

COMPANY RESULTS

RH Petrogas (RHP SP)

1H24: Strong Results Due To Solid Cost Control And Higher Oil Prices

Due to steady yoy oil production, strong cost control (-17% yoy) and higher oil prices, RHP reported a threefold increase in PATMI to US\$7.3m, in line with our expectations. During 4Q24, the company's Basin PSC will see decent activity with the drilling of one well at the Arar Block, and the start of production from its new Piarawi well. Maintain BUY. Target price lowered slightly to S\$0.231.

1H24 RESULTS

Year to 31 Dec, US\$m	1H23	1H24	% yoy	Comments
Brent oil price (US\$/bbl)	79.96	83.42	4.3%	
Revenue	43.00	48.19	12.1%	- Due to higher realised oil prices
Gross profit	9.69	19.60	102.4%	- Strong cost control was evident
EBITDA	12.26	20.02	62.4%	
Pre-tax profit	6.16	17.50	184.1%	- Tax rate fell 2.8ppt
PATMI	2.34	7.34	NM	- Includes US\$1m provision for legal case
Free cashflow	10.60	-2.22	NM	
Gross margin	22.5%	40.7%	+18.2ppt	
EBITDA margin	28.5%	41.5%	+12.9ppt	
Pre-tax margin	14.3%	36.3%	+22.0ppt	

Source: RH Petrogas, UOB Kay Hian

RESULTS

- In-line results.** RH Petrogas (RHP) reported a three-fold increase in PATMI to US\$7.3m which was helped by higher oil prices as well as a pleasing decline in costs which speaks to management's operational ability. Production was largely flat on a yoy basis at 4,970boe/day, in line with our estimates. At the company's results briefing yesterday, management stated that it remains on track to drill one well in 4Q24, with a potential target of around 2mmbbl of recoverable oil reserves. This could add around 7% to its 2P reserves of 30.1mmboe, by our estimates.
- Good cost control.** On a cost per barrel basis, RHP saw a 17% yoy decline to US\$31.40/bbl in 1H24, well below its full-year guidance of US\$33-35/bbl. The company has indicated that 2H24 costs will increase slightly and should end the year averaging US\$33/bbl, or a 12% decline from the US\$37.10/bbl seen in 2023. Coupled with a 61% decline in depreciation, depletion & amortisation, the company witnessed a 62% increase in EBITDA to US\$9.3m. We also highlight that management will be optimising its workforce from the Island Production Sharing Contract (PSC) to the Basin PSC, thus potentially increasing its level of cost savings over the next 2-3 years.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	105	94	104	101	91
EBITDA	40	3	24	17	9
Operating profit	40	3	24	17	9
Net profit (rep./act.)	25	3	16	11	6
Net profit (adj.)	25	3	16	11	6
EPS (S\$ cent)	3.0	0.4	1.9	1.3	0.7
PE (x)	3.6	28.3	5.5	8.1	14.9
P/B (x)	2.3	2.1	1.8	1.8	1.8
EV/EBITDA (x)	1.3	20.2	2.1	3.1	5.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	23.7	3.4	15.6	11.0	6.6
Net debt/(cash) to equity (%)	(146.4)	(122.8)	(92.8)	(94.0)	(96.8)
ROE (%)	29.5	3.3	n.a.	n.a.	n.a.
Consensus net profit	86.0	7.8	35.4	22.4	12.1
UOBKH/Consensus (x)	-	-	16	11	6

Source: RH Petrogas, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.141
Target Price	S\$0.231
Upside	+63.8%
(Previous TP)	S\$0.242

COMPANY DESCRIPTION

RH Petrogas is an upstream oil and gas company with two producing assets in Indonesia. It has 30.1mmboe of 2P oil and gas reserves of which 88% is oil. In 2023, it produced 4,990boe/day of oil and gas.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	RHP SP
Shares issued (m):	835.2
Market cap (SGDm):	116.9
Market cap (US\$m):	89.2
3-mth avg daily t'over (US\$m):	0.3

Price Performance (%)

52-week high/low SGD0.240/SGD0.126

1mth	3mth	6mth	1yr	YTD
3.7	(13.6)	(17.6)	(24.3)	(24.3)

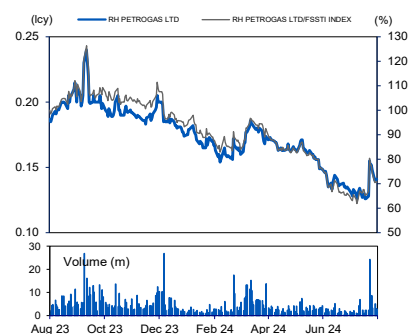
Major Shareholders

	%
Woodsville International Ltd	36.2
Sharptone Investments Ltd	15.9
RH Capital Ltd	13.2

FY23 NAV/Share (USD) 0.06

FY23 Net Cash/Share (USD) 0.05

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Update on Piarawi-1 well.** After the success of the Piarawi-1 exploration well, testing is currently ongoing with the well expected to commence production in the latter part of 2H24. This could increase the Island PSC's production by 25% or around 200bpd, which would lead to a 5% increase to our 2025 forecast net profit. Given Piarawi's proximity to oil production infrastructure, management disclosed that a modest 2.7km pipeline will need to be constructed with total capex estimated at US\$0.5m, which is inexpensive in our view.
- **Exploration in 2024 and 2025.** During the results briefing, management highlighted that it will look to drill one well in the Arar Block of the northern part of the Basin PSC in 4Q24 with a target of around 2mmbbl of recoverable oil. Assuming that Indonesia's energy bureaucracy can be overcome, there is potential for a further two wells that could be drilled in this block. The total cost of these three shallow wells is expected to be around US\$11m net to RHP, with the majority of this capex to be spent in 2025. In our view, this capex will be easily funded by the company's strong cashflow.

EARNINGS REVISION/RISK

- **Upgrading earnings.** We have upgraded our earnings estimates for 2024-26 by 1-3% due to better expectations for cost control. Upside to our earnings for 2024 may come from better-than-expected oil production and higher oil prices.

VALUATION/RECOMMENDATION

- **We reiterate our BUY rating on RHP with a slightly lower SOTP-based target price of S\$0.231** (previously S\$0.242) as we have rolled over our valuation year to 2025. As at end-1H24, the company did not have any external debt or shareholder loans, and cash and bank balances of nearly US\$46m. Based on yesterday's closing share price of S\$0.142, nearly half of the company's market cap is in cash. On an ex-cash PE basis, RHP trades at a very undemanding 2025 PE of 4.8x.

NET PRESENT VALUE FOR RH PETROGAS

	Mmboe	US\$/boe	US\$m	S\$m	S\$/share
Production & development assets	15.1	3.15	47.6	64.3	0.08
2C oil and gas resources	61.6	0.80	49.3	66.6	0.08
Total reserves & resources	76.8	1.26	96.9	130.8	0.16
Exploration			0.0	0.0	0.00
Investments			0.0	0.0	0.00
Net Cash/(Debt)			45.8	61.8	0.07
Grand Total			142.7	192.6	0.231

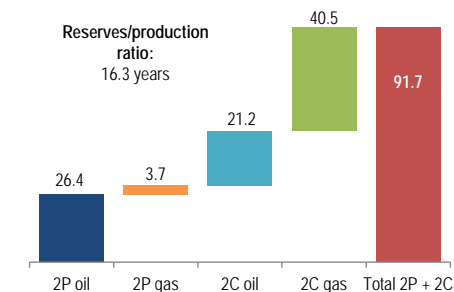
Source: UOB Kay Hian

- **We prefer RHP to Rex International** (REXI SP/SELL/Target: S\$0.08) given the former's better oil and gas production management, better operational track record, higher reserves/production ratio, better quality assets, lack of corporate governance issues, inexpensive valuation and most importantly, exploration upside.
- **Risks to our investment thesis** on RHP include oil prices which could negatively impact profits and cashflow in the event of a prolonged downturn, operational risk, regulatory risk and sovereign risk, amongst others.

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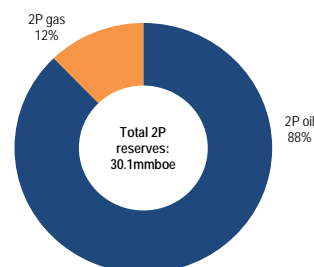
- Results from the one well to be drilled in 4Q24 in the Basin PSC
- Announcement of the commencement of production from the new Piarawi well.
- Potential dividend payout for 2024 (which could be announced during the company's 2024 annual results in Feb 25).
- Higher oil prices given that over 98% of RHP's production is oil.

COMPOSITION OF RESERVES AND RESOURCES AS AT 1 JAN 24 (MMBOE)



Note: R/P ratio based on 2P reserves and UOBKH estimate of 2024E production
Source: RHP

SPLIT OF 2P OIL AND GAS RESERVES AS AT 1 JAN 24



Source: RHP

CHANGES TO EARNINGS FORECASTS

US\$ m	2024E	2025E	2026E
NPAT - was	15.9	10.9	5.8
NPAT - is	16.1	11.0	6.0
Change	1.3%	1.2%	2.8%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	94.1	103.6	100.8	91.1
EBITDA	2.6	24.4	16.7	8.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	2.6	24.4	16.7	8.9
Total other non-operating income	3.4	0.2	0.2	0.2
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.8)	0.2	0.2	0.2
Pre-tax profit	5.2	24.8	17.0	9.2
Tax	(2.1)	(8.7)	(6.0)	(3.2)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	3.2	16.1	11.1	6.0
Net profit (adj.)	3.2	16.1	11.1	6.0

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	16.8	17.6	11.8	6.4
Pre-tax profit	5.2	24.8	17.0	9.2
Tax	(5.1)	(6.9)	(4.8)	(2.6)
Deprec. & amort.	10.1	10.7	11.4	11.1
Associates	0.0	0.0	0.0	0.0
Working capital changes	(11.7)	(11.8)	(12.6)	(12.1)
Non-cash items	17.3	0.0	0.0	0.0
Other operating cashflows	1.0	0.8	0.8	0.8
Investing	(11.8)	(22.6)	(10.5)	(3.7)
Capex (growth)	(9.9)	(15.0)	(5.0)	(0.1)
Capex (maintenance)	(1.7)	(5.5)	(5.5)	(2.2)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(0.2)	(2.1)	0.0	(1.4)
Financing	(10.9)	(0.7)	(0.7)	(0.7)
Dividend payments	0.0	0.0	0.0	0.0
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(1.5)	0.0	0.0	0.0
Others/interest paid	(9.4)	(0.7)	(0.7)	(0.7)
Net cash inflow (outflow)	(5.8)	(5.7)	0.6	2.1
Beginning cash & cash equivalent	57.3	51.4	45.8	46.4
Changes due to forex impact	0.0	0.0	0.0	(0.7)
Ending cash & cash equivalent	51.4	45.8	46.4	47.7

BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	17.6	21.1	21.5	21.5
Other LT assets	7.7	6.6	4.0	4.0
Cash/ST investment	51.4	45.8	46.4	47.7
Other current assets	27.8	23.5	29.0	27.1
Total assets	104.5	96.9	100.9	100.3
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	48.9	33.7	34.9	34.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	3.1	1.0	3.9	3.9
Shareholders' equity	41.9	49.3	49.3	49.3
Minority interest	6.9	8.7	8.7	8.7
Total liabilities & equity	104.5	96.9	100.9	100.3

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	2.8	23.6	16.5	9.7
Pre-tax margin	5.5	23.9	16.9	10.1
Net margin	3.4	15.6	11.0	6.6
ROA	3.2	16.0	11.2	5.9
ROE	7.8	35.4	22.4	12.1
Growth				
Turnover	(10.3)	10.1	(2.7)	(9.7)
EBITDA	(93.5)	843.9	(31.8)	(46.8)
Pre-tax profit	(87.0)	376.2	(31.4)	(45.9)
Net profit	(87.3)	411.5	(31.4)	(45.9)
Net profit (adj.)	(87.3)	411.5	(31.4)	(45.9)
EPS	(87.3)	411.5	(31.4)	(45.9)
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(122.8)	(92.8)	(94.0)	(96.8)

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