – New Ventures

Dr Pascal started his career in 1995 as a Wireline Research Engineer in Schlumberger Sugar Land Technology Center, Houston, USA, where he developed a statistical data analysis software for a new multi-phase fluid velocity wireline logging tool.

In 1996, he worked as a PhD Researcher with the NASA Johnson Space Center, USA, where he discovered a new form of heat transfer, which led to a redesign of the oxygen storage tanks used on board the space shuttles. In 2001, Dr Pascal joined Shell International EP, Netherlands, as a Reservoir Engineer/Research Project Manager, for the research, development and deployment of an in-house fractured water injection modelling tool. He also delivered training for operating unit and technology center staff.

In 2006, Dr Pascal joined Sarawak Shell Berhad (SSB) as Senior Reservoir Engineer under the Sabah Inboard Reservoir Management team, where he was in charge of reservoir management for the Barton and St. Joseph fields. During his time in SSB, he also held various other positions namely the Subsurface Team Lead, Water Flood Manager, and was appointed as the regional expert to further standardise water flooding developments and operational design across the Asia Pacific region. He was involved in key projects such as the St. Joseph Redevelopment project, Barton Water Injection Redevelopment Project, and the Gumusut-Kakap and Malikai projects in Malaysia.

Dr Pascal joined the Company on 14 February 2011 as Head of Petroleum Engineering and was redesignated as Chief Operating Officer of HIREX. He also sits on the board of Dahan Petroleum Limited and Hibiscus Upstream Sdn Bhd.



Mark John Paton
Vice President – Production and Operations

He began his career with BP Exploration in 1980, as a Production and Commissioning Engineer before taking on other roles managing advanced production technology research projects, leading field development activities and assisting in the development of BP's corporate plans and strategy.

In 1989, Mark joined BHP Petroleum and held positions including Well Services Supervisor, Production Manager and thereafter, as General Manager for BHP Petroleum's Northern Australia Operations. His responsibilities included drilling, well completion, overseeing production from three Floating Production, Storage and Offloading (FPSO) production facilities and the management of the Darwin office and logistics base.

In 1997, Mark founded an oil and gas service company, Upstream Petroleum, with a colleague from BHP Petroleum.

Upstream Petroleum became the dominant provider of operations, maintenance services and marginal field development solutions to the Australian oil and gas industry. The company grew rapidly to employ over 400 employees with offices in Darwin, Perth, Melbourne and Brisbane and an oil and gas service and logistics centre in Darwin.

Mark joined Hibiscus in March 2013.



Yip Chee Yeong
Vice President – Finance and Group Controller

Chee Yeong began his career with KPMG, Malaysia in the audit and assurance division in 1996. In 2000, he joined Andersen, Singapore as Senior Risk Consultant, where he was the focal point for accounting related areas in engagements that involved review and implementation of internal controls and forensic and fraud auditing.

Subsequently, he gained strong experience in the manufacturing industry after spending over seven years as Senior Group Accountant in Brook Crompton UK Ltd, England and as Financial Controller in Danone Dumex (Malaysia) Sdn Bhd, Malaysia.

In 2009, he joined Saatchi & Saatchi as Finance Director of the Malaysia and Singapore offices. He oversaw the finance, information technology, human resource and legal functions, and was actively involved in business restructuring exercises, negotiations with clients and enterprise resource planning software implementation.

Prior to joining Hibiscus Petroleum, Chee Yeong was with Microsoft (Malaysia) Sdn Bhd, Malaysia, where he led the finance function. He was responsible for company-wide financial management, the controls and compliance agenda, the management of business investment funds, and was a key member of the top management team.

Chee Yeong joined the Company on 25 November 2013.

Source: Company

Anasuria Cluster

3,500bbls/day average current performance. Hibiscus has 19.2mmbbls of 2P reserves and 5.2mmbbls of 2C resources (Anasuria Cluster – UK). Producing c.3,500bbls/day from the Anasuria Cluster provides a steady production base and earnings contribution to the Group. We value Hibiscus' 50% stake in Anasuria Cluster at RM0.58 based on our DCF valuation with an 11.0% WACC.

Table 1: Anasuria Cluster Asset Overview

	<u>Achieved for the quarter ended 30 June 2017</u>
Oil Production Rate	3204 bbls/day
Gas Export Rate (1)	317 boe/day
Oil Equivalent Production Rate	3522 boe/day
Total Oil Sold	284,963 bbls
Total Gas Exported (Sold)	173 mmscf
Average Oil Price	USD50.46/bbl
Average Gas Price	1.60/3.88 (2) mmbtu
OPEX Per Boe	USD13.98/boe
Average Uptime / Availability Of Anasuria Facilities	84%

(1) Conversion rate of 6,000 standard cubic feet ("scf")/boe.

(2) USD1.60/mmbtu for Cook field and USD3.88/mmbtu for Guillemot A, Teal and Teal South fields.

Source: Company

Anasuria current operation updates. Two wells which were shut-in by the previous operator for hydrogen sulphide (H2S) production levels - Guillemot-P1 and Teal South-P1, were recently reopened and are currently producing. Chemical injection levels for the Anasuria FPSO were enhanced to maintain H2S levels below the gas export limits. We expect a positive impact on CY17 performance from the implementation of these initiatives.

Producing average 3,500bbls/day, providing a steady production base and hence contribution to the Group.

More operational executions. For the Anasuria Cluster, several projects were identified for execution from mid-2017, to continue until mid-2018. The scheduled projects will enhance production volumes through bringing on-stream petroleum resources that have already been discovered. We understand that the Group will cautiously undertake activities that require less technical complexities and business risk exposure at initial stages, and are placing the necessary financing to enable the projects to be performed on time.

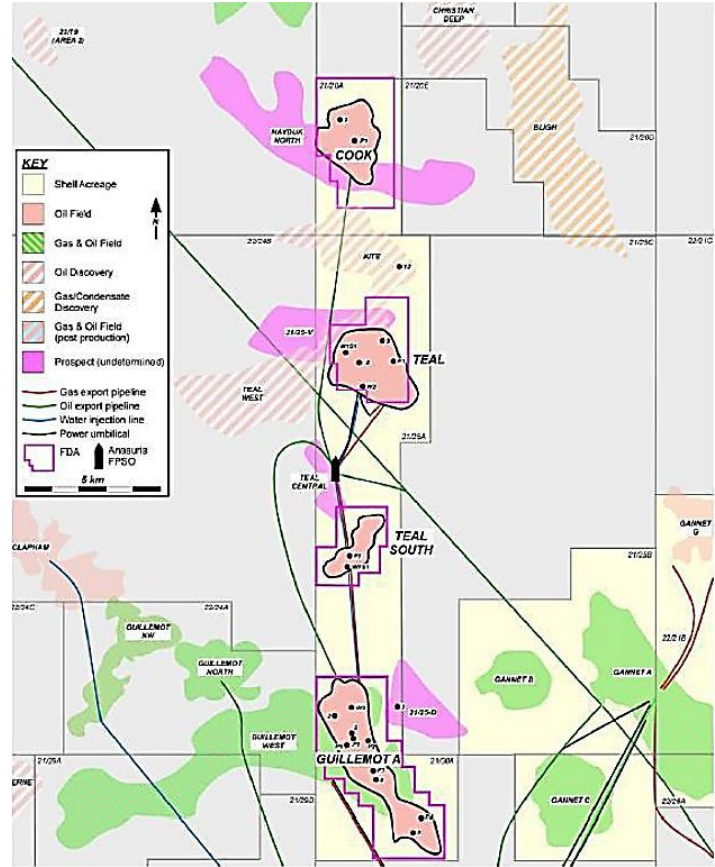
Planned maintenance shutdown in 2017. It is important to note that Hibiscus has planned for a shutdown between mid-September to mid-October 2017. The next planned shutdown is scheduled for 2019. The shutdown is to facilitate the maintenance of activities, such as ensuring its FPSO continues to perform at an optimum uptime which will keep good production levels going forward. The impact of the shutdown, based on our assessment, will mainly affect the change in inventory levels in the balance sheet. To note, a lifting is done every quarter. From our understanding, a lifting was completed for 1QFY18 before the commencement of the shutdown, and hence should not see any impact to its profit and loss statement.

Table 2: DCF Valuation On Anasuria Cluster

Cost of Debt	5.0%
Cost of Equity	12.7%
Risk Free Rate	3.8%
Market Risk Premium	9.1%
Beta	98.0%
Equity	77.8%
Debt	22.2%
Terminal rate	2.0%
WACC *	11.0%
Total DCF	419.2
No. of Shares ('000)	1505.8
Fair Value (USD)	0.28
Fair Value (RM) @ 4.15	1.16
Hibiscus Portion (50% interest) RM	0.58

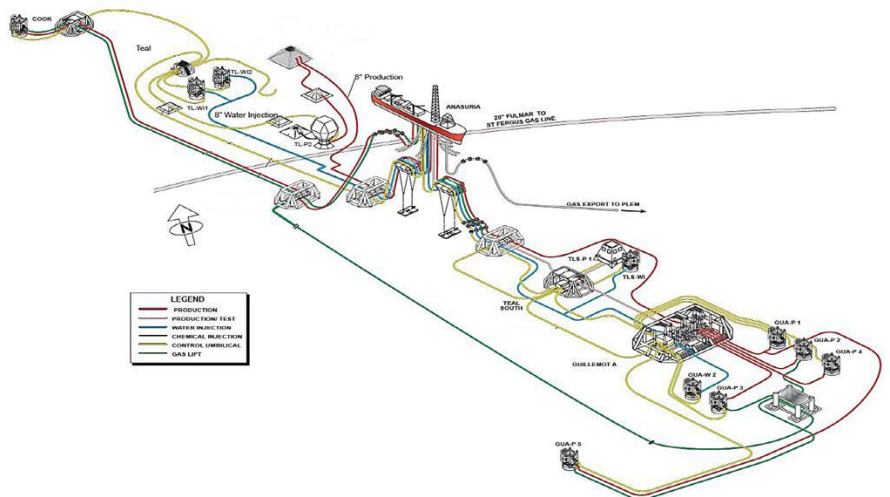
Source: Public Investment Research estimates

Figure 1: Anasuria Cluster Map



Source: Company

Figure 2: Schematic Of Field Layout and Infrastructure



Source: Company

North Sabah PSC

On 12 October 2016, Hibiscus via its indirect wholly-owned subsidiary, SEA Hibiscus signed a conditional SPA with Sabah Shell Petroleum Company Limited to acquire a 25% operating interest in the 2011 North Sabah EOR PSC and a further 25% non-operating interest in the PSC from Shell Sabah Selatan Sdn Bhd. PCSB is the other PSC partner and will retain a 50% non-operating interest. The purchase consideration is for USD25m, and is to be paid as follows:

- USD15m upon completion;
- A further USD5m 12 months after completion;
- A further USD5m 24 months after completion.

From our understanding, the deal is contingent on approval from PETRONAS, and is expected to be completed by latest end-2017. The acquisition will comprise of 4 producing fields and operatorship of all its associated equipment and assets including the Labuan Crude Oil Terminal. The acquisition will entail SEA Hibiscus becoming the operator of the PSC, and includes:-

- production of petroleum from 4 existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and
- an existing pipeline infrastructure, the Labuan Crude Oil Terminal, and all other equipment and assets relating to the PSC.

Table 3: North Sabah EOR PSC Asset Overview in 2015

	Total in 2015
Average Daily Production	18 kstb/day ³
Remaining Reserves (2P)	62 MMstb
Contingent Resources (2C)	79 MMstb
Platforms/Structures	19
Wells	135
OPEX per bbl	RM55.10/bbl OR USD12.90/bbl

Source: Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd and various

Acquisition is worth RM0.48, assuming the production of its 2P remaining reserves of 62mmbbls, no additional capex investment, OPEX cost of USD12.90/bbl through the remaining lifespan of the production rights (of 24years) up to 2040.

Table 4: DCF Valuation On North Sabah EOR PSC

Cost of Debt	5.0%
Cost of Equity	12.7%
Risk Free Rate	3.8%
Market Risk Premium	9.1%
Beta	98.0%
Equity	77.8%
Debt	22.2%
Terminal rate	2.0%
WACC *	11.0%
Total DCF	351.4
No. of Shares ('000)	0.0
Fair Value (USD)	0.2
Fair Value (RM) @ 4.15	0.97
Hibiscus Portion (50% interest) RM	0.48

Source: Public Investment Research estimates

North Sabah deal structure. The commercial arrangement is for net economic benefits and risks in the asset to accrue to SEA Hibiscus from 1 January 2017. In addition, a structured transfer of operatorship process is currently on-going, governed by the terms of a transfer of operatorship agreement (ToOA) which was executed when the SPA was signed.

The ToOA allows a Joint Transition Team (JTT) to oversee a structured and safe transfer of operations (including technical records, human resources, financial data, spares inventory etc.) from the current operator (Sabah Shell Petroleum Company) to SEA Hibiscus Sdn Bhd.

Petronas' role as the overall regulator of the O&G industry in Malaysia provides oversight and assistance on the transfer of the operatorship.

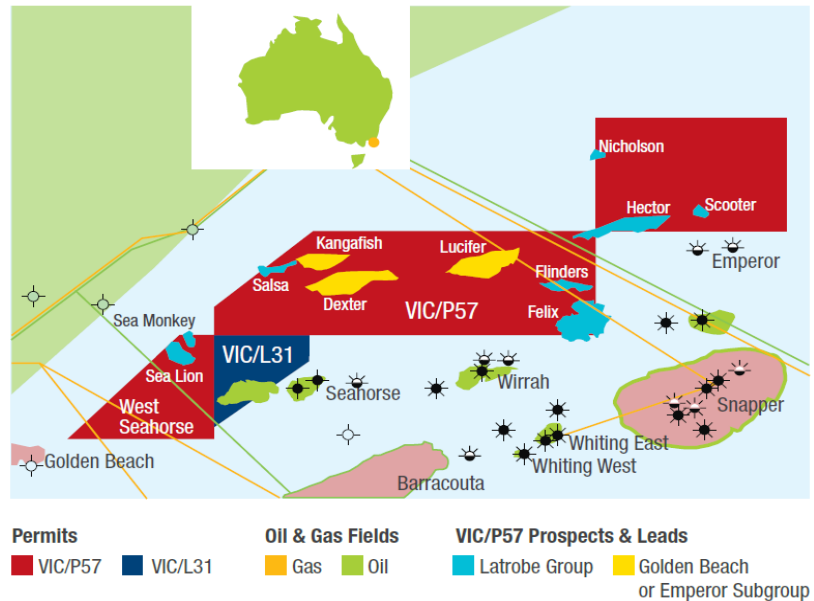
Potential performance. We are most excited about the potential acquisition of North Sabah PSC. The entitlement of c.6,000bbls.day production from North Sabah operations net to Hibiscus is expected to aggregate about 9,500bbls/day production for the Group. Additionally, North Sabah will provide immense opportunities to increase the Group's production rate as there is access to 62mbbls of 2P oil reserves and 79mbbls of 2C contingent resources (numbers based on 2015 gross estimate).

Target for 2016-2018. Hibiscus' core mission is to ensure that it has access to a base of proven and probable reserves, 2P of 50mbbls by 2018 (net entitlement to Hibiscus). It also aspires for its production, net to Hibiscus, to exceed 10,000boe/day in this time frame. We also understand that the Group has mid-term internal targets to secure access to at least a base of proven and probable reserves of 2P 100mbbls (net entitlement to Hibiscus) by 2021. By this time, the company targets a production rate of at least 20,000boe/day.

Future Plans

Through its acquisition in the Bass Straits of Australia in January 2013, Hibiscus has a 78.3% effective interest as a concession operator in VIC/P57 (West Seahorse Field Exploration) and which comes with an exploration permit, and a 100.0% effective interest as a concession operator in VIC/L31 with a production license. We understand that the Group had drilled an exploration well in the Sea Lion prospect in 4Q 2015 which is a non-discovery well. Due to the weaker-than-expected oil price levels however, the Australian operations was placed on a halt.

For the West Seahorse Field, the Group has a development license whereby a field development plan has been approved with a production license obtained. Management has expressed that when oil prices stabilises at the USD60/bbl levels, a final investment decision will then be made, to ascertain economic viability of the field. West Seahorse has an estimated 8mbbls of 2P+2C oil reserves. At the very least, even if the Group decides to dispose the asset, assuming oil price levels remain below USD60/bbl, we do expect the monetisation of this asset to be positive for the Group for the longer-term.

Figure 3: VIC/P57 and VIC/L31 Map


Source: Company

VIC/P57 and VIC/L31 further details. Both VIC/P57 and VIC/L31 licenses for the respective fields are expiring on 9 January 2018 and 5 December 2018 respectively. We understand that Hibiscus has provided RM17.5m of impairments for the fields in FYE16, having determined that the recoverable amounts based on the DCF model are higher than the carrying amount for VIC/L31, but lower for VIC/P57. The combined carry value of the rights and concession is RM259.3m for both fields. Both licenses for exploration and production are renewable with the Australian authorities.

Table 5: Key Assumptions To Determine Recoverable Amount For VIC/P57 in FYE16

- Discount rate of 11%;
- Prospective resources estimated by in-house geological and geophysical team;
- Exploration well costs of USD28m for a 1,800m depth for oil well (based on an external independent consultant report); and
- Brent oil price of USD69.27, USD78.81 and USD78.81 per bbl for 2019, 2020 and 2021 respectively and 2% premium to Brent oil prices.

Source: Annual Report

Table 6: Key Assumptions To Determine Recoverable Amount For VIC/L31 in FYE16

- Discount rate of 10%;
- 3 years projection from 2019 to 2021 which is the expected economic limit cut-off for the field;
- Total project capital expenditures of approximately USD69m (before the potential sale and leaseback of mobile offshore production unit rig);
- Oil production profile based on the assessment by independent O&G reserve experts;
- Brent oil price of USD69.27, USD78.81 and USD78.81 per bbl for 2019, 2020 and 2021 respectively and 2% premium to Brent oil prices; and
- First oil being achieved in July 2019.

Source: Annual Report

Financials

How is income derived? Revenue is accounted when oil or gas is lifted by the buyer (off take) at most commonly a spot price. Then energy royalty (if any) is deducted, followed by the lifting cost. At the EBITDA level, CAPEX, OPEX and all taxes are deducted before earnings are recognised. The Group is currently in a net cash position, and is therefore able to gear up where needed for the future.

Decommissioning capex. As part of the Decommissioning Security Agreement (DSA), it is the Group's obligation to dismantle and remove the facility, and to restore the site on which it is located. The estimated gross decommissioning cost and restoration is GBP197m whereby Anasuria Operating Company Limited, the Group's 50:50 joint operating company with Ping Petroleum Limited will share the decommissioning cost of GBP98m or RM541m. We understand that this amount is the discounted initial provision for decommissioning costs capitalised and amortised over the life of the Anasuria cluster fields on a unit of production basis over the proven and probably developed reserves.

Contingent consideration. We do note that there is a contingent consideration to the vendors, if oil price is above USD75/bbl, but only for between 2018 and 2021. The contingent consideration is 15cents per USD/bbl.

Taxation effects. We observe that the Group's taxation in its profit and loss statement includes a deferred taxation which is the reversal of the deferred tax liabilities. This is following the adjustment of the fiscal terms of the UK North Sea Tax Regime in UK's Finance Bill 2016, accounting for a downward revision of supplementary charge tax rate from 20% to 10%. Supplementary assessment shows the increase in value of an asset during the current tax year. This occurs where new infrastructure is completed or occupied during the current tax year. A Supplementary assessment is also calculated when a major renovation or addition is completed on an existing asset.

O&G alternative funding. We understand the concerns on the Group's frequent rounds of private placement initiatives. This is largely related to the cost of equity to be cheaper relative to the traditional cost of borrowings for certain O&G activities related which is less favourable in the lower oil price environment.

Banks are moreover not lending to O&G sector businesses due to limiting their exposure to the sector in current market conditions. Instead of offering traditional debt products they are offering alternative funding instead, such as high yield lenders (likes of private equity, etc.). These alternative funding sources can see their lending costs together with hedging costs to be higher and terms are more risky than an equity issuance.

Lenders are looking at products such as hedging against the lower oil price backdrop, which see costs to be higher and it can take away a significant upside from oil price gains.

Recent placement exercises have not been entirely dilutive, reflected by the better performances of the Group with improving EBITDA and stronger cashflows.

Investment Risks

Single income source. At this juncture, assuming Anasuria to be the bread and butter of Hibiscus for the longer-term. Any hiccups on this project would directly affect the Group's performance. We do believe North Sabah PSC is within reach for the acquisition.

Non-completion of the deal from PETRONAS for Shell's 50% participating interest in the 2011 North Sabah EOR PSC. At this juncture, the acquisition is conditional to PETRONAS' approval. Assuming the non-approval, the Group's fair value for the interim will remain at RM0.58.

Oil price levels. An inevitable event, oil price fluctuations is currently a determining factor to the Group's performance with its single asset. This however would have less impact for the longer-term as the Group's production portfolio expands.

Valuation

Sum-of Parts. We are valuing Hibiscus, with a TP of RM1.06 premised on our sum-of-parts valuation. Our TP includes our base case fair value of RM0.58 premised on a DCF valuation of Hibiscus' 50% stake in the Anasuria cluster with a 11.0% WACC, and also upside boost of an additional RM0.48 from the upcoming acquisition of the North Sabah asset which we have only valued its 2P reserves.

Assuming the Group's successful conversion of about 50% of its 2C contingent resources to 2P reserves, the Group would be fairly valued at RM1.44.

The base case scenario of only Anasuria Cluster is still secured at RM0.58 nevertheless which still offers a potential 24.2% upside from current share price.

Table 7: Sum-Of-Parts Valuation For Hibiscus Petroleum

<u>Sum-of-Parts</u>		<u>Valuation Method</u>
Anasuria Cluster	0.58	DCF
North Sabah	0.48	DCF
Target Price (RM)	1.06	
<i>Upside</i>	128.3%	
Current Price (RM)	0.47	

Source: PublicInvest Research estimates

Table 8: Change In Hibiscus' Fair Value With Percentage Of Conversion Of North Sabah Field From 2C to 2P

<u>Percentage conversion from 2C to 2P</u>	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
Fair Value of North Sabah (RM)	0.48	0.56	0.64	0.71	0.79	0.86
Fair Value of Hibiscus (RM)	1.06	1.14	1.22	1.29	1.37	1.44

Source: PublicInvest Research estimates

Table 9: Change In Oil Price Effect On Hibiscus' Fair Value for 2018

<u>Oil Price Assumption (USD/bbl)</u>	<u>35</u>	<u>40</u>	<u>45</u>	<u>50</u>	<u>55</u>	<u>60</u>	<u>65</u>
Fair Value of Hibiscus (RM)	0.98	1.00	1.02	1.04	1.06	1.08	1.10
% change vs. USD55/bbl average	-7.5%	-5.7%	-3.8%	-1.9%	0.0%	1.9%	3.8%

Source: PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Jun (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	81.7	261.3	694.0	818.7	819.6
Cost of sales	-40.8	-93.1	-247.3	-291.7	-292.0
Operating Profit	-313.8	157.0	418.4	495.3	497.4
Other Income / (Expenses)	265.7	-73.0	-193.8	-228.6	-228.9
Finance Costs	-8.2	-22.0	0.0	0.0	0.0
Pre-tax Profit	-56.3	62.0	224.6	266.6	268.5
Income Tax	-3.6	44.1	44.9	53.3	53.7
Effective Tax Rate (%)	-6.5	-71.1	-20.0	-20.0	-20.0
Net Profit	-60.0	106.1	269.6	320.0	322.3

Growth

Revenue (%)	424.2	219.8	165.6	18.0	0.1
Operating Profit (%)	706.6	-150.0	166.5	18.4	0.4
Net Profit (%)	-19.2	-276.9	154.1	18.7	0.7

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Jun (RM m)	2016A	2017A	2018F	2019F	2020F
Equipment	211.5	202.6	228.5	235.7	242.8
Cash and Cash Equivalents	28.7	54.5	368.0	700.3	1,015.0
Receivables, deposits and prepayment	13.9	24.9	66.1	78.0	78.1
Other Assets	1,015.1	1,037.6	951.5	934.2	929.7
Total Assets	1,269.2	1,319.6	1,614.2	1,948.3	2,265.5
Payables	88.8	58.2	154.1	181.1	180.7
Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	390.9	325.6	305.6	285.6	265.6
Other Liabilities	205.2	193.4	193.1	193.1	193.1
Total Liabilities	684.9	577.2	652.8	659.8	639.3
Shareholders' Equity	584.3	742.4	961.4	1,288.5	1,626.2
Total Equity and Liabilities	1,269.2	1,319.6	1,614.2	1,948.3	2,265.5

Source: Company, PublicInvest Research estimates

PER SHARE DATAS AND RATIOS

FYE Jun	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	0.6	0.5	0.7	0.9	1.1
NTA Per Share	0.6	0.5	0.7	0.9	1.1
EPS (Sen)	-5.7	7.3	18.7	22.2	22.3
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 (%)	-13.9	7.5	16.7	16.4	14.2
ROE (%)	-30.1	13.4	28.0	24.8	19.8

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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