



9-Jul-10

MAUREL ET PROM

Sector Exploration & Production

Code Bloomberg MAU FP
Last Price 9,75 EUR**New issue**

Size 60 MEur
 Increase option 10 MEur
 Greenshoe 10 MEur
 Maturity 31/07/2015 5 Years
 Put None
 Call 31/07/2013 130%
 Div prot. 0,37€, 0,39€, 0,41€, 0,43€, 0,45€, 0,47€

	New Issue	Maurel 7,125% 2014	
	Worst Terms	Best terms	Mid Price
Coupon / Yield	6,625%	7,125%	7,100%
Premium	35%	30%	71%
Spread	650Bps	650Bps	650Bps
Borrow	3,50%	3,50%	3,50%
Implied vol	26,8%	21,3%	31,6%
Delta	39%	36%	30%

Hist Vol 1Y 32,3%, 6m 34,1%, 1m 31%

Maurel & Prom is a mid size oil and gas operator with a presence in Africa and Latin America focusing on exploration.

Recent Group's activity update was as follow:

Production in Gabon: 16 000 barrels per day since early July.

Exploration: a number of wells are currently underway in Colombia, Tanzania and Gabon.

Nigeria: acquisition in progress of 45% of the rights of various fields. The purpose of the new issue is partly dedicated to secure the acquisition.

Spread indication by BNPP(lead manager) is 650 bp. It looks wide, at first sight, considering a net debt estimated at 100 m€ as of end 2010. The spread used to price the 2014 CB is usually equivalent but implied volatility is 31.6%, 7.5% more than the mid price of the new issue. Pricing therefore looks attractive, it is the price of the limited liquidity given the size of this new CB.

The company's valuation is always very uncertain as fields not yet in operation and prospective resources may not be priced in. But capex, albeit down from 420 musd in 2009, stands high at 360 musd for 2010. Obviously, this new issue is a surprise, possibly reflecting banks difficulties to increase their exposure.

Being currently valued on its current production, Maurel appears at first sight to be a very attractive stock; however, caution needs to be exercised because exploration failure has occurred in the past. Also, we note that attractively priced paper is available currently in the secondary market and being exposed to such a small issue requires good visibility on Maurel's future earnings - something which is not there, in our view

Convertible & High Yield team

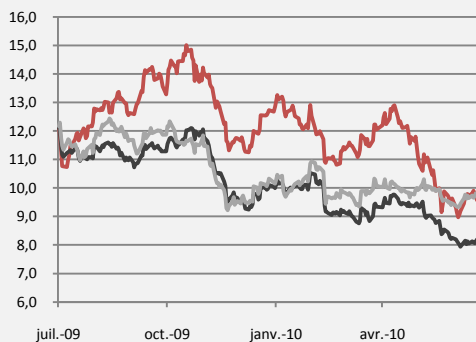
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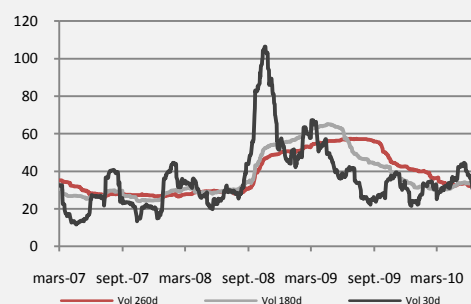
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**Market data**

Market cap (EURm) 1 182
 Shrs Outstanding (m) 121
 Free float 70%
 3m avg, volume(EURm) 5,5
 1m return 7,4%
 1y return -9,5%

**Peer group**

TULLOW OIL PLC
 PREMIER OIL PLC
 SOCO INTERNATIONAL PLC
 HERITAGE OIL PLC

Tickers

TLW LN
 PMO LN
 SIA LN
 HOIL LN

Valuation ratios	2009	2010	2011	2012
P/E	/	20,8	9,9	9,9
P/BV	1,6	1,2	1,0	0,9
P/CF	27,7	8,0	5,2	5,7
Dividend yield	0,8	2,0	3,3	3,5
EV/Ebitda	21,2	7,5	5,1	5,3

Consensus

	Consensus	Analysts' target
Buy	9	Price target 15,38
Hold	1	Equity upside 57,8%
Sell	0	

Source Bloomberg

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