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Reach Energy prefers JV to competitive bidding for qualifying acquisition

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KUALA LUMPUR: Reach Energy Bhd prefers joint ventures to competitive bidding when it comes to getting its qualifying acquisition (QA), said managing director and chief executive Shahul Hamid Mohd Ismail.

"That is probably the best kind of arrangement, especially if we see some mutual synergy," he told reporters at the company's debut on the Main Market of Bursa Malaysia last Friday.

"We saw some of these [possibilities] during our window shopping [for a potential QA]. This is the better way because in bidding, there are a lot of competitors and the process takes longer as a whole," he said.

Nevertheless, Shahul Hamid is not ruling out anything at this juncture.

"Sometimes the bidding could be done because the seller may restrict it to a limited number of companies. So they may prefer it that way and it may suit us time-wise," he said.

However, Shahul Hamid remained adamant that Reach Energy will not jointly operate any asset with a partner.

"Our strategy is to either acquire at a corporate level and take a controlling stake in the entity, or acquire at a single asset level. The operator's role is very important — it

has the day-to-day control of the asset and thus the ability to get the best value out of the asset.

"You may have other partners and they may be involved, but we want to be the [sole] operator."

Shahul Hamid also reiterated Reach Energy's focus on the Asia-Pacific region for its acquisition, namely countries such as Thailand, Papua New Guinea, Vietnam, Indonesia and Australia.

"These countries are attractive in terms of their fiscal regimes, where the host government gives you a concession and you just pay taxes and royalty, as long as you conform to certain rules.

"The geological area is also quite attractive comparatively. There are lots of remaining reserves which are not being drilled deep enough," he said.

At its listing last Friday, Reach Energy saw its share price falling to 72.5 sen, which was 2.5 sen or 3.3% lower than its issue price of 75 sen, with 11.13 million shares changing hands at the opening bell.

The stock rose to an intraday high of 76.5 sen before closing at 70.5 sen, down 4.5 sen or 6%, with a market capitalisation of RM894.48 million. Plantation firm Tanah Makmur Bhd, which jumped 55.2% on its market debut on July 17, remains the top maiden performer this year.



(From left) Reach Energy Bhd vice-president of petroleum engineering Abd Rahim Shamsudin, chief financial officer Azmi Arshad, Shahul Hamid, chairman and senior independent non-executive director Izlan Izzah, independent non-executive director Nik Din Nik Sulaiman and independent non-executive director Aonghus Joseph O'Carroll at the company's listing at Bursa Malaysia last Friday.