

# Quick Comment

## Horizon Oil Ltd (HZN \$0.13) Buy

Analyst	Date	Price Target
Jon Bishop & Jerome Paz	25 <sup>th</sup> July 2018	\$0.20/sh

### Jun Q'ly FY'18 Report

#### Key Points

HZN has delivered a strong operational performance over the June Q. Key highlights include;

- Revenue of US\$39.6m represents a 65% inc. vs US\$24m Mar Q;
- Q net operating cash flow of US\$28.4m compared to US\$20m Mar Q;
- Net sales of 599kbbbls for the Q (+54.4% vs Mar Q) at an average realised price of US\$72.23/bbl;
- Production increased Q-on-Q by 69.7% to 479.3kbbbls vs. 282.4kbbbls Mar Q;
- Increases in revenue and prod'n is partly attributable to the additional 16% interest in the Maari/Manaia field acquired from Todd Maari Ltd. This transaction settled on 31 May 2018;
- The balance attributable to benefits of current Beibu Gulf fiscal terms; commodity price increases; and timing of shipments;
- Net debt of US\$86.6m represents a US\$3m increase. This aligns with EZL forecast for Jun 30 of US\$87m;
- Further near-term production enhancements include the drilling of infill wells on WZ 12-8W and WZ 12-8M fields. Wells expect to be online during Dec H adding an initial gross 2kbopd.
- Preliminary full year revenue of US\$100m (+46% vs FY'17) compared to EZL FY'18 forecast of US\$92m;
- Preliminary full year production of 1.65mmbbls (+16% vs FY'17) has remained in line with EZL FY'18 forecast of 1.67mmbbls.

#### 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	0.13	A\$/sh	Enterprise Value	328	A\$/m
Price Target	0.20	A\$/sh	Debt	157	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	208	A\$m			

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