AmInvestment Bank

Company report

OIL & GAS

HIBISCUS PETROLEUM

(HIBI MK EQUITY, HIBI.KL) **05 Feb 2021**

Improving oil price accentuates bargain value

BUY

(Initiation)

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Rationale for report: Initiation

Price	**RM0.58**
Fair Value	**RM0.79**
52-week High/Low	RM0.92/RM0.25

Key Changes

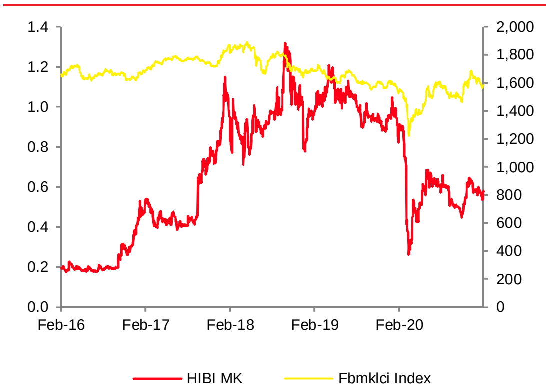
Fair value	**Initiation**
EPS	⇔

YE to Jun	**FY20**	**FY21F**	**FY22F**	**FY23F**
Revenue (RM mil)	646.5	665.1	682.3	785.9
Core net profit (RM mil)	71.4	63.8	71.3	91.3
FD Core EPS (sen)	4.5	3.2	3.5	4.5
FD Core EPS growth (%)	(69.7)	(29.4)	11.7	28.0
Consensus Net Profit (RM mil)	-	57.0	79.5	96.5
DPS (sen)	-	-	-	-
PE (x)	12.9	18.3	16.4	12.8
EV/EBITDA (x)	3.0	2.7	2.2	1.5
Div yield (%)	-	-	-	-
ROE (%)	(4.0)	5.1	5.4	6.5
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	1,729.5
Market Cap (RM mil)	1,003.1
Book Value (RM/share)	0.77
P/BV (x)	0.8
ROE (%)	(4.0)
Net Gearing (%)	-
Major Shareholders	Kenneth Gerard Pereira (6.3%) Datuk Michael Tang Vee Mun (8.2%)
Free Float	85.0
Avg Daily Value (RM mil)	16.8

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	26.1	0.9	(33.7)
Relative (%)	16.5	0.3	(35.8)



Investment Highlights

- **We initiate our coverage of Hibiscus Petroleum (Hibiscus) with a BUY at a sum-of-parts-based fair value of RM0.79/share, offering a compelling upside potential of 36%. This implies an enterprise value/proven and probable reserves (2P) valuation of US$6.10/barrel – at discounts of 26% to EnQuest's US$8.30/barrel and 45% to regional average of US$11.20/barrel.**
- **Hibiscus' current 2P net reserves of 46.1mil barrels in North Sabah and the UK account for half of Sapura Energy-OMV's largely gas-based 92.3mil barrels of oil equivalents. However, in terms of oil reserves, Hibiscus' 2P reserves is 7.7x Sapura-OMV's 6.2mil barrels.**
- **The group's plan to raise daily production from 9K barrels currently to 12K by 2021 has been deferred by 2 years due to the Covid-19 pandemic and current low oil demand environment. Additionally, Dagang NexChange's acquisition of the remaining 60% stake in Ping Petroleum has re-prioritised Hibiscus towards its newly secured 70% interest in the Teal West field instead of the earlier Guillemot debottlenecking plan at the group's 50%-owned Anasuria cluster in the UK.**
- **Based on an average crude oil price of US$50/barrel for FY21F and US$55/barrel for FY22F–FY23F vs. US$58/barrel in FY20, we are projecting the group's core net profit to decrease by 11% in FY21F, and then organically increasing by 12% in FY22F.**
- **The sharper FY23F earning growth of 28% stems from an increase in Anasuria's daily production by 2.2x by the end of 2022, driven by Teal West's maiden output. Thereafter, Hibiscus' FY24F earnings is expected to double from a 32% increase in daily production, underpinned by a full-year contribution from Anasuria's output expansion together with a 40% increase from North Sabah.**
- **Hibiscus plans to utilise the initial tranche of RM204mil Islamic convertible redeemable preference shares (CRPS) as the earnest deposit for the acquisition of Southeast Asian assets on offer from oil majors' divestment programme. Assuming a conversion price of RM0.66 for the remaining RM1.8bil CRPS to be issued, we estimate that the prospective asset would need to generate a minimum IRR of 15% vs. management's threshold of 12% to mitigate any value dilution.**
- **Even so, based on enterprise value for the group's existing 2P reserves, Hibiscus is currently only trading at US$4.80/barrel – a steep discount of 42% below its closest peer, UK-listed EnQuest and 60% below regional average. This is compelling given the group's project-funded productivity enhancement programmes amid a more optimistic crude oil price environment. Additionally, Hibiscus is listed in the FTSE4Good Bursa Malaysia Index with the highest 4-star environmental, social and governance (ESG) rating, which ranks amongst the top 25% in the FBM Emas Index.**

COMPANY BACKGROUND

❑ *Rising from SPAC roots*

Hibiscus Petroleum (Hibiscus) was listed on 25 July 2011 as Malaysia's first special purpose acquisition company (SPAC) with an initial public offering (IPO) price of RM0.75/share and carried a cash balance of RM245mil.

SPAC is a company without any commercial operation, formed to raise capital premised on its established management team via an IPO for the purpose of acquiring existing companies or businesses.

Investors were guaranteed a minimum refund of 90% of the IPO price should Hibiscus Petroleum fail to acquire an asset within a 3-year period or if shareholders vote against an acquisition.

❑ *Starting off in Norway and Australia …*

In February 2012, the company executed its maiden acquisition with a 35% equity stake in Norway-based Lime Petroleum Plc, which has 3 exploration assets in the United Arab Emirates and Oman, for US$55mil (RM172mil) cash.

Later in August 2012, Hibiscus subscribed for a 13% equity stake in ASX-listed 3D Oil Ltd for A$2mil which led to an acquisition of a 50% interest in exploration permit VIC/57 via a farm-in agreement.

The group subsequently invested up to A$27mil to fund the operations while raising its VIC/P57 interest to 75% and eventually secured a 50% interest in VIC/P74 via a farm-in option. Both are located in the Gippsland Basin, Australia.

❑ *… leading to hard knocks from Norway*

In 2016, Lime eventually went into financial distress with the downturn in oil prices and executed a capital injection programme that diluted Hibiscus' equity stake in Lime Petroleum Norway when the group did not subscribe to the cash call.

This strained the relationship between Hibiscus and its partner Rex International Holding. Hibiscus has fully impaired its investment and filed a US$35 million legal suit against Lime Norway's directors on October 2018.

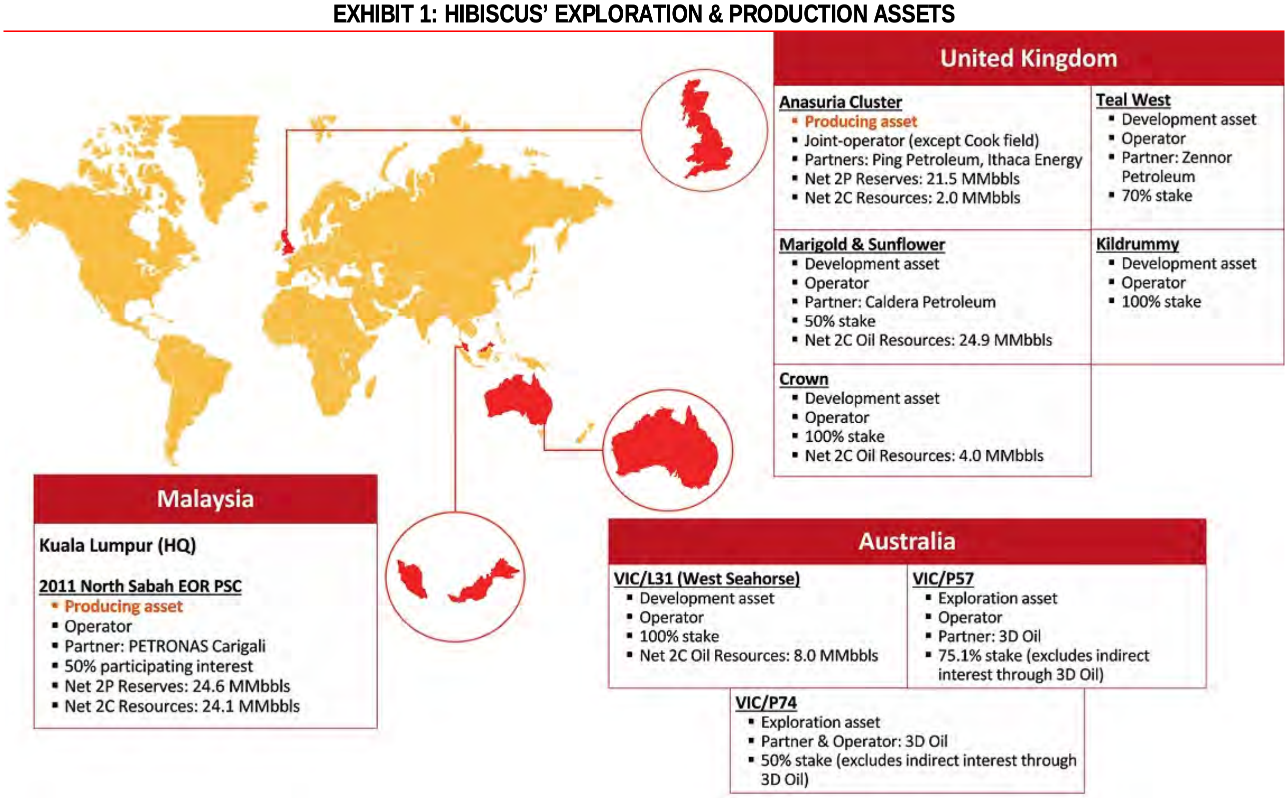
However, the Norwegian court has absolved compensation claims against Lime Petroleum and its directors in March 2020 and awarded the legal costs of NOK6mil (RM3mil) to the defendants.

❑ *Saved by Shell's divestment agenda*

After the Lime debacle, the group managed to turn around its fortunes by finally securing a 50% participating interest in the producing Anasuria cluster concession (Anasuria) on 10 March 2016 for US$52.5mil from Shell United Kingdom and Esso Exploration and Production UK Ltd. The other 50% interest in the concession was acquired by Malaysia-listed Dagang NeXchange Bhd's 30%-owned Ping Petroleum.

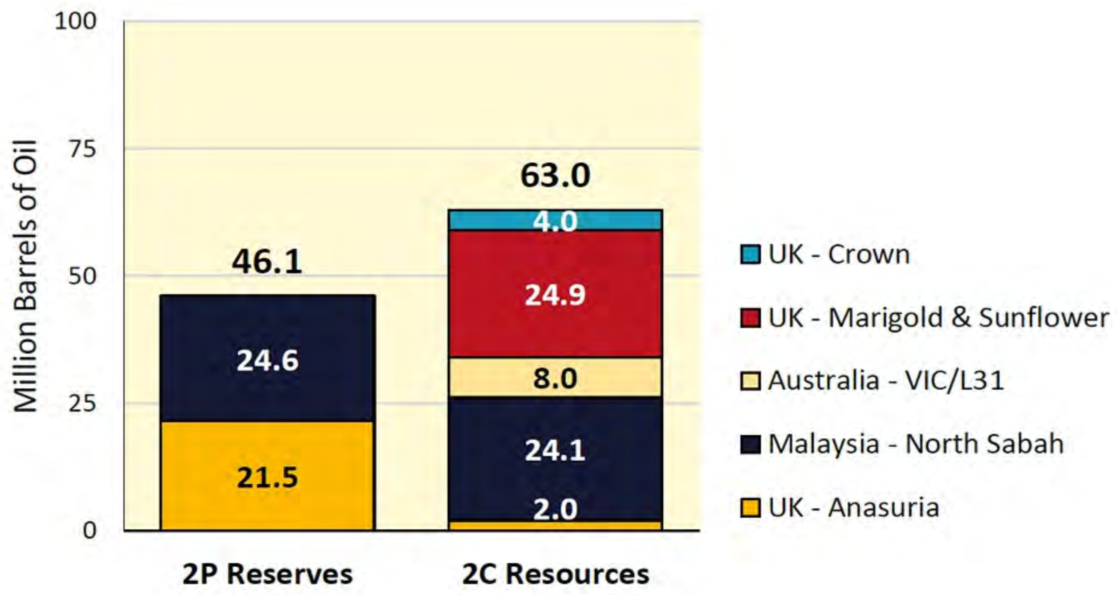
In 2015, oil prices were weak and oil majors were rationalising their global portfolios. This gave Hibiscus an opportunity to acquire interests in the Anasuria Cluster.

EXHIBIT 1: HIBISCUS' EXPLORATION & PRODUCTION ASSETS



Source: Hibiscus's investor slides

EXHIBIT 2: HIBISCUS' RESERVE BREAKDOWNS



Source: Hibiscus's investor slides

At that time, the net 2P reserves were estimated at 22.5mil barrels, translating to a decent price of US$2.33/barrel when crude oil was trading at US$35–40/barrel.

This deal was settled largely on a deferred basis from working capital adjustments together with the acquisition's own cash flows.

Hibiscus paid only US$4mil upon signing the sale & purchase agreement on 6 August 2015 and US$1mil upon completion of the sale, in which working capital of US$25mil was adjusted from the sale.

Subsequently, Hibiscus settled the remaining US$22.5mil consideration on a deferred basis from Anasuria's own cash flows, paying US$15mil for the first tranche on March 2017 and finally US$7.5mil in September 2017.

- ***Saving the best for Malaysia***

In a similar deal, Hibiscus later acquired a 50% participating interest in the North Sabah production sharing contract (PSC) from Sabah Shell Petroleum Company and Shell Sabah Selatan on 12 October 2016 at US$25mil – 48% of the consideration for Anasuria cluster.

The group paid only US$15mil or 60% of the purchase price upfront, settling the remaining US$10mil in equal proportions annually over 2 years from the asset's cash flows.

Based on the net 2P reserves of 22.9mil barrels then, the acquisition price of US$1.09/barrel was less than half the price of Anasuria given the less lucrative terms of Malaysia's PSC structure.

This was transacted when crude oil price was trading higher by US$10/barrel between US$45 and US$50/barrel compared to the Anasuria deal. In our view, this domestic PSC, which currently generates the larger portion of Hibiscus' revenue and earnings, represents the best of the group's acquisitions to date.

In both these key acquisitions from Shell, Hibiscus cleverly avoided substantive cash outflows.

- ***Investing further into North Sea***

The group has continued to expand its North Sea portfolio by acquiring a 50% equity stake in Block 15/13a of the Marigold and Block 15/13b of the Sunflower concessions for US$37.5mil cash from India-based rig operator Aban Offshore's wholly-owned Caldera Petroleum on 8 October 2018.

With net 2C reserves of 24.9mil barrels, this non-producing UK asset was priced at only US$1.51/barrels – 35% below Anasuria's US$2.33/barrel vs. crude oil prices at almost US$80/barrel during the time of the transaction.

In January 2021, Hibiscus was awarded a 70% interest in Licence P2535 by the UK Oil & Gas Authority. This covers an area contiguous to the Teal field and located 4km from the Teal manifold of the Anasuria cluster.

BUSINESS OPERATIONS

❑ *Hibiscus' oil dwarfs Sapura-OMV's reserves*

Hibiscus' current 2P net reserves of 46.1mil barrels represent half of Sapura Energy-OMV's 92.3mil barrels of oil equivalents (boe).

Including 2C resources, Hibiscus' total 2P reserves of 109mil account for 41% of Sapura-OMV's 265mil boe.

However, we note that only 15% of Sapura-OMV's 2P reserves are from oil production given that 85% of its proven reserves stem from gas. In terms of oil reserves, Hibiscus' 2P oil reserves translate to 7.7x Sapura's 6.2mil barrels.

In 3QCY19, Hibiscus' daily output of 7,580 barrels were 72% of Sapura's 10,600 boe, which is mostly gas-based.

However, following the commencement of Sapura-OMV's SK408 gas operations, the group's daily production has since then tripled to 32K while Hibiscus' daily production organically increased by 19% to 9,000 barrels.

❑ *UK concession vs. Malaysian PSC*

Hibiscus' 2 key production assets are governed by different contractual structures: i) concession in the UK; and ii) production sharing contract (PSC) in Malaysia.

Under the UK's concessionary terms, the group is the owner of the Anasuria cluster over a specific tenure. In return, Hibiscus pays a corporate income tax of 30% from revenue after deducting operating expenses and 100% capital allowances. There is an additional income tax of 10% charged on the income tax base which has been deducted an additional 62.5% of capital allowances.

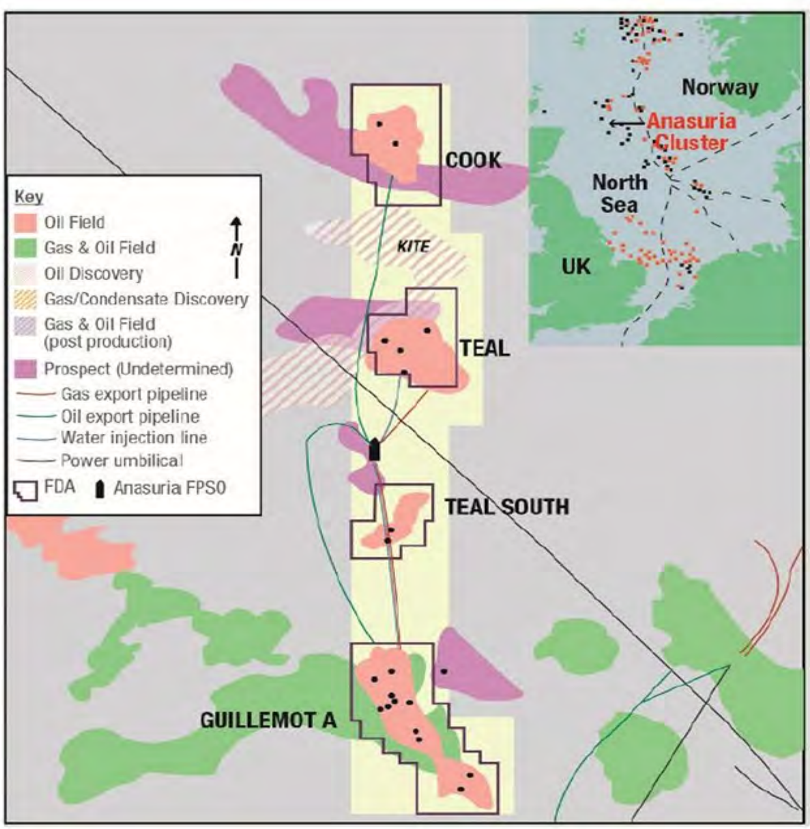
For the North Sabah PSC, the contract falls under the enhanced oil recovery model which is designed to encourage operators to invest for higher resource production. Nevertheless, the field and assets still belong to Petronas while the group is essentially a contractor who shares in the profit from the asset.

The PSC operator pays a 10% royalty on the revenue which is equally shared with the federal government and Sabah state. From the net revenue, the PSC operator shares in the cost recovery and profit sharing arrangement determined by an index calculated from the cumulative revenue over cost (R/C) computation.

Based on the last 4 financial quarters, Hibiscus' current take is 35–40% of gross production. Given that the PSC has been operating for 42 years with cumulative revenues and costs since 1979, this enhanced oil recovery project's R/C index is relatively resilient at crude oil prices of US$55–US$75/barrel.

The subsequent gross profit is subjected to a petroleum income tax of 38% and supplementary payments when the oil price exceeds the base level of US$48/barrel in 2020, which escalates by 6% annually thereafter. Additionally,

EXHIBIT 3: ANASURIA CONCESSION



Source: Hibiscus's investor slides

export duty is further imposed at 10% on Hibiscus' profit share, which is estimated at 32% of the group's net sales.

- ***Higher production more than offsets less lucrative SC terms***

For FY21F, we estimate that Hibiscus' PSC structure in Malaysia imposes an all-in regulatory outflow of 38% of gross revenue vs. Anasuria's 2%. Hence, the imposition of taxes is less lucrative in Malaysia compared to the UK, which also allows concessionaires to benefit fully from the windfall of an oil price upcycle.

Nevertheless, as North Sabah's daily gross production of 17K barrels is 2.3x of Anasuria's 7.5K barrels, Hibiscus' FY21F EBITDA from Malaysia is also 2.6x larger vs. the UK's notwithstanding the less lucrative PSC terms.

Additionally, we note lower supplemental payments for North Sabah from a depressed oil price environment as the group will not incur additional charges if oil prices fall below the US$50/barrel in FY21F, US$54/barrel in FY22F and US$57/barrel in FY23F.

- ***Anasuria breakthrough***

Recall that Hibiscus finally achieved a breakthrough after pain-staking years of pure exploration companies by acquiring its first producing asset – a 50% participating interest in the Anasuria cluster development in the UK Continental Shelf – on 10 March 2016 for US$52.5mil from Shell United Kingdom and Esso Exploration and Production UK.

The Anasuria cluster has 3 producing fields called Guillemot A, Teal and Teal South, in which Hibiscus has a 50% operating interest with Malaysia-based Ping Petroleum as the other partner.

The fields are 175km east of Aberdeen, Scotland off the North Sea at water depths of 94 metres. Currently, this cluster has 2P reserves of 21.5mil barrels and best-estimate contingent (2C) resources of 2mil barrels.

Hibiscus, the joint operator with Ping in the Anasuria Operating Company (AOC), also has a minor 19.3% stake in another producing field called Cook in which the operator, Ithaca Energy UK has a 61.4% stake.

The group also has 50% stakes in the non-producing Kite field and a floating production, storage and offloading (FPSO) vessel currently servicing the development (Exhibit 15).

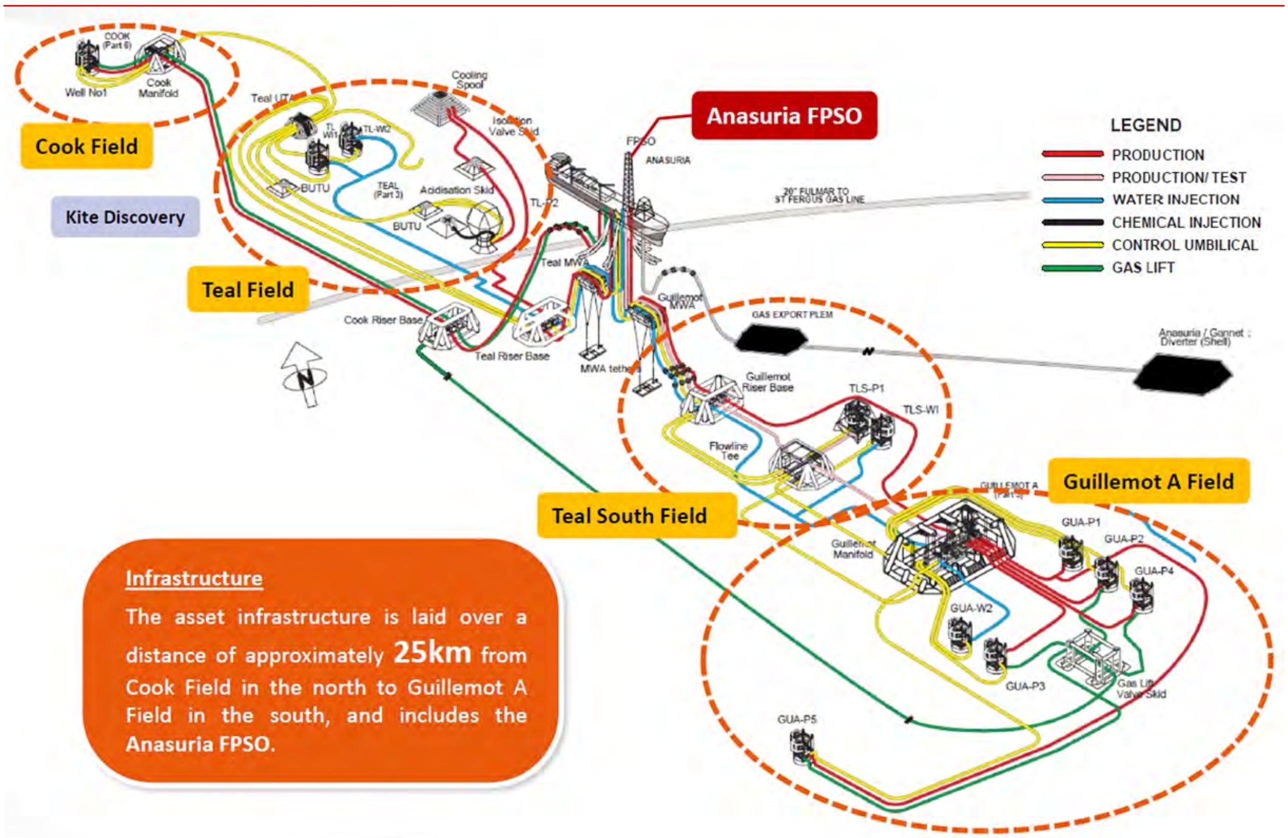
- ***Almost half of current proven reserves in UK***

Anasuria accounts for 47% of Hibiscus' current 2P reserves, which represent an over 50% probability in the commercial extraction of oil and gas from the reserves.

Currently, the fields have been producing since 1996 with an economic life estimated until 2038. The cluster has a net daily production of 2,800 barrels currently that translate to a quarterly shipment of 250,000 barrels.

AOC has a 10-year offtake agreement with BP Oil International, which identifies potential customers and locks

EXHIBIT 4: ANASURIA CONCESSION'S DEVELOPMENT LAYOUT



Source: Hibiscus's investor slides

EXHIBIT 5: NORTH SABAH PSC

Source: Hibiscus's investor slides

in the price at the prevailing rate and arranges for a tanker for transportation to the clients' refineries.

The group had earlier planned to spend US$35mil to install a new pipeline from the Guillemot field to optimize subsea production capacity and drill 1 infill well as a side-track in the Guillemot of new well at Teal. This was to raise Anasuria's daily production by 80% to 5,000 barrels/day.

❑ *Deferred by Ping's shareholding changes with DNeX*

Locally listed ICT service provider Dagang NexChange (DNeX), which has a 30% equity stake in Ping Petroleum, is planning acquire Ping's remaining shares for US$78mil (RM314mil), of which US$41mil will be via cash and the balance by new DNeX shares and redeemable preference shares. The transaction is expected to be completed by 2Q2021.

We do not expect any changes to Ping's relationship with Hibiscus given that the operating company will continue with its upstream focus with 2 of DNeX's directors already on Ping's board.

Additionally, Hibiscus has been working with Ping on the Anasuria cluster since the two parties jointly acquired the concession from Esso and Shell in 2016.

However, until DNeX' corporate exercise has been completed by 2Q2021, we do not expect Hibiscus' expansion plans for Anasuria to proceed as scheduled earlier as Ping would need to raise cash to fund its own capex portion.

❑ *North Sabah trophy*

The group has a 50% interest in the North Sabah enhanced oil recovery PSC (North Sabah) covering 4 producing fields – St Joseph, South Furious, SF 30 and Baton – together with all the PSC's equipment and assets that include Labuan Crude Oil Terminal (LCOT).

The field, which is 33km from Kota Kinabalu, Malaysia at water depths of 18–60 metres, has been producing since 1979.

Currently, PSC's 2P reserves of 24.6mil barrels account for the larger 53% of the group and has a much larger 2C resources of 24.1mil barrels. There are currently 20 platforms/structures and 142 wells at the PSC.

Hibiscus' wholly-owned Sea Hibiscus is the operator of the PSC and Labuan Crude Oil Terminal, a storage and offloading facility with a daily production of 50,000 barrels for crude oil from the North Sabah asset as well as 3 neighbouring PSCs. The operator sells the oil in shipments of 300,000 barrels via an offtake agreement with Trafigura Pte Ltd.

- ***Sabah royalty to remain at 10% till 2040***

The PSC operator is Sea Hibiscus in which the other remaining 50% stake in the North Sabah PSC is held by Petronas Carigali. Following the Sarawak state's lead, Sabah is also proposing to double the royalty on petroleum exports to 20% from 10%, currently shared equally between the state and federal government.

However, we expect these new rates to apply only for new field developments as the current PSCs have already been signed with the current tariffs.

From a legal perspective, the royalty paid by the PSC is likely to be fixed at 10% until the end of the tenure in 2040.

- ***Still waiting in Australia***

As Hibiscus currently has only non-producing assets in Australia, the group does not have any reserve estimates in the region at this juncture.

The group has a direct stake of 100% in VIC/31, which includes the West Seahorse oilfield, 75% in VIC/P57 and 50% in VIC/P74 which are all located in the Gippsland Basin off Australia. The VIC/L31 production licence was granted

EXHIBIT 6: NORTH SABAH PSC'S LABUAN CRUDE OIL TERMINAL

Source: Hibiscus's investor slides

by the Australian authorities to Canarvon for an indefinite period from 5 December 2013.

Additionally, Hibiscus has a 11.7% equity stake in ASX-listed 3D Oil, which in turn has 3 offshore permits, including a 100% stake in licence WA/527-P in the Bedout sub-basin, adjacent to the significant oil discovery at Dorado, 50% stake in VIC/P74, 25% in VIC/P57 in the Gippsland Basin and 20% stake in T/49P in the Otway Basin adjacent to the Thylacine Gas Field.

Except for WA/527-P located off north of Western Australia, the rest of the blocks are between Victoria and Tasmania. While evaluating field development options, the group currently has no plans given the low price environment amid Australia's generally higher cost of production.

- ***VIC/P74 near Australia's largest field looks promising***

For VIC/P57, 3D Oil and Hibiscus have secured an exploration permit and spent US$15mil on exploration well costs to date.

Nevertheless, the VIC/P74 block appears to be the more significant assignment from the Australian National Offshore Petroleum Titles Administrator (NOPTA), which earlier awarded the permit to 3D in July 2019.

The 1,006-sq km VIC/P74 is adjacent to the Exxon-operated Kingfish oilfield, the largest oil field ever discovered in Australia, which has produced over 1bil barrels of oil to date.

Given that Hibiscus' wholly-owned Carnarvon Hibiscus' 50% interest together with 3D Oil's stake account for 100% control in the VIC/P74 field, we expect the partners to farm out the field to help fund the future development capex.

The rationale for the acreage acquisition of VIC/P74 is based on the possibility that detailed review of new 3D seismic data as a result of reprocessing being undertaken by geoscience provider, CGG could result in the identification of drilling opportunities.

FINANCIALS

- ***Recent performance dented by missed UK shipment and impairments***

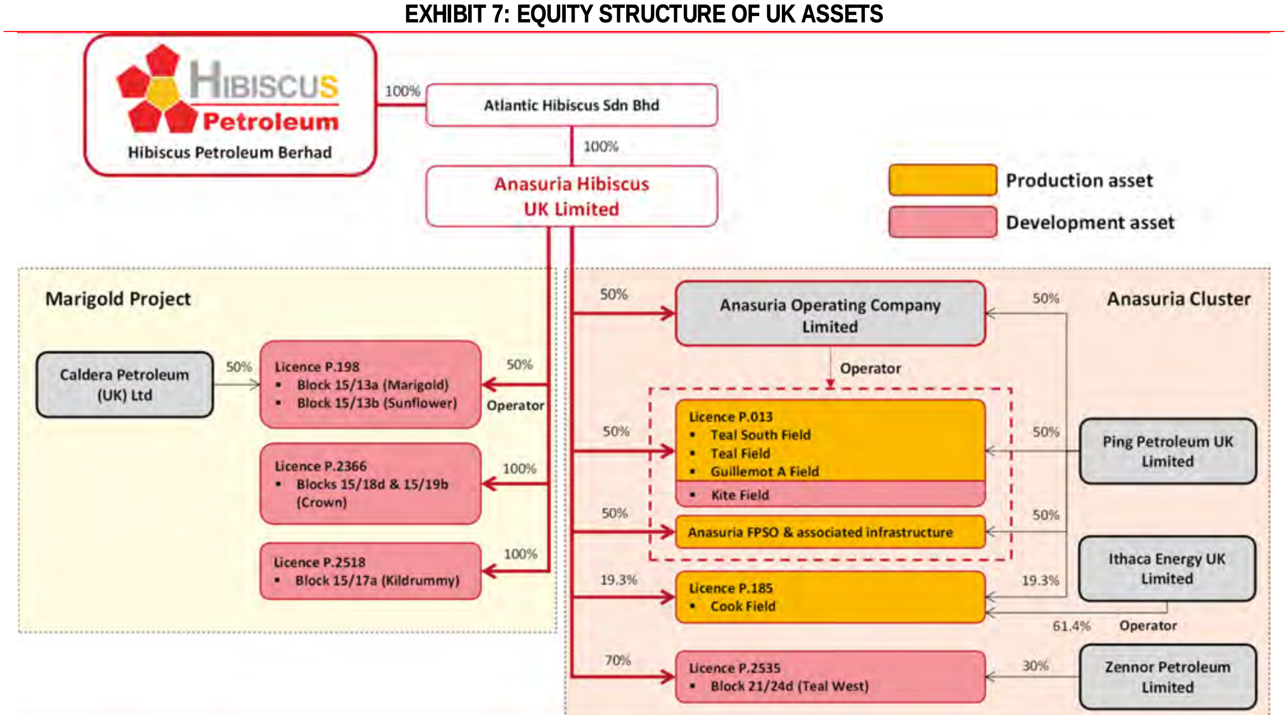
Hibiscus' FY20 earnings fell 70% YoY to RM69mil due to a quarterly delivery from Anasuria being delayed slightly to early July 2020, and lower crude oil prices for Malaysia (-22% YoY) and the UK (-8% YoY) together.

This stemmed from a temporary drop of 10% QoQ in 4QFY20 daily production, which has since recovered in the subsequent quarter.

Additionally, the group registered net impairments of RM121mil, mostly from the group's high-cost Australia-based VIC/P57 and VIC/L31 blocks which made provisions of RM185mil.

However, the group's 1QFY21 has since recovered to profitability from a 4QFY20 core loss of RM34mil due to a single shipment from Anasuria and an increase of 24% QoQ in crude oil prices to US$39/barrel.

EXHIBIT 7: EQUITY STRUCTURE OF UK ASSETS



Source: Hibiscus' Investor slides

❑ *Main earnings contributed by North Sabah until FY23F*

In 1QFY21, North Sabah accounted for 67% of the group's revenue and 68% of EBITDA as the asset's net daily production of 6,251 barrels is currently double Anasuria's 3,084 barrels.

We expect North Sabah to provide 72%–73% of Hibiscus earnings until FY23F when the Teal West field commences production in Anasuria cluster, which will lead to Malaysia's EBITDA contribution to drop to 69%

However, when North Sabah's infill drilling and waterflood programmes in SF30 are completed by the end of 2023, we expect this segment's gross production to rise from 17K barrels/day to 20K barrels/day.

Combined with a full-year contribution from Anasuria, this translates to a FY24F EBITDA breakdown which is evenly shared between North Sabah and Anasuria.

❑ *Low opex levels partly cushion price volatility*

The group is able to achieve low average operating cost (opex) operations currently, below US$20/barrel vs. the current Brent crude oil price of US$55/barrel currently.

In FY20, the group's FY20 opex was US$12.55/barrel for North Sabah and US$19.26/barrel for Anasuria.

However, adjusting for Malaysia's PSC entitlement of 37%, we estimate that North Sabah's FY20 opex was higher at US$17/barrel.

Additionally, Anasuria's opex has declined substantially by 9% to US$17.53/barrel of oil equivalent in 1QFY21 and is expected to remain close to US$20/barrel of oil equivalent.

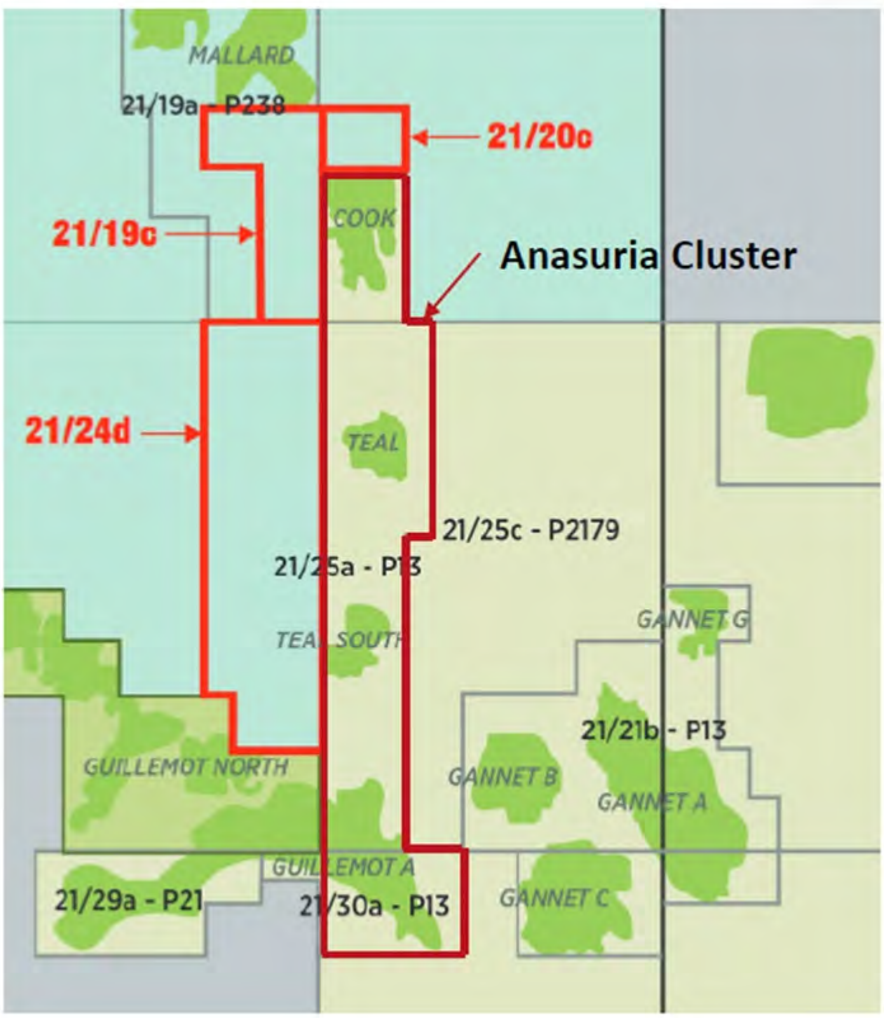
As such, we expect that these low levels should be able to partially cushion the group from operating losses against extremely low oil price scenarios.

During the worst fallout of the Covid-19 pandemic when the average April 2020 Brent crude oil price traded at US$18/barrel, Hibiscus still managed to eke out a 4QFY20 EBITDA of RM10mil.

❑ *Optimising capex to drive production growth*

In FY20, North Sabah accounted for 59% of the group's capex of RM261mil in capex with the balance invested in Anasuria.

EXHIBIT 8: BLOCK 21/24D (TEAL WEST DISCOVERY) NEAR ANASURIA CLUSTER



Source: Hibiscus's investor slides

During this period, the group completed the drilling of an infill water injection well for reservoir repressurisation under SF30 Water Flood Phase 1 and additional 6 infill wells at St Joseph and SF30 fields.

In Anasuria, a subsea pipeline was installed and later repaired to link the group's 50%-owned Anasuria floating production, storage and offloading (FPSO) vessel and inject water into the Cook field.

PROSPECTS

Expanding UK portfolio

The group's US$37.5mil acquisition of a 50% equity stake in Block 15/13a of the Marigold & Block 15/13b of the Sunflower (M&S) concessions on 8 October 2018 from Caldera Petroleum have expanded Hibiscus' UK footprint by substantively adding 2C reserves of 24.9mil to Anasuria's current 2mil barrels.

Additionally, on December 2019, Hibiscus acquired 100% stakes in nearby North Sea blocks 15/18d and 15/19b under Licence P2366, which includes the Crown discovery that has 2C resources of 8mil barrels and 6bil cubic feet of gas for US$5mil cash from United Oil & Gas and Swift Exploration.

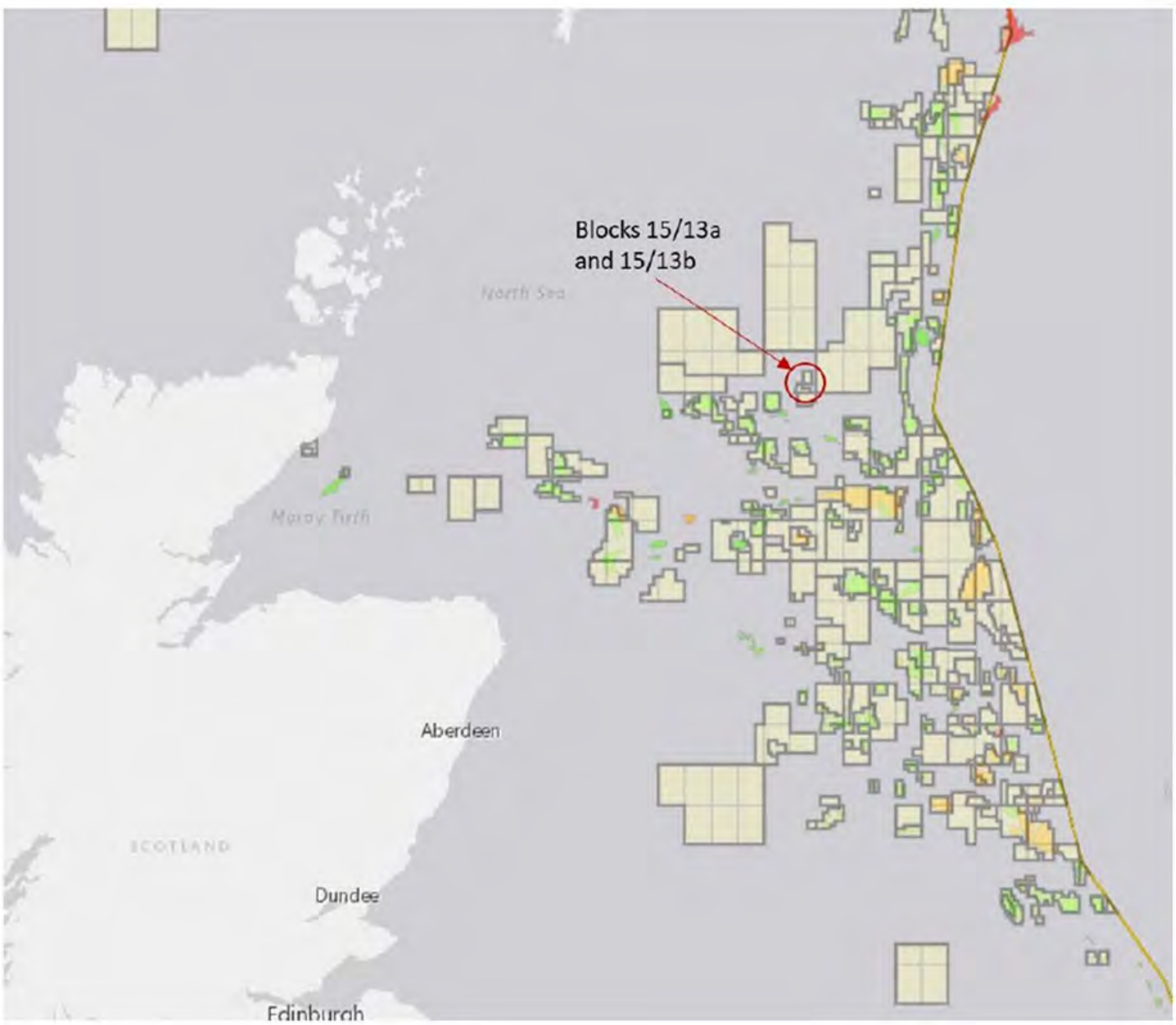
Located 250km northeast of Aberdeen UK at water depths of 140 metres, the blocks are only 12km southeast from the Marigold field. Hence, Hibiscus aims to optimise by a single subsea well tie-back to the Crown field.

Nonetheless, we understand that the M&S development would not be able to share Anasuria's resources and facilities given the much wider distance between those 2 blocks.

As part of the UK Oil and Gas Authority's 32nd Licensing Round, Hibiscus was offered the award of Licence P2535 in contiguous to the Teal field and located 4km from the Teal manifold of the Anasuria cluster.

In January 2021, Hibiscus secured a 70% interest in the licence agreement, which includes the Teal West Discovery, while a relatively smaller UK-based independent E&P player Zennor Petroleum held the balance stake.

EXHIBIT 9: MARIGOLD & SUNFLOWER CONCESSIONS IN UK



Source: Hibiscus's investor slides

While Hibiscus has a deadline to prepare the field development plan by the end of 2022 for the UK Oil & Gas Authority's approval, management hopes to expedite the process to early 2022, which will allow the concessionaire to begin drilling a subsea well and install manifolds and a 4km pipeline to the Anasuria FPSO.

With estimated 2P reserves of 8–10mil barrels, Hibiscus expects this new asset to increase Anasuria's daily production by 2.2x from 2.8k currently to 6.2k barrels.

❑ *Aiming to trim M&S stake to fund development*

At this juncture, the group is planning to proceed in 2 developmental phases with final investment decision postponed from last year to the end of 2021 given the current low oil price environment and Covid-19 pandemic. As first oil is targeted by the end of 2023, we have not included any earnings projections from M&S.

The development concept envisages the drilling of 3 Marigold wells and pipeline tieback to an FPSO via a production manifold with gross capex estimated at US$260mil in the first phase.

Hibiscus is aiming to dispose of a 15% interest and reduce its stake to 35%, which should partially fund the group's net capex needs of US$91mil.

The second phase will involve additional wells in both Marigold and Sunflower fields and potentially at the recently acquired Crown asset.

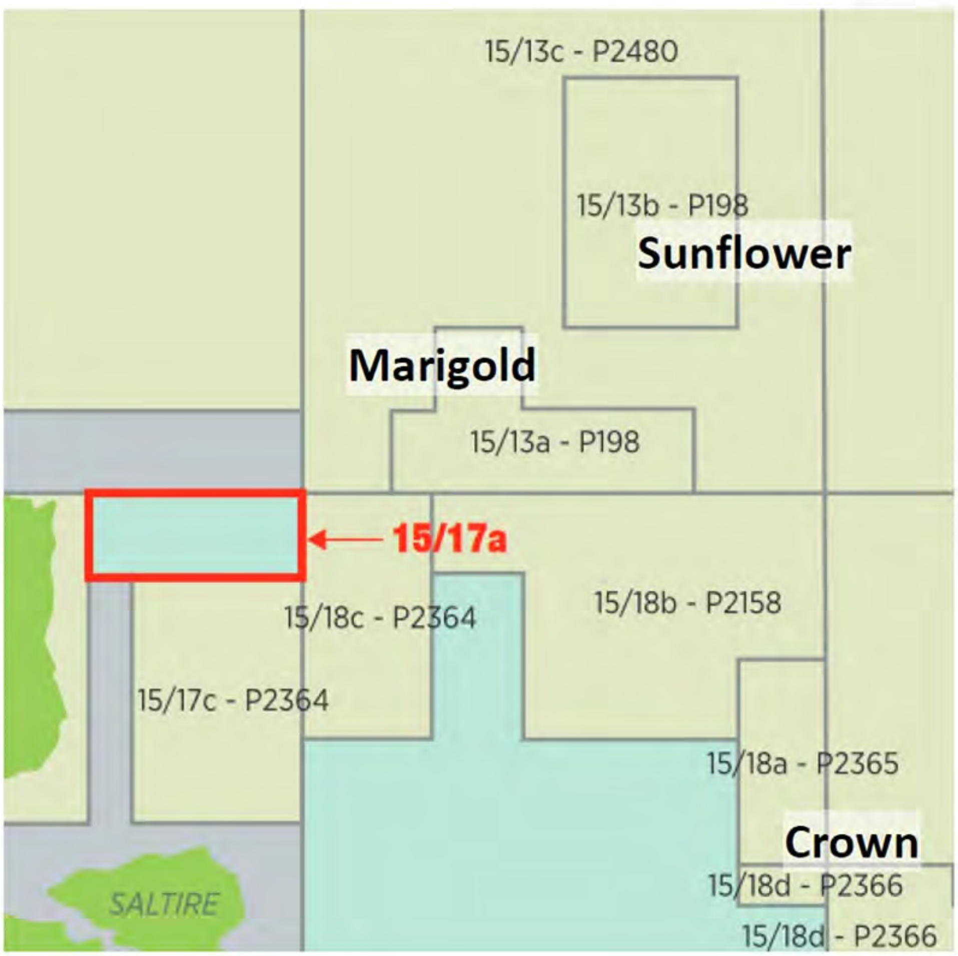
❑ *Plans to expand production by 43%*

Following the impact of the Covid-19 pandemic which dampened global crude oil demand expectations, Hibiscus appears to be deferring its June 2020 aim of raising the group's net daily production by 43% from 9K currently to 13K barrels in FY21F to FY24F.

We understand that management plans to drill 6–7 in-fill wells in 2023, which are expected to raise North Sabah's gross production from 17–18K currently to 20K. This is expected to cost US$36mil–US$42mil, with each well costing US$12mil/each.

For Anasuria, the group had earlier planned to spend US$35mil in 2023 to install a new pipeline from the Gullemot field to increase production capacity, followed by another

EXHIBIT 10: BLOCKS 15/18D & 15/19B NEAR MARIGOLD & SUNFLOWER CONCESSIONS



Source: Hibiscus's investor slides

US$20mil in the following year to drill an infill well at either Gullemot or Teal as a sidetrack or new drill. This programme is expected to substantively raise its Anasuria net daily production by 2.2x from 2.8K barrels to 5K barrels.

However, DNeX's plan to acquire the remaining stake in joint concession operator, Ping Petroleum, has delayed Hibiscus' production enhancement plans. Hence, the group has re-prioritised its development plans for the UK concession by earmarking up to US$80mil to increase production instead by drilling a sub-sea well and installing a 4km pipeline at its newly awarded 70%-owned Teal West discovery to the Anasuria FPSO.

This programme is expected to substantively raise its UK assets' net daily production by 3.5K barrels or 2.2x from 2.8k barrels currently to 6.2K barrels in late 2022 or early 2023.

All in, the group aims to spend US$110mil (RM440mil) over the next 3 years to support the 43% increase in field productivity.

❑ *Multiple O&G assets on Asean market*

The group is positioning itself for fresh acquisitions in Southeast Asia as oil majors have embarked on a divestment programme of their operating assets in the region.

ExxonMobil, the largest independent oil company by market capitalisation, has embarked on a US$15bil divestment programme for 11 assets globally which are viewed as less strategic and at the end of their resource life. *Bloomberg* reported in 2019 that ExxonMobil was looking to divest its Asean assets.

Currently, ExxonMobil's 4 PSCs in Malaysia account for 20% of the country's oil production and half of all natural gas supplies to Peninsular Malaysia.

Rystad Energy estimates that ExxonMobil's net reserves of 500mil barrels in Malaysia could be worth US$1.8bil–US$2.2bil. *The Star* reported last year that Hibiscus Petroleum is among the shortlisted bidders along with UK-based EnQuest.

The Institute for Energy Economics and Financial Analysis (IEEFA), a global energy think tank, view asset sales play an important role in ExxonMobil's annual cash management strategy. Over the past decade, the company has covered one-third of its total cash distributions to shareholders through sources other than free cash flows.

Rystad Energy also indicated that Repsol and Petrofac, which have net effective reserves of 78mil barrels and 25mil barrels respectively in Malaysia, have joined the exit bandwagon.

Additionally, ExxonMobil may be aiming to sell its Cepu block in Indonesia which has reserves of 275mil barrels. Likewise, in Indonesia, Eni and Chevron are in talks to sell their reserves of 52mil barrels and 44mil barrels respectively while Murphy Oil's Brunei-based reserves of 86mil barrels could fetch around US$200mil.

❑ *Preparing war chest for transformative phase*

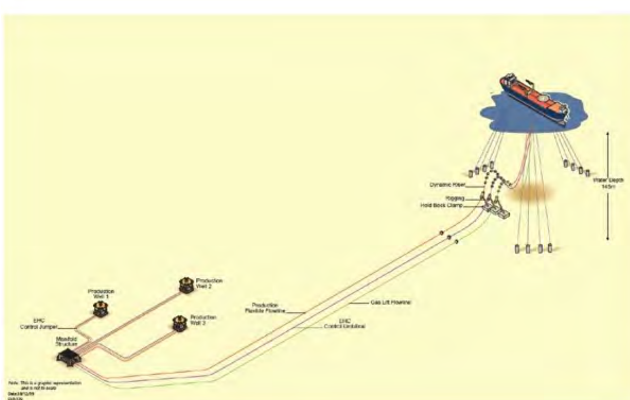
With multiple assets on the market, Hibiscus is preparing for its next transformative phase with plans to issue up to RM2bil convertible redeemable preference shares (CRPS) at an issue price of RM1/unit in multiple tranches to both local and foreign investors via book building.

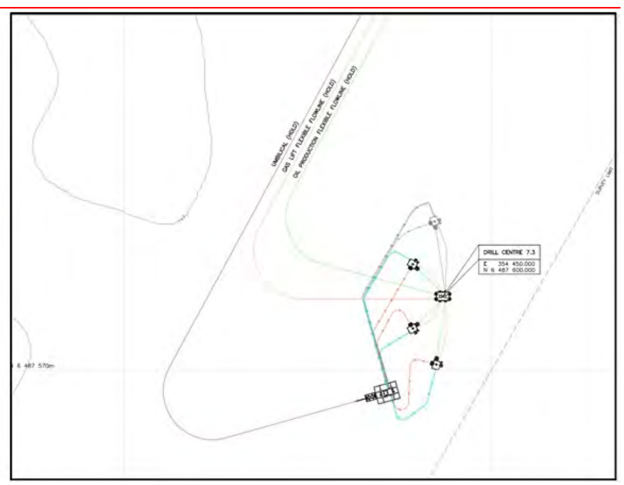
While conversion into Hibiscus' shares will be mandatory when the acquisition is completed, the CRPS structure mitigates downside risks as outstanding CRPS will be redeemed at 4% per annum if acquisitions are not completed within two years.

On 19 November 2020, the group has successfully placed out the second Islamic CRPS tranche to mostly domestic investors. This second tranche, which has the conversion price fixed at 48 sen, amounted to RM204mil or 10% of the proposed programme. An earlier small tranche of 10,000 CRPS was issued at a conversion price of 66 sen for administrative purposes.

The group views that this tranche could be sufficient for an initial deposit for a major acquisition, which Hibiscus will later promote to support the placement of the remaining CRPS tranches.

EXHIBIT 11: DEVELOPMENT PLAN FOR MARIGOLD & SUNFLOWER CONCESSION





Source: Hibiscus's investor slides

Assuming full conversion of the CRPS based on the first tranche's conversion price of RM0.66/unit, we estimate that Hibiscus' share base could triple from 1.6bil to 4.7bil shares.

However, we understand that the group will only issue the CRPS if it is absolutely necessary to complete the new asset acquisition deal. The conversion price for the remaining CRPS of RM1.8bil will be set based on a 10% premium to the prevailing 5-day weighted average share price.

SECTOR OUTLOOK

❑ *'Great reset' in motion*

Petronas National's (Petronas) is repositioning for the "great reset" following the impact of the unprecedented Covid-19 pandemic and uncertainties in Opec production cuts amid the global energy transition towards net zero carbon emission targets.

Hence, the group will prioritise cost efficiencies and technology-driven productivity while de-risking its portfolio by pivoting towards faster cash-generating investments with less volatile profiles. Petronas will also encourage local players to move towards digitalisation and renewable energy solutions.

Even though the proportion of renewable energy to global demand will increase by 5% from 2019 to 15% in 2030 mostly from the decline in coal usage, we highlight that oil & gas will still account for the bulk with 54% (Exhibit 4) given the rising prominence of gas consumption which has a lower carbon footprint.

❑ *O&G activities in recovery cycle*

Based upon Petronas' *Activity Outlook for 2021-2023*, we note that the domestic sector will gradually recover from:

- Rising engineering, procurement, construction, installation and commissioning (EPCIC) activities,

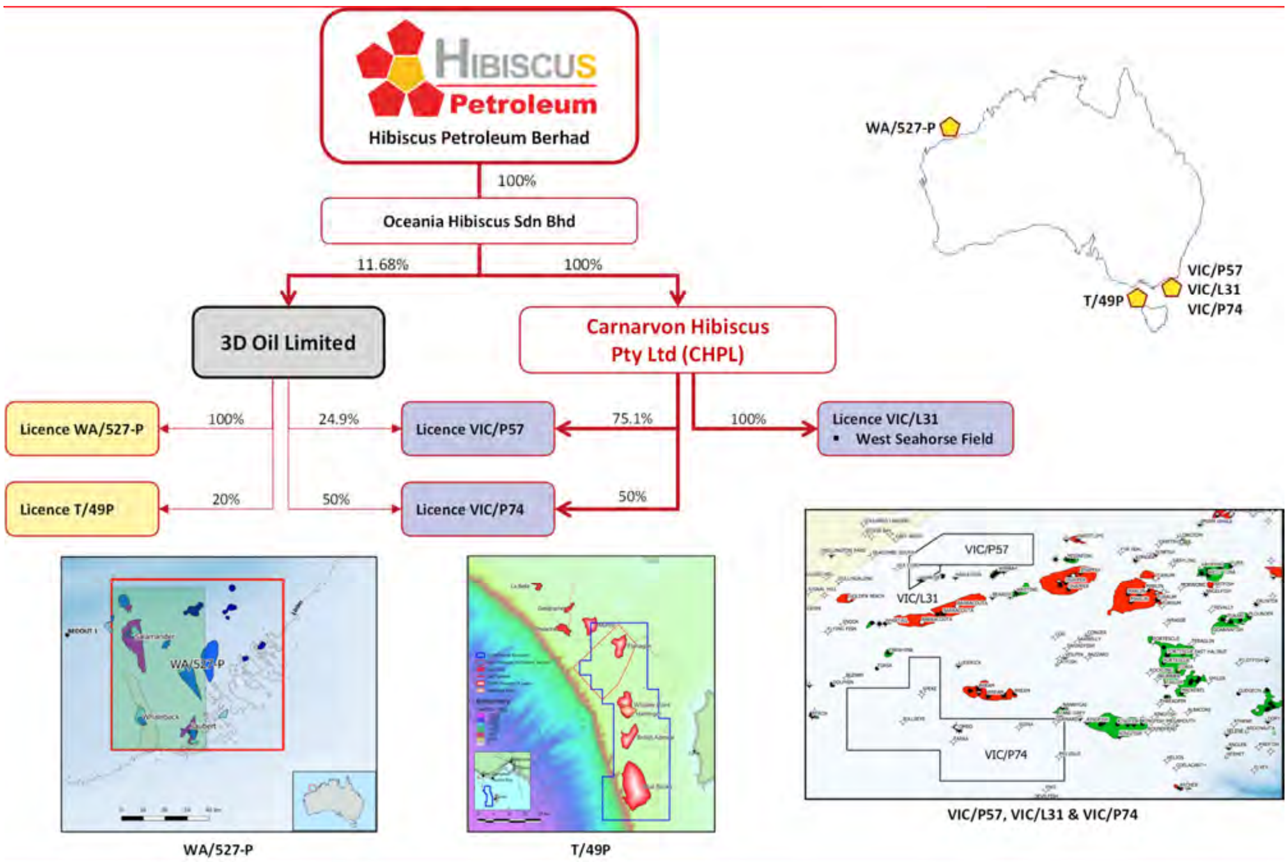
  i) 4 greenfield projects involving 3 gas and 1 oil developments are at the engineering phase this year, while 5 (East Cendor Phase 1, Bergading Deep Phase 3, Bakau, Pegaga & Pemanis) will be completed this year. The ongoing Kasawari central processing platform (CPP) is slated for completion in 2H2023.

     Additionally, a brownfield gas project with new installations will commence fabrication in 2Q2021.

  ii) The number of heavy installation barges to lift well-head platforms, topsides and CPPs surges to 12 this year from just 2 last year as 1 project was delayed due to the MCO.

  iii) Pipeline installations growing by 4.2x from 64 days in 2021 to a base case of 266 days in 2023 as more

EXHIBIT 12: OWNERSHIP & LOCATION OF AUSTRALIAN CONCESSION



Source: Hibiscus's investor slides

iv) development projects tie in to existing platforms or processing facilities.

v) Decommissioning of wells increase to 18 this year from 15 in 2020, which will rise further to 24 in 2022 and expand to remove 51 conductors, 2 floaters and 1 fixed platform.

Currently, 56% of Petronas' 350 facilities are operating beyond the assets' design life, 38% of the 750 pipelines while 45% of the 3,000 wells are idle with over 500 wells expected to be permanently plugged by 2030.

- Turnaround activities rise to 11 onshore plants in 2021 vs. only 7 last year as 2 were deferred due to the MCO (Exhibit 15). This will benefit operation and maintenance providers like Dialog Group and Serba Dinamik.

- Higher vessel demand to support drilling and projects, rising to 172 this year from 141 in 2020 should support operators such as Icon Offshore, Perdana Petroleum and Alam Maritim Resources. Even so, this still represents a 33% decrease from the earlier 2020 plan for 256 vessels notwithstanding Petronas' prioritisation of local ships. However, vessel requirement to support production operations is relatively flat YoY at 131 vessels this year.

- The number of rigs expected to rebound to 22 in 2021 from 14 in 2H2020 due to plummeting oil prices and the MCO. While this is below the earlier 2020 target of 26 rigs, we expect Velesto Energy to experience improving asset utilisation towards the second half of the year.

Some segments could still struggle as hook-up & commissioning activities will decline this year by 20% YoY to 3.5mil man-hours due to resource limitation and Petronas' optimisation plan to "uberise" marine vessels onto a single digital platform. Likewise, offshore maintenance & construction is expected to decline by 10% YoY to 10.1mil man-hours.

Sluggish order flows in 4Q2020

Excluding Serba Dinamik's huge civil and ICT jobs in the UAE, new contract awards in 2020 for Malaysian operators fell 42% YoY to RM6.6bil. However, including Serba's lumpy UAE projects, the 2020 new orders instead rose 38% YoY to RM15.8bil.

New project rollouts were still sluggish in 4Q2020, as fresh jobs dived 32% YoY to only RM1.5bil. Nevertheless, we note that this was still better than the 3-year low of RM569mil in 1Q2020, which could mean that the worst of the Covid-19 impact is behind us.

Firmer oil price expectations

We are projecting firmer crude oil price of US$50–US$55/barrel for 2021 from an average of US$42/barrel last year and slightly higher US$55–60/barrel for 2022 on expectation of a 2H2021 global economic recovery

EXHIBIT 13: ANASURIA FLOATING PRODUCTION, STORAGE & OFFLOADING VESSEL

Source: Hibiscus' Investor slides

underpinned by the Covid-19 vaccine and the continuation of Saudi Arabia's production quota cut of 1mil barrels/day.

This is further supported by US crude oil inventories declining by 12% to 477mil barrels currently from the all-time high of 541mil barrels in June last year.

For comparison, the EIA's *Short-Term Energy Outlook* projects Brent crude oil price at US$53/barrel for 2021 and 2022.

For further details on industry outlook, refer to our **Sector Update** on 4 January 2021.

FORECASTS

❑ ***Moderate growth for next 2 years, followed by FY23F sharp escalation***

In FY20, the group had delivered only 10 shipments (7 in Malaysia and 3 in the UK) in FY20 which, together with a lower crude oil prices and impairments in the Australian assets, contributed to the group's losses. The lower deliveries stemmed largely from a temporary 4QFY20 decline in Anasuria's daily production, which led to a delayed shipment in early July 2020.

Based on a lower crude oil price of US$50/barrel for FY21F vs. an average of US$58/barrel in FY20, we are projecting the group's core net profit decrease by 11% to RM64mil despite an increase in cargo shipments from 10 to 12 cargo shipments – 4 deliveries in Anasuria and 8 for North Sabah.

For FY22F, we are forecasting a higher crude oil price of US$55/barrel which supports a core net profit growth of 12% to RM71mil, partly offset by a natural decline of 6% in daily net production.

For FY23F, we are projecting its core net profit to rise more sharply by 28% to RM91mil due to doubling in Anasuria's daily net production to 6K barrels with the commencement of the Teal West field production by the end of 2022.

❑ ***Higher investment returns needed to offset massive dilution***

Hibiscus intends to utilise the net proceeds of RM1.9bil to purchase up to 3 O&G assets in Southeast Asia. The group intends to only approve the investment in assets which generate a minimum project IRR of 12% with a maximum cash flow payback period of up to 5 years.

Based on these investment parameters together with cost of equity of 10%, we estimate that such an acquisition translates to a 5 sen or 6% dilution in SOP/share due to the massive share base expansion assuming a conversion price of RM0.66 for the remaining RM1.8mil CRPS which will be issued to fund the investment.

To mitigate any potential dilution from the CRPS issuance, we estimate that the prospective asset would need to generate an IRR of at least 15%. Nevertheless, any dilution from the additional CRPS issuance could be mitigated if the conversion price is set higher at RM0.73/share due to improving share price.

❑ ***Producing assets' cash flows to fund ongoing capex***

We estimate that the group's 1QFY21 net cash balance of RM77mil together with FY21F–FY22F free cash flows of RM610mil should be sufficient to fund the group's capex programme, which could reach RM440mil over the next 2 years.

Hence, Hibiscus' own operating cash flows should be able to fund the needed capex to maintain and enhance the production levels for North Sabah and Anasuria.

However, the group will need to trim its stakes in the M&S and Australian assets to fund the development capex upon reaching final investment decisions, which have been deferred until the end of this year.

For the funds needed for the next phase of acquisition growth, Hibiscus' CRPS programme is awaiting the successful results of the group's bidding process for the regional O&G assets currently on offer.

EXHIBIT 14: REGIONAL COMPARISON

	Market cap US$mil	EV US$mil	Country	2P Reserves mil boe	2C mil boe	EV/2P US$/barrel	Daily Production Barrel/day	Opex/barrel US$/barrel	Earnings/2P US$/barrel	Remaining reserve life Years
Hibiscus	249.5	224.7	Malaysia	46.1	63.0	4.9	9,053	18.5	1.7	14.0
EnQuest	303.6	1,787.9	UK	213.0	229.0	8.4	60,777	14.4	2.6	9.6
Cairn Energy	1,225.0	1,132.2	UK	154.8	n/a	7.3	22,400	18.3	1.2	18.9
Serica Energy	445.5	426.7	UK	62.3	n/a	6.8	21,600	12.6	2.3	7.9
Premier Oil	256.2	2,422.3	UK	174.7	n/a	13.9	63,300	11.4	4.8	7.6
Hurricane Energy	68.9	143.8	UK	9.4	58.0	15.3	14,600	18.2	7.9	1.8
Lundin Energy	8,353.9	12,236.2	Sweden	670.9	275.5	18.2	157,600	2.8	4.3	11.7
Aker BP ASA	9,670.8	13,596.7	Norway	905.6	931.0	15.0	201,600	8.4	3.3	12.3
Average						**11.2**	**68,866**	**13.1**	**3.5**	**10.5**

Source: AmBank Research & Bloomberg

VALUATION

❑ ***Closest peer is EnQuest***

For a pure oil & gas exploration and production company, Hibiscus' only listed domestic peer would be Reach Energy, which has current 2P reserves of 81mil boe and was also listed earlier as a SPAC in August 2014, 3 years after Hibiscus' IPO.

However, unlike Hibiscus' offshore assets, Reach Energy's production operations are based onshore via its 60% indirect interest in the Emir-Oil concession in the Mangystau Oblast Province, Khazakhstan.

In our view, the closest E&P comparison would be the UK-listed EnQuest, which has a similar market capitalisation albeit much larger 2P reserves of 213mil barrels of oil equivalent (boe) – 4.6x Hibiscus' 46mil reserves (Exhibit 14).

Similar to Hibiscus, EnQuest has operations in the UK and Malaysia, in which 89% of its net reserves are in the UK continental shelf and the rest in Malaysia.

Currently, EnQuest's daily production of 60,777 barrels, of which 88% in from the North Sea and the balance in Malaysia, is much larger – at 6.7x Hibiscus' 9K barrels. This is largely funded by EnQuest's higher net gearing, currently 5x its current market capitalisation vs. Hibiscus' net cash position of RM78mil.

❑ ***Trading at bargain valuations to peers***

Hibiscus' CY21 PE of 9x is comparable to E&P operators in the UK such as Serica Energy and Premier Oil, which are trading at 9x and 8x respectively (Exhibit 15). However, this is a bargain compared to the FBMKLCI's 18x currently and Malaysian oil & gas sector's over 20x.

Based on the enterprise value/2P ratio, Hibiscus is currently only trading at US$4.41/barrel – half of its closest peer, EnQuest's US$8.30/barrel and 60% below the regional average of US$11/barrel.

This is compelling given the group's upcoming project-funded productivity enhancement programmes amid a more optimistic crude oil price environment which is poised to double Hibiscus' earnings by FY23F.

❑ ***SOP of RM0.79 offers upside of 36%***

Based on the group's plans to raise production levels in the UK and Malaysia, we peg Hibiscus combined sum-of-parts (SOP) at RM1.4bil or RM0.79/share, which offers compelling upside potential of 36% (Exhibit 18).

This excludes any NPV contribution for the concessions in M&S and Australia, which have not reached final investment decision yet for their development at this stage.

This valuation pegs Anasuria's DCF at US$191mil at US$8.90/barrel, based on a WACC of 10% and natural decline rate of 8% after FY24F. This represents 3.6x the purchase price of US$52.5mil paid back in 2016.

For North Sabah, our DCF valuation is almost similar at US$196mil (implying a lower US$8/barrel) based on a WACC of 10% and natural decline rate of 8% post-FY25F), as this division's EBITDA is projected to rival Anasuria's by FY24F. This represents the most profitable investment for the group to date, as our valuation translates to a massive 7.9x vs. the purchase price of US$25mil.

Our SOP valuation implies an average enterprise value/2P reserve valuation of only US$6.10/barrel – at discounts of 26% to EnQuest's US$8.30/barrel and 45% to regional average of US$11.20/barrel. This also implies a decent target CY21F PE of 15x vs. the FBM KLCI's 18x currently.

EXHIBIT 15: PEER VALUATION MATRIX

	Market cap	EV	Country	EV/EBITDA FY21F	EV/EBITDA FY22F	PE CY21F	PE CY22F	DPS FY21F	DPS FY22F	Div yld
	US$mil	US$mil		x	x	x	x			%
Hibiscus	249.5	224.7	Malaysia	2.8	2.5	14.9	12.4	0	0	-
EnQuest	303.6	1,787.9	UK	3.3	3.4	(0.0)	(3.1)	0	0	-
Cairn Energy	1,225.0	1,132.2	UK	6.0	6.2	128.0	59.0	8.5	0	4.7
Serica Energy	445.5	426.7	UK	3.0	2.4	9.2	8.5	3	3	2.5
Premier Oil	256.2	2,422.3	UK	2.9	2.2	8.2	1.7	0	0	-
Hurricane Energy	68.9	143.8	UK	1.9	1.3	3.0	1.3	0	0	-
Lundin Energy	8,353.9	12,236.2	Sweden	4.3	3.7	14.9	13.0	10.9	13.4	4.5
Aker BP ASA	9,670.8	13,596.7	Norway	4.5	3.7	18.9	14.9	1.185	1.466	0.5
Average				**3.6**	**3.2**	**24.6**	**13.4**			

Source: AmBank Research & Bloomberg

MANAGEMENT

❑ *Board with strong credentials*

The group's founder and managing director, Dr Kenneth Gerard Pereira, has strong credentials and working experience in the oil & gas industry for over 30 years.

He first started working as a field engineer for Schlumberger in North Africa, Asia and Europe, then held various positions at Sapura Group of companies, becoming vice president, energy sector projects at Sapura Energy S/B and subsequently chief operating officer for SapuraCrest Petroleum (now renamed as Sapura Energy).

Before setting up Hibiscus, Pereira was the managing director of Interlink Petroleum Ltd, an India-listed exploration & production (E&P) company with PSCs in the Baola and Modhera fields in the Cambay basin, off Gujarat, India.

The group's non-independent non-executive chairman, Zainul Rahim Mohd Zain also has extensive experience in the sector, over 40 years in E&P. Zainul was the managing director for Shell Egypt, chairman for Shell companies in Egypt, deputy chairman of Shell Malaysia and a director of Petronas Carigali.

We note that the company's FY19–FY20 directors' remuneration to core net profit of 3%–8% is reasonable as compared to Yinson's 4%–6%. For a more favourable comparison, Hibiscus' FY20 director remuneration of RM6mil accounts for 43% of Sapura Energy's RM14mil, which has been loss-making over the past 3 years.

❑ *Supported by professionals with extensive E&P experience*

The board is supported by a team of professionals in the sector, which includes Anasuria UK's chief executive officer Mark John Patton. He is a British national with 40 years of experience in the industry, starting as a production and commissioning engineer of BP Exploration before rising to general manager for BHP Petroleum's northern Australia operations.

Patton later founded Upstream Petroleum, an operations and maintenance provider for marginal field solutions, then became CEO of ASX-listed Cue Energy Resource before joining Hibiscus.

Other notable officers are Kevin Robinson, the vice president of project assurance and asset oversight, whose 42 years in the sector included being the vice president of Sapura E&P and Newfield Asia Pacific, and Dr Pascal Hos, a reservoir engineer/research project manager of Shell International EP before becoming the CEO of Hibiscus' wholly-owned Sea Hibiscus, the operator of the North Sabah PSC.

❑ *Highest ESG rating on FTSE4Good*

The group is aligning with the decarbonisation efforts and commitments to achieve net zero emissions by 2050 initiated by oil majors as well as the UK government and Petronas. As part of Hibiscus' initiatives, the group has installed solar photovoltaic and wind turbines to power some of North Sabah's platform jackets.

Its strong focus on health, safety and environment has garnered Hibiscus' inclusion in the FTSE4Good Bursa Malaysia Index with the highest 4-star environmental, social and governance (ESG) rating, ranking the company amongst the top 25% in the FBM Emas Index.

EXHIBIT 16: SUM-OF-PARTS BREAKDOWN

	Equity stake	Valuation		Methodology (based on flat	2P Reserves	Value/2P Reserves
	%	US$mil	RMmil	US$55/barrel)	mil barrels	US$/barrel
Anasuria	50	191.3	765.1	DCF at WACC of 10%, natural decline rate of 8% post FY23F	21.5	8.90
North Sabah	50	195.7	782.8	DCF at WACC of 10%, natural decline rate of 8% post FY24F	24.6	7.96
Net shareholders funds as at 30 June 2020			1,221.3			
Less intangibles & right of use			(1,377.0)			
Basic SOP			**1,392.2**			
CRPS conversion			203.6			
Diluted SOP			**1,595.8**			
Basic no of shares (mil)			1,729.5			
Increase in shares from CRPS conversion at 48 sen			282.9			
Diluted no of shares (mil)			2,012.4			
Diluted SOP (RM/share)			**0.79**			

Source: AmInvestment Bank

EXHIBIT 17: PB BAND CHARD

EXHIBIT 18: PE BAND CHART

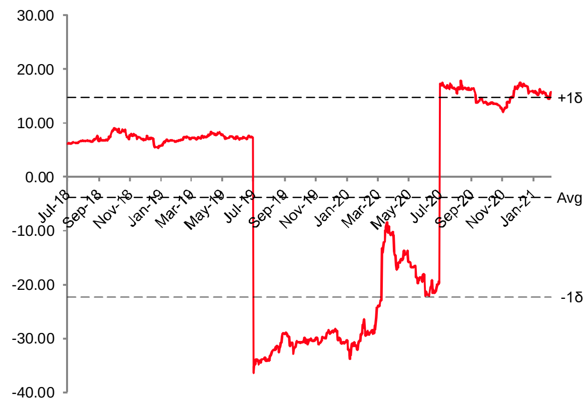


EXHIBIT 19: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	988.3	646.5	665.1	682.3	785.9
EBITDA	554.0	333.4	323.9	335.3	385.9
Depreciation/Amortisation	(115.5)	(145.0)	(151.0)	(151.2)	(184.7)
Operating income (EBIT)	438.6	188.4	172.9	184.1	201.2
Other income & associates	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net interest	(41.5)	(42.1)	(43.9)	(44.8)	(45.8)
Exceptional items	**(5.2)**	**(120.6)**	**-**	**-**	**-**
Pretax profit	391.5	25.3	128.6	138.9	155.0
Taxation	(161.5)	(74.5)	(64.8)	(67.6)	(63.7)
Minorities/pref dividends	**-**	**-**	**-**	**-**	**-**
Net profit	230.0	(49.3)	63.8	71.3	91.3
Core net profit	235.2	71.4	63.8	71.3	91.3

Balance Sheet (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	380.2	587.4	632.2	660.0	679.8
Intangible assets	1,530.1	1,377.0	1,308.2	1,242.8	1,180.6
Other long-term assets	**72.6**	**108.3**	**108.1**	**107.8**	**107.5**
Total non-current assets	1,982.9	2,072.7	2,048.5	2,010.6	1,968.0
Cash & equivalent	206.7	81.0	200.2	342.4	510.8
Stock	21.4	68.1	74.9	82.4	90.6
Trade debtors	64.9	11.4	12.0	12.6	13.2
Other current assets	**117.3**	**192.9**	**202.5**	**212.6**	**223.2**
Total current assets	410.3	353.4	489.6	650.1	837.9
Trade creditors	8.7	4.8	5.0	5.3	5.6
Short-term borrowings	1.0	59.9	65.9	72.4	79.7
Other current liabilities	**386.5**	**337.6**	**354.0**	**371.6**	**390.0**
Total current liabilities	396.3	402.2	424.8	449.4	475.2
Long-term borrowings	3.8	14.4	14.4	14.4	14.4
Other long-term liabilities	**755.5**	**788.2**	**813.7**	**840.5**	**868.6**
Total long-term liabilities	**759.3**	**802.6**	**828.1**	**854.9**	**883.0**
Shareholders' funds	1,237.5	1,221.3	1,285.1	1,356.4	1,447.7
Minority interests	-	-	-	-	-
BV/share (RM)	0.78	0.77	0.74	0.78	0.84

Cash Flow (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	391.5	25.3	128.6	138.9	155.0
Depreciation/Amortisation	115.5	145.0	151.0	151.2	184.7
Net change in working capital	92.6	(149.8)	(17.1)	(17.8)	(19.3)
Others	**(309.5)**	**593.6**	**1.8**	**(5.2)**	**(5.4)**
Cash flow from operations	290.1	614.1	264.4	267.0	314.9
Capital expenditure	(266.4)	(852.2)	(195.9)	(179.0)	(204.5)
Net investments & sale of fixed assets	-	-	-	-	-
Others	**-**	**-**	**-**	**-**	**-**
Cash flow from investing	(266.4)	(852.2)	(195.9)	(179.0)	(204.5)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	**(41.5)**	**(42.1)**	**(43.9)**	**(44.8)**	**(45.8)**
Cash flow from financing	**(41.5)**	**(42.1)**	**(43.9)**	**(44.8)**	**(45.8)**
Net cash flow	**(17.8)**	**(280.2)**	**24.6**	**43.2**	**64.7**
Net cash/(debt) b/f	**136.0**	**201.9**	**6.7**	**119.9**	**255.6**
Net cash/(debt) c/f	118.1	(78.2)	31.4	163.1	320.3

Key Ratios (YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	-	(34.6)	2.9	2.6	15.2
EBITDA growth (%)	-	(39.8)	(2.9)	3.5	15.1
Pretax margin (%)	39.6	3.9	19.3	20.4	19.7
Net profit margin (%)	23.3	(7.6)	9.6	10.4	11.6
Interest cover (x)	10.6	4.5	3.9	4.1	4.4
Effective tax rate (%)	41.2	294.8	50.4	48.7	41.1
Dividend payout (%)	-	nm	-	-	-
Debtors turnover (days)	nm	22	6	7	6
Stock turnover (days)	nm	25	39	42	40
Creditors turnover (days)	nm	4	3	3	3

Source: Company, AmInvestment Bank Bhd estimates

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