

COMPANY RESULTS

RH Petrogas (RHP SP)

2024: Cost Control The Highlight With Two Wells To Watch In July

Although RHP's production declined on a yoy basis, as did oil prices, its strong cost control (-16% yoy) resulted in the company reporting a more than fourfold increase in PATMI to US\$14.6m and above our expectation. Come Jul 25, the company will drill two exploration wells at its Basin block with potential for 39mmboe of recoverable reserves. Maintain BUY. Target price raised to S\$0.254.

2024 RESULTS

Year to 31 Dec (US\$m)	2023	2024	% yoy	Comments
Brent oil price (US\$/bbl)	82.18	79.86	-2.8%	
Revenue	94,091	92,520	-1.7%	- Lower oil prices and mild drop in production
Gross profit	26,026	35,928	38.0%	- Strong cost control was evident
EBITDA	36,089	41,093	13.9%	
Pre-tax profit	5,210	31,699	508.4%	- Tax rate rose 2.8ppt
PATMI	2,596	14,562	460.9%	
Free cashflow	5,064	8,345	64.8%	
Gross margin	27.7%	38.8%	11.2	
EBITDA margin	38.4%	44.4%	6.1	
Pre-tax margin	5.5%	34.3%	28.7	

Source: RH Petrogas, UOB Kay Hian

RESULTS

- Better-than-expected results.** RH Petrogas (RHP) reported a 4.6x increase in PATMI to US\$14.6m which was helped by the higher oil prices as well as a larger-than-expected drop in lifting costs which speaks to management's operational ability. Production declined 1.6% yoy to 4,910boe/day which missed our estimate.
- Drilling two wells in 2025.** At the company's results briefing, management stated that it will drill two onshore wells at the Arar area in its Salawati block. These include: a) the NW Klagagi well which will target 55bcf of low-risk gas for development and a deeper segment with an estimated 120bcf of gas; and b) the Karim well which will target around 10mmbbl of recoverable oil. If both are successful, RHP could see an additional 39mmboe to its reserves, or 1.3x more than its current 2P reserves of 29.9mmboe.
- Good cost control.** On a cost per barrel basis, RHP maintained its 1H24 cost control, thus witnessing a 16% yoy decline to US\$31.40/bbl for the full year, and well below its guidance of around US\$33/bbl. Coupled with a 49% drop in depreciation, depletion & amortisation, the company witnessed a 14% increase in EBITDA to US\$41m.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F	2027F
Net turnover	94	93	86	79	74
EBITDA	3	29	20	15	11
Operating profit	3	29	20	15	11
Net profit (rep./act.)	3	18	12	9	7
Net profit (adj.)	3	18	12	9	7
EPS (US\$ cent)	0.4	2.2	1.5	1.1	0.9
PE (x)	30.8	5.3	7.8	10.5	13.7
P/B (x)	2.3	1.7	1.7	1.7	1.7
EV/EBITDA (x)	18.5	1.6	2.4	3.2	4.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	3.4	19.8	14.5	11.7	9.6
Net debt/(cash) to equity (%)	(122.8)	(92.6)	(103.0)	(91.8)	(92.2)
Interest cover (x)	3.3	39.9	n.a.	n.a.	n.a.
ROE (%)	7.8	37.1	22.0	16.4	12.6
Consensus net profit (US\$m)	n.a.	n.a.	n.a.	n.a.	n.a.
UOBKH/Consensus (x)	n.a.	n.a.	n.a.	n.a.	n.a.

Source: RH Petrogas, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.156
Target Price	S\$0.254
Upside	+62.8%
(Previous TP)	S\$0.231

COMPANY DESCRIPTION

RH Petrogas is an upstream oil and gas company with two producing assets in Indonesia. It has 27.8mmboe of 2P oil and gas reserves of which 87% is oil. In 2024, it produced 4,910boe/day of oil and gas.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	RHP SP
Shares issued (m):	835.2
Market cap (SGDm):	130.3
Market cap (US\$m):	97.0
3-mth avg daily t'over (US\$m):	1.1

Price Performance (%)

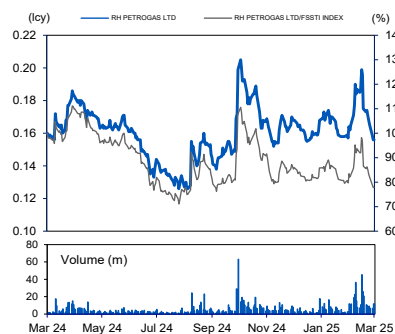
52-week high/low	S\$0.215/S\$0.125			
1mth	3mth	6mth	1yr	YTD
(1.3)	(5.5)	1.3	(1.3)	(1.9)

Major Shareholders

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

FY25 NAV/Share (USD)	0.07
FY25 Net Cash/Share (USD)	0.07

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Piarawi-1 well has started production.** After the success of the Piarawi-1 exploration well and subsequent testing, the well commenced production in the latter part of 4Q24 with production rate at a relatively small 70bpd. Piarawi's proximity to oil production infrastructure means that capex to bring the field online has been relatively small.
- **Exploration in 2025.** With our forecast operating cash flow of US\$26m in 2025, we believe that RHP's net capex of around US\$11m should be easily funded, especially given that the company is in a net cash position (and has been so for the past few years). NW Klagagi is expected to cost US\$9.0m on a gross basis while Karim is expected to cost US\$5.6m. In addition, management commented that it is on the lookout to replenish its project pipeline and potentially expand out of its current portfolio of only two blocks.

EARNINGS REVISION/RISK

- **Upgrading earnings.** We have upgraded our earnings estimates for 2025-26 by 12-54% due to much better expectations for cost control. Our current production cost estimates for 2025-26 are around US\$32/bbl vs US\$38/bbl previously. These lower cost estimates have more than offset our 2025-26 oil price estimates which are currently US\$70/bbl and US\$68/bbl respectively. Upside to our earnings for 2025 may come from stronger-than-expected oil production and higher oil prices.

VALUATION/RECOMMENDATION

- **We reiterate our BUY rating on RHP with a higher SOTP-based target price of S\$0.254** (previously S\$0.231) due to its larger end-24 cash pile of US\$58.2m (S\$78.4m). Based on yesterday's closing share price of S\$0.156, over 60% of the company's market cap is in cash. On an ex-cash PE basis, RHP trades at a very undemanding 2025F PE of 3.2x.

NET PRESENT VALUE

	Mmboe	US\$/boe	US\$m	S\$m	S\$/share
Production & development assets	14.5	3.48	50.6	68.2	0.08
2C oil and gas resources	60.5	0.80	48.4	65.4	0.08
Total reserves & resources	75.1	1.32	99.0	133.6	0.16
Exploration			0.0	0.0	0.00
Investments			0.0	0.0	0.00
Net Cash/(Debt)			58.2	78.5	0.09
Grand Total			157.1	212.1	0.254

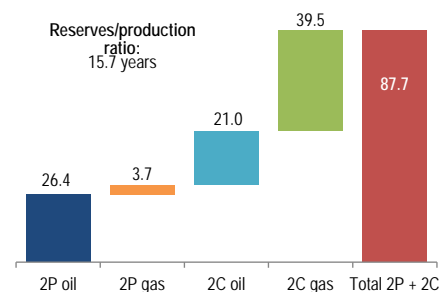
Source: UOB Kay Hian

- **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 cash flow in the event of a prolonged downturn, operational risk, regulatory risk and sovereign risk, among others.

SHARE PRICE CATALYST

- Results from two wells to be drilled in Jul 25 in the Salawati PSC.
- Potential dividend payout for 2024.
- Higher oil prices given that over 98% of RHP's production is oil.

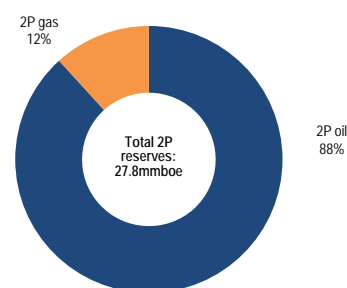
COMPOSITION OF RESERVES AND RESOURCES AS AT 1 JAN 25 (MMBOE)



Note: R/P ratio based on 2P reserves and 2024 production

Source: RHP

SPLIT OF 2P OIL AND GAS RESERVES AS AT 1 JAN 25



Source: RHP

CHANGES TO EARNINGS FORECASTS

US\$m	2025E	2026E
NPAT - was	11.1	6.0
NPAT - is	12.4	9.2
Change	12.1%	54.1%

Source: UOB Kay Hian

RHP VS REX: 2024 RESULTS COMPARISON

US\$m	RHP	Rex Int'l
Production (boe/day)	4,910	11,042
Revenue	92.5	298.9
Gross profit	35.9	99.1
- Gross margin	38.8%	33.2%
EBITDA	41.1	-86.2
PATMI	14.6	-41.0
Operating cashflow	33.8	84.5
Free cash flow	8.3	-0.5
Net financing costs	-0.7	-20.0
Net cash/(debt)	52.3	-24.9

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Net turnover	92.5	85.7	79.0	74.1
EBITDA	29.3	20.4	15.0	11.5
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	29.3	20.4	15.0	11.5
Total other non-operating income	3.2	0.2	0.2	0.2
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.7)	0.2	0.2	0.2
Pre-tax profit	31.7	20.7	15.4	11.8
Tax	(13.4)	(8.3)	(6.2)	(4.7)
Minorities	0.0	0.0	0.0	0.0
Net profit	18.3	12.4	9.2	7.1
Net profit (adj.)	18.3	12.4	9.2	7.1

CASH FLOW

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Operating	33.8	26.7	22.4	19.5
Pre-tax profit	31.7	20.7	15.4	11.8
Tax	(10.0)	(6.2)	(4.6)	(3.5)
Deprec. & amort.	5.2	5.6	5.4	5.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	5.9	5.8	5.4	5.1
Non-cash items	0.1	0.0	0.0	0.0
Other operating cashflows	0.8	0.8	0.8	0.8
Investing	(25.4)	(15.5)	(19.8)	(10.4)
Capex (growth)	(24.1)	(10.0)	(0.1)	(0.1)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(1.4)	(5.5)	(19.7)	(10.3)
Financing	(7.5)	(5.4)	(8.9)	(8.9)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(1.5)	(1.5)	(5.0)	(5.0)
Others/interest paid	(6.0)	(3.9)	(3.9)	(3.9)
Net cash inflow (outflow)	0.9	5.9	(6.3)	0.2
Beginning cash & cash equivalent	51.4	52.3	58.2	51.9
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	52.3	58.2	51.9	52.1

BALANCE SHEET

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Fixed assets	27.5	28.4	28.4	28.4
Other LT assets	6.9	4.3	6.8	6.8
Cash/ST investment	52.3	58.2	51.9	52.1
Other current assets	20.7	22.1	21.0	20.1
Total assets	107.4	112.9	108.1	107.4
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	34.2	35.5	34.9	34.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	4.1	8.3	4.1	4.1
Shareholders' equity	56.5	56.5	56.5	56.5
Minority interest	9.1	9.1	9.1	9.1
Total liabilities & equity	107.4	112.9	108.1	107.4

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	31.6	23.7	19.0	15.5
Pre-tax margin	34.3	24.2	19.5	16.0
Net margin	19.8	14.5	11.7	9.6
ROA	17.2	11.3	8.4	6.6
ROE	37.1	22.0	16.4	12.6
Growth				
Turnover	(1.7)	(7.3)	(7.9)	(6.3)
EBITDA	1,030.0	(30.4)	(26.1)	(23.8)
Pre-tax profit	508.4	(34.6)	(25.7)	(23.2)
Net profit	479.7	(31.9)	(25.7)	(23.2)
Net profit (adj.)	479.7	(31.9)	(25.7)	(23.2)
EPS	479.5	(31.9)	(25.7)	(23.2)
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	(92.6)	(103.0)	(91.8)	(92.2)
Interest cover (x)	39.9	n.a.	n.a.	n.a.

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