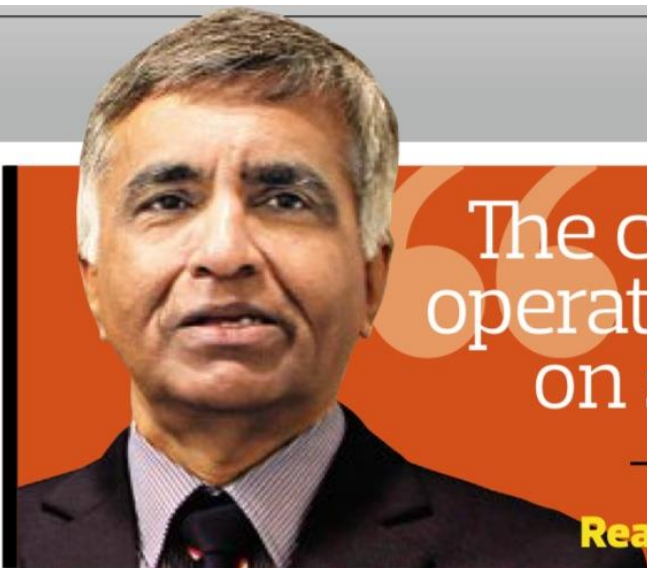


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– Reach Energy's CEO Shahul Hamid Mohd Ismail

Reach Energy wants to set benchmark for SPACs CORPORATE 14

Reach Energy wants to set benchmark for SPACs

BY FATIN RASYIAH MUSTAZA

Reach Energy Bhd, which is set to become the fourth and largest special purpose acquisition company (SPAC) to be listed on Bursa Malaysia on Aug 15, hopes to benchmark itself above its peers in terms of achieving its desired qualifying asset (QA) and becoming an exploration and production (E&P) company.

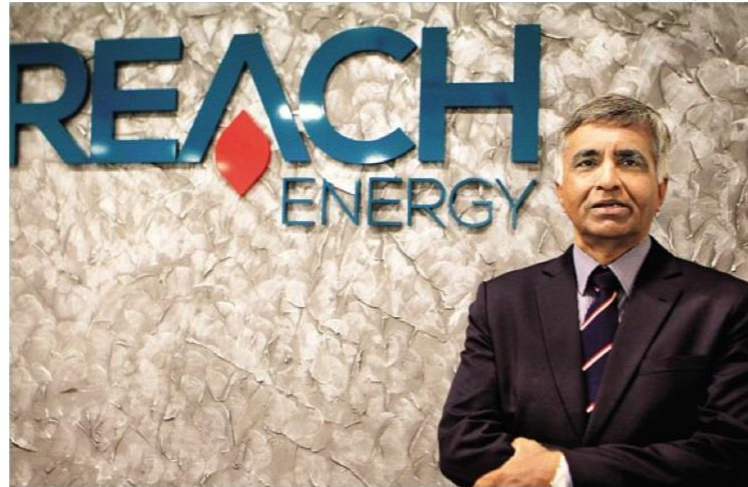
The aspiring E&P company's managing director and CEO Shahul Hamid Mohd Ismail tells *The Edge* that he would like to make Reach Energy the icon or model for SPACs.

"This means that the way we will move ahead will be very much mission oriented and planned," he says, adding that the group intends to ensure SPACs survive and do well in terms of giving back returns to investors.

Shahul says he hopes Reach Energy's peers, the two remaining SPACs on Bursa — Sona Petroleum Bhd and Cliq Energy Bhd — will be able to get their QA soon and also start producing oil or gas.

This is due to the rising concerns of investors, who have become more wary when it comes to investing in E&P shell companies.

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PATRICK GOH/THE EDGE

Shahul is confident that Reach Energy will be able to achieve its targeted QA within the three-year timeframe under the SC's SPAC regulations

mission Malaysia's SPAC regulations.

He says the group has been doing some "window shopping" for its desired QA. "That is why, in crafting the prospectus, we have been able to define the region and countries, and the kind of reserves that we are aiming to acquire.

"We also got independent consultants to do market research and it was presented to the SC ... We had consultants reassuring [the SC] that there are enough assets for mergers and acquisitions," Shahul says, noting the regulators' concerns about whether there are enough assets in

the market.

According to its prospectus, Reach Energy will focus on acquiring its QA in Asia-Pacific, namely in Malaysia, Myanmar, Indonesia, Australia, Thailand, Vietnam and the Philippines.

"The main mission at the moment is to get our QA very quickly. When I say quickly, we don't just get anything that is out there. That is why it is important to have the right people and the skills. And I am very confident that we have the skills to do that," says the oil and gas veteran.

Shahul says the group will be focusing on two types of assets — those

that are already producing or ready to produce, with an average reserve of 10 million barrels of oil.

When asked about whether the company would be keener on acquiring a company or an asset, Shahul says the group would want to have both options. "The most important thing is that we want to be the operator.

"We are not in this game just to invest, then we can be a private equity company or whatever. We are going to be an oil and gas E&P company. That means you will have to manage these companies and the best way to do that is to be the operator," he says.

"Another key aspect is cost, you have to be cost effective. If you are not the operator, you cannot control the cost ... The cost feature is very important in the operator role in order to make better returns on smaller assets and matured fields."

Contrary to the view that Reach Energy is simply a unit of Daya Materials Bhd, Shahul points out that the latter is just an investor and it will not be running the company. Upon listing, Daya Material's shareholding will be diluted to 1.74% from 8%.

It is worth noting that Reach Energy's 20 million shares under the public portion of its initial public offering (IPO) was oversubscribed by 41.86 times, higher compared with the other three SPAC's listed previously.

Comparatively, Hibiscus Petro-

leum Bhd only saw its IPO oversubscribed by 3.8 times from its public portion of 10 million shares while Sona Petroleum's IPO that comprised 141 million shares, together with 141 million one-for-one attached warrants, were oversubscribed by 5.97 times. Cliq Energy, meanwhile, saw 10 million of its shares for the public portion oversubscribed by 7.34 times.

Reach Energy's IPO is expected to raise RM750 million from one billion shares priced at 75 sen each.

The group has clinched seven cornerstone investors, namely Tan Sri Chua Ma Yu's son Chua Sai Men, Lembaga Tabung Haji, CIMB-Principal Asset Management Bhd, Hong Leong Asset Management Bhd, MKW Jaya Sdn Bhd, MTD Capital Bhd and Hong Leong Group chairman Tan Sri Quek Leng Chan's close associate Paul Poh.

The group has also managed to grab institutional funds as investors, such as Koperasi Permodalan Felda Malaysia Bhd, Pelaburan Mara Bhd and Norwegian sovereign wealth fund Norges.

When asked about the potential synergies with its investors, such as Chua and Poh who have interests in other oil and gas companies, Shahul says commercial synergies will be of interest. However, any collaboration or tie up will be done on an arm's length transaction basis so that Reach Energy's interest is protected. ■