MONEY TALK

Sona Petroleum (SONA MK)

Decent Chance Of Gains From Both Outcomes

Sona will seek shareholders' approval for the purchase of the Stag Oilfield (QA) on 26 April. If the QA is not approved, shareholders can expect proceeds of a maximum of RM0.48/share (excluding various costs). If the QA is approved, the target price would be RM0.54/share if oil prices recover to US$80/bbl beyond 2020. Assuming no risks to both assumptions, shareholders may stand to be winners in both outcomes. The asset will have no upside if the long-term oil price is <US$70/bbl. Initiate coverage with BUY and target price of RM0.54.

INVESTMENT HIGHLIGHTS

- **Potential for shareholders to be winners in both outcomes.** Sona Petroleum (Sona) will seek shareholders' approval for the qualifying acquisition (QA) on 26 April at a purchase price of US$25m. Independent reserve consultants Gaffney, Cline & Associates (GCA) deem the purchase consideration fair at a cost (2P reserves) of about US$1.5/boe, based on a 2P reserve estimate of 17.6MMboe. This is a cash generating asset that has a technical remaining field life of 21 years. Based on the assumptions on both outcomes detailed below, shareholders can stand a decent chance of seeing investment gains.
- **Max cash value of RM0.48/share for distribution.** Assuming the QA is not approved, shareholders (ex-management which owns 20% stake) can expect a distribution of a maximum of RM0.48/share (9% upside), which reflects the current cash trust amounts and is based on the assumption of 4% interest earned for one more year. The uncertainty lies in the time that the company will take to liquidate and this might take 6-12 months. Costs that may reduce the max proceeds are: a) running operating costs, b) liquidation and distribution-related expenses, and c) tax payable on new interest earned on the trust funds.
- **Plans and scenarios: If the QA is approved.** After the US$25m purchase, Sona will carry out a two-phase infill development plan (total US$110m) by 1Q17 and 2Q18 respectively, which will enhance long-term production rates by 35% from 4,600bpd of oil in 2016. The cash trust amounts and the Stag's operating cash flows are expected to be sufficient to fund the infill development. They do not expect to take up borrowings. If shareholders approve the QA, the asset could be value-accretive in the long term against the backdrop of a prolonged oil price recovery, and/or if cost reductions are greater than expected (please see below). In this case, we have detailed DCFs based on oil price scenarios, valuing production up till 2028 – the last year expected for commercial production of 2P reserves, according to GCA.
- **Target prices from a scenario-based analysis.** Assuming the QA is approved and oil prices increase progressively to US$80/bbl by 2020 amid minor cost reductions, our target price for Sona would be RM0.54 (including RM0.08 capital repayments, 24% upside). On the flip side, a depressed oil price environment (long-term oil prices <US$70/bbl) will remove the asset's upside from the current share price. Stag's net present value (NPV) breakeven is US$45/bbl. Note that our valuation is more bullish vs the consultant's valuation, as they have assumed abandonment costs after 2028.

KEY FINANCIALS

Year to 31 Dec (RMm)	2014	2015
Net Turnover	-	-
EBITDA	(23.5)	(11.8)
Operating Profit	-	-
Net Profit (Reported/Actual)	(28.5)	(17.5)
Net Profit (Adjusted)*	(28.5)	(17.5)
EPS (sen)	(0.02)	(0.01)
PE (x)	-	-
P/B (x)	18.00	46.60
Net Dividend Yield (%)	-	-
Net Margin (%)	-	-
Net Debt/(Cash) to Equity (x)	-	-
ROE (%)	-	-
Consensus Net Profit	-	-
UOBKH/Consensus (x)	-	-

** No net profit forecasts pending the outcome of the QA. If QA is approved, net profits for 2015/2016F could be RM5-12m*
Source: Sona, Bloomberg, UOB Kay Hian

BUY

(Initiate Coverage)

Share Price	RM0.44
Target Price	RM0.54
Upside	+24.0%

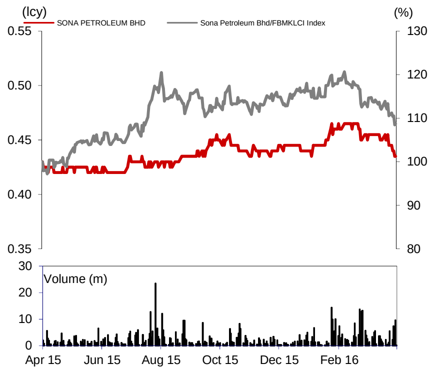
COMPANY DESCRIPTION

Sona Petroleum is a special purpose acquisition company (SPAC)

STOCK DATA

GICS sector	Energy
Bloomberg ticker	Sona MK
Shares issued (m)	1410
Market cap (RMm)	634.8
Market cap (US$m)	157.4
3-mth avg turnover (US$m)	0.4

PRICE CHART



Source: Bloomberg

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INVESTMENT HIGHLIGHTS

- **Max distribution of RM0.48/share, under the scenario of QA not being approved.** Assuming the QA is not approved, shareholders (ex-management which owns 20% stake) can expect a repayment of a maximum of RM0.48/share (9% upside), which reflects the current cash trust amounts and assumes a 4% interest earned for one more year. The uncertainty lies in the time that the company will take to liquidate and this may take 6-12 months. Costs that may reduce the max proceeds include: a) running operating costs, b) liquidation and distribution-related expenses, and c) tax payable on new interest earned on the trust funds.

- **Potential upside if QA is approved.** If shareholders approve the QA, the asset could be long-term value-accretive in the case of a long-term oil price recovery, and/or if cost reductions are greater than expected. An oil price scenario analysis allows us to value Sona's production profile up till 2028 – the last expected year of 2P commercial production according to GCA (detailed in our valuation and scenario analysis highlights). Overall, if oil prices increase progressively to US$80/bbl by 2020 amid minor cost reductions, Sona's target price would be RM0.54 (including RM0.08 capital repayments). On the flip side, long-term oil prices <US$70/bbl will remove the upside from the current share price. The NPV break-even of the asset would be US$45/bbl.

- **Range of target prices on oil price and cost scenario analysis.** Between the oil price curve range of US$45/bbl to US$100/bbl (in 2020), the target prices range between RM0.08-0.81 (including capital repayments). Assuming a US$80/bbl oil price by 2020 but with cost increases/reductions between +30% to -30% for Sona factored in, our target prices would range between RM0.39-RM0.65. More information can be found in our scenario analysis and valuation sections.

- **Some information on the Stag and Hart Prospects.** The Stag Oilfield is an oilfield located in offshore Western Australia in shallow waters (50m water depth). The Stag was discovered in Jun 93 and commercial production began in May 98. Crude production is currently processed into a fixed central production facility platform (50,000 bpd capacity), where it is then transported by pipelines into a floating storage and offloading (FSO) that has a storage capacity of 700,000 bbl. The 2C contingent reserves are estimated to be 4.9MMboe. Aside from this, the oilfield includes the Hart Prospect, located in the south-eastern part of the oilfield. Hart will be classified as exploration-stage prospects. Based on a 63% geological chance of success, GCA estimates Hart Prospect would have resources of 6.4 MMboe.

- **Immediate cash flow generation.** In 2015, the Stag Oilfield recorded production of 4,600 bpd of oil from 12 horizontal wells. If the QA is approved, a two-phase infill development plan (total US$110m) will be carried out by 1Q17 and 2Q18. This is expected to boost the field's operating life and long-term production by 35%. Sona's internal funds and the Stag's operating cash flows are expected to be sufficient to fund the infill development and the exploration capex for Hart. Sona does not expect to take up borrowings.

FIGURE 1: CAPEX PLANS FOR INFILL DEVELOPMENT OF STAG

Expected completion timeline	Description	Drilling Cost		
			Equivalent	
		A$ m	US$ m	RM m
Completion by 1Q2017	**First Phase of Infill Development** ▪2 subsea vertical pilot wells (West / East) ▪1 infill producer well (West)	47.4	35.6	139.9
Completion by 2Q2018	**Subsequent Phase of Infill Development** ▪2 infill producer wells (West) ▪1 infill producer well (East) ▪1 water injection well (East)	100.0	75.0	295.1
	TOTAL	**147.4**	**110.6**	**435.0**

Source: Sona, UOB Kay Hian

- **Opportunities for enhanced production costs.** With the 100% operatorship, Sona is confident that it will be able to lower the production break-even of the project. Management targets to lower costs by 10%/5-10% in 2016/17 respectively, from the 2015 base of US$53m. The overall production cost/bbl could be lowered from US$34/bbl in 2H15 to US$24/bbl by 2018. This is in line with the ongoing trends of lower rig rates as well as standardisation and automation (reduced manning power). There is also an opportunity to rationalise the cost of leasing the FSO, which is 15% of the overall opex of the project.

- **Management makes a higher commitment.** Unlike Sona's previous bids for the Bualang assets in Thailand and other special purpose acquisition companies (SPAC), Sona has now imposed a stricter moratorium on management shares which was extended from 2018 to late-19. This is to demonstrate its confidence in executing the plans for the project. The moratorium will be in place until the production licence is renewed for at least a year. In addition, management re-iterated its commitment as it offers to convert some of its warrants to fund any shortfall to the proposed RM0.08/share capital repayment to shareholders during its upcoming EGM for the QA approval. The management team held senior positions in major O&G companies, and have a collective 300 years of experience.

FINANCIAL HIGHLIGHTS AND ASSUMPTIONS

FIGURE 2: PROJECT CASH FLOW FORECASTS (BASED ON LONG-TERM OIL PRICE OF US$80/BBL)

(US$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	70.3	87.6	122.3	121.5	125.0	125.2	117.8	106.9	95.0	83.0	73.2	65.7	59.9
- Operating Costs	(57.5)	(58.1)	(58.7)	(59.2)	(59.8)	(60.4)	(47.5)	(47.9)	(48.3)	(48.7)	(49.2)	(49.6)	(50.0)
- Drilling Capex	0.0	(36.0	(72.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
No. of Wells for Infill Drilling	n.a.	3	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Maintenance capex	(5.00)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Pre-tax Cash Flow	5.5	(11.5	(13.3	33.1	28.0	29.3	34.6	29.3	23.3	17.8	13.2	7.8	3.4
- Royalty	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- PRRT, 40%	0.0	0.0	0.0	(10.0)	(20.2)	(18.0)	(15.8)	(12.2)	(8.4)	(3.8)	(0.2)	0.0	0.0
- Corporate Tax, 30%	(2.3)	n.a.	n.a.	(14.2)	(12.0)	(12.5)	(14.8)	(12.5)	(10.0)	(7.6)	(5.6)	(3.3)	(1.5)
Post-tax Net Cash Flow	5.5	(11.5)	(13.3)	33.1	28.0	29.3	34.6	29.3	23.3	17.8	13.2	7.8	3.4

Source: GCA, UOB Kay Hian

- **Cash flow projections in line with GCA's.** Our cash flow projections for the Stag project is in line with the consultant's (shown in Page 4) but with major differences in oil price assumptions and further minor cost savings expected from 2022 onwards. We also do not assume abandonment costs. The key assumptions that are aligned with ours are: a) cost of operating the platforms and leasing the FSO (15% of total opex), b) drilling capex taking into account management's infill drilling plans (3-6 wells in 2017/2018), c) US$5m maintenance capex per year, and d) tax assumptions: Petroleum Resource Rent Tax (PRRT) at 40% of receipts net expenditures for E&P, and corporate income tax at 30% of the net cash flow amount after PRRT. These are GCA's expectations.

FIGURE 3: OIL PRODUCTION VOLUMES ASSUMPTION

bbl (2P reserves)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Low: >5 Natural Decline	4.09	3.72	4.58	4.00	3.62	3.27	2.97	2.70	2.47	2.25	2.06	1.89	1.74
Base	4.59	4.44	5.35	4.67	4.28	4.04	3.80	3.45	3.06	2.68	2.36	2.12	1.93
High: <4% Natural Decline	4.27	4.17	5.78	5.61	5.23	4.66	4.53	4.23	3.95	3.69	3.46	3.24	3.04

Source: GCA, UOB Kay Hian

- **Oil production volumes assumption.** We chose the base case scenario of the consultant's production profile estimates for the Stag's 2P reserve. The key difference was the degree of the expected natural decline of production from existing wells.

FIGURE 4: OPEX COST/BBL ASSUMPTION

(US$/bbl)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
UOBKH Assumption	28.4	29.6	24.8	28.7	31.5	33.7	29.0	32.2	36.5	42.1	48.1	54.0	59.7
GCA Assumption	30.8	31.8	26.4	30.3	33.7	36.4	39.5	44.4	50.9	59.5	68.8	n.a.	n.a.

Source: GCA, UOB Kay Hian

- **We expect more cost savings vs GCA's assumptions.** Like GCA, we expect operating costs to inflate by 2% p.a.. However, we expect more cost savings vs GCA's assumption in the longer term, which may arise from innovations in project design, reduction in manpower (or increase automated processes) or possible tie-ins with other offshore infrastructures. Sona may also renegotiate for lower prices on existing contracts. For instance, it is renegotiating the lease of the FSO Dampier Spirit (which accounts for 15% of total opex). This is realistic as the industry is expected to be in a continuous shift towards cost deflation and standardisation.

VALUATION

FIGURE 5: UOBKH PROJECTION OF POST-TAX CASH FLOW VALUATION OF STAG OILFIELD 2P RESERVES AT US$80/BBL BRENT BY 2020

(US$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Post-tax Net Cash Flow	12.5	(1.4)	(3.1)	40.4	35.4	36.8	39.7	34.4	28.6	23.1	18.6	13.3	9.0
Discount Rate 10%	1.00	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.85	3.14
NPV	12.5	(1.3)	(2.5)	30.3	24.2	22.8	22.4	17.7	13.3	9.8	7.2	4.7	2.9

		Comments
Cumulative NPV	163.9	Based on long-term oil price curve at US$80/bbl by 2020.
Abandonment Costs	n.a.	We assume the company will set plans to monetize more prospective resources, or sell the assets to another party beyond 2028.
NPV in RMm Terms	655.8	Multiply by US$/RM of 4.00.
Valuation/share (RM)	0.46	RM0.54/share on Sona's share price before capital repayment.

Source: GCA, UOB Kay Hian

- **Max distribution of RM0.48/share, under scenario of QA not being approved.** Assuming the QA is not approved, shareholders (ex-management which owns 20% stake) can expect a repayment of a maximum of RM0.48/share (9% upside), which reflects the current cash trust amounts and assumes a 4% interest earned for one more year. The uncertainty lies in the time that the company will take to liquidate, which may take 6-12 months. The costs that may reduce the max proceeds are: a) running operating costs, b) liquidation and distribution-related expenses, and c) tax payable on interest earned on the trust funds.

- **UOBKH target price of RM0.54/share on scenario of QA being approved.** Assuming oil prices increase progressively to US$80/bbl by 2020, and minor cost reductions initiatives are in place, Sona's target price would be RM0.54 (including RM0.08 capital repayments) on equity value at a discount rate of 10% (ie cost of equity). Sona is not expected to take up borrowings to fund the project. Note that we have fixed our 2016/17 oil price assumptions at US$42/bbl and US$54/bbl respectively in all case scenarios; these are consensus Brent projections as well. We do not assume abandonment costs after 2028, as the field operator may either discover more commercial reserves or they may sell the asset to a new party for the prospective resources given that the field life can be extended until 2039.

FIGURE 6: COMPARISON TO GCA PROJECTION OF POST-TAX CASH FLOW VALUATION

(US$m)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Oil Price (US$/bbl)	40.9	47.6	60.0	70.0	71.4	72.8	74.3	75.8	77.3	78.8	80.4	n.a.	n.a.
Post-tax Net Cash Flow	(25.6)	(56.4)	48.7	38.7	24.1	20.9	18.0	13.9	9.5	4.5	0.3	(67.4)	n.a.
Discount Rate 10%	1.00	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.85	n.a.
NPV	(25.6)	(51.3)	40.2	29.1	16.5	13.0	10.2	7.1	4.4	1.9	0.1	(23.6)	n.a.

		Comments
Cumulative NPV	22.1	GCA assumes abandonment costs of US$67m in 2027.
NPV in RMm Terms	92.4	Multiply by US$/RM of 4.00.
Valuation/share (RM)	0.07	Note this is GCA's assumptions.

Source: GCA's assumptions, Page 159 of Sona's Circular to Shareholders dated 21 Jan 2016 on the Proposed QA

- **Comparison against GCA's estimates.** Although our assumptions are largely in line with the consultant's, there are still some key differences: a) GCA assumes near-term oil prices would remain depressed at <US$50/bbl until 2018 vs our 2017 assumption of US$54/bbl; b) GCA's opex/bbl assumption is slightly above ours'; and c) GCA assumes abandonment costs by 2027. This analysis assumes that the operator will do nothing to enhance reserves or production

SCENARIO ANALYSIS

- **Oil price scenarios.** We have detailed below an analysis of the Stag Oilfield's equity valuations based on the long-term oil price movements. We found that the higher the price, the steeper the long-term oil price curve. If long-term oil prices are >US$90/bbl, Sona could be worth >RM0.68. On the flip side, a depressed oil price environment (long-term oil prices <US$70/bbl) will remove the upside from current share price. The NPV breakeven of the asset is at an oil price of US$45/bbl, as per management's guidance.

FIGURE 7: SCENARIO ANALYSIS OF STAG VALUATIONS BASED ON OIL PRICE CURVE

Oil Price Target By 2020 (US$/bbl)	NPV of Stag Oilfield Production Profile (Based on 2P Reserves Up To 2028), RM (US$/RM of 4.00)	Including Capital Repayments (RM)
45	0.00	0.08
50	0.06	0.14
60	0.19	0.27
70	0.33	0.41
80	0.46	0.54
90	0.60	0.68
100	0.73	0.81

Source: GCA, UOB Kay Hian

- **Cost scenarios.** We have also detailed scenarios on potential cost reductions or increases. If the project delivers further cost reductions of as high as 30%, Sona could be worth RM0.65/share (including RM0.08/share capital repayments). If operating costs spike against expectations, the NPV of the field will decrease substantially.

FIGURE 8: SCENARIO ANALYSIS OF STAG VALUATIONS BASED ON COST ASSUMPTIONS ASSUMING LONG-TERM OIL PRICE AT US$80/BBL

Cost Increase/(Savings) (%)	NPV of Stag Oilfield Production Profile (RM/share)	Opex/barrel By 2020 (US$/bbl)
-30%	0.57	26.6
-20%	0.53	28.6
-10%	0.49	30.5
0%	0.46	32.5
+10%	0.40	34.4
+20%	0.35	36.4
+30%	0.31	38.2

Source: GCA, UOB Kay Hian

RISKS

- **Investment risks if QA is approved.** Earnings risks would come from: Slower-than-expected oil price recovery, higher capital and operating costs, worse-than-expected decline in production volumes.
- **Investment risks if QA is not approved.** Higher costs, more time taken for liquidation and return of proceeds to shareholders.

APPENDIX

- **Licence.** Upon the target acquisition completion by Apr 16, Sona will assume the economic benefits of the project effective Jul 15. Sona will have two licences – a production licence to explore and recover petroleum, and a pipeline licence for the right to operate pipelines. The production licence for the field expires in 2018, but is highly likely to be renewed for another 21 years (ie the field's expected commercial life) as long as there is no breach in conditions or refusal in licence renewal. The FSO lease is up till 2024.
- **Favourable fiscal regime.** The production licence in Australia is akin to a concession regime, but is more straightforward vs the concession system of the Bualang assets. This regime involves a 40% petroleum resource rent tax (PPRT) and 30% corporate income tax, but without royalties and domestic market regulation. The PPRT is deductible on various expenditures. Sona estimates the contractor net take (the after-tax profits for the operators after the government) to be higher than the same regimes from other Southeast Asian countries.
- **Stag crude – well received by Asian buyers.** Stag crude is heavy (API 19) but is of high quality due to its low-sulphur (0.14%), and high distillate content (>50%) composition. It is highly sought after by key customers mainly in Asia/North Asia for naphtha/distillate/boiler fuel usage and as blending stock. Due to its quality, Stag crude is traditionally priced at a premium to Brent. The premium had historically been as high as US$6-7/bbl, and traders currently forecast a premium of >US$1.5/bbl going forward.

FIGURE 9: STAG OILFIELD LOCATION

Source: Sona, UOB Kay Hian

FIGURE 10: 2P/2C RESERVES PROFILE

	1P	2P	3P
Gross Field Reserves, MMbo	13.3	17.2	25.6
	1C	2C	3C
Gross Field Contingent Resources, MMbo	5.2	4.9	2.7
	Low	Best	High
Prospective Resources, MMbo	3.0	6.4	16.0

Source: Sona, UOB Kay Hian

COMPANY BACKGROUND

- **From SPAC to upstream operator.** Sona Petroleum is a SPAC launched by a highly competent team of O&G professionals, and with plans to add qualifying acquisitions (QA), especially shallow-water and production-stage assets to its portfolio.

FIGURE 11: BOARD OF DIRECTORS

Name	Position	Details
Andreas Johannes Raymundus van Strijp	Independent Non-Executive Chairman	• He was the head of drilling for the Shell Group between 1995-96. • He has more than 30 years of experience in the Exploration, development and production (E&P) within the O&G industry.
Dato' Sri Hadian Bin Hashim	Managing Director	• He worked closely with partners such as Petronas and Sarawak Shell Bhd. • He has more than 30 years of experience in the Exploration, development and production (E&P) within the O&G industry.
Dato' Maznah Binti Abdul Jalil	Executive Director	• She is the CFO. • She has more than 30 years of experience in corporate advisory within both private and public companies.
Dato' Mohamed Sabri Bin Mohamed Zain	Non-Independent Non-Executive Director	• He was the Senior Manager of Petronas operations in Vietnam and General Manager for Petronas Carigali's operations throughout the Middle East and Asia. • He has more than 30 years of experience working in Petronas, where he spent a significant amount of time in development and production of O&G assets
Datuk Seri Panglima Sulong Bin Matjeraie	Independent Non-Executive Director	• He was the Federal Court Judge before his retirement in 2013. • He has more than 30 years of experience in legal and judicial works.
Dato' Mohamed Khadar Bin Merican	Independent Non-Executive Director	• He is the chairman of RHB Capital. • He has more than 30 years of experience in financial and general management
Myo Thant	Non-Independent Non-Executive Director	• He was the head of offshore operations for Shell in the Netherlands. • He has more than 30 years of experience in E&P within the O&G industry.
Anton Tjahjono	Non-Independent Non-Executive Director	• He held various positions in PT Tranaco and the Indonesian Gas Association. • He has more than 30 years of experience in the O&G industry.

Source: Sona

FINANCIAL STATEMENTS

PROFIT & LOSS

Year to 31 Dec (RMm)	2014	2015
Net Turnover	-	-
EBITDA	(23.5)	(11.8)
Depreciation & Amortisation	0.1	0.1
EBIT	-	-
Associate Contributions	-	-
Net Interest Income/(Expense)	-	-
Pre-tax Profit	-	-
Tax	-	-
Minorities	-	-
Net Profit	(28.5)	(17.5)
Net Profit (Adjusted)	(28.5)	(17.5)

BALANCE SHEET

Year to 31 Dec (RMm)	2014	2015
Fixed Assets	0.4	0.3
Other LT Assets	-	-
Cash/ST Investment	545.5	540.4
Other Current Assets	1.3	5.1
Total Assets	547.2	545.8
ST Debt	-	-
Other Current Liabilities	11.7	532.3
LT Debt	504.5	-
Other LT Liabilities	504.5	-
Shareholders' Equity	31.0	13.5
Minority Interest	-	-
Total Liabilities & Equity	547.2	545.8

CASH FLOW

Year to 31 Dec (RMm)	2014	2015
Operating	1.7	(5.1)
Pre-tax Profit	(25.4)	(13.5)
Tax	3.7	3.3
Depreciation & Amortisation	0.1	0.1
Associates	-	-
Working Capital Changes	23.3	5.0
Other Operating Cashflows	(14.9)	(13.5)
Investing	-	-
Capex (Growth)	-	-
Investments	-	-
Proceeds from Sale of Assets	(14.9)	(13.5)
Others	-	-
Financing	-	-
Dividend Payments	-	-
Issue of Shares	-	-
Proceeds from Borrowings	-	-
Loan Repayment	-	-
Others/Interest Paid	(13.3)	(18.6)
Net Cash Inflow (Outflow)	44.4	31.1
Beginning Cash & Cash Equivalent	-	-
Changes Due to Forex Impact	31.1	12.5
Ending Cash & Cash Equivalent	1.7	(5.1)

KEY METRICS

Year to 31 Dec (%)	2014	2015
Profitability	-	-
EBITDA Margin	-	-
Pre-tax Margin	-	-
Net Margin	-	-
ROA	-	-
ROE	-	-
	-	-
Growth (%)	-	-
Turnover	-	-
EBITDA	-	-
Pre-tax Profit	-	-
Net Profit	-	-
Net Profit (Adjusted)	-	-
EPS	-	-
	-	-
Leverage (%)	-	-
Debt to Total Capital	-	-
Debt to Equity	-	-
Net Debt/(Cash) to Equity	-	-

Bloomberg Consensus

Recommendation		Buy	Sell	Hold
20/4/2016		0%	0%	0%
Target Price				-
Upside				-
Income Statement	**12/15**	**12/16E**	**12/17E**	**12/18E**
Revenue	0	-	-	-
Gross Income	0	-	-	-
Operating Income	(12)	-	-	-
Pretax Income	(13)	-	-	-
Net Income Adjusted	(17)	-	-	-
EPS Adjusted	(0.01)	-	-	-
Dividends Per Share	0.00	-	-	-
Payout Ratio (%)	-	-	-	-
EBITDA	(12)	-	-	-

Valuation Ratios	12/15	12/16E	12/17E	12/18E
PE	-	-	-	-
EV/EBIT	-	-	-	-
EV/EBITDA	-	-	-	-
P/S	-	-	-	-
P/B	46.6	-	-	-
Div Yield	0.0%	-	-	-
Profitability Ratios %				
Gross Margin	-	-	-	-
EBITDA Margin	-	-	-	-
Operating Margin	-	-	-	-
Profit Margin	-	-	-	-
Return on Assets	(3.2)	-	-	-
Return on Equity	(78.7)	-	-	-

Peer Comparison	Ticker	Price @ 20 Apr 16	Market Cap (RMm)	-----PE----- FY15 (x)	FY16 (x)	-----P/B----- FY16 (x)	FY17 (x)	Yield FY16 (%)
Hibiscus Petroleum	HIBI MK	0.195	221	n.a.	n.a.	n.a.	n.a.	n.a.
CLIQ Energy	CLIQ MK	0.68	429	n.a.	n.a.	33.8	n.a.	n.a.
Reach Energy	REB MK	0.68	869	n.a.	n.a.	31.7	n.a.	n.a.
Sumatec	SMTC MK	0.12	422	10.8	n.a.	0.6	n.a.	n.a.
Average				10.8	n.a.	22.1	n.a.	n.a.

Technical View

Source: Bursa Station Professional

Sona Petroleum (SONA MK)

Technical BUY on weakness with +25.3% potential return

Last price : RM0.435

Target price : RM0.495, RM0.545

Support : RM0.40

Stop-loss : RM0.395

BUY on weakness with a target price of RM0.545 and stop-loss at RM0.395. Based on the daily chart, SONA has been trading above the medium uptrend line. Nevertheless, the daily chart analysis shows selling pressure has not yet been fully absorbed, thus paving the way for a possible pull-back ahead. Given the downtick in DMI which signals a growing selling momentum, we expect the share price to test the immediate support at RM0.40. A rebound from this level could reverse the current weakness. Currently, the RSI is in oversold territory and there is a possibility of buying momentum taking over the selling momentum. We peg our targets at RM0.495 and RM0.545 in medium term.

Expected Timeframe: 2 weeks to 3 months

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