

Perisai Petroleum

Buy *(new)*

Share price: RM0.87
Target price: RM1.13 *(new)*

Wong Chew Hann, CA
wchewh@maybank-ib.com
(603) 2297 8688



Stock Information

Description: An oil & gas service provider owning a MOPU, a pipelay barge and 8 OSVs

Ticker:	PPT MK
Shares Issued (m):	851.8
Market Cap (RM m):	741.0
3-mth Avg Daily Turnover (USD m):	3.32
KLCI:	1,588.10
Free float (%):	46.8

Major Shareholders:	%
Ezra	23.8
Mercury Pacific Marine	10.6
Lynear Plus	8.2

Key Indicators

Net cash / (debt) (RM m):	(223.7)
NTA/shr (RM):	0.27
Net Gearing (x):	0.7

Historical Chart



Performance:
52-week High/Low RM1.04/RM0.455

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(5.9)	39.2	17.6	13.0	17.6
Relative (%)	(7.8)	28.3	15.0	8.1	13.8

New assets, new prospects

Initiate coverage with a Buy and RM1.13 target price. Perisai, with its financial muscle, is strongly tipped to enter the rewarding floating solutions market with Ezra as its strategic partner. This is a major catalyst and would provide greater earnings visibility, making it a growth stock with inexpensive valuations at 1-2x EV/EBITDA and single-digit prospective earnings. Our 11x 2013 PER target is consistent with the average for peers with a market cap of below RM1b.

From then to now. Perisai is today a structurally divergent entity compared to eight years ago. Over 2004 to 2012 year to date, Perisai has remodeled its business, revamped its management and received a makeover in its shareholding. The restructured entity is now an enterprising group, with three core operations – a mobile offshore production unit (MOPU), pipe-lay vessel and offshore supply vessel (OSV) chartering businesses.

Earnings to quadruple in 2012. In terms of income distribution, the MOPU charter to Petronas Carigali Sdn Bhd (PCSB) is Perisai's biggest earnings contributor (65% net profit), followed by the Enterprise 3 pipelay vessel (25%) and eight OSVs under 51%-owned Intan Offshore (10%). With Perisai receiving full-year profit contributions from the MOPU operations in 2012, group earnings are on an explosive growth path; net profit is set to quadruple this year to RM86m.

Has the balance sheet for new strategic income-generating assets. With low net debt and net gearing of RM224m and 0.7x respectively, we see Perisai prospecting for new assets for growth. With a high interest cover of 13x, Perisai could leverage up its debt profile by a further RM500m while keeping its net gearing level below the 1.5x threshold. We do not discount the possibility of Perisai venturing into the capex-intensive floating solutions space, drilling rigs or the subsea services-related assets (i.e. pipelay, SURF vessels).

Net assets, new growth. Malaysia is a highly prospective FPSO market. Four floating solution projects are in the pipeline for rollout over the next two years. Securing such contracts would be a major catalyst to Perisai's earnings visibility and business profile. While it lacks a track record, this could be overcome via strategic partnerships with Ezra, its largest shareholder. Co-owning one USD200m FPSO could elevate earnings by 31% p.a., on a 70:30 debt-equity ratio and 30% ROE.

Perisai Petroleum – Summary Earnings Table

Source: Maybank IB

FYE Dec (RM m)	2010A	2011A	2012F	2013F	2014F
Revenue	75.2	82.4	186.3	187.1	188.1
EBITDA	39.9	52.6	137.9	138.7	138.9
Recurring Net Profit	10.3	21.3	86.0	87.9	88.1
Recurring Basic EPS (Sen)	1.5	2.8	10.1	10.3	10.3
EPS growth (%)	(72.6)	87.8	257.4	2.3	0.2
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
PER	57.9	30.8	8.6	8.4	8.4
EV/EBITDA (x)	8.7	7.7	2.3	1.4	0.5
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV(x)	2.5	2.0	1.7	1.4	1.2
Net Gearing (%)	70.6	69.5	30.7	1.4	cash
ROE (%)	4.4	5.7	17.5	14.9	12.8
ROA (%)	4.3	5.4	12.8	11.6	10.5
Consensus Net Profit (RM m)			89.0	92.8	94.4

From then to now

The Perisai Petroleum Teknologi Bhd (Perisai) of today is a very different entity from the one listed on 5 Jul 2004. There have been significant changes to the business model, direction, management and shareholding levels, from then to now.

2004 – 2007: The initial days. Perisai, during the 2004-2007 period and then under the management of Mr Nagendran Nadarajah, was involved in: (i) the provision of corrosion control equipment and services, (ii) structure strengthening services and (iii) subsea diving services, via its 55% shareholding at Allied Marine Equipment (AME). The major shareholders then were Maya Terang (21.3%), Nagendran Nadarajah (8.5%) and Tengku Daud Shaifuddin Bin Tengku Zainuddin (7.0%).

2008: Ventures into pipe-lay business. Perisai, in Sep 2008, expanded its business into pipe-laying vessel charters following the purchase of a 100% stake in SJR Marine (L) Ltd from Mercury Pacific Marine Pte Ltd for USD42m (RM136m). SJR's main asset was a derrick pipelay barge, known as Enterprise 3 (E3). The major shareholders of Mercury Pacific were Datuk Shahril Abdul Jalil and Datuk Ahmad Reza Abdullah.

E3, which was delivered in Nov 2008, came with a bareboat charter contract from TL Offshore (TLO) at a daily rate of USD95,000 until Jun 2013. The M&A was funded via the issuance of shares (86.4m new Perisai shares @ RM1.50/shr) and cash (RM6.5m). Post the SJR acquisition, Mercury Pacific became the largest shareholder of Perisai with a 29.3% stake, following the exit of Tengku Daud.

2009: Business in transition. Perisai sold its entire 51% stake in Bio-X Technologies in Jul 2009 for RM0.6m and halved its stake in Corro-Shield (M) to 30% for RM3.2m in Aug 2009. This marked its exit from the corrosion control equipment and services operations.

Following that, Perisai acquired two old jack-up drilling rigs, namely Hercules 191 and Hercules 255, for USD10m, and tied up with Gryphon Energy (Asia Pacific) via a 49% stake in Phoenix Energy, in Dec 2009. Gryphon is the exclusive licensee of a mobile offshore production and storage unit (MOPSU). With this tie-up and technology in hand, Perisai aims to move into the marginal field segment.

2010: Management, shareholders and contract makeovers. 2010 saw a major revamp of Perisai's management and shareholders.

Ezra, via its 100%-owned HCM Logistics Limited became the second-largest shareholder of Perisai in Apr 2010 following the acquisition of the 19.9% direct and indirect Maya Terang stakes from Nagendran for RM64m (RM0.485 per share).

Ezra (EZRA SP; Not Rated), listed on the Singapore Stock Exchange, is a global O&G service provider in the: (i) subsea construction and maintenance, (ii) drilling support, (iii) towing and mooring, (iv) pipe and cable operations and (v) high speed cargo and crew transportation businesses. These are essentially categorised into four main divisions: (i) subsea services, (ii) offshore support services, (iii) production (through EOC Ltd) and (iv) marine services.

Following the share divestment, Nagendran stepped down as Perisai's managing director but stayed on as a director. In his own personal capacity, he acquired Perisai's two jack-up rigs for RM18.4m, leaving Perisai with just E3 as its main asset.

Nagendran was subsequently replaced by Mr Zainol Izzet Mohamed Ishak who was appointed to the Board in Apr 2010, and subsequently redesignated Managing Director. Prior to this post, Izzet was the Chief Executive Officer of SapuraCrest Petroleum between Jul 2003 and Jan 2010.

Charter rate renegotiated. Perisai also renegotiated the bare-boat charter of the E3 vessel, from a daily charter rate (DCR) of USD93,000 to a fixed fee of USD1.9m a month and an additional USD20,000 a day if utilisation exceeds 270 days in a calendar year. While the revised DCR is 32% below the earlier rate, this is compensated for by the take-or-pay charter days, guaranteeing usage of vessel at a minimum utilisation rate of 74%.

2011: Ventures into offshore support vessel (OSV) market. Perisai acquired a 51% stake in Intan Offshore (Intan) from Ezra for RM45.2m (at 1x book value) via the issuance of 70.7m new Perisai shares at RM0.64 per share. Post the acquisition, Ezra emerged as the largest shareholder of Perisai with a higher 27% stake. Intan has eight vessels (i.e. AHT (2), AHTS (3), crewboat (3)), which are on bare-boat charters.

2012: Enters the floating solutions space, re-emergence of ex-MD Nagendran as a shareholder. Perisai completed the acquisition of the 100% stake in Garuda Energy in Jan 2012 for USD70m. The purchase was paid for with USD50m cash and USD20m in Perisai shares @ RM0.65 per share. Garuda Energy owns a MOPU that came with a 2+1+1 year bare boat charter from Petronas Carigali Sdn Bhd (PCSB).

This deal also marked the re-entry of Nagendran, Perisai's previous MD and also the vendor of Garuda Energy, as a shareholder with an 11.5% stake. Under the deal, the vendor provided a profit guarantee of USD16.7m p.a. for the first two years, corresponding to the period covered by a firm contract.

Nagendran has since reduced his shareholding to about 2% now following the divestment of his shares, one substantial deal of which involved 50m shares (a 5.9% stake) at RM0.88 per share in Feb 2012.

The current Perisai. Perisai's earnings now come mainly from three subsidiaries: SJR Marine (owner and charterer of E3), Intan Offshore (owner and charterer of eight OSVs) and Garuda Energy (owner and charterer of a MOPU unit).

Major shareholders with > 5% equity stakes (%)

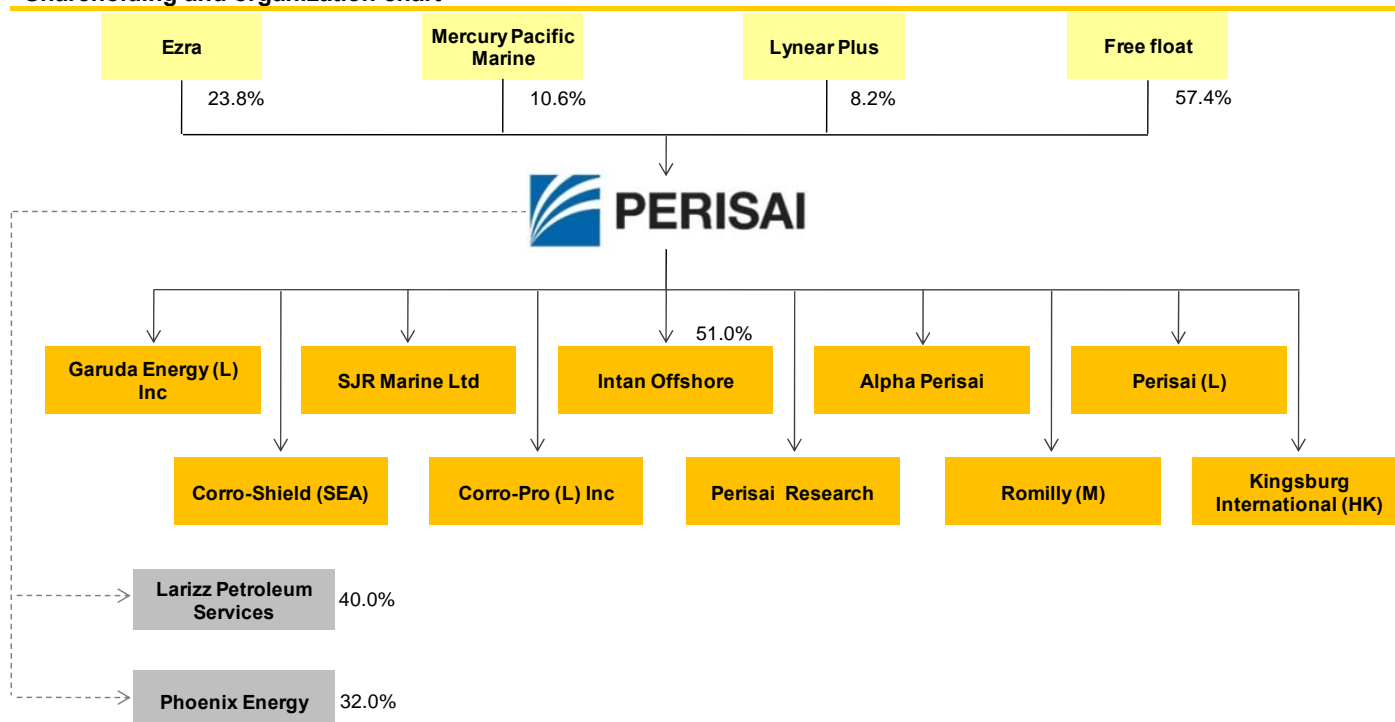
FY Dec	2004	2005	2006	2007	2008	2009	2010	2011	2012#
Maya Terang Sdn Bhd	21.3	21.3	14.1	14.1	10.0	-	-	-	-
Tengku Daud Shaifuddin Bin Tengku Zainudin*	8.9	7.0	7.0	-	-	-	-	-	-
Nagendran a/l C Nadarajah*	8.5	8.5	10.0	7.6	7.2	-	-	-	2.0
Tinggi Tiasa	6.1	5.6	5.6	-	-	-	-	-	-
Mercury Pacific Marine	-	-	-	-	26.0	24.7	23.2	11.8	10.6
HCM Logistics Limited**	-	-	-	-	-	19.9	19.3	27.0	23.8
Lynear Plus Limited***	-	-	-	-	-	-	-	9.3	8.2
No. of shares (m)	208.0	208.0	208.0	208.0	662.4	662.4	683.2	753.5	851.8

*Shareholders in Maya Terang, ** 100% subsidiary of Ezra, *** an investment arm suspected linked to Mercury Pacific Marine

as at Mar 2012

Source: Company, Maybank-IB

Shareholding and organization chart



Sources: Company, Maybank-IB; * 100% owned unless stated otherwise

Changes in operating structure (subsidiaries and associates)

FY Dec	2004	2005	2006	2007	2008	2009	2010	2011	2012
Romilly (M) Sdn Bhd	100%								
Perisai (L) Inc	100%								
Orinippon Trading Sdn Bhd	100%								
Corro-Shield (M) Sdn Bhd	60%					30%			
Fibaroll (SEA) Sdn Bhd	100%								
Impact Surge Sdn Bhd	100%								
Whizz Water Sdn Bhd	37.5%								
Corro-Pro (L) inc		100%							
Merit Composites Sdn Bhd		100%							
Alpha Perisai Sdn Bhd		70%			100%				
Allied Marine & Equipment Sdn Bhd		55%							
Bio-X Technologies Sdn Bhd		51%							
Perisa Research Sdn Bhd			100%						
Kingsburg International Trading Limited (HK)				100%					
Corro-Shield (SEA) Sdn Bhd					100%				
SJR Marine (L) Ltd					100%				
Garuda Energy (L)						100%			
Hummingbird Energy Sdn Bhd						100%			
Phoenix Energy Sdn Bhd						49%			
Larizz Petroleum Services Sdn Bhd							40%		
Intan Offshore Sdn Bhd								51%	
Garuda Energy (L)									100%

Source: Company, Maybank-IB

0% holding

Growth drivers

Three core earnings drivers. Perisai's profits are generated mainly from three major operations, namely:

- (i) **MOPU.** This is Perisai's largest earnings contributor, estimated to account for 41% and 55% of group's revenue and pretax profit respectively. The bare-boat charter unit will generate USD25m (RM75m) p.a. in revenue with a net profit of USD16.7m (RM50m) p.a. guaranteed by the vendor over 2012-13 (i.e. the firm contract period).

Perisai's client, PCSB, which currently deploys the MOPU for its Bekok field operations, has the option to extend the usage of the MOPU to 2014 and 2015, should the need arise.

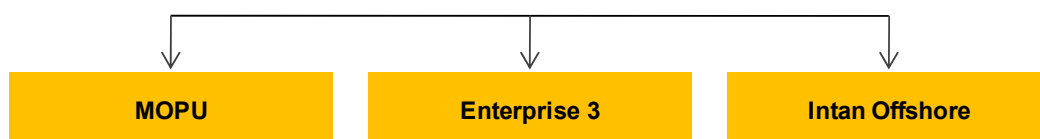
- (ii) **E3 vessel.** We estimate the E3 vessel to contribute revenue of RM68m p.a. (base case) in 2012-14, backed by a firm charter rate of USD1.9m (RM5.7m) per month for a guaranteed 270 days. While the contract is set to expire by June 2013, the prospect for a contract extension is high, considering that the vessel is deployed for TLO's 3+1+1+1 years' contract with Petronas Carigali, which covers various locations in Malaysia.

- (iii) **Intan Offshore's eight OSVs.** This is the third income base for Perisai, fuelled by the bare-boat charters of eight offshore support vessels (OSVs). Based on its 51% shareholding level, we expect Perisai to consolidate RM8m of Intan's forecast net profit of RM18m in 2012 and RM9m in 2013-14, on potential RM1-2m in tax savings - we understand that Perisai is in the midst of transferring the eight vessels to a Labuan tax-haven company.

In terms of contract profile, five vessel charters (i.e. 3 crewboats – Sarah Gold, Sarah Jade and Sarah Pearl, 1 AHTS – Lewek Swift and 1 AHT – Bayu Intan) will expire between Aug and Nov 2012.

Set for explosive earnings growth in 2012. Against this backdrop, we expect Perisai to quadruple its net profit from RM21m in 2011 to RM86m in 2012. The underlying growth will be driven mainly by the full year profit impact from its MOPU unit, accounting for 65% of Group net earnings. The remaining 35% will come from: (i) the charter of the E3 vessel (25%) and (ii) Intan Offshore's operations (10%). Following that, Perisai's earnings trajectory will turn flattish in 2013-14, with growth expected at just 1-2% YoY, in the absence of new income-generating assets.

Perisai's operating assets



	MOPU	Enterprise 3	Intan Offshore
% ownership	100%	100%	51%
Annual revenue (RM m)	RM80m	RM70m	RM40m
Contract expiry	Sep 2013 +1+1 Client: Petronas Carigali Day-rate: USD70.2k Vendor's profit guarantee: USD16.7m p.a. for 2012-13	Jun 2013 Client: TLO Charter-rate: USD1.9m per month+USD20k if > 270 days	2012-15 Bareboat chartered to Ezra Vessel's contract profile: <ul style="list-style-type: none"> • Sarah Pearl: Aug 2012 • Sarah Jade: Aug 2012 • Sarah Gold: Sep 2012 • AHT Bayu Intan: Nov 2012 • AHS Lewek Swift: Dec 2012 • AHT Lewek Eagle: Apr 2013 • AHS Lewek Mallard: Jan 2014 • AHS Lewek Emerald: Sep 2015

Source: Company

Snapshot of Enterprise 3 pipelay barge

**Description:**

Flag	: Malaysian
Year Built	: 2008
Length (m)	: 120.0
Pax	: 300 men
Main crane capacity (mt)	: 800.0
Pipe size (")	: 6-36
Next drydock due date	: Jan 2014

Source: Company

Sarah Gold – Crew boat (50 pax)



Source: Company

Sarah Pearl – Crew boat (50 pax)



Source: Company

Sarah Jade – Crew boat (80 pax)



Source: Company

Lewek Mallard – AHTS (7,340 bhp)



Source: Company

Lewek Emerald – AHTS (11,000 bhp)



Source: Company

Lewek Swift – AHTS (12,240 bhp)



Source: Company

Bayu Intan – AHT (4,200 bhp)



Source: Company

Lewek Eagle – AHT (4,200 bhp)



Source: Company

Opportunities

Has the balance sheet to spur growth. Perisai has alluded to the fact that it is exploring new opportunities in the O&G market as it plans to expand its offshore marine assets. We reckon that Perisai has the balance sheet to support this capital-intensive business. With low net debt and net gearing of RM224m and 0.7x respectively as at Dec 2011, it could leverage up its debt profile by a further RM500m while keeping its net gearing level below the 1.5x threshold.

Not ruling out a floating solutions asset. We estimate that the extra debt headroom of RM500m is sufficient for Perisai to fund a new small-sized FPSO. As a benchmark, the cost of constructing/converting a small-sized FPSO from an existing tanker (<80,000 bpd capacity) range between USD300m-USD500m. The cost of modifying an existing smaller unit is estimated at USD100m-USD250m. Hypothetically, FPSO ownership fits its investment criteria of a profitable long term earnings growth prospect with rewarding IRR returns.

Malaysia: A prime target market. Malaysia is a highly prospective market for Perisai, should it aspire to venture into the floating solutions space. 4 floating solution projects are in the pipeline for rollout over the next 24 months. The fields that we identify and are of interest are the:

- (i) Kamelia,
- (ii) Belud,
- (iii) Bunga Dahlia and Teratai and
- (iv) Spaoh fields.

Prospective floating solution projects identified

Country	Operator	Description
Malaysia	PETRONAS/ Hess/ Shell	<ul style="list-style-type: none"> • Up to 4 FPSO projects could be awarded this year in Malaysia. They are: <ul style="list-style-type: none"> (i) Hess' SB 302 (Belud @ North Sabah), (ii) Hess' PM301/PM325 (Kamelia @ North Malay basin), (iii) Petronas Carigali-Talisman's PM302 (Bunga Dahlia and Teratai @ North Malay basin) and (iv) Shell's Gumusut-Kakap (a temporary FPSO with short-midterm charter) • The first 3 are "fast-tracked" projects brought forward to boost Malaysian gas supply needs; first gas/oil is targeted for 2014 while the last would be a short-term contract. • Kamelia FPSO - Hess is understood to have given a Letter Of Intent (LOI) to Emas Offshore for the supply of a FPSO on a multi-year charter. This is a fast track program, for Hess is expected to begin the charter in 1Q2013. Emas has proposed to modifying the FPSO Lewek Arunothai , currently offshore following the release of charter from the Arthit field offshore Thailand. The FPSO is likely to undergo modification in Singapore or China before commencing contract with Hess. • Belud FPSO - It has been reported that the M3nergy and EMAS Offshore consortium submitted the lowest bid in a recent tender for Hess' Belud FPSO. However, considering that the FPSO Arunothai will be deployed for the Kamelia field, Hess is reported to have offered Bumi and Ramunia-MISC a second chance to match the consortium's bid. • Bunga Dahlia & Teratai FPSOs – PETRONAS-Talisman's Bunga Dahlia/ Teratai projects will require floating solutions for field development. With both fields targeted to achieve first gas by 2014, we expect contract awards sometime this year. Should M3Nergy win the Belud job, we reckon either Bumi or Ramunia-MISC could secure the Bunga Dahlia & Teratai fields. • Spaoh FPSO. The Spaoh field aka NC3 will likely use an FPSO or fixed platform. Further appraisal is being planned. This field will hit first oil by 2014/16.

Sources: International Maritime Associates, Inc, Upstream online, Maybank-IB

Not ruling out investment in subsea services-related assets. This could involve ownership of a (i) pipelay barge or (ii) subsea, umbilicals, risers and flowlines (SURF)-type vessel. Owning the SURF vessel would allow Perisai to spearhead bids for SURF installation and inspection, repair and maintenance (IRM) projects in Asia. Adding another pipelay vessel would enhance its business prospects.

Leveraging on Ezra's strength to fast-track skill sets. While Perisai has no track record in the floating solutions field, this handicap can be overcome, as it could tap onto Ezra's expertise and assets. Ezra is Perisai's largest shareholder with a 24% stake, and a long-term business partner. Ezra is also the other shareholder of Intan Offshore, with a 49% equity stake.

- ❖ **FPSO track record.** In the FPSO space, Ezra's FPSO Lewek EMAS, which has a production and storage capacity of 50,000bpd and 0.65m barrels respectively, was successfully deployed to PetroVietnam's Chim Sao oilfield with first oil production achieved in Oct 2011. The contract, worth USD1b, is for a six-year firm period (from Oct 2011) with the option to extend for a further six years. Ezra also has a smaller FPSO, Lewek Arunothai, which has a design capacity of 175mmscfd of gas and 10,000 bpd of oil, which is currently off-charter.
- ❖ **Pipelay vessel assets.** Hypothetically, should Perisai secure another pipelay contract in Malaysia, we think it would likely engage Ezra as its partner in the vessel space. The vessel could either be a newbuild or an existing unit of Ezra's, which has altogether four units in its fleet. Based on the current market rate, a new 500-tonne pipelay vessel would cost about USD300m.

Ezra's selected offshore marine assets

Type of vessel	Description	Main deck crane (tonne)	Pipe handling system (tonne)	Status	Ownership
Pipe-					
Lewek Champion	DP2, rigid "S" pipelay, heavy lift and accommodation	800	30	Working	100%
Lewek Constellation	Ice-class, deepwater multi-lay vessel with heavy lift capabilities	3000	800	Delivery by 2013	100%
Lewek Crusader	Construction, installation, commissioning, accommodation, DP3, and J-lay	400	150	Working	100%
AMC Connector	Advanced subsea installation, flex lay and construction vessel * cables and SURF	400	6000/3000	Delivery by 2012	50:50 with Aker (cost: USD300m)
Accommodation barge					
No. of pax					
Lewek Conqueror	Accommodation and work barge	228	308	Working	100%
Lewek Chancellor	Accommodation and work barge	225	290	Working	100%
Subsea construction					
Boa Deep C	Offshore construction vessel capable of operating in water depths up to 3,000m (SURF)	250		Working	Chartered till Aug 2013
Boa Sub C	Offshore deepwater construction and flexlay vessel	400		Working	Chartered till Jul 2015
Lewek Falcon	Multifunctional AHTS vessel with ultra deepwater IMR capabilities	150		Working	100%
Lewek Ambassador	Multipurpose offshore support vessel with IMR capabilities	40		Working	100%
Lewek Toucan	Multipurpose offshore support vessel with DSV capabilities	120		Working	Sale & lease back

Sources: Ezra, Maybank-IB

Valuations

The current Perisai. Perisai's earnings come mainly from three subsidiaries, namely SJR Marine (owner and charterer of E3), Intan Offshore (owner and charterer of eight OSVs) and Garuda Energy (owner and charterer of a MOPU unit).

Target price: RM1.13. This is based on a target 2013 PER of 11x, which is strictly the simple average PER for comparables with a market capitalisation of below RM1b. We rule out the notion of valuing its offshore marine assets (i.e. MOPU, pipelay vessel and OSV) on a discounted cash flow (DCF) basis, due to the relatively short-term nature of its contracts (i.e. 1-2 years). Based on the last closing price, this implies a 23% upside to our target price.

Further earnings and target price upside could materialise, should Perisai successfully secure an offshore marine vessel asset (i.e. FPSO, pipelay vessel) with firm contracts. Based on our back of envelope calculation, Perisai should recognize net profit of RM18m-RM27m p.a. respectively, premised on: (i) a 50% equity stake on a USD200m asset cost, (ii) a 70:30 debt-to-equity ratio and (iii) 20-30% ROE assumptions. This equates to a modest 20%-31% net earnings addition and would elevate Perisai's EPS to 12.5-13.5 sen respectively.

Peer comparison of small cap O&G stocks with market cap of below RM1b (calenderised)

Company	Mkt cap	Price	TP	EPS (sen)		EPS growth (%)		PER (x)		DPS (sen)		Div Yield (%)		Net gearing	PBV
	(RM'm)	(RM)	(RM)	12F	13F	12F	13F	12F	13F	12F	13F	12F	13F	(x)	(x)
Alam Maritim	574.7	0.73	0.92	9.9	10.2	177.8	3.4	7.4	7.2	0.0	0.7	0.0	0.9	0.7	1.0
Perdana Pet	321.8	0.65	0.83	4.9	6.7	(163.1)	36.8	13.2	9.7	0.0	0.0	0.0	0.0	0.3	0.7
Tj. Offshore	247.2	0.85	0.70	3.0	3.2	(162.8)	6.8	27.8	26.0	0.0	0.0	0.0	0.0	1.5	0.8
Yinson	329.6	1.75	2.20	16.3	23.4	24.7	44.7	10.7	7.5	2.5	2.5	1.3	1.4	1.7	1.4
Petra Energy *	227.4	1.06	NR	12.7	14.5	605.6	14.2	8.3	7.3	1.8	1.8	1.7	1.7	0.3	0.7
Uzma *	159.2	1.99	NR	18.9	40.0	25.2	111.6	10.5	5.0	2.5	5.9	1.3	3.0	cash	2.2
Handal *	67.2	0.42	NR	3.7	nm	94.7	nm	11.4	nm	1.0	nm	2.4	nm	0.1	0.6
Simple average								12.2	10.1			0.9	1.2	0.7	1.3
Simple average (ex-Tj. Offshore, Uzma)								10.2	7.9			1.1	1.0	0.6	0.9

Source: Maybank-IB* consensus estimates

Risks

Oil price levels affect long-term investment plans. E&P investment plans are dependent on long-term oil price expectations, which can be affected by low and/or volatile oil price levels. Our economics team projects an average crude oil price in 2012 of USD115/bbl (Brent) and USD100/bbl (WTI).

Contractual requirements. Perisai's MOPU contract is a two-year contract with two one-year extension periods. The charter contract for its E3 pipelay vessel will end in June 2013. As for the OSV segment, bare-boat charters for five vessels will expire in 2012, and one each in 2013, 2014 and 2015 respectively. Failure to secure extensions would have an adverse impact on operations and financials.

Directors and Management

Name	Designation	Remarks
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Independent Non-Executive Chairman	<ul style="list-style-type: none"> Over 40 years of experience in the O&G sector and Education Served in Sirim Bhd, Petronas Research & Scientific Services Sdn. Bhd , UKM and Shell Phd Chemical Engineering, Leeds University, BEng, Chemical Engineering, Surrey University, United Kingdom
Zainol Izzet Bin Mohamed Ishak	Managing Director	<ul style="list-style-type: none"> Joined Perisai in April 2010 CEO of SapuraCrest Petroleum from 2003 to 2010, served various roles in the Sapura Group since 1992 MBA , The Cranfield Institute of Technology, UK, BA Actuarial Studies, Macquarie University, Australia
Adarash Kumar A/L Chranji Lal Amarnath	Executive Director	<ul style="list-style-type: none"> CEO EMAS Marine More than 25 years of experience in the marine industry, with stints in Bumi Armada Navigation Sdn Bhd and MISC Qualified Master Mariner, Certificate of Competency Master of Foreign Going Ship (Class 1)
Dato' Yogesvaran A/L T. Arianayagam	Independent Non-Executive Director	<ul style="list-style-type: none"> CEO of Sentosa4D Magix Pte. Ltd., MD Asian Pac Management Sdn. Bhd. Over 30 years of experience in Corporate Finance, Financial Management and in Mergers and Acquisitions. CIMA, MIA
Chan Feoi Chun	Independent Non-Executive Director	<ul style="list-style-type: none"> CEO Swiss Garden International Vacation Club Bhd More than 33 years of experience, with stints in PJD Holdings Berhd and MBF Holdings Masters, Business Studies , University College Dublin, Ireland, ICSA, MIA, CIMA

Source: Company

INCOME STATEMENT (RM m)

FY Dec	2011A	2012F	2013F	2014F
Revenue	82.4	186.3	187.1	188.1
EBITDA	52.6	137.9	138.7	138.9
Depreciation & Amortisation	(22.0)	(35.8)	(36.8)	(36.8)
Operating Profit (EBIT)	30.6	102.1	101.9	102.1
Interest (Exp)/Inc	(4.7)	(8.0)	(8.0)	(8.0)
Associates	(0.0)	0.0	0.0	0.0
One-offs	0.0	0.0	0.0	0.0
Pre-Tax Profit	26.9	96.1	96.9	97.1
Tax	(3.1)	(2.3)	0.0	0.0
Minority Interest	(2.6)	(7.9)	(9.0)	(9.0)
Net Profit	21.3	86.0	87.9	88.1
Recurring Net Profit	21.3	86.0	87.9	88.1
Revenue Growth %	9.6%	126.1%	0.4%	0.5%
EBITDA Growth (%)	32.0%	162.0%	0.6%	0.1%
EBIT Growth (%)	58.9%	233.3%	(0.2%)	0.2%
Net Profit Growth (%)	107.2%	303.9%	2.3%	0.2%
Recurring Net Profit Growth (%)	107.2%	303.9%	2.3%	0.2%
Tax Rate %	11.5%	2.4%	0.0%	0.0%

CASH FLOW (RM m)

FY Dec	2011A	2012F	2013F	2014F
Profit before taxation	21.3	86.0	87.9	88.1
Depreciation	22.0	35.8	36.8	36.8
Net interest receipts/(payments)	4.7	8.0	8.0	8.0
Working capital change	26.7	(31.9)	(0.2)	(0.3)
Cash tax paid	(3.1)	(2.3)	0.0	0.0
Others (incl'd exceptional items)	(19.8)	0.2	(2.0)	(2.0)
Cash flow from operations	51.8	95.7	130.5	130.6
Capex	(0.1)	(5.0)	(5.0)	(5.0)
Disposal/(purchase)	(47.3)	0.0	0.0	0.0
Others	0.7	0.0	0.0	0.0
Cash flow from investing	(46.7)	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	73.2	3.5	0.0	0.0
Equity raised/(repaid)	(63.7)	0.0	0.0	0.0
Dividends (paid)	0.0	0.0	0.0	0.0
Interest payments	0.0	0.0	0.0	1.0
Others	0.0	0.0	0.0	(1.0)
Cash flow from financing	9.5	3.5	0.0	0.0
Change in cash	14.7	94.2	125.5	125.6

Source: Company, Maybank IB

BALANCE SHEET (RM m)

FY Dec	2011A	2012F	2013F	2014F
Fixed Assets	500.8	472.0	443.2	414.4
Other LT Assets	125.6	125.6	125.6	125.6
Cash/ST Investments	40.9	135.1	260.6	386.1
Other Current Assets	109.8	147.9	148.2	148.6
Total Assets	777.1	880.6	977.6	1,074.7
ST Debt	116.5	120.0	120.0	120.0
Other Current Liabilities	114.9	121.1	121.1	121.2
LT Debt	148.0	148.0	148.0	148.0
Other LT Liabilities	24.7	0.0	0.0	0.0
Minority Interest	51.0	58.9	67.9	76.9
Shareholders' Equity	321.9	432.6	520.5	608.6
Total Liabilities-Capital	777.1	880.6	977.6	1,074.7
Share Capital (m)	753.8	851.8	851.8	851.8
Gross Debt/(Cash)	264.5	268.0	268.0	268.0
Net Debt/(Cash)	223.7	132.9	7.5	(118.1)
Working Capital	(80.7)	41.9	167.6	293.5

RATES & RATIOS

FY Dec	2011A	2012F	2013F	2014F
EBITDA Margin %	63.9%	74.0%	74.1%	73.9%
Op. Profit Margin %	37.2%	54.8%	54.5%	54.3%
Net Profit Margin %	25.8%	46.1%	47.0%	46.8%
ROE %	7.7%	22.8%	18.4%	15.6%
ROA %	3.5%	10.4%	9.5%	8.6%
Net Margin Ex. EI %	25.8%	46.1%	47.0%	46.8%
Dividend Cover (x)	nm	nm	nm	nm
Interest Cover (x)	6.5	12.8	12.8	12.7
Asset Turnover (x)	0.1	0.2	0.2	0.2
Asset/Debt (x)	2.9	3.3	3.6	4.0
Debtors Turn (days)	82.2	96.5	133.5	133.4
Creditors Turn (days)	72.0	60.1	83.5	82.6
Inventory Turn (days)	na	na	na	na
Net Gearing %	69.5	30.7	1.4	NA
Debt/ EBITDA (x)	5.0	1.9	1.9	1.9
Debt/ Market Cap (x)	0.4	0.4	0.4	0.4

ANALYSTS' COVERAGE / RESEARCH OFFICES

MALAYSIA

WONG Chew Hann, CA *Head of Research*
(603) 2297 8686 wchewh@maybank-ib.com

- Strategy
- Construction & Infrastructure

Desmond CH'NG, ACA
(603) 2297 8680 desmond.chng@maybank-ib.com

- Banking - *Regional*

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com

- Oil & Gas
- Automotive
- Shipping

ONG Chee Ting
(603) 2297 8678 ct.ong@maybank-ib.com

- Plantations

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com

- Aviation
- Petrochem
- Power

Yin Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com

- Gaming - *Regional*
- Media
- Power

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com

- Property & REITs

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com

- Building Materials
- Manufacturing
- Technology

LEE Cheng Hooi *Head of Retail*
chenghooi.lee@maybank-ib.com

- Technicals

HONG KONG / CHINA

Edward FUNG *Head of Research*
(852) 2268 0632 edwardfung@kimeng.com.hk

- Construction

Ivan CHEUNG
(852) 2268 0634 ivancheung@kimeng.com.hk

- Property
- Industrial

Ivan LI
(852) 2268 0641 ivanli@kimeng.com.hk

- Banking & Finance

Jacqueline KO
(852) 2268 0633 jacquelineko@kimeng.com.hk

- Consumer Staples

Andy POON
(852) 2268 0645 andypoon@kimeng.com.hk

- Telecom & equipment

Samantha KWONG
(852) 2268 0640 samanthakwong@kimeng.com.hk

- Consumer Discretionaries

Alex YEUNG
(852) 2268 0636 alexyeung@kimeng.com.hk

- Industrial

Catherine CHAN
(852) 2268 0631 catherinechan@kimeng.com.hk

- Cement

INDIA

Jigar SHAH *Head of Research*
(91) 22 6623 2601 jigar@kimeng.co.in

- Oil & Gas
- Automobile
- Cement

Anubhav GUPTA
(91) 22 6623 2605 anubhav@kimeng.co.in

- Metal & Mining
- Capital goods
- Property

Haripreet BATRA
(91) 226623 2606 haripreet@kimeng.co.in

- Software
- Media

Ganesh RAM
(91) 226623 2607 ganeshram@kimeng.co.in

- Telecom
- Contractor

Gagan KWATRA
(91) 226623 2612 gagan@kimeng.co.in

- Small Cap

SINGAPORE

Stephanie WONG *Head of Research*
(65) 6432 1451 swong@maybank-ke.com.sg

- Strategy
- Small & Mid Caps

Gregory YAP
(65) 6432 1450 gyap@maybank-ke.com.sg

- Technology & Manufacturing
- Telcos - *Regional*

Rohan SUPPIAH
(65) 6432 1455 rohan@maybank-ke.com.sg

- Airlines
- Marine & Offshore

Wilson LIEW
(65) 6432 1454 wilsonliew@maybank-ke.com.sg

- Hotel & Resort
- Property & Construction

Anni KUM
(65) 6432 1470 annikum@maybank-ke.com.sg

- Conglomerates
- REITs

James KOH
(65) 6432 1431 jameskoh@maybank-ke.com.sg

- Logistics
- Resources
- Small/ Mid cap

Eric ONG
(65) 6432 1857 ericong@maybank-ke.com.sg

- Marine & Offshore
- Transportation
- Energy

Ooi Yi Tung
(65) 6433 5712 ooyitong@maybank-ke.com.sg

- Property & Construction

YEAK Chee Keong, CFA
(65) 6433 5730 yeakcheekeong@maybank-ke.com.sg

- Retail & Consumer
- Engineering
- Infrastructure

Alison FOK
(65) 6433 5745 alisonfok@maybank-ke.com.sg

- Services

Bernard CHIN
(65) 6433 5726 bernardchin@maybank-ke.com.sg

- Conglomerates
- Industrials

INDONESIA

Katarina SETIAWAN *Head of Research*
(62) 21 2557 1125 ksetiawan@kimeng.co.id

- Consumer
- Strategy
- Telcos

Lucky ARIESANDI, CFA
(62) 21 2557 1127 lariesandi@kimeng.co.id

- Base metals
- Coal
- Heavy Equipment
- Oil & Gas

Rahmi MARINA
(62) 21 2557 1128 rmarina@kimeng.co.id

- Banking
- Multifinance

Pandu ANUGRAH
(62) 21 2557 1137 panugrah@kimeng.co.id

- Auto
- Heavy equipment
- Plantation
- Toll road

Adi N. WICAKSONO
(62) 21 2557 1130 anwicaksono@kimeng.co.id

- Generalist

Anthony YUNUS
(62) 21 2557 1134 ayunus@kimeng.co.id

- Cement
- Infrastructure
- Property

Arwani PRANADJAYA
(62) 21 2557 1129 apranadjaya@kimeng.co.id

- Technicals

REGIONAL

WONG Chew Hann, CA
Regional Head of Research
(603) 2297 8686 wchewh@maybank-ib.com

THAM Mun Hon
(852) 2268 0630 thammunhon@kimeng.com.hk

- Regional Strategist

ONG Seng Yeow
(852) 2268 0644 ongsengyeow@maybank-ke.com.sg

- Regional Products & Planning

THAILAND

Mayuree CHOWVIKARN *Head of Research*
(66)-2658-6300 ext 1440 mayuree.c@maybank-ke.co.th

- Strategy

Maria BRENDA SANCHEZ LAPIZ *Co-Head of Research*
Dir (66)-2257-0250 | (66)-2658-6300 ext 1399
Maria.L@maybank-ke.co.th

Suttatip PEERASUB
(66)-2658-6300 ext 1430 suttatip.p@maybank-ke.co.th

- Media
- Commerce

Sutthichai KUMWORACHAI
(66)-2658-6300 ext 1400 sutthichai.k@maybank-ke.co.th

- Energy
- Petrochem

Termporn TANTIVIVAT
(66)-2658-6300 ext 1520 termporn.t@maybank-ke.co.th

- Property

Woraphon WIROONSRI
(66)-2658-6300 ext 1560 woraphon.w@maybank-ke.co.th

- Banking & Finance

Jaroopan WATTANAWONG
(66)-2658-6300 ext 1404 jaroopan.w@maybank-ke.co.th

- Transportation
- Small cap.

Suchot THIRAWANNARAT
(66)-2658-6300 ext 1550 suchot.t@maybank-ke.co.th

- Automotive
- Construction Materials
- Soft commodity

PHILIPPINES

Luz LORENZO *Head of Research*
+63 2 849 8836 luz_lorenzo@maybank-atrke.com

- Strategy

Laura DY-LIACCO
(63) 2 849 8840 laura_dyliacono@maybank-atrke.com

- Utilities
- Conglomerates
- Telcos

Lovell SARREAL
(63) 2 849 8841 lovell_sarreal@maybank-atrke.com

- Consumer
- Media
- Cement
- Mining

Kenneth NERECINA
(63) 2 849 8839 kenneth_nerecina@maybank-atrke.com

- Conglomerates
- Property
- Ports/ Logistics

Katherine TAN
(63) 2 849 8843 kat_tan@maybank-atrke.com

- Banks
- Construction

VIETNAM

Michael KOKALARI, CFA *Head of Research*
+84 838 38 66 47 michael.kokalari@kimeng.com.vn

- Strategy

Nguyen Thi Ngan Tuyen
+84 844 55 58 88 x 8081 tuyen.nguyen@kimeng.com.vn

- Food and Beverage
- Oil and Gas

Ngo Bich Van
+84 844 55 58 88 x 8084 van.ngo@kimeng.com.vn

- Banking

Nguyen Quang Duy
+84 844 55 58 88 x 8082 duy.nguyenquang@kimeng.com.vn

- Rubber

Dang Thi Kim Thoa
+84 844 55 58 88 x 8083 thoa.dang@kimeng.com.vn

- Consumer

Nguyen Trung Hoa
+84 844 55 58 88 x 8088 hoa.nguyen@kimeng.com.vn

- Steel
- Sugar
- Macro

ECONOMICS

Suhaimi ILIAS *Chief Economist*
(603) 2297 8682 suhaimi_ilias@maybank-ib.com

- Singapore | Malaysia

Luz LORENZO *Economist*
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com

- Philippines | Indonesia

APPENDIX 1

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HOLD	Total return is expected to be between -15% to 15% in the next 12 months
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Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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<p>Philippines Maybank ATR Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200 Tel: (63) 2 849 8888 Fax: (63) 2 848 5738</p>	<p>Thailand Maybank Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)</p>	<p>Vietnam <i>In association with</i> Kim Eng Vietnam Securities Company 1st Floor, 255 Tran Hung Dao St. District 1 Ho Chi Minh City, Vietnam Tel : (84) 838 38 66 36 Fax : (84) 838 38 66 39</p>	<p>Saudi Arabia <i>In association with</i> Anfaal Capital Villa 47, Tujjar Jeddah Prince Mohammed bin Abdulaziz Street P.O. Box 126575 Jeddah 21352 Tel: (966) 2 6068686 Fax: (966) 26068787</p>
<p>South Asia Sales Trading Connie TAN connie@maybank-ke.com.sg Tel: (65) 6333 5775 US Toll Free: 1 866 406 7447</p>	<p>North Asia Sales Trading Eddie LAU eddielau@kimeng.com.hk Tel: (852) 2268 0800 US Toll Free: 1 866 598 2267</p>		

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Maybank Investment Bank Berhad (15938-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur
 Tel: (603) 2059 1888; Fax: (603) 2078 4194

Stockbroking Business:

Level 8, Tower C, Dataran Maybank, No.1, Jalan Maarof 59000 Kuala Lumpur
 Tel: (603) 2297 8888; Fax: (603) 2282 5136

<http://www.maybank-ib.com>