

Rockhopper Exploration

Greater Med assets provide positive cash flow

Corporate update

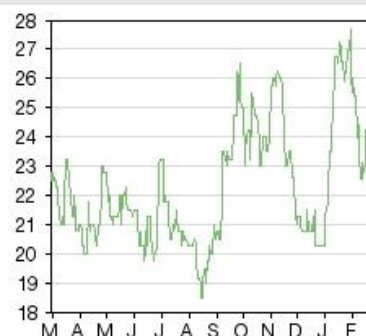
Oil & gas

26 February 2018

Price **22.7p**
Market cap **£104m**

Net cash (\$m) at end June 2017 62.5
Shares in issue 456.9m
Free float 93%
Code RKH
Primary exchange AIM
Secondary exchange N/A

Share price performance



Business description

Rockhopper is an AIM-listed E&P with assets in the Falkland Islands, Egypt and Italy. Its main asset is the Sea Lion development project in the Falklands.

Analysts

Sanjeev Bahl +44 (0)20 3077 5742
Elaine Reynolds +44 (0)20 3077 5713

oilandgas@edisongroup.com

[Edison profile page](#)

**Rockhopper Exploration is a
research client of Edison
Investment Research Limited**

Rockhopper has provided an update on the company's Greater Mediterranean assets, reporting improved production from Abu Sennan, strong realisations and confirmation of a four-well drilling programme in 2018. The company's Egyptian receivables position is significantly reduced (\$4.5m outstanding) and historical liabilities to Beach Energy have been satisfied, meaning that Rockhopper will now benefit from 100% of payments from EGPC relating to its net interest. Cash flows from the company's Egyptian asset base are expected to cover operational costs, G&A and contribute to maintenance capex going forward. Our [last published valuation](#) ranges from a core NAV of 44p/share (Phase 1 risked at 20% CoS) to 81p/share (Phase 1 at 50% CoS).

Year end	Revenue (US\$m)	PBT (US\$m)	Cash from operations (US\$m)	Net (debt)/cash (US\$m)	Capex (US\$m)
12/15	4.0	(44.7)	(6.9)	110.4	(80.9)
12/16	7.4	98.0	(21.2)	81.0	(40.2)
12/17e	9.8	(9.5)	(1.7)	51.3	(26.3)
12/18e	8.1	(18.4)	0.4	40.9	(11.0)

Note: Figures are as reported.

Abu Sennan: producing slightly ahead of management expectations following workovers in H217 at 880kboed net. Following JV approval, the company is to drill one exploration well (Prospect 'S'), two development wells and a water injection programme at Al Jahraa in 2018. The focus remains on replacing reserves and maintaining production with the potential to materially increase recovery factor over time. (Abu Sennan accounts for 2p/share of our NAV). Net capex for the assets is estimated at \$3m in 2018.

El Qa'an Plain: the Raya-1X commitment well is to be drilled in 2018, targeting a relatively high COS, but small (1-2mmbo) prospect close to existing discoveries.

Italy: Guendalina continues to perform to forecast (290kboed in 2017); however, the Civita gas field incurred downtime in February 2018 due to a pipeline depressurisation event, which is to be remedied. Rockhopper continues to look at divesting its non-core Italian assets, including Civita (currently just 0.3p/share of our NAV), to Cabot Energy.

Sea Lion Phase 1 financing: Sea Lion Phase 1 continues to progress towards project sanction, targeted for end-2018. Focus remains on financing the \$1.5bn gross capex required to achieve first oil. We expect to hear a further update on Sea Lion at Premier Oil's full-year results on 8 March 2018.

General disclaimer and copyright

This report has been commissioned by Rockhopper Exploration and prepared and issued by Edison, in consideration of a fee payable by Rockhopper Exploration. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2018 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.