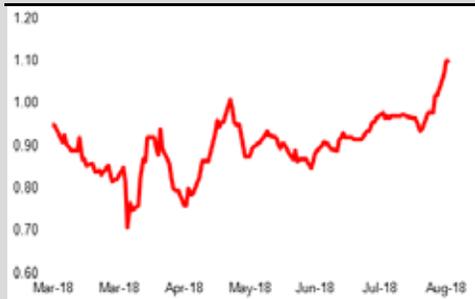


HIBISCUS PETROLEUM BERHAD
Outperform
DESCRIPTION

An 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 RM1.73
Current Price RM1.10
Expected Return +57.3%

Market Sector Main Oil & Gas
Bursa Code 5199
Bloomberg Ticker HIBI MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 0.41 – 1.17
 3-Month Average Vol ('000) 18,348.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	14.0	25.7	17.6
Relative Returns	10.8	22.6	19.9

KEY STOCK DATA

Market Capitalisation (RM m) 1,747.1
 No. of Shares (m) 1,588.2

MAJOR SHAREHOLDERS

	%
Hibiscus Upstream Sdn Bhd	10.6
Polo Investments Limited	8.7
Mohd Zulkefli Bin Mohd Abdah	5.1

Nurzulaikha Azali

T 603 2268 3017

F 603 2268 3014

E nurzulaikha.azali@publicinvestbank.com.my

Towards an Exciting Year

Hibiscus Petroleum's (Hibiscus) reported headline profit of RM203.7m (+92% YoY) largely driven by a negative goodwill amounting to RM206.3m. Excluding this coupled with other exceptional items, FY18 core net profit jumped by 192.8% YoY to RM65.2m on the back of a 50.9% increase in revenue. The results were below our and consensus expectations making up only 48.3% and 91.6% respectively. The variation on our part was due to our expectation of two lifting in June 2018 from Anasuria field. For the first three quarters in FY18, performance was solely contributed by its Anasuria asset while the 4QFY18 was mainly aided by the North Sabah field upon completion of its acquisition on 31st March. There were no offtakes during the quarter from Anasuria as it was postponed to 2nd July 2018 due to operational efficiencies and safety concerns. FY19 will undoubtedly be a more exciting year as there will be full contribution from the North Sabah asset and higher levels of production from both assets at a combined value of about 9,500bbls/day, coupled with the steady-state in crude oil prices at USD60-70/bbl. Our **Outperform** rating on the stock is reaffirmed with a higher DCF derived TP of RM1.73 (RM1.08 previously), largely on account of higher crude oil prices assumed (USD60/bbl vs USD50/bbl) and changes in production and reserves assumptions.

§ **North Sabah kicked-in...** Upon completion of the 50% stake acquisition in March this year, this asset has contributed RM181.9m to revenue and RM96.9m to the Group's gross profit from the sale of crude oil. The Group sold 623,544 bbls in 2 cargoes at an average price of USD73.26/bbl. Average production rate has increased slightly by 4% while the uptime is consistent at above 90% level. OPEX for the quarter reduced 37% to USD8.15/bbl, it is expected to increase however, in line with higher maintenance activities.

§ **...while Anasuria was on hold, albeit temporarily.** There were no offtakes during the quarter as it was deferred to 2nd July 2018 due to operational efficiencies and safety concerns. However, we have been told that the Group has successfully completed two crude oil offtakes within these two months, equivalent to 524,432 bbls from this field. This will only be reflected in 1QFY19 numbers. For full-year FY18, there were 3 offtakes, equivalent to 791,822 bbls of crude which was sold at an average price of USD60.11/bbl. Average uptime was 76% due to a planned shutdown in Sept to Oct last year and a temporary malfunction of the Cook-P1 subsea production choke as well as the gas compression facility.

KEY FINANCIAL TABLE

FYE Jun (RM m)	2017A	2018A	2019F	2020F	2021F	CAGR
Revenue	261.3	394.3	789.1	779.6	741.8	44.0%
Gross Profit	168.2	221.1	508.0	501.9	477.5	44.0%
Pre-tax Profit	62.0	244.5	257.0	255.5	244.6	60.3%
Net Profit	106.1	203.7	308.4	306.5	293.5	42.4%
Core Net Profit	22.3	65.2	308.4	306.5	293.5	45.6%
EPS (Sen)	7.5	12.5	19.4	19.3	18.5	
P/E (x)	14.7	8.8	5.7	5.7	6.0	
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

Table 1: Results Summary

<u>FYE Jun</u> <u>(RM m)</u>	<u>4Q18</u>	<u>4Q17</u>	<u>3Q18</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>FY18</u>	<u>FY17</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	184.6	74.5	75.4	147.9%	144.8%	394.3	261.3	50.9%	4Q contribution mainly from North Sabah
Gross Profit	98.4	45.7	45.1	115.1%	118.4%	221.1	168.2	31.5%	
Other Income	8.5	9.2	3.5	-7.2%	146.0%	12.9	38.0	-66.0%	
Expenses	-51.9	-23.9	-75.8	117.5%	-31.5%	-174.1	-121.6	43.1%	
Finance costs	-8.8	-3.2	-3.5	177.2%	154.9%	-21.0	-22.0	-4.6%	
Pretax Profit	140.1	27.7	81.6	405.6%	71.7%	244.5	62.0	294.3%	
Taxation	-41.3	-19.0	1.6	116.9%	-2738.4%	-40.8	44.1	-192.4%	
Net Profit	98.8	8.7	83.1	1041.1%	18.8%	203.7	106.1	92.0%	Excluding goodwill and other exceptional items
Core Net Profit	11.4	8.7	20.6	31.5%	-44.8%	65.2	22.3	192.8%	
EPS (sen)	5.2	0.6	5.2	763.3%	-1.0%	11.9	7.6	56.9%	

Margins (%):

Gross Profit	53.3%	61.4%	59.8%		56.1%	64.4%
Pre-tax Profit	75.9%	37.2%	108.2%		62.0%	23.7%
Core Net Profit	6.2%	11.6%	27.3%		16.5%	8.5%

Source: Company

Table 2: Performance Indicators For Anasuria Cluster

<u>Achieved For</u>	<u>4QFY17</u>	<u>1QFY18</u>	<u>2QFY18</u>	<u>3QFY18</u>	<u>4QFY18</u>
Average Daily Oil Production Rate (bbl/day)	3,204	2,576	2,071	2,798	3,375
Average Daily Gas Export Rate (boe/day) (conversion rate of 6,000 scf/boe)	317	156	141	304	360
Average Oil Equivalent Production Rate (boe/day)	3,522	2,731	2,212	3,102	3,736
Total Oil Sold (bbl)	284,963	246,132	274,644	271,047	-
Total Gas Exported (mmscf)	173	87	77	162	197
Average Realised Oil Price (USD/bbl)	50.46	51.54	62.93	65.03	-
Average Gas Price (USD/mmbtu)	1.60*/3.88~	1.58*/3.86~	2.35*/5.23~	2.60*/5.71~	2.36*/5.51~
OPEX (USD/boe)	13.98	23.61	34.33	23.96	16.39
Average Uptime / Availability Of Anasuria Facilities (%)	84%	70%	57%	82%	94%

Source: Company

Note: * Cook field, ~Guillemot A, Teal and Teal South Fields

Table 3: Performance Indicators For North Sabah

<u>Achieved For</u>	<u>4QFY17</u>	<u>1QFY18</u>	<u>2QFY18</u>	<u>3QFY18</u>	<u>4QFY18</u>
Average Gross Oil Production (bbl/day)	14,614	14,048	14,866	15,167	15,954
Average Net Oil Production (bbl/day)	5,407	5,198	5,500	5,710	5,903
Total Oil Sold (bbls)	593,086	287,850	586,657	287,019	623,544
Average Realised Oil Price (USD/bbl)	56.93	55.80	67.20	71.44	73.26
OPEX (USD/bbl)	11.75	15.25	18.50	12.92	8.15
Average Uptime (%)	92	88	93	96	96

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Jun (RM m)	2017A	2018A	2019F	2020F	2021F
Revenue	261.3	394.3	789.1	779.6	741.8
Cost of sales	-93.1	-173.2	-281.2	-277.8	-264.3
Operating Profit	157.0	141.7	477.4	473.2	451.7
Other Expenses	-73.0	-81.8	-220.4	-217.7	-207.2
Finance Costs	-22.0	-21.0	0.0	0.0	0.0
Pre-tax Profit	62.0	244.5	257.0	255.5	244.6
Income Tax	44.1	-40.8	51.4	51.1	48.9
Effective Tax Rate (%)	-71.1	16.7	-20.0	-20.0	-20.0
Net Profit	106.1	203.7	308.4	306.5	293.5
					293.5
Growth					
Revenue (%)	219.8%	50.9%	100.1%	-1.2%	-4.8%
Pre-tax Profit (%)	n.a.	294.3%	5.1%	-0.9%	-4.5%
Net Profit (%)	n.a.	92.0%	51.4%	-0.6%	-4.3%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Jun (RM m)	2017A	2018A	2019F	2020F	2021F
Equipment	202.6	229.3	292.0	305.1	323.8
Cash and Cash Equivalents	54.5	135.9	493.3	784.7	1,052.7
Receivables, deposits and prepayment	25.1	99.0	75.8	74.8	71.2
Other Assets	1,037.4	1,509.8	934.7	930.5	904.5
Total Assets	1,319.6	1,974.0	1,795.8	2,095.1	2,352.3
Payables	58.2	3.1	174.6	171.9	162.9
Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	325.6	345.2	285.6	265.6	245.6
Other Liabilities	193.4	629.9	193.1	193.1	193.1
Total Liabilities	577.2	978.2	653.2	630.5	601.6
Shareholders' Equity	742.4	995.8	1,142.6	1,464.6	1,750.7
Total Equity and Liabilities	1,319.6	1,974.0	1,795.8	2,095.1	2,352.3

Source: Company, PublicInvest Research estimates

PER SHARE DATAS AND RATIOS

FYE Jun	2017A	2018A	2019F	2020F	2021F
Book Value Per Share	0.47	0.63	0.72	0.92	1.10
NTA Per Share	-0.18	0.4	0.15	0.35	0.55
EPS (Sen)	7.5	12.5	19.4	19.3	18.5
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 (%)	7.5%	10.3%	17.2%	14.6%	12.5%
ROE (%)	13.4%	20.4%	27.0%	20.9%	16.8%

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

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