

Rockhopper Exploration

All eyes on financing

Half year results

Oil & gas

7 September 2017

Price **20.50p**
Market cap **£94m**

Net cash (\$m) at end June 2017	62.5
Shares in issue	456.9
Free float	93%
Code	RKH
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Rockhopper is an AIM-listed E&P with assets in the Falkland Islands, Egypt and Italy. Its main asset is the Sea Lion development project in the Falklands.

Analysts

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Rockhopper's (RKH) half year results indicate that it (and Premier Oil, PMO) are making progress in moving Sea Lion towards FID, particularly with regard to financing the development. Discussions have started on the structure of senior debt with UK export financing (making up a proposed \$800m). Non-binding proposals have been received for a significant proportion of the planned \$400m vendor financing. These components would leave just \$300m of equity to be provided to get the project to first oil, which should be manageable for the partners and negate the need for a farm-down. Elsewhere, the sale of Civita in Italy has streamlined its production business, which now covers a much smaller G&A bill. We intend to update our modelling and valuation in the coming days (not least to account for our new lower oil price assumption), for the moment leaving our NAV at 72p/share.

Year end	Revenue (US\$m)	Reported PBT (US\$m)	Cash from operations (US\$m)	Net (debt)/cash (US\$m)	Capex (US\$m)
12/15	4.0	(44.7)	(6.9)	110.4	(80.9)
12/16	7.4	98.0	(21.2)	81.0	(40.2)
12/17e	9.6	(11.9)	(1.0)	50.4	(13.0)
12/18e	9.1	(20.8)	(1.9)	33.1	(15.4)

Note: Historical financials are as reported.

The Sea Lion field ranks as one of largest undeveloped fields globally and the cost reductions that PMO/RKH achieved (enabling a pre-first oil capex bill of \$1.5bn) mean that the project is NPV₁₀ break-even at around \$45/bbl. This should make the project attractive as oil prices move up (our long-term assumption is \$70/bbl in 2022) and help to unlock the resources in Isobel/Elaine where RKH holds the largest WI. Talks with the Falkland Islands government continue "on a range of fiscal, environmental and regulatory matters".

The production from Italy and Egypt now covers G&A, which has fallen materially (34% y-o-y), while the sale of Civita reduces long-term liabilities. This puts the company in a better place to conserve its cash resources and look towards Sea Lion FID, which the company hopes to reach in 2018. The arbitration at Ombrina Mare is ongoing and the company remains confident of its position.

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