

Rockhopper Exploration

Sea Lion on track for 2018 sanction

Sea Lion Phase 1 continues to progress towards project sanction, targeted for end 2018. Focus remains on financing the \$1.5bn gross capex required to achieve first oil. A mix of senior debt financing (\$800m), vendor financing (\$400m) and equity (\$300m) was assumed in our last published valuation ranging from a core NAV of 44p/share (Phase 1 risked at 20% COS) to 81p/share (Phase 1 at 50% COS). The recent rise in oil price should increase the JV's confidence in project risked returns, which we estimate at 30% IRR based on a \$70/bbl long-term Brent crude assumption.

Year end	Revenue (US\$m)	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	(9.5)	(1.7)	51.3	(26.3)
12/18e	8.1	(18.4)	0.4	40.9	(11.0)

Note: Figures are as reported.

Sea Lion Phase 1 financing: Rockhopper today announced that letters of intent have been signed with contractors for provision of services and vendor financing. We expect further detail to be released on supply chain and contractor financing in the coming months as further letters of intent are signed and thereafter formalised into binding agreements. Management estimates senior debt to be priced at 4-5% and vendor finance at c 12%. Senior debt financing discussions will be supported by the appointment of lender due diligence advisors in Q118. A new draft field development plan was submitted to the Falkland Islands Government in November 2017 with the aim of obtaining consents and agreements necessary for project sanction in 2018.

Other assets: Abu Sennan in Egypt continues to produce at a steady rate (835boed net) following workovers in H217. Plans are progressing for water injection and in-fill drilling on the Al Jahraa field to increase field recovery, which could have a small positive impact on NAV (Abu Sennan accounts for 2p/share). Rockhopper also expects to drill one exploration well on the development licence in 2018, subject to partner approvals. Cash of \$51m at year end 2017 suggests that Rockhopper is can fund Sea Lion pre-FID workflows.

Valuation: a detailed breakdown of our last published valuation is available in our <u>outlook note</u> published on 27 September 2017.

Corporate update

Oil & gas

N/A

11 January 2018

Price	24.90p
Market cap	£114m

 Net cash (\$m) at end June 2017
 62.5

 Shares in issue
 456.9m

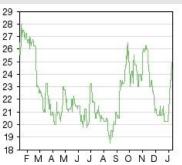
 Free float
 93%

 Code
 RKH

 Primary exchange
 AIM

Secondary exchange

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

Sanjeev Bahl +44 (0)20 3077 5742 Elaine Reynolds +44 (0)20 3077 5713

oilandgas@edisongroup.com

Edison profile page

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