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12-month upside potential

Target price	1.66
Current price (as at 10 Jan)	1.67
Capital upside (%)	-0.8
Net dividends (%)	0.0
Total return (%)	-0.8

Key stock information

Syariah-compliant?	Yes
Market Cap (RM m)	1,810.5
Shares outstanding (m)	1,084.1
Free float (%)	61.9
52-week high / low (RM)	1.68 / 0.97
3-mth avg volume ('000)	3,207.7
3-mth avg turnover (RM m)	4.7

Share price performance

	1M	3M	6M
Absolute (%)	11.3	24.6	3.7
Relative (%)	12.3	21.8	1.5

Share price chart


Source: Bloomberg

Perisai Petroleum Teknologi

Oil & Gas

Neutral
 Bloomberg Ticker: PPT MK | Bursa Code: 0047

Pursuing work in Vietnam

It was reported on *Upstream Online* that Perisai Petroleum Teknologi (Perisai) is in the running to supply assets for a marginal field project in partnership with PetroVietnam Drilling. They have submitted bids to supply a MOPU and FSO for the Ham Rong marginal field for a 3+2 year contract. The group is up against a consortium of PetroVietnam Technical Services Corporation, Vietsovpetro and SapuraKencana Petroleum. Higher bidding activity for the MOPU is a positive as the unit is currently idle. We maintain **NEUTRAL** on Perisai at this juncture, as the group is still awaiting contracts for key assets which, if not secured, could mean earnings downside.

Rubicone MOPU looks for work in Vietnam

- It was reported on *Upstream Online* that Perisai Petroleum Teknologi (Perisai) is in the running to supply assets for a marginal field project in partnership with PetroVietnam Drilling. The contract is to supply a mobile offshore production unit (MOPU) and floating, storage and offloading vessel (FSO) for the Ham Rong marginal field. We believe that based on the news, the FSO will be supplied by PetroVietnam while Perisai would supply the MOPU.
- The other consortium bidding for this project is reported to be PetroVietnam Technical Services Corporation, Vietsovpetro and SapuraKencana Petroleum.
- Bids have reportedly been submitted for the project but the timeline on the outcome is uncertain for now. The MOPU and FSO will go on fixed term charters of 3 years plus 2 optional years at Ham Rong, which straddles blocks 102 and 106 off northern Vietnam.

New hopes for the Rubicone MOPU

- The news is encouraging as it could see Perisai's currently idle Rubicone MOPU being put to use. To recap, the Rubicone MOPU came off charter in September 2013 after it had finished its work at the Bekok-C field off Peninsula Malaysia.
- This is the second bidding activity so far that we have seen for the MOPU. The first was reportedly to use the MOPU to revive a matured field PM-9. Perisai was noted to have partnered with Talisman for the bidding of that contract.
- To note, for our FY14 earnings estimate, we have only assumed the MOPU to commence a new charter from July onwards. Securing the work earlier could see upside to our current earnings assumptions and downside if otherwise.
- Besides a new contract for the MOPU, we continue to await crucial contract newsflow for Perisai's other assets which include :- (1) installation work for the Enterprise 3 derrick pipe lay barge, and (2) a rig charter contract for the PP101 jack up drilling rig which will be delivered in mid-2014.

Maintain Neutral with TP of RM1.66

- With no changes to estimates, our target price is maintained at RM1.66. This is based on 14.2x (long term average peak cycle P/E) pegging FY14 EPS.
- We maintain **NEUTRAL** at this juncture, as there is still risk to earnings if Perisai does not secure charters for the Enterprise 3 and Rubicone MOPU by mid FY14 and further downside if there is no timely contract for the PP101 jack-up rig upon its delivery. All three assets are expected to contribute 40-50% of earnings in FY14.



SNAPSHOT OF FINANCIAL AND VALUATION METRICS

Figure 1 : Key financial data

FYE 31 Dec	FY11	FY12	FY13F	FY14F	FY15F
Revenue (RM m)	82.4	185.8	254.5	506.6	714.7
EBITDA (RM m)	53.0	141.1	172.0	286.3	384.0
EBIT (RM m)	32.0	113.7	140.7	249.0	342.6
Pretax profit (RM m)	26.9	102.8	125.5	222.4	316.9
Reported net profit (RM m)	21.2	90.6	83.5	126.1	214.6
Core net profit (RM m)	39.8	90.6	83.5	126.1	214.6
EPS (sen)	2.8	11.3	8.6	11.7	19.8
Core EPS (sen)	5.3	11.3	8.6	11.7	19.8
Alliance / Consensus (%)			95.4	104.3	131.6
Core EPS growth (%)	20.2	113.9	(23.4)	35.0	70.1
P/E (x)	31.6	14.8	19.3	14.3	8.4
EV/EBITDA (x)	24.0	10.9	10.9	7.9	6.0
ROE (%)	6.6	19.0	14.3	17.8	23.2
Net gearing (%)	0.7	0.8	0.6	0.5	0.2
Net DPS (sen)	-	-	-	-	-
Net dividend yield (%)	-	-	-	-	-
BV/share (RM)	0.43	0.59	0.60	0.66	0.85
P/B (x)	3.9	2.8	2.8	2.5	2.0

Source: Alliance Research, Bloomberg



DISCLOSURE

Stock rating definitions

- Strong buy - High conviction buy with expected 12-month total return (including dividends) of 30% or more
- Buy - Expected 12-month total return of 15% or more
- Neutral - Expected 12-month total return between -15% and 15%
- Sell - Expected 12-month total return of -15% or less
- Trading buy - Expected 3-month total return of 15% or more arising from positive newsflow. However, upside may not be sustainable

Sector rating definitions

- Overweight - Industry expected to outperform the market over the next 12 months
- Neutral - Industry expected to perform in-line with the market over the next 12 months
- Underweight - Industry expected to underperform the market over the next 12 months

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date



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