

Brightoil Petroleum Limited (933.HK)



Focus on offshore bunkering with bright future

Bloomberg | Reuters | POEMS

933.HK | 933.HK | 933.HK

Sector: Oil and gas service

Phillip Securities (Hong Kong) Ltd

Phillip Securities Research

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Performance Analysis

Rating : Buy Closing Price : HK\$1.51 TP : HK\$1.88

Company profile

Brightoil Petroleum Limited (Brightoil) is mainly engaged in international supply and global port offshore bunkering chain service, petroleum storage and terminal, oil tanker transport and oil/gas field exploration, and is one of the global largest providers for offshore bunkering chain service. Currently, the group is actively pursuing widening of global port offshore bunkering chain service. The Company is committing itself to becoming the industry leader of offshore bunkering, and is developing into an oil and energy comprehensive enterprise integrating upstream and downstream sectors.

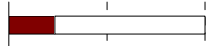
Investment overview

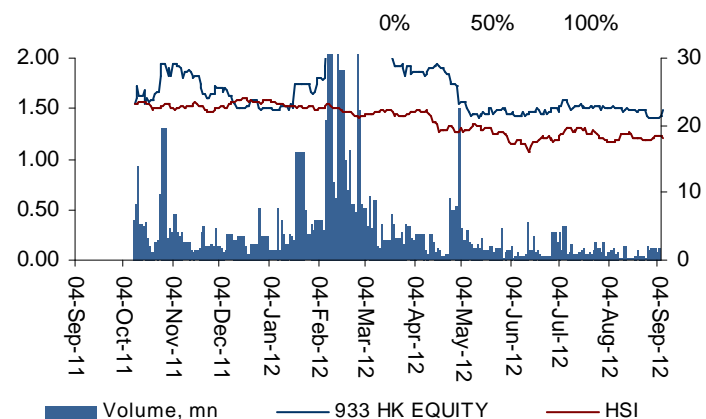
Brightoil includes four core business divisions: offshore bunkering, oil storage, tanker transport, upstream exploration and production. International supply and offshore bunkering are main sources of the corporate income, and fuel supply increased from 1.8 million tons in 2009 to 8.9 million tons in 2011, with rapid business growth. The business income of offshore bunkering in 2011 reached HKD39.5 billion, substantially increasing by 624% over 2009.

Brightoil extended its offshore bunkering business to global nine key ports over the past four years. Singapore and China are major areas for the Company to provide offshore bunkering and oil sales for international fleets, which reflects the Company's great efforts to extend its port business in Singapore and China. Currently Brightoil is Singapore's second largest offshore bunkering provider. The Company revenue in Singapore stood at HKD29.9 billion in 2011, which accounted for 75% of the group gross revenue.

Brightoil and Petro China are cooperating to develop Dina 1 gas field in Xinjiang Tarim Basin Tuzi gas field. Currently The gas field has completed final testing, and is expected to come on stream in Q4 2012. Daily output of natural gas and condensate will be 550,000 m² and 25t respectively, beyond previously expectation. Dina 1 gas field will be the start of upstream business development for Brightoil, and future larger Tuzi natural gas field will provide sufficient and steady cash flow income for the Company, to become the core drive for the corporate profit growth.

Brightoil

Rating	1.00	Buy
- Previous Rating	n.a.	Not Rated
Target Price (HKD)	1.88	
- Previous Target Price (HKD)	n.a.	
Closing Price (HKD)	1.51	
Expected Capital Gains (%)	24.5%	
Expected Dividend Yield (%)	1.6%	
Expected Total Return (%)	26.1%	
Raw Beta (Past 2yrs w weekly data)	1.10	
Market Cap. (HKD mn)	13,237	
Enterprise Value (HKD mn)	19,974	
52 w week range (HKD)	1.36-2.62	
Closing Price in 52 w week range		



Key Financial Summary

FYE	10A	11A	12E	13E
Revenue (RMB mn)	13,634	39,533	69,949	82,050
Net Profit, adj. (RMB mn)	1,109	1,270	306	1,459
EPS, adj. (RMB)	0.18	0.19	0.04	0.18
P/E (X),adj.	22.00	7.95	37.75	10.44
BVPS (RMB)	0.63	0.93	0.86	0.98
P/B (X)	6.29	1.62	1.76	1.92
DPS (RMB)	0.03	0.04	0.01	0.03
Div. Yield (%)	0.76%	2.65%	0.66%	1.60%

Source: BLOOMBERG, Brightoil and Phillip Securities

*All multiples & yields based on current market price

Valuation Method

P/E

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Brightoil income soared by 190% to HKD36.3 billion in H1 2012 as a result of sharp increase in the offshore bunkering business and oil product trading. Gross margin declined by 5 percentage points to 3% mainly because the supply port extended overseas, causing cost rise and increasing proportion of oil trade with low gross margin. Profits attributable to shareholders stood at HKD965 million, increased by 64% year-on-year. However, the Company's net profit growth mainly came from HKS794 million, increased fair value of financial derivatives, while net margin of main businesses substantially declined.

Brightoil businesses cover offshore bunkering, oil storage, marine transport and upstream natural gas, nowadays with absence of comparative listed companies. In combination with valuation level of oil exploration, port and oil transport companies, we grant Brightoil 10.4-time expected P/E in 2013, and 12-month target goal is HKD1.88, hence "buy" rating granted.

FYE	FY09	FY10	FY11	FY12F	FY13F
Valuation Ratios					
	2.3	3.96	1.51	1.51	1.88
P/E (X), adj.	46.00	22.00	7.95	37.75	10.44
P/B (X)	11.50	6.29	1.62	1.76	1.92
EV/EBITDA (X), adj.	4.91	17.26	13.92	10.18	8.63
Dividend Yield (%)	0.43%	0.76%	2.65%	0.66%	1.60%
Per share data (RMB)					
EPS, reported	0.05	0.18	0.19	0.04	0.18
EPS, adj.	0.05	0.18	0.19	0.04	0.18
DPS	0.01	0.03	0.04	0.01	0.03
BVPS	0.20	0.63	0.93	0.86	0.98
Growth & Margins (%)					
Growth					
Revenue	/	149.98%	189.96%	76.94%	17.30%
Operating profit	/	138.61%	39.78%	-118.35%	-619.08%
EBT	/	295.65%	16.48%	-77.50%	407.10%
Net Income, adj.	/	319.91%	14.52%	-75.91%	376.80%
Margins					
Gross profit margin	9.86%	10.99%	6.20%	3.27%	3.79%
Operating margin	9.74%	9.29%	4.48%	-0.46%	2.06%
Net profit margin	4.84%	8.13%	3.21%	0.44%	1.78%
Key Ratios					
ROE (%)	25.00%	28.57%	20.43%	4.65%	18.37%
ROA (%)	19.07%	24.17%	9.84%	1.43%	1.12%
Net Debt/(Cash)	net cash	net cash	5,099	6,736	7,222
Net Gearing (X)	net cash	net cash	81.66%	89.84%	91.31%
Income Statement (HKD mn)					
Revenue	5,454	13,634	39,533	69,949	82,050
Cost of sales	(4,916)	(12,135)	(37,083)	(67,662)	(78,940)
Gross profit	538	1,499	2,450	2,287	3,110
Operating profit	531	1,267	1,771	(325)	1,687
EBT	299	1,183	1,378	310	1,572
Tax	(35)	(74)	(108)	(4)	(113)
Tax rate	11.71%	6.26%	7.84%	1.29%	7.19%
Profit for the year	264	1,109	1,270	306	1,459
Minority interests	/	/	/	/	/
Net profit	264	1,109	1,270	306	1,459

Source: BLOOMBERG, Brightoil and Phillip Securities

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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