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Reach-ing out to Oceania

Newly-listed SPAC may seek QA in Australia or Papua New Guinea

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KUALA LUMPUR: Newly-listed Reach Energy Bhd may seek its qualifying acquisition (QA) in Australia or Papua New Guinea due to the more liberal fiscal regime in these locations.

Managing director Shahul Hamid Mohd Ismail hinted the special-purpose acquisition company (SPAC) was looking at oil and gas (O&G) assets and companies in the Oceania.

He said Reach Energy was also eyeing businesses in Malaysia, Indonesia, Australia, Myanmar, Thailand, Vietnam and the Philippines.

"(Around South-East Asia), the fiscal regime is usually more rigid as there has to be some state participation in the acquisition, but we are not discounting the assets we could find here, if not for the QA, it will be for the future," he told *StarBizWeek*.

On its QA strategy, Shahul said the company would either enter at the corporate level through a controlling stake in a company with two or three producing or near development assets, or acquire a single asset and assume operatorship from there.

"We will not do joint operatorship for our QA, as set out in the requirement," he said, adding that the company hoped to secure its QA within two years.

Shahul said the management was eager to get on with its talks with parties that the company had eyed during its "window shopping".

"We prefer to deal with them one-to-one rather than through bidding, although we will not dismiss the option entirely," he added.

Reach Energy shares and warrants opened at a combined 135% premium to their issue price of 75 sen at its initial public offering (IPO) yesterday.

At the opening bell, the share price debuted at 72.5 sen, 3.3% lower than its issue price while the free detachable warrants opened at



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28.5 sen, up 28 sen or 5,600% from its reference price. The free warrants were given on a one-for-one basis.

The SPAC closed at 70.5 sen, 6% or 4.5 sen lower than its issue price on a trading volume of 294.83 million shares. Its warrants closed 22 sen higher at 22.5 sen, with 556.98 million traded. Both shares and warrants reached a high of 76.5 sen and 29 sen.

Reach Energy said in its prospectus that it was looking for brownfield O&G assets in the Asia-Pacific region which are producing or in development, with a minimum internal rate of return (IRR) of 15%. If an acquisition is

made outside of its desired region, then the asset will have to pass a higher IRR hurdle of 20%.

It can buy either an asset or company, but the asset must have proven and probable (2P) reserves exceeding 10 million barrels of oil equivalent (mmboe). Should it decide to acquire a company, the target needs to hold over 20 mmboe in 2P reserves.

Reach Energy has a market cap of RM958.37mil upon listing, making it the largest SPAC to be listed on Bursa Malaysia to-date. The initial public offering was oversubscribed by 41.86 times.