

DATE: 30 JANUARY 2015
PUBLICATION: THE EDGE FD
SECTION: BUSINESS SECTION
HEADLINE: REACH ENERGY OPTIMISTIC COMPLETING QA THIS YEAR
CATEGORY: COMPANY NEWS
MEASUREMENTS: 214.5 CM SQ

Reach Energy optimistic completing QA this year

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KUALA LUMPUR: Special purpose acquisition company (Spac) Reach Energy Bhd is optimistic it will complete its qualifying acquisition (QA) this year and has shortlisted 10 potential assets to pave its way into the oil and gas (O&G) exploration and production (E&P) sector.

Its chief executive officer and managing director Shahul Hamid Mohd Ismail (*pic*) said Reach Energy is concentrating its QA search within the Asia-Pacific region.

"We are looking at mature oilfields in known regions or basins," he told reporters after the company's annual general meeting yesterday.

However, Shahul Hamid said Reach Energy is still open to other opportunities outside the region if the offer was attractive.

He agreed with the consensus that lower crude oil prices would present more opportunities for Spacs to acquire assets.

"Asset owners with smaller assets may find it difficult to finance their activities or service their loans (at this point of time)," he said, adding that these owners are looking to divest their assets partially, if not completely.

Reach Energy's target QA will be among such smaller assets, he said, adding that oil prices should gradually stabilise at US\$70 (RM254.10) to US\$90 per barrel, which is the benchmark against which Reach Energy's acquisitions will be assessed.

"That is the kind of price scenario we intend to use in our evaluation of the potential acquisitions. It will take a bit of time to go back to US\$100 per barrel, but it won't plummet to US\$10 a barrel," he said.

Brent was trading at below US\$49 a barrel while US crude was trading below US\$45 a barrel yesterday.

Shahul Hamid said low oil prices have put pressure on E&P outfits and caused them to lower their operating costs, adding that "it's not unusual for some to shut production because the cost is too high".

But he assured that maintenance activities in the O&G sector will continue, although O&G companies will have to negotiate with service companies for better pricing.

Reach Energy is the fourth and largest Spac listed on the local exchange, with RM750 million raised through the issuance of one billion new ordinary shares at 75 sen apiece.

A Spac is a vehicle that has no operations or income-generating business at the point of its initial public offering (IPO). Following that, the Spac has a three-year period to use its IPO proceeds to secure a QA.

Cliq Energy Bhd (fundamental: 0.6; valuation: 0) and Sona Petroleum Bhd (fundamental: 0.6; valuation: 0) are two other Spacs listed on Bursa Malaysia that are looking for QA. Reach Energy, listed last August, has 31 months left to fish for a QA, while Cliq Energy has 14 months and Sona 18 months.

