

PT SUGIH ENERGY Tbk

Waiting for Earnings Turnaround

NOT RATED

Company Background

Sugih Energy (SUGI) is an integrated energy (oil and gas) services company in Indonesia. The company has two blocks in Sumatera island: 1) Lemang PSC block (49% ownership) in Jambi province and 2) Kalyani PSC block (100% ownership) in South Sumatera province. Moreover, the company also has one operating onshore rig. The blocks are currently in exploration stage and is expected to commence their production next year. In FY12, the company received total revenue of USD7.6mn and net profit of USD2.9mn from services business.

Lemang PSC Block

Lemang PSC block is located near to the Jabung block which operated by PetroChina. The management reported that the first drill in Lemang PSC block has shown very good indicative results. The drilling was focus on Selong-1 well which they predicted it has capability to produce 790 barrels of oil per day and 16.8 million cubic feet of gas per day. Moreover, the company announced the start of second well drilling, Akatara-1, in February 2013. According to estimation by DeGolyer & MacNaughton in July 2011, Lemang PSC block has total resources of 511 million barrels of oil and 468 billion cubic feet of gas. After three or four drills were completed, the company can then apply a development plan to the government. The Lemang PSC (Production Sharing Contract) was started in 2007 until 2037, a 30-year length of contract.

Kalyani PSC Block

Kalyani PSC block is comprised of six areas totaling 605 square kilometers. On 18 September 2012, the company acquired 51% share ownership of Eurorich Group Limited which giving the company operating rights on Kalyani PSC block. Kalyani PSC was signed in Dec 2011 and is valid until 2041. The company plans to develop Kalyani PSC after Lemang PSC starts its production.

Acquisition Target

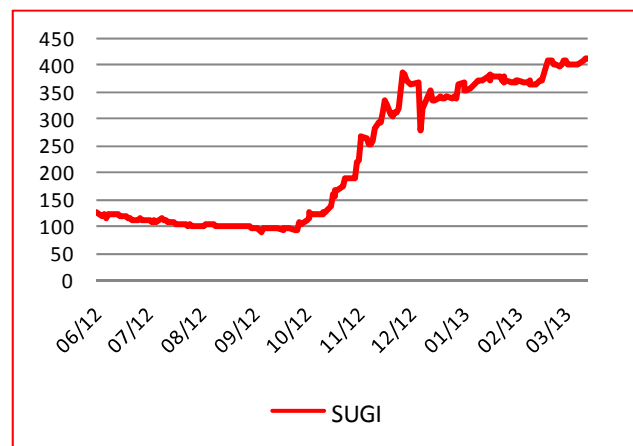
The company is targeting to acquire one oil and gas block in Sumatera island which already in production stage. The production is estimated can reach 323 million barrels of oil and 1,445 billion cubic feet of gas. The investment value is predicted less than USD100mn.

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Stock Data

Sector	OIL & GAS
Share Price (2 Apr 2013)	IDR 415
Target Price	NOT RATED
Ticker	SUGI.IJ (BBG)
Market Cap	IDR 10.241 tn
Shares Outstanding	24,676.86 mn
Free Float	7,420.00 mn

SUGI Share Performance



Source: Bloomberg

	2008	2009	2010	2011	2012
Revenue	4.4633	1.7893	0.0528	3.4753	7.557
EBITDA	0.2725	-0.1694	-0.7521	-0.6531	
Net Income	0.1855	-0.2249	0.2495	-0.765	2.890
EPS	0.0005	-0.0006	0.0006	-0.0019	0.0002

in USD mn except per share data; Source: Bloomberg, Company

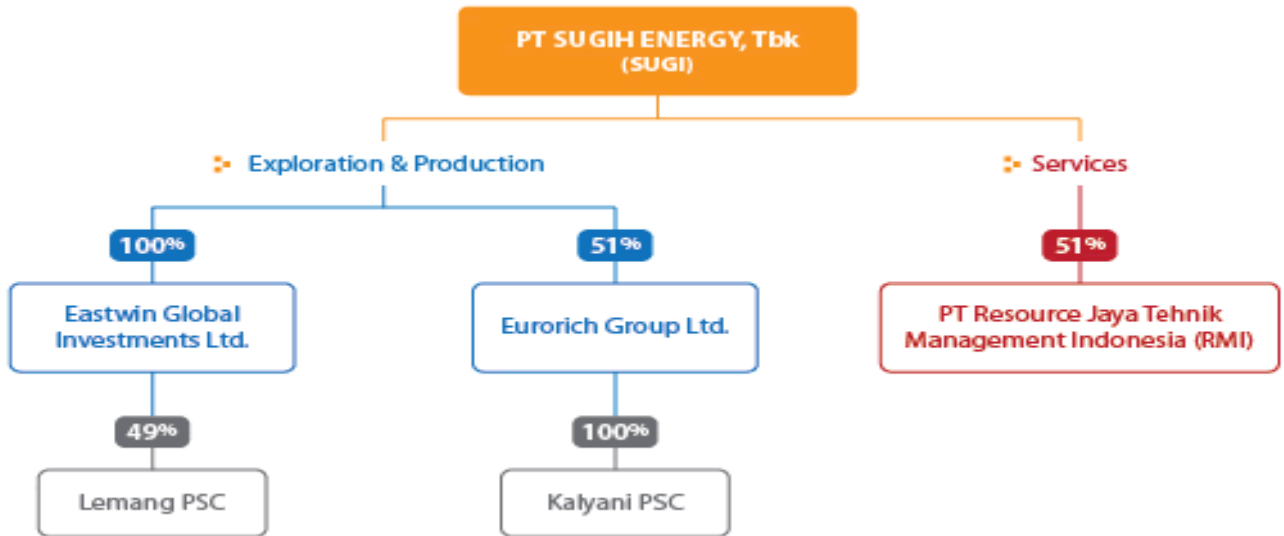
Profitability	2008	2009	2010	2011	2012
EBITDA Margin %	6.11	-9.47	-1423.18	-18.79	
Gross Margin %	27.91	5.86		6.31	
Operating Margin %	5.09	-10.23	-1441.54	-19.88	
Profit Margin %	4.16	-12.57	472.10	-22.01	38.24

Source: Bloomberg, Company

Top Holders	% Ownership
Ramba Energy Indonesia Ltd	39.14%
Tedjanegara Abraham	16.07%
Uni Investment Pte Ltd	8.63%
PT Indo Samapersada	6.09%
Public	30.07%

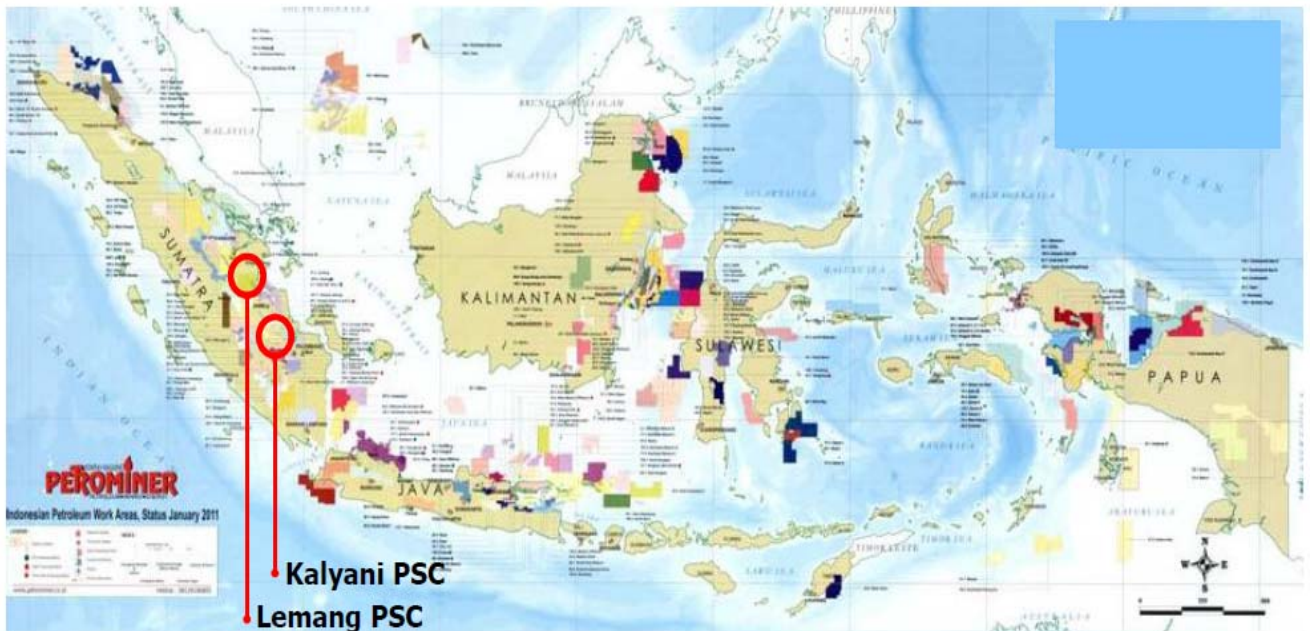
Source: Bloomberg, as of 2 April 2013

The Company's Structure



Source: Company

SUGI's Operational Location



Source: Company

Lemang PSC Block



Source: Company

Kalyani PSC Block



Source: Company

Fiscal Year End					
in USD mn	2008	2009	2010	2011	2012
<u>Income Statements</u>					
Revenue	4.4633	1.7893	0.0528	3.4753	7.557
Gross Profit	1.2459	0.1048	0.0528	0.2192	
Operating Income	0.2271	-0.1831	-0.7619	-0.6908	
Interest Expense	0.0062	0.0028	0	0.0139	
Pretax Income	0.4435	-0.1971	0.2476	-0.9593	
Income Tax Expense	0.258	0.0278	-0.0019	-0.1943	
Income Before XO Items	0.1855	-0.2249	0.2495	-0.765	
Net Income	0.1855	-0.2249	0.2495	-0.765	2.890
<u>Cash Flows</u>					
Net Income	0.1855	-0.2249	0.2495	-0.765	
Depreciation & Amortization	0.0454	0.0137	0.0097	0.0376	
Other Operating Activities	-0.7827	1.8404	0.1133	0.724	
Operating Cash Flows	-0.5518	1.6292	0.3725	-0.0034	
Capital Expenditures	-0.0003	0	-0.2291	-0.0023	
Other Investing Activities	0.5048	-3.3338	1.1233	-0.0112	
Investing Cash Flows	1.7327	-3.2668	-0.149	-0.0135	
Dividends Paid	0	0	0	0	
Change in Long-Term Borrowings	-0.0053	0	0.0943	-0.0235	
Other Financing Activities	-0.5008	1.131	-0.296	0.026	
Financing Cash Flows	-0.8812	1.131	-0.2017	0.0024	
Net Changes in Cash	0.2997	-0.5067	0.0219	-0.0145	
<u>Balance Sheets</u>					
Cash & Near Cash Items	0.484	0.0031	0.0253	0.0109	
Short-Term Investments	0	3.7607	2.8276	2.7768	
Accounts & Notes Receivables	1.1873	0.1604	0.0577	0	
Inventories	0.3004	0	0	0	
Other Current Assets	1.7684	0.0592	0.4156	0.0817	
Net Fixed Assets	0.0725	0	0.2219	0.1639	
Other Long-Term Assets	0.049	0	0.9979	1.1166	
Total Assets	3.8615	3.9833	4.5461	4.1499	
Accounts Payable	0.2504	0.0046	0	0	
Short-term Borrowings	0	0	0.0347	0.0388	
Other Short-Term Borrowings	0.0351	0.0527	0.0023	0.2137	
Long-Term Borrowings	0.0092	0	0.0607	0.0322	
Other Long-Term Borrowings	0.0755	0	0.0511	0.285	
Total Liabilities	0.3702	0.0574	0.1487	0.5698	
Share Capital & APIC	3.6952	4.4143	4.6606	4.577	
Retained Earnings & Other Equity	-0.2039	-0.4884	-0.2633	-0.9969	
Total Liabilities & Equity	3.8615	3.9833	4.5461	4.1499	
Revenue Growth (%)	-25.5	-59.9	-97.0	6482.0	117.4
EPS Growth (%)	-50.0	-220.0	-200.0	-416.7	-108.9
EBITDA Margin (%)	6.1	-9.5	-1423.2	-18.8	
Dividend Payout Ratio (%)	0	0	0	0	
ROE (%)	5.3	-5.7	5.7	-21.4	
LT Debt/Equity (%)	2.4	0.0	2.5	8.9	

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