

Quick Comment

Horizon Oil Ltd (HZN \$0.14) Buy

Analyst	Date	Price Target
Jon Bishop	12 th June 2018	\$0.20/sh

Repsol to Divest PNG to Chinese

Key Points

- HZN advises that its Elevala-Ketu and Stanley JVP, Repsol, has reached agreement to sell its entire interests to Balang International Pte. Ltd (“Balang”);
- Balang is a subsidiary of China Changcheng Natural Gas Power Co. Ltd Group (“Changcheng”), a South East Asian focused natural gas and power generation consortium;
- Per the Repsol release, Balang views that the Western Foreland PNG gas resource has the fundamentals to support development of a new standalone LNG development in the near term;
- This is a significant development as it effectively puts HZN into play in our view: PNG-LNG will not want a competing LNG development going forward, particularly where its arguable that the Western Foreland gas resources would substantially underwrite the proposed 3rd Train and likely further trains;
- Whilst Balang itself is not a target, HZN's material interests in the proposed Western Forelands LNG Project would offer a blocking stake for OSH or Exxon and further to which, enable STO to secure the gas to negotiate to unitise its interest across PNG-LNG and the P'nyang Field (for which it is not party);
- Buy maintained.

Investment Thesis

Today's announcement is material as it effectively puts HZN into play in our view. PNG-LNG will not want a competing Chinese LNG development going ahead in PNG and HZN offers a material blocking stake available on market today at a \$300m EV. We see this as an excellent buying opportunity as the the current share price is underwritten to 13cps by the producing assets net of Balance Sheet. 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 and net of its suddenly strategically valuable PNG interests.

Horizon Oil Ltd (HZN)

Share Price	0.14	A\$/sh	Enterprise Value	327	A\$/m
Price Target	0.20	A\$/sh	Debt	149	A\$/m
Valuation	0.19	A\$/sh	Cash	28	A\$/m
Shares on issue	1,602	m(dil)	Largest Shareholder	IMC	31%
Market Capitalisation	206	A\$m			

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