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Reaching for his pot of gold

Industry veteran Shahul Hamid comes out of retirement to pursue O&G passion

by Lim Gian Yai

A CHINESE saying has it that "a person's life starts at 70", meaning it is not too late to start a career or business venture at that age. This perfectly illustrates the situation of Reach Energy Bhd managing director and CEO Shahul Hamid Mohd Ismail when he was entrusted with setting up a special-purpose acquisition company (SPAC) several years ago.

This was a bold – some say foolhardy – move for the 64-year-old oil and gas (O&G) industry veteran who

was supposed to be enjoying his retirement with his family and playing golf.

The question of whether it was too late to start his own business was not

something which troubled Shahul Hamid, who sees himself as a calculated risk-taker.

He proved sceptics wrong by mas-terminating – with a team of industry experts – the successful listing of Reach Energy, which in August became the largest SPAC to be listed on Bursa Malaysia, raising RM750 mil. The other SPACs are Sona Petroleum Bhd, Cliq Energy Bhd and Hibiscus Petroleum Bhd, which raised RM550 mil, RM364 mil and RM235 mil respectively.

"The idea of an E&P [exploration and production] company came about in 2011 and 2012. I was quite excited about that because I knew I could pull all this together with the exposure, experience and expertise I have," he tells *FocusM* in an exclusive interview.

"My wife was initially quite surprised. She said, 'Why do you want to kill yourself?' Then she saw the passion I had and she did not want to dampen that passion. And I did not feel old, thank God I am quite healthy – I have years to contribute," says Shahul Hamid, who has three sons and two daughters. His children are in business, engineering, accounting, finance and law.

Shahul Hamid spent a total of 25

years at ExxonMobil and at the Shell group of companies. He began in 1979 as a production and development engineer with ExxonMobil at an O&G field off the coast of Kuala Terengganu.

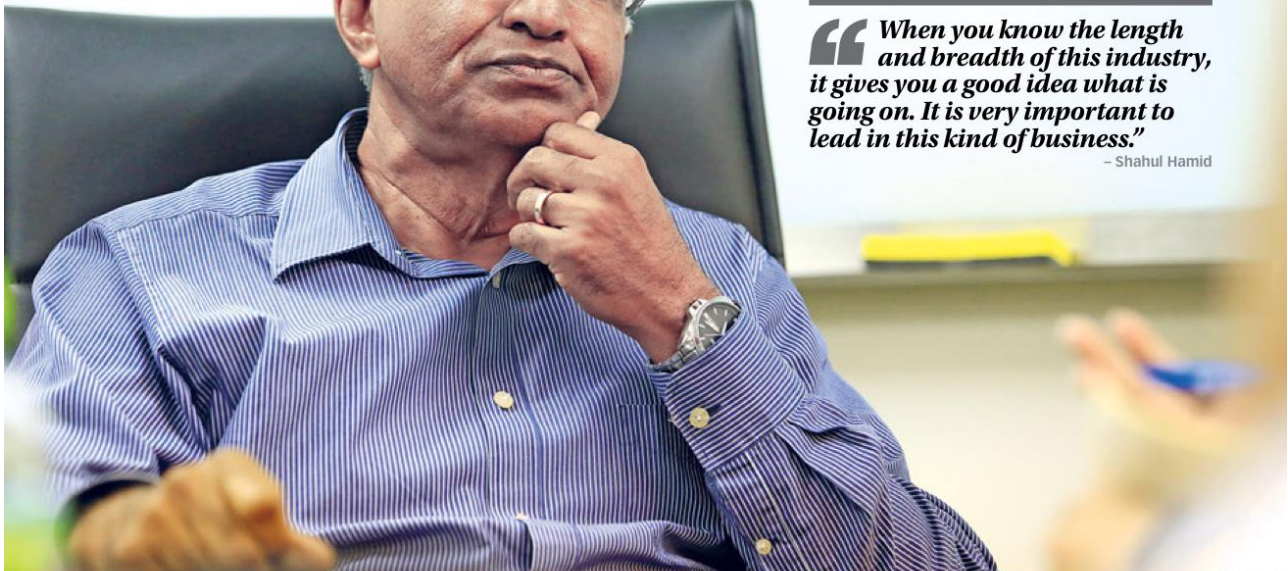
Seeing his 34-year career as an exciting journey, Shahul Hamid says the experience gained from different assignments at home and abroad across the hydrocarbon value chain, mostly in the E&P segment, has benefited him immensely. Apart from having gained technical expertise, he was exposed to commercial operations which enable him to make more informed decisions.

"When you know the length and breadth of this industry, it gives you a good idea of what is going on. It is very important to lead in this kind of business. Also it gives comfort to your team that your leader has knowledge. Otherwise, I am just any management guy," he says.

Shahul Hamid moved to downstream activities in 2001, when he was appointed managing director of Shell Refining Company (Federation of Malaya) Bhd. In his three-year stint there, he contributed to several

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The long road to setting up an E&P outfit

BEFORE setting up Reach Energy Bhd, managing director and CEO Shahul Hamid Mohd Ismail sought opportunities abroad and locally to form an E&P (exploration & production) company from private equity. The team talked to a few banks but the effort was futile. Subsequently its members went to Singapore and Australia to see if they could get funding there – and realised they would be lucky to raise a few million.

"And that is the problem with many small companies; now in Australia, they are funded by a few banks who collectively take the risks. Here, I do not think the banks are ready to finance SPACs. Until we have more confidence in E&P companies, maybe we will not

have that luxury. And I think those markets [Singapore and Australia] are not familiar with Malaysian entrepreneurs. We are more accommodating of foreign entrepreneurs.

"So when we saw Hibiscus [Petroleum Bhd], Cliq [Energy Bhd] and Sona [Petroleum Bhd], we said, 'Okay, we will establish another SPAC'. We were not too late, investors are still looking for this kind of excitement."

With an initial public offering size of RM750 mil, Reach Energy is by far the largest oil and gas (O&G) SPAC to be listed on Bursa Malaysia. Did Shahul Hamid think of going big from the start?

"Well, from the beginning we wanted to get a reasonable O&G asset. To achieve that, you need that kind of money. I think if

you raised US\$50 mil (RM175 mil), you are not talking about a reasonable acquisition, you must have more. That is why we did not even go for the minimum RM150 mil – we went straight for the maximum," he explains.

The public has high expectations of how these four SPACs should perform. Following the completion of the acquisition of a 35% stake in Lime Petroleum Plc in April 2012, Hibiscus has been reclassified to the "Industrial Products" category. Reach Energy will likewise not be spared such high expectations by virtue of its sheer IPO size.

"I think the expectations are higher because we raised more money. The more money you raise, the higher the expectations. But the game is pretty similar – they want you to acquire a good asset, get the necessary approval and get on to the next phase of growth. The QA is a milestone, it is like passing an exam and you had better score an A. Once you pass, you've got your ticket to recognition."

Shahul Hamid emphasises the game does not end with a QA (qualifying acquisition). To kickstart the SPAC, Shahul Hamid

himself had to some extent to clean out his bank account.

"Honestly, we put in the savings I have and we just want to make it successful. I did not come in to cash out. The close to RM20 mil we have put in is a gamble ... that will go if you do not get an acquisition. In this case, the investors are 100% protected," he says.

It's four months since its listing but Shahul Hamid is not yet having sleepless nights as the SPAC works to get a QA.

"We are doing evaluations every day. There are many things to pick up and we have to filter things down. Each evaluation and acquisition costs a lot of money, not to mention the time spent. If you have shortlisted the asset, you will probably get due diligence done within a few months. Then you have a period of submission and approval."

Though the SPAC still has 32 months to go for its first QA, Shahul Hamid is quietly confident as the management has always aimed to complete the task in less than three years.

refinery improvements and upgraded projects from conceptual stage to engineering, procurement, construction and commissioning (EPCC) level.

After retiring from Shell Refining in 2004, he was involved in several O&G services companies. However, the thought of striking out on his own never left him.

"I retired at 55, though I could have continued on a contract basis but I did not want to carry on with this large company. Rather, I went out and looked at what I could do or contribute."

Thereafter, he served as an independent director in Ramunia Holdings Bhd (now known as TH Heavy Engineering Bhd), acted as group CEO of Petrofield Holdings (M) Sdn Bhd and advised the Daya Materials group of companies to develop a portfolio of core oilfield services in Malaysia and overseas.

While he envisions Reach Energy as a Malaysia-based, independent E&P player, he also wishes to see more E&P stocks on the local bourse.

"I would not say I jumped onto the bandwagon. When I looked at the stock exchange, I found there were not many E&P stocks there until the SPACs came along. I felt the public was missing out on quality E&P stocks. My dream is that in the next five years, we'll have a bunch of E&P stocks on Bursa, including ours. I think I am not daydreaming.

"There are SPACs and one or two local services companies going into E&P; but we are the only pure player coming into the segment. If the four SPACs deliver, we could see tremendous opportunity here," he adds.

Opportunity in adversity

Though the industry has lately been buffeted by the headwinds of plummeting oil prices, Shahul Hamid feels this could bode well for Reach Energy. In this situation, the SPAC has bargaining power and is able to find valuable assets, he explains. A SPAC must complete a qualifying acquisition (QA) within 36 months of its listing on Bursa Malaysia.

"There are pros and cons, and it depends on where you are. Now after listing, our single-minded focus is to get our QA. I really enjoy the challenges, problem-solving, meeting people and helping younger people learn the business. And once the company is running properly, we need a succession plan," he adds.

Compared to his years in multinational O&G companies where he held senior positions, Shahul Hamid now needs to roll his sleeves up to get things done. This is understandable given that Reach Energy has a staff of just 15. The scale is small at the moment but Shahul believes it will grow when the company reaches its QA target.

"I find it exciting here because we are a small team. You never get bored. If I were at big corporations, I would be so remote from the younger people, they would be almost afraid to come near me," he chuckles.

Having to commit most of his time to his current job, Shahul Hamid has not picked up his golf clubs for some time. His trips over the last year have been work-related and at home he is on the computer most of the time.

"I am a workaholic in that respect. I see the tasks are there, I cannot delay, I have to respond quickly, especially given we have a small team. We have to try to share the workload. I seldom have time for recreation now and that is the pressure I have to get my QA done; then I can go on holiday," he smiles. **FocusM**



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