

# Rockhopper Exploration

Sea Lion economics robust in current environment

2016 results

Oil & gas

Rockhopper's (RKH) full year 2016 results do not reveal any material news, but do help underline the progress the company made in 2016 with the acquisition of production assets in Egypt and the continued lowering of costs at Sea Lion. Net production of 1,350boe/d helps to offset general costs and maintain the substantial cash balance (end of year \$81m). Most importantly, perhaps, is that the board considers the Sea Lion development to be "sufficiently robust to be sanctioned in the current environment, assuming the required capital investment can be secured". Therefore, focus continues on working with the operator (Premier) in getting the project to FID. We point investors to our recent [note](#) on the mechanisms that the partnership can follow and the impact on RKH's value. Our NAV is 73p/share.

Year end	Total revenues (US\$m)	Reported PBT (US\$m)	Cash from operations (US\$m)	Net (debt)/cash (US\$m)	Capex (US\$m)
06/14	1.9	(7.6)	(11.2)	199.7	(11.3)
12/15	4.0	(44.7)	(6.9)	110.4	(80.9)
12/16e	7.9	123.0	(24.4)	79.9	(34.2)
12/17e	11.1	(18.1)	(1.7)	50.2	(13.0)

Note: Year end changed in 2014 from June to December. All the 2016 numbers above are our estimates. We will adjust our model to reflect reported results in a future note.

The 2016 financial results are less important than the improved outlook for the company in 2017 and beyond. The acquisition of the Beach Energy assets gives it a foothold in Egypt and a larger production base in the greater Mediterranean, which it intends to grow further. Opex has fallen to \$14/boe, while company G&A is down 30% over the last two years.

In the Falklands, the FEED process has continued to deliver savings, leveraging the cost deflation in the service environment, with life of field costs at \$35/bbl and an estimated NPV<sub>10</sub> break-even of \$45/bbl. The company is therefore convinced that the project could be sanctioned in the current environment, with the main obstacle being the financing (currently reliant on PMO). We believe that both partners are aligned in progressing this large development – 2C resources are over 500mmboe and 3C over 900mmboe.

12 April 2017

**Price** **21.00p**  
**Market cap** **£96m**

Net cash (\$m) at 31 December 2016 excluding post-period adjustment 81

Shares in issue 456.9m

Free float 99%

Code RKH

Primary exchange AIM

Secondary exchange N/A

## Share price performance



## Business description

Rockhopper Exploration is a London-listed E&P with fully funded development of Sea Lion, a 500mmboe+ field in the Falklands. The Isobel Elaine complex could add further significant resources. Rockhopper also holds production and exploration assets in the Mediterranean and Egypt.

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