

Analyst: Kelvin Li

Main Board Listing – Research

安東油田服務集團

Anton Oilfield Services Group [Stock Code: 3337]

Global Coordinator	:	Credit Suisse	
Joint Bookrunners, Joint Sponsors and Joint Lead Managers	:	Credit Suisse	JPMorgan

Sector : Energy

Business : Provision of onshore oilfield services

Total share offer: <u>520,000,000</u> shares (25.15% of the enlarged share capital) Public Offer: 52,000,000 shares (10%) Placing: 468,000,000 shares (90%) Greenshoe: 78,000,000 shares Price: HK\$1.80 – HK\$2.40 per share Market Cap: HK\$3.721 billion–HK\$4.961 billion Pro forma FY2007E PER: 32.4x to 43.2x Adjusted NTA per share: HK\$0.60 - HK\$0.75 Staffing: 353 (as of 31 st December 2006)	<u>Business of Anton Oilfield Services</u> <p>The Group is a non-state-owned company providing onshore oilfield services. It is mainly engaged in the provision of high-end oilfield services and products in the areas of well services, drilling services, production services and field services, covering various stages in the life of an oil and gas field.</p> <p>The Group's well services division now offers high-end onshore fracturing and acidization, sand control and well cementing services. The Group's drilling services division offers a large variety of downhole equipment, including drill pipes, heavy-weight drill pipes, drill collars, well casing and tubing, and drill pipe testing and welding services. The production division mainly provides the Group's customers with production equipment and related services, with a focus on extending equipment life in corrosive and sandy conditions. Through its regional field service facilities, the Group's field services division provides a comprehensive variety of on-site services in connection with oil and gas field production activities.</p>
HK Public Offer period: 3 rd December 2007 – 6 th December 2007 noon Receiving bank: Hang Seng Bank ICBC (Asia) Share registrar: Computershare Hong Kong Investor Services Limited Listing date: 14 th December 2007	

Shareholders after Listing (Assuming the over-allotment option is not exercised)

Pro Development – owned by Chairman & CEO Luo Lin	33.34%
Anton Management – 60.4% owned by executive director Ma Jian and 39.6% owned by executive vice president He Zhigang	4.25%
Forever Mark Group Limited – owned by a fixed trust established by 22 employees	12.03%
Erdos – a pre-IPO investor	18.14%
Chengwei – a pre-IPO investor	7.09%
Public Investors	25.15%
	<u>100.00%</u>

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$1,019 million (Assuming an offer price of HK\$2.10, being the mid-point of the indicative offer price range, and the over-allotment option is not exercised)

	HK\$ million
For building manufacturing and research & development facilities in Huairou	73
For equipment procurement in the well services division	364
For equipment procurement in the drilling services division	109
For increasing capacity in the production services division	36
To expand existing service facilities in the field services division and establish new facilities domestically and in selected overseas markets	109
For potential acquisitions	219
For general corporate purpose like working capital	109

Financial Highlights

	Year ended 31 st Dec			6 months ended	
	2004	2005	2006	30 th Jun 2006	30 th Jun 2007
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	80,053	149,225	246,951	38,800	174,020
EBITDA	27,842	49,456	90,317	5,284	50,890
Operating profit	26,479	47,923	84,834	2,721	46,923
Profit attributable to shareholders	26,211	43,792	76,651	2,221	42,352
EBITDA margin	34.78%	33.14%	36.57%	13.62%	29.24%
Operating profit margin	33.08%	32.11%	34.35%	7.01%	26.96%
Net profit margin	32.74%	29.35%	31.04%	5.72%	24.34%
	31/12/2004	31/12/2005	31/12/2006	30/6/2006	30/6/2007
Net debt/(cash) to Equity	(17.62%)	(5.15%)	(3.55%)	N/A	23.61%

Strengths/Opportunities

- ✓ In order to meet with strong energy consumption demand in the Mainland, major PRC oil producers are pushing forward their investment in exploration and production. For instance, PetroChina (0857) has plan to raise its capital expenditure in exploration and production to RMB115.2 billion in 2007, up 9.5% from a year earlier, while Sinopec (0386) also has plan to raise its E&P capex by 67.5% y-o-y to RMB53.1 billion in 2007 from RMB31.7 billion in 2006.
- ✓ Anton Oilfield has established a nationwide sales network covering major oilfields in the Mainland, namely Tarim (塔里木), Jungar (準葛爾), Ordos (鄂爾多斯) Basin in the northwest region, Songliao (松遼) Basin in the northeast region, Bohai Bay (渤海灣) and Nanhai (南海) Basin in the Huabei region, and Sichuan (四川) Basin in the southwest region. With the well-established sales network, the Group could respond quickly to the needs of customers, which should help maintain a long-term business relationship with its customers.

Weaknesses/Threats

- × The Group's business outlook is difficult to evaluate, as demand for its services largely depends on the growth strategy of the three major oil producers in the Mainland. Besides, sector rivalry may lead to tightening profit margins and hinder the Group's expansion prospect.
- × To be priced at some 43x forward P/E (at the top end of the indicative price range), Anton Oilfield's valuation is much higher than sector peers like China Oilfield (2883) at 38x FY07E P/E and Shandong Molong (0568) at 26x FY07E P/E.

Recommendation: Neutral

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