

Medserv

Newsflow

Discovering and delivering

Industrial support services

12 February 2018

Medserv has started FY18 with a positive operating backdrop. Last week, ENI announced a lean gas discovery in Block 6 Offshore Cyprus. Meanwhile, the company has reported further success with its strategy to expand into new territories, with a three-year contract. We believe that building operational visibility in Cyprus while expanding internationally supports the potential for substantial revenue growth for 2018-20.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	42.7	6.1	9.7	4.3	12.0	3.7
12/16	32.8	(1.3)	(2.1)	0.0	N/A	N/A
12/17e	28.2	(2.8)	(6.4)	0.0	N/A	N/A
12/18e	42.3	5.8	9.5	3.8	12.2	3.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and retention contracts, and exceptional items.

ENI is the leading offshore IOC operating in the Mediterranean and Medserv supports its drilling operations in Cyprus from its onshore bases in Larnaca and Limassol. The latest lean gas discovery announced by ENI offshore Cyprus is believed to be 'Zohr-like' in nature. Zohr, offshore Egypt, is the largest gas field in the Mediterranean currently. ENI has a 50% participation in Block 6 where the new find has been made and Medserv's ILSS business recommenced support for the drilling programme in Q417. The new find should provide an extended drilling programme, providing greater visibility and improved returns from Cyprus.

Meanwhile, we have made it clear that Medserv's strategy is to develop its operations into new territories. The company announced on 23 January that it has secured business, via a competitive tender, in "a market, considered by the industry to be the big new energy source on Europe's doorstep". The three-year c €10m contract to provide integrated logistics support services for the production phase of offshore has an option to extend. Due to commercial considerations, the name of the IOC has not been disclosed at this time.

These two announcements are supportive to Medserv's operations, underpinning the potential for substantial revenue growth going forward and our fair value of €1.64 per share. Preliminary results are scheduled for 27 April 2018.

Price €1.16

Market cap €62m

US\$1.22/€

Net debt (€m) at 30 June 2017 47.2

Shares in issue 53.7m

Free float 35%

Code MDS

Primary exchange Malta SE

Secondary exchange N/A

Share price performance



Business description

Medserv is a Malta-based provider of integrated offshore logistics and services in support of drilling operations in the Mediterranean. The acquisition of the METS companies in February 2016 diversified the company into onshore steel tube stockholding and servicing for countries in the Middle East.

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