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**BUSINESS ENTITY FINANCIAL VALUATION FOR
MALAYSIA OIL & GAS INDUSTRY: A QUALITATIVE CASE
STUDY APPROACH**



MASTER OF SCIENCE (FINANCE)

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**BUSINESS ENTITY FINANCIAL VALUATION FOR MALAYSIA OIL & GAS
INDUSTRY: A QUALITATIVE CASE STUDY APPROACH**

By

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UUM
Universiti Utara Malaysia

Thesis Submitted to

Othman Yeop Abdullah Graduate School of Business,

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in Fulfilment of the Requirement for the Degree of Masters in Science (Finance)



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ABSTRACT

The Oil & Gas sector has played a crucial role in Malaysia's economy in which 20% is contributed to the nation's gross domestic product (GDP). Hence, when the global oil price crisis begun in mid 2014, Malaysia's economy suffered a setback in terms of lower revenue being generated for the country and loss of investor confidence causing the FTSE Bursa Malaysia KLCI to fall as well. Therefore, with this in mind this paper examined a number of financial instruments with the aim of identifying the suitability of these instruments in evaluating business entity financial valuation of Oil & Gas companies before and after the oil price crisis. The literature review of this research presented five (5) financial instruments which are price to earnings (PE), enterprise multiplier (EM), discounted cash flow (DCF), net assets value (NAV) and net tangible assets (NTA) that can be used for business entity financial valuation of Malaysia Oil & Gas companies. Therefore, in order to confirm the literature findings, this study was conducted using a case study approach with the objective of contributing to the body of knowledge of the Oil & Gas industry both globally and locally. As a result of the findings, the study finds that the all five (5) financial instruments as mentioned above can be used before crisis periods but only four (4) financial instruments with the exclusion of the discounted cash flow (DCF) approach can be used after or during crisis periods. The exclusion of the discounted cash flow (DCF) valuation methodology is due to its inability to accurately produce consistent business entity financial valuations during times of crisis. In conclusion this research provides a conceptual framework which can be used as a guideline for business entity financial valuation of Malaysia Oil & Gas companies.

Keywords: Gross Domestic Product (GDP), Business Entity Financial Value, Price to Earnings (PE), Enterprise Multiplier (EM), Discounted Cash Flow (DCF), Net Assets Value (NAV), Net Tangible Assets (NTA)

ABSTRAK

Sektor Minyak & Gas memainkan peranan yang penting untuk ekonomi Malaysia di mana 20% dari sektor ini menyumbang kepada keluaran dalam negara kasar (GDP). Oleh itu, apabila krisis harga minyak global bermula pada pertengahan 2014, ekonomi Malaysia mengalami kemunduran dari segi hasil yang lebih rendah dijana untuk negara dan kehilangan keyakinan pelabur menyebabkan Bursa Saham Kuala Lumpur (KLCI) jatuh juga. Selaras dengan fakta ini, karya ini akan meneliti beberapa instrumen kewangan dengan tujuan untuk mengenal pasti kesesuaian instrumen ini untuk menilai penilaian kewangan entiti perniagaan syarikat-syarikat Minyak & Gas Malaysia sebelum dan selepas krisis harga minyak. Kajian literatur telah menyampaikan lima (5) instrumen kewangan iaitu harga kepada pendapatan (PE), perusahaan pengganda (EM), aliran tunai terdiskaun (DCF), nilai aset bersih (NAV) dan nilai aset ketara bersih (NTA) yang boleh digunakan bagi penilaian kewangan entiti perniagaan syarikat-syarikat Malaysia Minyak & Gas. Seterusnya untuk mengesahkan penemuan sastera, kajian ini dijalankan dengan menggunakan pendekatan kajian kes dengan objektif untuk menyumbang kepada badan pengetahuan industri Minyak & Gas di peringkat global dan tempatan. Hasil daripada kajian ini mendapati bahawa kesemua lima (5) instrumen kewangan seperti yang dinyatakan di atas boleh digunakan sebelum tempoh krisis tetapi hanya empat (4) instrumen kewangan dengan pengecualian pendekatan aliran tunai terdiskaun (DCF) boleh digunakan selepas atau semasa tempoh krisis. Pengecualian kaedah penilaian aliran tunai terdiskaun (DCF) adalah disebabkan oleh ketidakupayaan untuk menghasilkan penilaian kewangan yang konsisten untuk entiti perniagaan pada masa krisis. Kesimpulannya kajian ini membekalkan satu rangka konsep yang boleh digunakan sebagai garis panduan bagi penilaian kewangan entiti perniagaan syarikat-syarikat Minyak & Gas Malaysia.

Kata Kunci: Keluaran dalam Negara Kasar (GDP), Penilaian Kewangan Entiti Perniagaan, Harga kepada Pendapatan (PE), Perusahaan Pengganda (EM), Aliran Tunai Diskaun (DCF), Nilai Asset Bersih (NAV), Nilai Asset Ketara Bersih (NTA)

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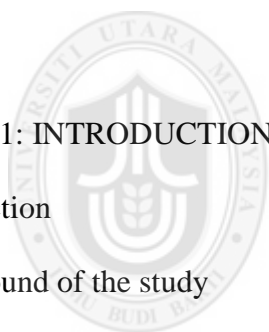
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LIST OF ABBREVIATIONS

CAPM	Capital Assets Pricing Model
DCF	Discounted Cash Flow
EBITDA	Earnings before income, tax and depreciation
EBIDAX	Earnings before income, tax, depreciation and exploration expense
EM	Enterprise Multiplier
EPS	Earnings Per Share
EV	Enterprise Value
FCF	Free Cash Flow
GDP	Gross Domestic Product
KLCI	Kuala Lumpur Composite Index
LNG	Liquefied Nitrogen Gas
MIDA	Malaysia Investment Development Authority
MNC	Multi National Company
NAV	Net Assets Value
NTA	Net Tangible Assets
PE	Price to Earnings
PSC	Production Sharing Contract

Chapter One: Introduction

1.0 Introduction

This chapter mainly serves as the overview and the background of what this research topic is going to discuss and what are the main problems to be addressed by this research. The organization of this chapter is shown in Figure 1.1.

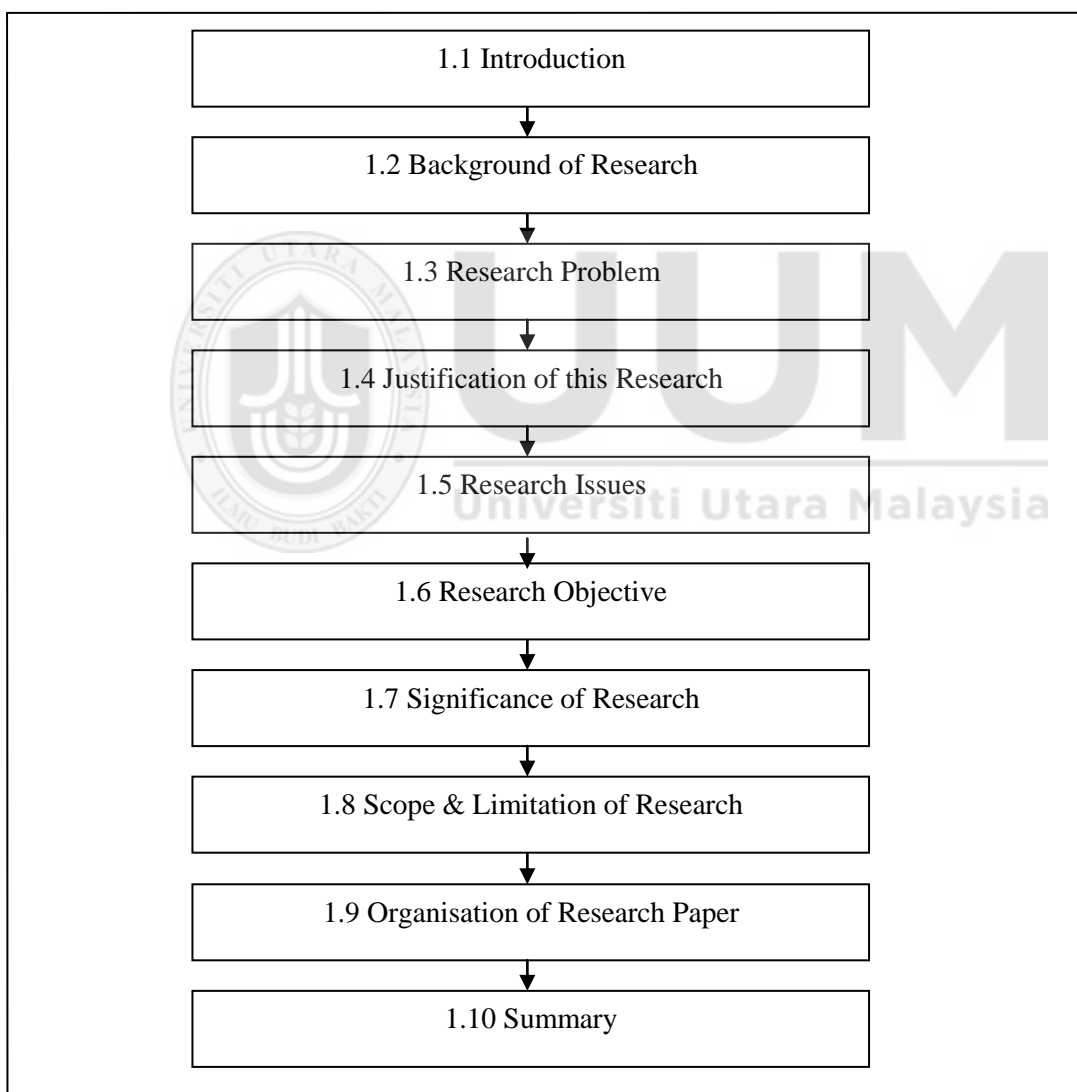


Figure 1.1
The organization and flow of Chapter 1

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APPENDIX

Criteria	Qualitative Research	Quantitative Research
Purpose	To understand & interpret social interactions.	To test hypotheses, look at cause & effect, & make predictions.
Groups Studied	Smaller & not randomly selected.	Larger & randomly selected.
Variables	Study of the whole, not variables.	Specific variables studied
Type of Data Collected	Words, images, or objects.	Numbers and statistics.
Form of Data Collected	Qualitative data such as open-ended responses, interviews, participant observations, field notes, & reflections.	Quantitative data based on precise measurements using structured & validated data-collection instruments.
Type of Data Analysis	Identify patterns, features, themes.	Identify statistical relationships.
Objectivity & Subjectivity	Subjectivity is expected.	Objectivity is critical.
Role of Researcher	Researcher & their biases may be known to participants in the study, & participant characteristics may be known to the researcher.	Researcher & their biases are not known to participants in the study, & participant characteristics are deliberately hidden.
Results	Particular or specialized findings that is less generalizable.	Generalizable findings that can be applied to other populations.
Scientific Method	Exploratory or bottom-up: the researcher generates a new hypothesis and theory from the data collected.	Confirmatory or top-down: the researcher tests the hypothesis and theory with the data.
View of Human Behaviour	Dynamic, situational, social, & personal.	Regular & predictable.
Focus	Wide-angle lens; examines the breadth & depth of phenomena.	Narrow-angle lens; tests specific hypotheses.
Nature of Observation	Study behaviour in a natural environment.	Study behaviour under controlled conditions; isolate causal effects.
Nature of Reality	Multiple realities; subjective.	Single reality; objective.