



31 January 2017

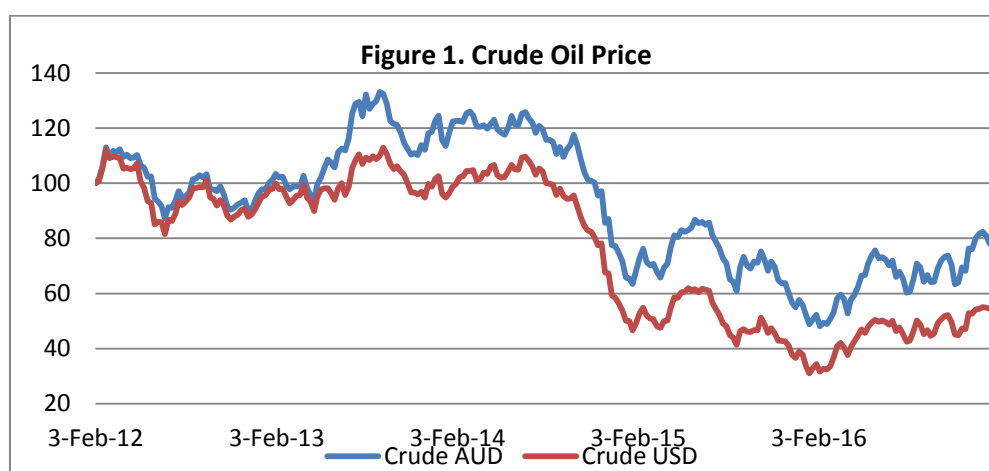
# Investment Ideas

## Cooper Energy (COE): Record Production Expected in FY17

**Cooper Energy is expected to ramp up FY17 production in Australia following the acquisition of a number of Victorian gas assets previously held by Santos. The company's balance sheet is robust, and should allow the group to take advantage of the recent stronger oil/energy price environment and increase in demand in Australia.**

**The IRESS consensus target price of \$0.50ps indicates some 39% upside potential relative to COE's current share price of \$0.36. Cooper Energy trades on a forward PE of 18.95x which is below the S&P ASX 200 Energy Index's forward PE of 24.19x.**

- **Cooper Energy posted a positive December 2016 quarterly report, noting a busy period with increases in production and revenue, in addition to the acquisition of Victorian gas assets from Santos.**
- **COE has been able to take advantage of higher oil prices over the quarter through production increases which has boosted revenue by some 24%.**
  - o The average oil price received by Cooper over the December quarter was A\$63.16/bbl which is up 16% when compared to the previous quarter.
  - o Oil prices are set to stabilise around current levels throughout 2017 as a result of the recently agreed OPEC deal which is currently taking effect and the decline in US crude from its peak in May 2016.
  - o Providing further support to the oil price is the expected rise in US interest rates which will suppress the AUD from appreciating against the USD in 2017. The favourable AUD has benefitted Australian oil and gas producers with the price of oil in terms of AUD remaining above the USD denominated price since mid 2013, as illustrated in Figure 1 below.
  - o Victorian wholesale gas prices saw a spike in prices over 2016, and is forecasted to continue into the coming years.



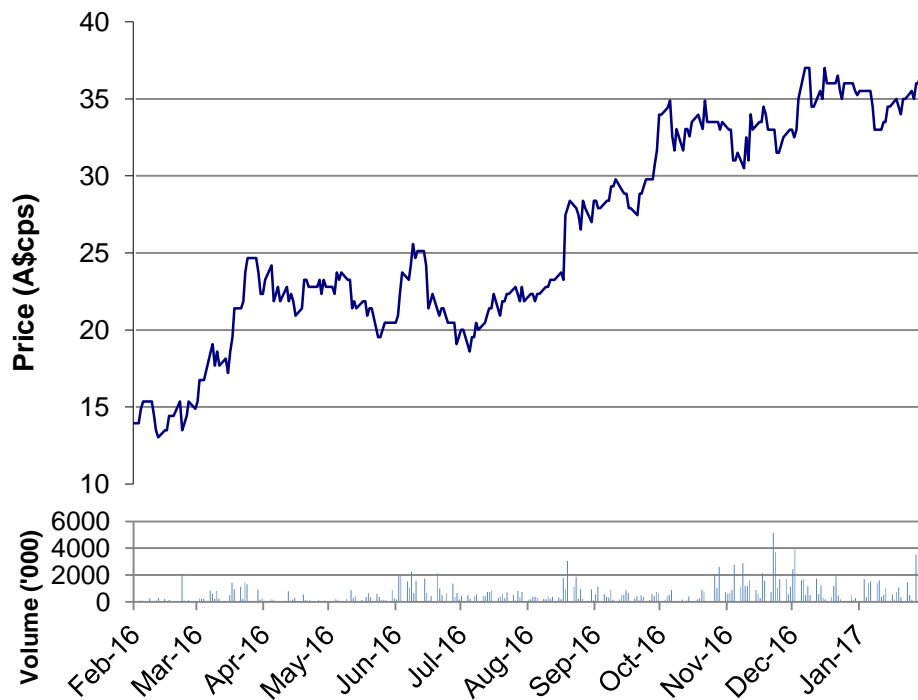
Source: IRESS, State One Stockbroking

- **The acquisition of Santos' Victorian gas assets has added to the company's Otaway and Gippsland basins and takes the production guidance for FY17 to a record 1m boe, from 0.24m – 0.28m boe. The acquisitions are expected to significantly add to FY17 revenue.**
  - o At the centre of the agreement is the acquisition of the remaining 50% stake in the Sole Gas Project which is set for final investment decision in the March 2017 quarter, and production

expected in early 2019. The company has now signed agreements with AGL, O-I Australia, Alinta and EnergyAustralia comprising 80% of the total annual production for the project. The acquisition of the remaining stake in the Sole project is set to provide long term benefits for COE with a significant uplift in production expected from FY20.

- The 50% stake in the Casino-Henry project will provide both near and long term benefits to Cooper Energy with production currently underway. Total FY17 production for the project is forecasted at 1.5MMboe.

#### COE share price history (30 January 2016 - Present) (A\$cps)



Source: IRESS, State One Stockbroking

Investment Data				
Share Price (\$)	0.36			
Ord Shares (m)	658.7			
Market Cap (\$'m)	240.5			
EV (\$'m)	240.5			
Net Debt (\$'m)	-			
Average Daily Vol (6 mths)	802,746			
52 Week High/Low (\$)	0.39 – 0.14			
EPS Data	FY16	FY17F	FY18F	FY19F
EPS (c)	-0.008	0.019	0.025	0.029
PER (X)	-	18.95	14.40	12.41
DPS yield (%)	-	-	-	-
Substantial Shareholders (%)				
Beach Energy Limited	14.52			

Source: IRESS, State One Stockbroking

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