



### HIBISCUS PETROLEUM BERHAD

**Neutral**

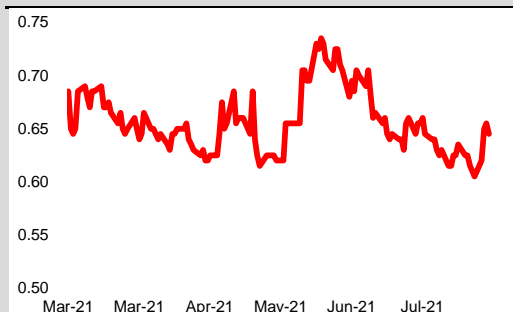
#### DESCRIPTION

An oil and gas production and development company, currently producing average 3,500bbls/day. Hibiscus has two producing fields currently namely Anasuria Cluster in UK and North Sabah in Malaysia.

**12-Month Target Price** RM1.31  
**Current Price** RM1.37  
**Expected Return** -4.4%

**Market** Main  
**Sector** Oil & Gas  
**Bursa Code** 5199  
**Bloomberg Ticker** HIBI MK  
**Shariah-compliant** Yes

#### SHARE PRICE CHART



**52 Week Range (RM)** 0.60 – 1.51  
**3-Month Average Vol ('000)** 41,107.3

#### SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	12.3	11.4	75.5
Relative Returns	15.8	15.5	83.6

#### KEY STOCK DATA

<b>Market Capitalisation (RMm)</b>	2,757.0
<b>No. of Shares (m)</b>	2,012.4

#### MAJOR SHAREHOLDERS

	%
Polo Investments Limited	6.9
Hibiscus Upstream Sdn Bhd	5.4
Pereira Kenneth Gerard	3.5

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## Expecting Strong 4QFY22

Stripping off exceptional items amounting to RM276.2m which includes RM317.3m arising from negative goodwill and impairment of intangible assets of RM44.9m for its Australian assets, Hibiscus Petroleum (Hibiscus) reported core net profit of RM31.3m (-9.3% YoY, 36.6% QoQ) in 3QFY22, on the back of higher revenue of RM297.1m (+37.5% YoY, 4.5% QoQ). For cumulative 9MFY22, the Group reported core net profit of RM122.3m, increasing from RM63.5m in 9MFY21. This quarter marks the first contribution from the newly acquired Repsol assets though recognition was just for ~2 months. The Group sold around 2.1 mmbbls of crude oil in nine offtakes within the period. This quarter alone, it sold a total of 471,973 bbls of crude oil at average realised oil price of USD101.62/bbl. The results make up 45.5% of our full-year expectations and 38.2% of consensus. Earnings are expected to be stronger in 4QFY22 nonetheless, with the full consolidation of the Repsol assets' earnings. As such, no changes are made to our FY22-24 earnings estimates. Our call for Hibiscus is lowered to **Neutral** given the downside to our unchanged SOTP based TP of RM1.31.

§ **QoQ highlights.** The Group reported core net profit of RM31.3m (-36.6% QoQ) in 3QFY22 despite slightly higher revenue (+4.5% QoQ) of RM297.1m. The higher revenue reflects recognition from the newly-acquired assets, amounting to RM124.84m, though offset by lower revenue generated in North Sabah and Anasuria field. Overall, the Group reported core net profit of RM31.3m after excluding one-off entries i.e., i) negative goodwill of RM317.3m, ii) provision for impairment of RM44.9m and iii) unrealised forex gain of RM3.8m. To note, 3QFY22 normalised EBITDA was higher, though normalised net profit was lower due to additional depreciation and amortisation charge from the newly-acquired assets. Only one crude oil offtake was recognised post-acquisition, instead of the customary three crude oil offtakes per quarter however.

§ **Lower uptime and 1 offtake in North Sabah.** The asset sold 300,252 bbls of crude oil in one offtake during the quarter. The oil production was also lower than expected, at 4,695 bbls/day due to unplanned production interruptions in Jan 2022 as well as the commencement of annual planned major maintenance campaign in March 2022. As a result, average uptime achieved was lower at 87%, against 92% in the previous quarter though OPEX/bbl was manageable at USD12.89 (USD13.06/bbl). The field reported RM113.1m revenue and RM48.1m EBITDA in 3QFY22, translating to an EBITDA margin of 42.5% (57.2% in 2QFY22), remaining healthy despite lesser crude oil sold and maintenance works performed during the quarter.

§ **Rectification works at Anasuria in progress** and on track for completion in 3QCY22 (1QFY22). Currently, production is still affected due to the malfunction of a critical component at the subsea infrastructure since May 2021 which requires it to be isolated from the primary production system. This isolation has affected its overall daily production rate, average uptime and OPEX/bbl i.e., currently at 1,702 bbls/day, 68% and USD25.34/bbl respectively. Total oil sold was lower, attributed to an over-lift volume of 90,000 bbls which occurred during Dec 2021.

§ **Maiden contribution from new assets.** This quarter marks the first contribution from the newly-acquired assets though contribution was just ~2 months. The assets reported normalised EBITDA and net profit of RM72.8m and RM17.6m respectively, after excluding negative goodwill of RM317.3m. The assets sold 97,417 bbls of crude oil at an average realized price of USD122.93/bbl and exported 2,553 MMscf gas at a price of USD6.98/Mscf. OPEX/bbl was USD11.93/bbl.

**KEY FORECAST TABLE**

FYE Jun (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	646.5	804.8	1,289.6	1,654.6	1,453.1	31.0%
Gross Profit	397.7	500.8	998.2	1,272.6	1,094.1	40.1%
Pre-tax Profit	25.3	167.6	441.7	619.6	544.9	178.2%
Net Profit	-49.3	103.7	268.7	407.8	348.1	n.m.
Core Net Profit	71.1	116.2	268.7	407.8	348.1	69.8%
EPS (Sen)	-3.1	5.9	11.4	17.4	14.8	n.m.
P/E (x)	n.m	19.3	10.0	6.5	7.7	
DPS (Sen)	0.0	0.5	1.0	1.0	1.0	
Dividend Yield (%)	0.0	0.4	0.9	0.9	0.9	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Jun</u> <u>(RM m)</u>	<u>3Q</u> <u>FY22</u>	<u>3Q</u> <u>FY21</u>	<u>2Q</u> <u>FY22</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YTD</u> <u>FY22</u>	<u>YTD</u> <u>FY21</u>	<u>YTD</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
<b>Revenue</b>	<b>297.1</b>	<b>216.0</b>	<b>284.4</b>	<b>37.5</b>	<b>4.5</b>	<b>828.2</b>	<b>551.8</b>	<b>50.1</b>	
Gross Profit	261.9	149.9	192.1	74.7	36.3	611.4	329.2	85.7	
Other Income	4.0	7.2	0.3	-44.5	1466.7	4.5	13.6	-66.9	
Expenses	-236.1	-79.9	-93.0	195.7	153.8	-402.2	-220.3	82.6	
Finance costs	-16.6	-12.1	-10.6	36.2	56.2	-36.9	-31.9	15.6	
Pretax Profit	330.4	65.0	88.7	408.6	272.6	493.8	89.6	450.9	
Taxation	-22.9	-32.9	-40.2	-30.6	-43.1	-96.3	-35.6	170.7	
<b>Net Profit</b>	<b>307.5</b>	<b>32.0</b>	<b>48.5</b>	<b>860.2</b>	<b>534.3</b>	<b>397.6</b>	<b>54.1</b>	<b>635.1</b>	
<b>Core Net Profit</b>	<b>31.3</b>	<b>34.5</b>	<b>49.4</b>	<b>-9.3</b>	<b>-36.6</b>	<b>122.3</b>	<b>63.5</b>	<b>92.5</b>	
EPS (sen)	15.3	1.6	2.4	861.0	534.0	19.8	2.9	583.4	

**Margins (%):**

Gross Profit	88.2	69.4	67.6		73.8	59.7
Pre-tax Profit	111.2	30.1	31.2		59.6	16.2
Core Net Profit	10.5	16.0	17.4		14.8	11.5

Source: Company

**Table 2: Performance Indicators For Anasuria Cluster**

<u>Achieved For</u>	<u>3QFY21</u>	<u>4QFY21</u>	<u>1QFY22</u>	<u>2QFY22</u>	<u>3QFY22</u>
Average Daily Oil Production Rate (bbl/day)	2,463	1,402	1,904	2,087	1,702
Average Daily Gas Export Rate (boe/day) (conversion rate of 6,000 scf/boe)	354	240	301	310	281
Average Oil Equivalent Production Rate (boe/day)	2,816	1,642	2,206	2,396	1,983
Total Oil Sold (bbl)	274,996	254,945	191,770	256,224	74,304
Total Gas Exported (mmscf)	191	131	166	171	152
Average Realised Oil Price (USD/bbl)	54.04	62.67	76.31	72.02	122.28
Average Gas Price (USD/mmbtu)	2.30*/5.36~	2.60*/5.80~	4.56*/10.44~	20.11*/23.69~	23.18*/27.82~
OPEX (USD/boe)	18.15	38.22	27.94	24.31	25.34
Average Uptime / Availability Of Anasuria Facilities (%)	91	53	69	75	68

Source: Company      Note: \* Cook field, ~Guillemot A, Teal and Teal South Fields

**Table 3: Performance Indicators For North Sabah**

<u>Achieved For</u>	<u>3QFY21</u>	<u>4QFY21</u>	<u>1QFY22</u>	<u>2QFY22</u>	<u>3QFY22</u>
Average Gross Oil Production (bbl/day)	17,796	17,281	14,368	16,305	14,445
Average Net Oil Production (bbl/day)	6,585	6,394	5,185	5,937	4,695
Total Oil Sold (bbls)	599,948	608,006	565,292	587,374	300,252
Average Realised Oil Price (USD/bbl)	60.46	72.07	75.01	75.15	89.58
OPEX (USD/bbl)	10.91	15.67	19.14	13.06	12.89
Average Uptime (%)	95	95	81	92	87

Source: Company

**Table 4: Performance Indicators For Repsol's assets (February – March 22)**

<u>Achieved For</u>	<u>Kinabalu Oil PSC</u>	<u>PM3 CAA PSC</u>	<u>Total</u>
Average Gross Oil Production (bbl/day)	10,217	14,340	25,355
Average Net Oil Production (bbl/day)	2,946	2,467	5,742
Average Gross Gas Export Rate (boe/day)	-	37,116	37,116
Average Net Gas Export Rate (boe/day)	-	7,212	7,212
Average Net Oil & Equivalent Production (boe/day)	-	9,679	12,954
Total Oil Sold (bbl)	02	89,669	97,417
Total Gas Exported (mmscf)	-	2,553	2,553
Average Realised Oil Price (USD/bbl)	-	123.69	122.93
Average Gas Price (USD/mmscf)	-	6.98	6.98
OPEX (USD/boe)	14.15	10.96	11.93
Average Uptime (%)	77	96	92

CAA: Commercial Arrangement Area  
Source: Company

**Table 5: Summary of Operational Performance for 3QFY22**

<u>Achieved For</u>	<u>North Sabah</u>	<u>Anasuria Cluster</u>	<u>Repsol Assets*</u>	<u>Total</u>
Average Gross Oil Production (bbl/day)	14,445	5,566	25,355	45,366
Average Net Oil Production (bbl/day)	4,695	1,702	5,742	12,139
Average Gross Gas Export Rate (boe/day)	-	1,300	37,116	38,416
Average Net Gas Export Rate (boe/day)	-	281	7,212	7,493
Average Net Oil & Equivalent Production (boe/day)	4,695	1,983	12,954	19,632
Total Oil Sold (bbl)	300,252	74,304	97,417	471,973
Total Gas Exported (mmscf)	-	152	2,553	2,705
Average Realised Oil Price (USD/bbl)	89.58	122.28	122.93	101.62
Average Gas Price (USD/mmscf)	-	30.26	6.98	8.29
OPEX (USD/boe)	12.89	25.34	11.93	13.73
Average Uptime (%)	87	68	92	-

\*Repsol Assets: February – March 2022  
Source: Company

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Jun (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	646.5	804.8	1,289.6	1,654.6	1,453.1
Cost of sales	-248.8	-304.0	-291.5	-382.0	-359.0
Operating Profit	213.7	393.7	740.3	991.3	876.2
Other Expenses	-145.0	-182.8	-258.5	-331.7	-291.3
Finance Costs	-43.0	-42.2	-40.0	-40.0	-40.0
Pre-tax Profit	25.3	167.6	441.7	619.6	544.9
Net Profit	-49.3	103.7	268.7	407.8	348.1
<b>Growth</b>					
Revenue (%)	-34.6	24.5	28.1	28.3%	-12.2%
Pre-tax Profit (%)	-93.5	>100.0	>100.0	33.9%	-11.6%
Net Profit (%)	>-100.0	>100.0	>100.0	51.8%	-14.6%

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Jun (RM m)	2020A	2021A	2022F	2023F	2024F
Equipment	587.4	604.8	959.0	1,008.1	1,097.5
Cash and Cash Equivalents	176.8	303.2	226.4	603.8	842.6
Receivables, deposits and prepayment	175.2	182.8	238.0	305.2	267.9
Other Assets	1,486.7	1,697.2	1,026.8	1,030.7	1,029.7
<b>Total Assets</b>	<b>2,426.1</b>	<b>2,788.0</b>	<b>2,450.2</b>	<b>2,947.8</b>	<b>3,237.7</b>
Payables	4.8	9.6	225.1	271.7	236.4
Borrowings	74.3	26.8	0.0	0.0	0.0
Deferred Tax Liabilities	485.8	472.0	319.9	363.0	338.2
Other Liabilities	639.9	805.7	193.1	193.1	193.1
<b>Total Liabilities</b>	<b>1,204.8</b>	<b>1,314.1</b>	<b>738.1</b>	<b>827.8</b>	<b>767.7</b>
Shareholders' Equity	1,221.3	1,473.9	1,712.1	2,119.9	2,470.0
<b>Total Equity and Liabilities</b>	<b>2,426.1</b>	<b>2,788.0</b>	<b>2,450.2</b>	<b>2,947.8</b>	<b>3,237.7</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Jun	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	0.6	0.7	0.90	1.11	1.30
NTA Per Share	0.5	0.7	0.37	0.59	0.77
EPS (Sen)	-3.1	5.9	11.4	17.4	14.8
DPS (Sen)	0.0	0.5	1.0	1.0	1.0
Payout Ratio (%)	0.0	8.5	8.7	5.8	6.7
ROA (%)	-2.0	3.7	11.0	13.8	10.8
ROE (%)	-4.0	7.0	15.7	19.2	14.1

Source: Company, PublicInvest Research estimates

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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