



MALAYSIA EQUITY
Investment Research
Daily News

OIL & GAS

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1QFY08 Results Review

Private Circulation Only

Tanjung Offshore

BUY	Maintain
Price	RM2.37
Target	RM3.08

Looking forward

Although TgOff's 1Q08 earnings only made up 15.2% of our full year estimates, we view the results inline with our expectations as we foresee the company to secure more contracts going forward, particularly in 2H. The y-o-y 13% decrease in turnover was attributed to ongoing engineering equipment contracts which are scheduled for completion by mid FY08. Net profit on the other hand rose 36% due to ongoing charter of 7 units of offshore support vessels on full quarter basis compared to only 4 vessels in 1Q07. We maintain our estimates for TgOff. Our better earnings expectation going forward is supported by its RM1bn orderbook. Another 4 new vessels will come on board this year. The company is still actively bidding for various engineering equipment and maintenance services contracts. Tenderbook now stood at RM1bn. **Maintain Buy.**

Inline. We view TgOff's 1Q08 earnings inline as we expect 2Q and 3Q to make up bulk of the profits when its ongoing engineering equipment contracts are completed in mid year.

Gross margin improved. Gross margin was higher in 1Q08 mainly due to larger contribution from marine services segment. Ongoing charter for 7 offshore support vessels have generally driven margin up by 2% pt to 23.7% from the previous quarter.

More to come in 2H. We expect TgOff to deliver better earnings particularly in 2H when bulk of its engineering equipment contracts is finished. The drilling rig charter segment will also contribute more significantly in 2H when the earnings from THE 208 jack-up drilling rig and self-erecting relocatable facility (SERF) that were chartered to Murphy Oil start kicking in from June 08. There are still much awaited newsflow for TgOff. Results for various contracts such as platform decommissioning and drilling rigs charter that the company is currently bidding for will only likely be announced in 2H this year. With the delivery of another 4 new offshore support vessels, we think our FY08 earnings estimates are achievable, on the back of RM1bn current orderbook and RM1bn tenderbook.

Looking good. TgOff remains one of our top picks for the oil & gas sector. Trading at only 10.5x FY09 PE, we think there is still much upside for the stock. Prevailing record highs of crude oil price will continue to augur well for the industry. We maintain our Buy recommendation with a fair value of RM3.08 based on FY09 EPS estimate.

Stock Profile/Statistics

Bloomberg Ticker	TOFF
KLCI	1274.78
Issued Share Capital (m)	204.51
Market Capitalisation (RMm)	484.69
52 week H L Price (RM)	3.70 1.75
Average Volume (3m) '000	92.12
YTD Returns (%)	-0.63
Net gearing (x)	0.53
Altman Z-Score	2.27
ROCE/WACC	0.94
Beta (x)	1.07
Book Value/share (RM)	0.67

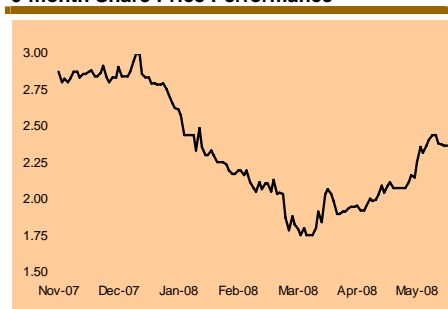
Major Shareholders (%)

Khalid Omar	41.65
Hashim Abdullah	13.72

Share Performance (%)

Month	Absolute	Relative
1m	16.75	13.82
3m	13.94	22.17
6m	-17.42	-12.79
12m	-16.42	-11.12

6-month Share Price Performance



FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	251.7	293.3	422.9	463.9	554.6
Core Net Profit	16.1	18.3	23.1	36.9	53.5
% chg YoY	92.9%	13.9%	26.4%	59.5%	45.0%
Consensus		-	-	38.2	50.7
EPS (sen)	19.1	11.0	9.8	15.6	22.6
DPS (sen)	3.0	3.0	3.0	3.0	3.0
Div Yield	1.3%	1.3%	1.3%	1.3%	1.3%
ROE	24.9%	19.8%	18.6%	21.3%	25.3%
ROA	9.7%	6.2%	5.3%	6.5%	8.0%
PER (x)	12.4	21.6	24.2	15.2	10.5
P/BV (x)	3.3	3.6	4.3	4.0	4.0
EV/EBITDA (x)	65.1	52.7	35.8	14.0	10.1

KEY HIGHLIGHTS

Quarter Results Table						
FYE Dec (RMm)	1QFY08	4QFY07	% chg	YTD FY07	YTD FY07	% chg
Turnover	92.79	96.85	-4.2%	92.79	106.58	-12.9%
EBITDA	24.90	23.82	4.5%	24.90	15.53	60.3%
Depreciation	(2.94)	(2.83)	4.1%	(2.94)	(2.83)	4.1%
Net interest expense	(3.28)	(3.43)	-4.5%	(3.28)	(0.31)	964.9%
Associates	0.38	0.22	71.8%	0.38	0.02	1790.0%
PBT	5.84	8.35	-30.1%	5.84	4.08	43.3%
Tax	(0.21)	(0.82)	-74.1%	(0.21)	0.05	-524.0%
MI	0.00	(0.15)	0.0%	0.00	0.00	0.0%
Net Profit	5.63	7.38	-23.8%	5.63	4.13	36.4%
EPS (sen)	2.38	3.12		2.38	1.74	
Gross DPS (sen)	0.00	3.00		0.00	0.00	
EBITDA margin	26.8%	24.6%		26.8%	14.6%	
NTA/share (RM)	0.61	0.58		0.61	0.50	

FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	251.7	293.3	422.9	463.9	554.6
EBITDA	11.6	14.3	21.1	53.9	74.5
PBT	11.8	17.5	24.3	41.7	61.1
Net Profit	16.1	18.3	23.1	36.9	53.5
EPS (sen)	19.1	11.0	9.8	15.6	22.6
DPS (sen)	3.0	3.0	3.0	3.0	3.0
Margin					
EBITDA	4.6%	4.9%	5.0%	11.6%	13.4%
PBT	4.7%	6.0%	5.7%	9.0%	11.0%
Net Profit	6.4%	6.2%	5.5%	8.0%	9.6%
ROE	24.9%	19.8%	18.6%	21.3%	25.3%
ROA	9.7%	6.2%	5.3%	6.5%	8.0%
Balance Sheet					
Fixed Assets	130.44	218.54	319.44	398.04	464.89
Current Assets	88.15	151.36	179.98	242.79	237.99
Total Assets	218.59	369.90	499.42	640.82	702.88
Current Liabilities	105.18	110.11	137.52	168.23	192.26
Net Current Assets	-17.03	41.26	42.47	74.56	45.73
LT Liabilities	40.85	147.12	225.27	262.97	297.17
Shareholders Funds	72.56	112.67	136.49	209.67	213.27
Net Gearing (%)	56.2%	132.2%	159.2%	94.1%	117.8%

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