

SMALL/MID CAP HIGHLIGHTS

RH Petrogas (RHP SP)

Inexpensive Upstream Oil Company With Drilling Catalysts In 2023

RH Petrogas is an Indonesia-focused oil & gas company with two assets in West Papua. In the last five years, RHP has performed well operationally, with growth in its oil production, and good cost control. Importantly, the company has grown its reserves over the 2017-22 period without any acquisitions. With nearly 91% oil production, RHP is very leveraged to oil prices. The company currently trades on an EV/boe of US\$1.88/boe and 2022 ex-cash PE of 2.6x.

WHAT'S NEW

- **An oil & gas company focused on Indonesia.** Over the past five years, RH Petrogas (RHP) has undergone asset rationalisation and sold off two of its assets – one high-cost oil production asset in China, and another exploration asset in Malaysia. As a result, it currently only has two producing assets in Indonesia: the Kepala Burung Production Sharing Contract (PSC) and the Salawati PSC, both of which are located onshore West Papua. RHP owns 70% of these PSCs while its 30% partner is Indonesia's national oil company, Pertamina.
- **Strong execution ability.** Unlike other SGX-listed oil & gas companies, RHP has shown very good execution ability in the past five years with 5% production CAGR over the 2017-21 period while its operating costs per barrel of oil equivalent (boe) has declined by 2% CAGR over the same period. Importantly, its 2P oil and gas reserves have grown by 18% and 37% CAGR over the same period to 31.4mmbbl and 19.2bcf respectively as at 1 Jan 22. As at the beginning of 2022, its reserves-to-production ratio was just over 20 years.
- **Key initiatives to strengthen the company in 2021.** One of the key initiatives that strengthened RHP's balance sheet occurred in 3Q21 when the company's major shareholders converted their interest-free shareholder loans amounting to US\$15.5m into equity in the company at a price of S\$0.172/share. As a result, RHP's negative equity position at end-20 turned positive: as at end-1H22, the company had no debt and US\$51m in cash, equivalent to S\$0.08/share or 42% of its current share price.
- **Potential positive newsflow in 2023.** RHP plans to drill three wells in 2023, one exploration well in each of its PSCs, as well as one development well in the Kepala Burung PSC in 2023. According to the company, its seismic data indicates that its exploration well at Kepala Burung will target over 1tcf of natural gas which would be material to a company of RHP's size. Given its net cash position, we believe RHP may also look to acquire or farm into prospective assets in the Asian region.
- **Appears inexpensive on various metrics.** Based on annualised 1H22 EPS as reported by the company, RHP trades at a PE of 4.5x; however given its large cash holdings as at 30 Jun 22, its PE on an ex-cash basis would be 2.6x. In 1H22, RHP generated an ROE of 99% and free cash flow of US\$2.3m.

KEY FINANCIALS

Year to 31 Dec (\$m)	2018	2019	2020	2021	1H22
Net turnover	61.9	65.1	50.5	82.5	56.7
EBITDA	13.4	14.8	10.1	49.1	29.4
Operating profit	8.9	2.5	(0.4)	43.8	26.8
Net profit (rep./act.)	3.8	2.1	(3.7)	23.6	12.4
Net profit (adj.)	3.8	2.1	(3.7)	23.6	12.4
EPS	0.51	0.29	-0.51	3.20	1.49
PE (x)	26.1	46.3	n.a.	4.2	9.0
P/B (x)	n.a.	n.a.	n.a.	5.9	3.6
EV/EBITDA (x)	5.2	4.7	6.9	1.4	1.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.1	3.2	(7.4)	28.6	21.9
Net debt/(cash) to equity (%)	(107.2)	(132.5)	(72.4)	(180.2)	(151.7)
Interest cover (x)	29.9	11.2	7.0	29.9	45.6
ROE (%)	n.a.	n.a.	n.a.	n.a.	98.9

Source: RH Petrogas, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.189
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

RH Petrogas Limited is an independent oil and gas company with two production assets onshore Indonesia. As at end-1H22, it had 34.6mmboe of 2P reserves with over 90% of this being oil.

STOCK DATA

GICS sector	Industrial
Bloomberg ticker	RHP SP
Shares issued (m):	834.2
Market cap (\$m):	157.8
Market cap (US\$ m):	112.7
3-mth avg t'over (US\$ m):	1.0

Price Performance (%)

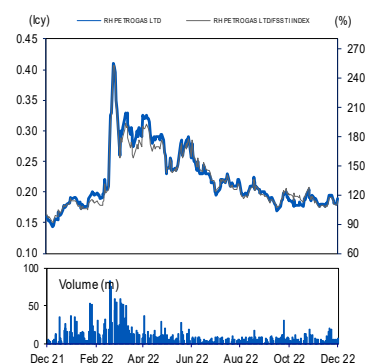
52-week high/low S\$0.430/S\$0.143

1mth	3mth	6mth	1yr	YTD
(6.7)	(9.5)	(35.4)	14.6	11.0

Major Shareholders

	%
Woodville International	36.25
Sharptone Investments Ltd	15.94
RH Capital	13.24
NAV/Share (US\$)	0.04
Net Cash/Share (US\$)	0.06

PRICE CHART

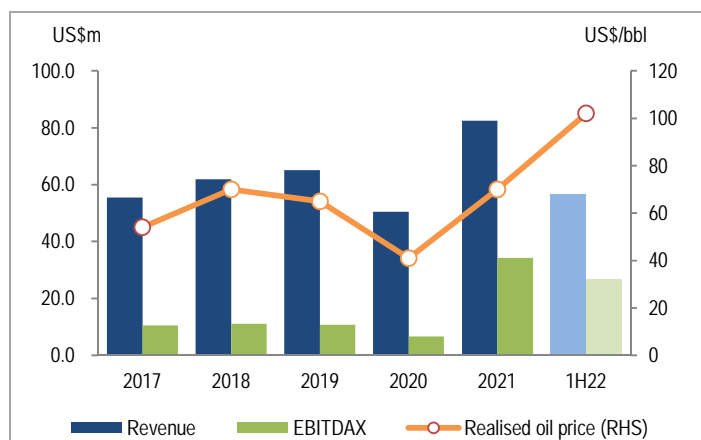


Source: Bloomberg

ANALYST(S)

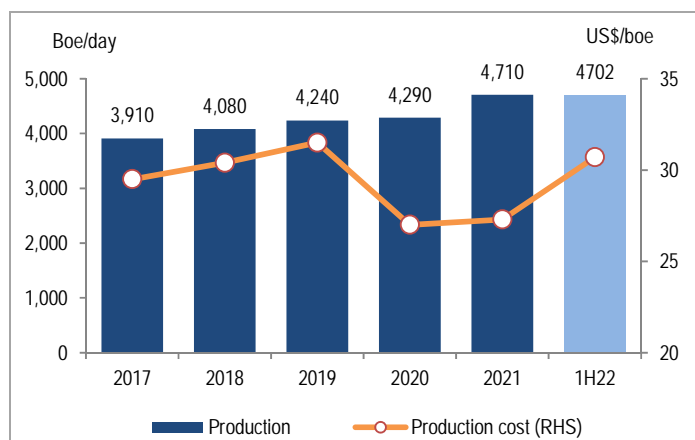
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HISTORICAL REVENUE VS REALISED OIL PRICE



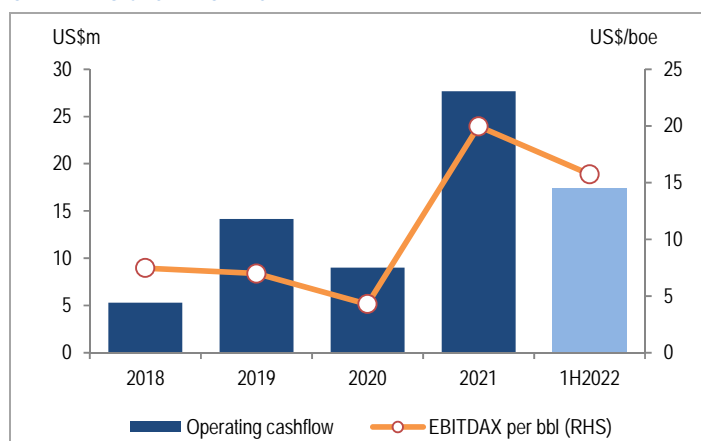
Note: EBITDAX = earnings before interest, tax, depreciation and exploration expense
Source: RH Petrogas

HISTORICAL PRODUCTION VOLUME VS PRODUCTION COST



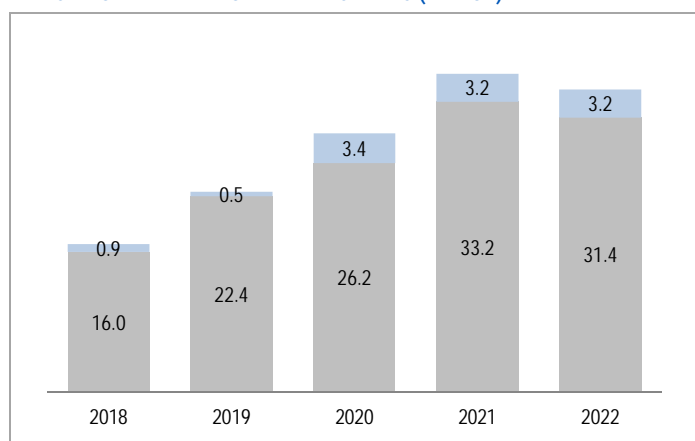
Note: boe = barrels of oil equivalent
Source: RH Petrogas

OPERATING CASH FLOW VS EBITDAX PER BBL



Source: RH Petrogas

RHP'S PROVEN AND PROBABLE RESERVES (MMBOE)



Note: Data as at 1 Jan for the respective years, certified by independent qualified person and based on RHP's effective working interests
Source: RH Petrogas

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 12 Dec 22 (lcy)	Market Cap (US\$m)	PE			P/B			ROE 2022F (%)	Yield 2022F (%)	Net Gearing (%)
					2021 (x)	2022F (x)	2023F (x)	2021 (x)	2022F (x)	2023F (x)			
REX Int'l	REXI SP	SGD	0.23	221	3.3	8.9	1.9	1.2	n.a.	n.a.	n.a.	n.a.	(27.1)
Interra Resources	ITRR SP	SGD	0.032	15	6.1	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	(4.6)
Oil & Natural Gas	ONGC IN	INR	142.35	21,668	3.9	3.6	3.6	0.7	0.6	0.5	17.7	10.3	38.3
PTTEP	PTTEP TB	THB	171.50	19,582	17.5	8.7	9.4	1.7	1.5	1.3	16.9	5.1	6.4
CNOOC	883 HK	HKD	9.85	63,291	5.6	3.0	3.3	0.8	0.7	0.6	25.0	15.7	(19.1)
Woodside	WDS AU	AUD	35.10	45,039	11.5	6.5	7.9	1.7	1.2	1.2	24.5	11.4	7.1
Santos	STO AU	AUD	7.11	15,961	15.6	5.9	6.7	1.2	1.0	0.9	18.4	4.0	26.5
APA Corp	APA US	USD	43.91	14,118	16.9	5.0	4.8	n.a.	22.1	7.3	(586.6)	1.4	346.6
EOG Resources	EOG US	USD	124.06	72,872	15.4	8.7	8.3	3.3	2.9	2.4	34.6	6.1	1.2
Average					10.6	6.3	5.7	1.4	4.3	2.1	(64.2)	7.7	41.7
RH Petrogas	RHP SP	SGD	0.181	111	4.2	n.a.	n.a.	5.9	n.a.	n.a.	n.a.	n.a.	(86.9)

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (US\$m)	2019	2020	2021	1H22
Net turnover	65.1	50.5	82.5	56.7
EBITDA	14.8	10.1	49.1	29.4
Deprec. & amort.	12.3	10.5	5.2	2.6
EBIT	2.5	(0.4)	43.8	26.8
Total other non-operating income	0.0	0.0	(0.0)	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(1.3)	(1.5)	(1.6)	(0.6)
Pre-tax profit	1.2	(1.9)	42.2	26.2
Tax	(2.5)	(3.0)	(14.9)	(11.0)
Minorities	3.4	1.1	(3.7)	(2.8)
Net profit	2.1	(3.7)	23.6	12.4
Net profit (adj.)	2.1	(3.7)	23.6	12.4

BALANCE SHEET

Year to 31 Dec (US\$m)	2019	2020	2021	1H22
Fixed assets	11.1	16.8	12.2	9.6
Other LT assets	5.3	6.6	6.8	6.2
Cash/ST investment	9.5	14.9	33.8	47.5
Other current assets	16.2	12.9	13.2	15.2
Total assets	42.1	51.1	66.0	78.5
ST debt	0.5	0.1	0.0	0.0
Other current liabilities	35.8	42.2	36.2	36.1
LT debt	26.0	26.7	0.0	0.0
Other LT liabilities	1.7	12.9	7.9	5.1
Shareholders' equity	(12.8)	(16.4)	18.8	31.3
Minority interest	(13.2)	(14.3)	3.1	5.9
Total liabilities & equity	38.0	51.1	66.0	78.5

CASH FLOW

Year to 31 Dec (US\$m)	2019	2020	2021	1H22
Operating	15.3	9.0	27.7	17.4
Profit to the year	1.2	(1.9)	42.2	26.2
Tax	(2.5)	(3.0)	(14.9)	(11.0)
Deprec. & amort.	12.3	10.5	5.2	2.6
Associates	0.0	0.0	0.0	0.0
Working capital changes	3.3	0.1	0.8	(2.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	1.0	3.2	(5.7)	1.8
Investing	(12.3)	(1.4)	(1.5)	(15.0)
Capex (growth)	(9.6)	(0.3)	(0.8)	(0.0)
Investment	0.0	0.0	0.0	0.0
Others	(2.7)	(1.0)	(0.7)	(15.0)
Financing	(5.9)	2.7	(7.3)	(3.6)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	3.1	2.1	(1.7)	0.0
Loan repayment	(3.3)	(2.1)	0.0	(3.7)
Others/interest paid	(5.7)	2.7	(5.6)	0.0
Net cash inflow (outflow)	(2.9)	10.4	18.9	(1.3)
Beginning cash & cash equivalent	7.4	4.5	14.9	33.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	4.4	14.9	33.8	32.5

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	1H22
Profitability				
EBITDA margin	22.7	20.0	59.5	51.9
Pre-tax margin	1.9	(3.7)	51.2	46.2
Net margin	3.2	(7.4)	28.6	21.9
ROA	5.0	(8.0)	40.3	34.3
ROE	n.a.	n.a.	n.a.	49.4
Growth				
Turnover	5.2	(22.5)	63.3	43.5
EBITDA	10.2	(31.7)	384.9	44.6
Pre-tax profit	(85.8)	n.a.	n.a.	61.0
Net profit	(43.6)	n.a.	n.a.	78.3
Net profit (adj.)	(43.6)	n.a.	n.a.	78.3
EPS	(43.6)	n.a.	n.a.	57.5
Leverage				
Debt to total capital	62.9	52.4	0.0	0.0
Debt to equity	(206.9)	(163.1)	0.0	0.0
Net debt/(cash) to equity	(132.5)	(72.4)	(180.2)	(151.7)
Interest cover (x)	11.2	7.0	29.9	45.6

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