COMPANY RESULTS

RH Petrogas (RHP SP)

1Q24: A Lot To Like – Higher Oil Production And Prices; Good Cost Control

RHP reported a strong set of 1Q24 results that were above expectations. Net profit rose 18% yoy on the back of slightly higher oil production, better realised oil prices and very commendable cost control. Planning for the company's two exploration wells for 2H24 remains on track. We highlight RHP's inexpensive 2024E PE and EV/EBTIDA of 6.3x and 2.5x respectively. Maintain BUY. Target price: S$0.242.

1Q24 RESULTS

12m to 31 Dec, US$m	1Q23	1H23	% yoy	Comments
Brent oil price	82.79	81.36	-1.7%	- A positive surprise that realized oil prices was at a
Realised oil price	79.00	82.00	3.8%	premium to Brent in 1Q24
Revenue	22.62	23.84	5.4%	- Due to better-than-expected realized oil price and
Gross profit	6.67	8.53	27.8%	steady growth in oil production
EBITDA	8.29	9.33	12.6%	- Assisted by lower field operating costs and lower
Pre-tax profit	5.37	7.79	45.1%	depletion & amortization of assets
PATMI	2.98	3.52	18.1%	
Free cashflow	2.52	-4.63	NM	- Negative FCF due to higher exploration costs
Gross margin	29.5%	35.8%	+6.3ppt	
EBITDA margin	36.6%	39.1%	+2.5ppt	
Pre-tax margin	23.7%	32.7%	+8.9ppt	

Source: RH Petrogas, UOB Kay Hian

RESULTS

- **1Q24 results slightly stronger than expected.** RH Petrogas' (RHP) 1Q24 revenue rose over 5% yoy to US$23.8m, pushing PATMI up by 18% yoy to US$3.5m. This was better than our expectations as it represents >27% of our full-year PATMI estimates. The strong 1Q result was due to oil production (+1.2% yoy to 4,976bpd), lower field operating costs and lower general & administrative costs. Notably, all-in operating costs fell 8% yoy to US$34/bbl (1Q23: US$37/bbl), lower than our full-year estimate of US$36/bbl.

- **Drilling plans for 2H24.** RHP's two-well drilling programme in the Basin PSC (RHP's stake: 70%) includes: a) one well targeting a shallow reservoir with potential unrisked recoverable reserves of 8-10mmbbl, and b) the second one targeting a deeper reservoir of around 8-10bcf of gas at around 10,000ft. The gross cost of the wells will be US$4m and US$8-10m respectively. It is important to note that Pertamina drilled two successful oil and gas wells that were only 2-4km away from RHP's first planned shallow well and thus it would appear that the likelihood of a positive result is high in our view.

KEY FINANCIALS

Year to 31 Dec (US$m)	2022	2023	2024F	2025F	2026F
Net turnover	105	94	104	101	91
EBITDA	40	3	24	17	9
Operating profit	40	3	24	17	9
Net profit (rep./act.)	26	4	16	11	6
Net profit (adj.)	26	4	16	11	6
EPS (S$ cent)	3.1	0.5	1.9	1.3	0.7
PE (x)	3.9	25.7	6.4	9.3	17.4
P/B (x)	2.6	2.4	2.4	2.4	2.4
EV/EBITDA (x)	1.6	23.7	2.5	3.7	6.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	25.0	4.2	15.4	10.8	6.4
Net debt/(cash) to equity (%)	(146.4)	(122.8)	(111.4)	(85.8)	(89.0)
ROE (%)	90.6	9.7	38.0	26.0	13.9
Consensus net profit	-	-	16	11	6
UOBKH/Consensus (x)	-	-	1.00	1.00	1.00

Source: RH Petrogas, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S$0.164
Target Price	S$0.242
Upside	+47.8%

COMPANY DESCRIPTION

RH Petrogas is an upstream oil and gas company with two producing assets in Indonesia. As at end-23, the company had 2P oil and gas reserves of 30.4mmboe.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	RHP SP
Shares issued (m):	835.2
Market cap (SGDm):	137.0
Market cap (US$m):	101.2
3-mth avg daily t'over (US$m):	0.5

Price Performance (%)

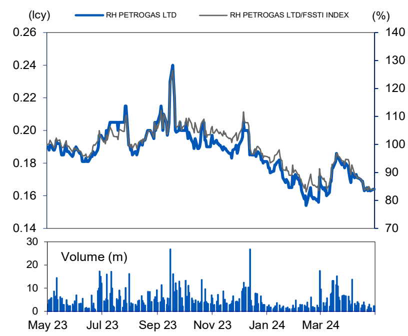
52-week high/low SGD0.240/SGD0.154

1mth	3mth	6mth	1yr	YTD
(8.9)	(4.7)	(13.7)	(14.6)	(11.4)

Major Shareholders	%
Woodsville International Ltd	36.17
Sharptone Investments Ltd	15.90
RH Capital	13.21

FY24 NAV/Share (USD)	0.05
FY24 Net Cash/Share (USD)	0.06

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Strong operating cashflow.** RHP's operating cashflow of US$9.6m was more than double 1Q23's US$2.9m due to the stronger realized oil price as well as working capital movements. Capex for oil and gas exploration for 1Q24 was high at US$14.3m (1Q23: US$126,000). However, this includes spending of US$8.2m for accruals made in 2H23 for the exploration wells drilled at its Kepala Burung PSC and 3D seismic acquisition at its Salawati PSC.
- **Positive production outlook in the longer term.** Although its Karuka exploration well failed to find any commercial gas to supply the nearby nickel smelting plant, it appears that RHP has enough contingent gas resources nearby to supply the plant with minimal capex outlay. While negotiations with the smelting plant should commence in the near term with production rates and gas price yet to be determined, we believe that any positive outcome should bode well for RHP's medium to long term production outlook.

EARNINGS REVISION/RISK

- Earnings revision: None.

VALUATION/RECOMMENDATION

- **We maintain our BUY rating on RHP with an unchanged SOTP-based target price of S$0.242.** Based on our forecasts, RHP trades at very inexpensive multiples with its 2024F PE and EV/EBITDA of 6.4x and 2.5x respectively at 23-36% discounts to its regional oil and gas peers. While this can partially be explained by RHP's small market capitalization and low daily trading liquidity, we point out that management has a good track record of delivering on production growth and cost control.

NET PRESENT VALUE FOR RH PETROGAS

	Mmboe	US$/boe	US$m	S$m	S$/share
Production & development assets	17.0	2.18	37.0	49.9	0.06
2C oil and gas resources	61.6	1.00	61.6	83.2	0.10
Total reserves & resources	78.6	1.25	98.6	133.1	0.16
Exploration			0.0	0.0	0.00
Investments			0.0	0.0	0.00
Net Cash/(Debt)			51.4	69.4	0.08
Grand Total			150.1	202.6	0.24

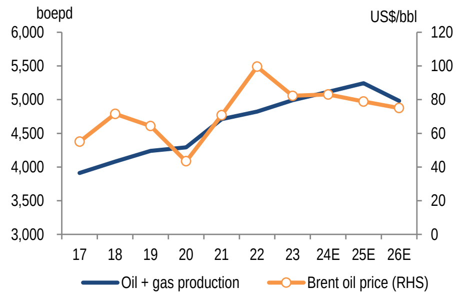
Source: UOB Kay Hian

- **We prefer RHP to Rex International** (REXI SP, SELL, target price: S$0.08) given the former's better oil and gas production management, better quality assets, lack of corporate governance issues, inexpensive valuation and most importantly exploration upside. In our view, the next few months may see RHP's share price trade in-line with oil price movements until at least 2H24 when its drilling programme commences.
- **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, among others.

SHARE PRICE CATALYST

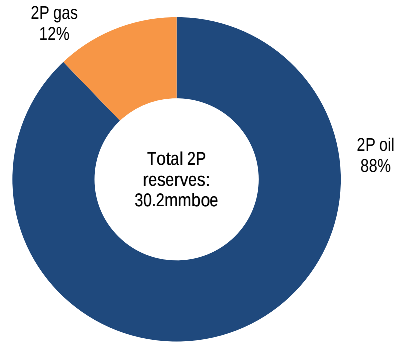
- Drilling results at its two wells in 2H24 which could add to the company's valuation in the near term, and profits and cashflow in the medium to long term.

HISTORICAL AND FORECAST OIL & GAS PRODUCTION VS BRENT OIL PRICE



Source: RHP

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



Source: RHP

OIL PRICE ESTIMATES (US$/BBL)

	23A	24E	25E	26E
Brent oil price – futures	82.18	83.00	78.81	74.94
Realised oil price	80.00	78.85	74.87	71.19
- Discount to futures	-2.18	-4.15	-3.94	-3.75

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US$m)	2023	2024F	2025F	2026F
Net turnover	94	104	101	91
EBITDA	3	24	17	9
Deprec. & amort.	0	0	0	0
EBIT	3	24	17	9
Total other non-operating income	3	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	0	0	0	0
Pre-tax profit	6	25	17	9
Tax	(2)	(9)	(6)	(3)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	4	16	11	6
Net profit (adj.)	4	16	11	6

BALANCE SHEET

Year to 31 Dec (US$m)	2023	2024F	2025F	2026F
Fixed assets	18	18	19	19
Other LT assets	8	7	5	5
Cash/ST investment	51	47	36	37
Other current assets	28	29	29	27
Total assets	105	101	89	88
ST debt	0	0	0	0
Other current liabilities	49	45	32	31
LT debt	0	0	0	0
Other LT liabilities	3	3	5	5
Shareholders' equity	42	42	42	42
Minority interest	7	7	7	7
Total liabilities & equity	105	101	89	88

CASH FLOW

Year to 31 Dec (US$m)	2023	2024F	2025F	2026F
Operating	17	18	12	7
Pre-tax profit	5	25	17	9
Tax	(5)	(7)	(5)	(3)
Deprec. & amort.	10	11	11	11
Associates	0	0	0	0
Working capital changes	(12)	(12)	(13)	(12)
Non-cash items	17	0	0	0
Other operating cashflows	1	1	1	1
Investing	(12)	(21)	(21)	(2)
Capex (growth)	(10)	(15)	(15)	0
Capex (maintenance)	(2)	(6)	(6)	(2)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(11)	(2)	(2)	(2)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(2)	0	0	0
Others/interest paid	(9)	(2)	(2)	(2)
Net cash inflow (outflow)	(6)	(5)	(11)	2
Beginning cash & cash equivalent	57	51	47	36
Changes due to forex impact	0	0	0	(1)
Ending cash & cash equivalent	51	47	36	37

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	2.8	23.6	16.5	9.7
Pre-tax margin	6.4	23.7	16.7	9.9
Net margin	4.2	15.4	10.8	6.4
ROA	4.0	15.5	11.5	6.6
ROE	9.7	38.0	26.0	13.9
Growth				
Turnover	(10.3)	10.1	(2.7)	(9.7)
EBITDA	(93.5)	843.9	(31.8)	(46.8)
Pre-tax profit	(85.5)	310.5	(31.6)	(46.4)
Net profit	(85.0)	304.8	(31.7)	(46.6)
Net profit (adj.)	(85.0)	304.8	(31.7)	(46.6)
EPS	(85.0)	304.8	(31.7)	(46.6)
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)	(111.4)	(85.8)	(89.0)

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