

19 August 2015 | 2QFY15 Results Preview

Perdana Petroleum Berhad

Expecting fewer contracts

INVESTMENT HIGHLIGHTS

- **Perdana Petroleum Berhad (Perdana) is expected to announce its 2QFY15 earnings by end-August 2015**
- **We are anticipating the results to underperform earnings achieved in the last quarter**
- **The lower earnings is expected to be due to lower vessels utilisation rates, slower activities resulting in less contracts received, and contracting profit margins**
- **Besides that, Dayang currently owns 94.96% of Perdana as a result from an MGO**
- **Maintain Fair Value at RM1.55 as per the offer price**

Expecting lower 2QFY15 earnings. Perdana is expected to announce its 2QFY15 earnings by end-August 2015. We expect the earnings to underperform last quarter's results of RM8.6m. This is due to the expected lower utilisation rate for vessels.

Lower utilisation rate. The lower utilisation rate is attributable to the fewer long term contracts received by Perdana. Most of Perdana's vessels have failed to secure long term contracts and are currently on short term contracts. The upcoming monsoon season in November also poses a concern in gaining more contracts. Furthermore, the slower exploration activities coupled with the lower crude oil price have also caused a contraction to the profit margins of Perdana. We expect Perdana's utilisation rate for the quarter to be around 70% which is lower than 1QFY15 of 76%.

Change in forecasts. We are revising downwards our revenue forecasts for FY15 and FY16 by -3.8% and -17.6% respectively. Subsequently, we revise our earnings forecasts for FY15 and FY16 by -55.3% and -49.7% respectively. Our change in forecasts is based on the expected slower vessel activities in 2015 and 2016 due to the low crude oil price. As the oil price environment remains uncertain, any prolonged and continued decline in the oil price could result in oil companies cutting back on exploration budgets and moderating development capital expenditures. As expected, this has led to a slowdown in new project awards for Perdana.

Maintain NEUTRAL
Unchanged Fair value (FV):RM1.55

RETURN STATS

Price (18 August 2015)	RM1.43
Target Price	RM1.55
Expected Share Price Return	+8.4%
Expected Dividend Yield	+1.4%
Expected Total Return	+9.8%

STOCK INFO

KLCI	1,579.60
Bursa / Bloomberg	7229 / PETR MK
Board / Sector	Main/Industrial Sector
Syariah Compliant	No
Issued shares (mil)	748.5
Par Value (RM)	0.50
Market cap. (RM'm)	1,070.3
Price over NA	1.55x
52-wk price Range	RM0.99–RM1.88
Beta (against KLCI)	1.25
3-mth Avg Daily Vol	2.48m
3-mth Avg Daily Value	RM3.79m
Major Shareholders (%)	
Dayang Enterprise Holdings	94.96

Updates on the Mandatory General Offer (MGO) by Dayang. The acceptance level of the MGO has exceeded our expectations. As of 13 August 2015, Dayang has gained an additional 45.16% of Perdana's shares translating into a total of 94.96% of Perdana shares. We believe that this high level of acceptance is attributable to the broad-based slump in oil and gas stocks on Bursa Malaysia, causing Dayang's offer price of RM1.55 to become attractive.

Recommendation. We continue to maintain our **NEUTRAL** recommendation Perdana Petroleum with an unchanged fair value of RM1.55 per share. The offer price of RM1.55 is at an implied forward PER15 of 40.8x.



INVESTMENT STATISTICS

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	274.6	347.2	260.8	281.5
Gross profit	92.1	158.7	88.3	110.5
Other income	32.7	36.9	26.1	28.2
PBT	65.4	89.5	33.2	50.6
PAT	61.7	88.0	30.8	47.1
Basic EPS (sen)	8.7	12.0	3.8	5.8
Dividend per share (sen)	0.0	2.0	2.0	2.0
PBT margin (%)	23.8	25.8	12.7	18.0
PAT margin (%)	22.5	25.4	11.8	16.7
PE Ratio (x)	16.5	12.0	37.8	24.8
Dividend yield (%)	0.0	1.4	1.4	1.4

Source: MIDFR, Company

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.