

Quick Comment

Horizon Oil Ltd (HZN \$0.12) Buy

Analyst	Date	Price Target
Jon Bishop	23 rd August 2018	\$0.20/sh

FY'18 Financial Results

Key Points

- HZN has posted its FY'18 Financial Results - key highlights include:
 - Production of 1.65mmbbls (Euroz 1.68mmbbl);
 - Total revenue of US\$100m (Euroz US\$82m);
 - Operating cashflow US\$57.6 (Euroz US\$52m);
- Underlying NPAT loss of \$US2.6 vs NPAT loss of US\$12.2 accounting for changes to hedge contracts market value (Euroz US\$11.2 loss).
- Net debt of US\$86.6m represents a US\$3m increase and adjusted for Maari/Manaia acquisitions. This aligns with EZL forecast for Jun 30 of US\$87m;
- 2P reserves increased to 8.9mmbbl (7.9mmbbl end Jun'17) upon Maari/Manaia field acquisition (+3.1mmbbl);
- Operations continue to progress to grow future production. Two wells on China WZ 12-8W/WZ 12-8M fields were brought onto production with initial flow rates of 3.5kbopd (2kbopd expected) gross.
- China 12-8E remains on track for CNOOC to reach FID end CY'18;
- Uncertainty still surrounds PDL 10 - HZN will continue to work with PNG authorities.

Investment Thesis

The uncertainty of PDL 10 disappointing as it has inevitably stoke deep seeded market concerns regarding sovereign risk pertaining to PNG. We view that this issue will be rectified in due course, effectively removing the cap to current share price upside. To that end, the current share price is underwritten to 15cps by the producing assets net of Balance Sheet on our numbers. Buy maintained: HZN offers pure oil price leverage with firming oil prices. Its core assets and fully developed production of +4,000bopd for the next 5yrs will generate over US\$50m/yr in free cash flow (after capex) on average, systematically and aggressively de-gearing the balance sheet. Yet it trades a steep discount to the peer group.

Horizon Oil Ltd (HZN)

Share Price	0.12	A\$/sh	Enterprise Value	277	A\$/m
Price Target	0.20	A\$/sh	Debt	159	A\$/m
Valuation	0.22	A\$/sh	Cash	38	A\$/m
Shares on issue	1602	m(dil)	Largest Shareholder (*fully dil.)IMC	44%*	
Market Capitalisation	156	A\$m			

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