



## NEWS CLIPPINGS

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### 'Some O&G firms performed well despite low oil prices'

**KUALA LUMPUR:** Some local oil and gas (O&G) companies have been able to maintain or reduce operating cost in times of declining revenues, said MIDF Research.

It named SapuraKencana Petroleum Bhd, Gas Malaysia Bhd, Petronas Chemicals Group Bhd, Petronas Gas Bhd, Deleum Bhd, Destini Bhd and KNM Group Bhd as those with the ability.

MIDF Research said O&G service providers need to reduce operating cost in tandem with the drop in revenue so as to maximise efficiency in maintaining its profit margin and sustaining profitability.

"Companies that were able to efficiently manage cost in a low oil price environment would benefit the most," said MIDF Research.

It said oil majors such as Petronas had aggressively reduced its operating costs, both internally and externally via its vendors.

"Dubbed Coral 2.0, Petronas is focused on reducing cost via three value levers, namely proactive demand management, spend consolidation and driving innovation," said

MIDF Research.

"Even if oil prices were to stay at current levels and trade beyond US\$50 (RM203) a barrel, it is likely that the value of new projects, deals and charter rates would see a huge drop in terms of value compared with the glory days of US\$100 a barrel," said MIDF Research.

It added that O&G service providers would need to adjust cost structures to be in line with the new norm in revenue to maintain profit margins and remain profitable.

MIDF remains positive on the downstream segment of the O&G value chain, but negative on the upstream segment.

The research firm has a "buy" call on SapuraKencana, Gas Malaysia and KNM Group as they had displayed competent managerial skills in reducing overhead costs, reduced redundancies and wastages as well as displayed efficient capital and working asset management.

In the downstream segment, MIDF Research recommended a "buy" on KNM Group, Muhibbah Engineering Bhd and Gas Malaysia.