SMALL CAP SHARE COMMENT
Commissioned Commentary

THALASSA HOLDINGS
(AIM:THAL)
Share price 151p

Date: **7th June 2013**
Sector: Oil Equipment, Services & Distribution
Market Cap: c£25m
www.thalassaholdingsltd.com

Another significant follow-on award and subsequent broker upgrade

The AIM quoted marine seismic operations business has announced news of a binding letter of intent between the Company's subsidiary WGP Energy Services Ltd and the Russian geological sea survey company and its Ecuadorian subsidiary Sevmorgeo S.A. for seismic data acquisition surveys in Ecuador.

This latest news follows completion of its first contract with Sevmorgeo S.A., (www.sevmorgeo.com) announced in January of this year which had an initial value of US$4.175m and was subsequently increased to a US$6.7m.

- Value increases to over US$10m

The contract, which is expected to be executed by the end of June 2013, relates to surveys which are planned to commence on 1st October 2013 and continues until 31st March 2014.

Revenues in respect of the second phase are anticipated to be between US$4.0m and US$5.4m, depending on the acquisition, standby and downtime incurred and increases the aggregate value of the work in Ecuador to more than US$10.0m.

As previously the contract involves the provision and operation of Thalassa's Portable Modular Source System ("PMSS") as part of the seismic data acquisition survey.

- Use of PMSS

The PMSS™ equipment is installed on vessels in order to provide the seismic (sound) source to allow Oil and Gas Exploration & Production companies to primarily perform Permanent Reservoir Monitoring ("PRM") or Life of Field Seismic.

The equipment is also extremely versatile giving THAL the opportunity to use the equipment more widely than if they were restricted only to PRM work.

- Geographical benefits

Up to now the Group's focus has been in the North Atlantic and Arctic regions, with operations restricted to the summer months. In order to smooth out returns one of the Group's key aims has been to increase activities in the Southern hemisphere, being counter cyclical to the Northern hemisphere seasons, or in equatorial regions where there is less seasonal variance. The latest contract news is therefore evidence of their efforts coming to fruition and vindicates management's decision to be selective over which contracts to undertake following the huge Statoil deal.

- Stock overhang removed

It's worth pointing out the 1.6m shares traded on 3rd June taken up by institutional investors. These were shares held by the original founding Duncan family (not to be confused with Exec Chairman Duncan Soukup!) who we believe have now completely sold out of the business thereby removing an overhang.

- Broker upgrades

For the year ending December 2013 house broker estimates were previously for revenue of US$28.6m, pre-tax profit of US$2.4m and eps of 13.7 cents. This latest contract news has resulted in the house broker lifting 2013 forecasts on the assumption that US$4.0m revenue relating to this contract is equally split between 2013 and 2014 financial years. Estimated full year revenue for 2013 is therefore lifted to US$30.6m, pre-tax profit to US$2.7m and eps to 15.2 cents (9.9p) resulting in a one year PER of approximately 15.2x at the current share price (151p). 2013 estimates are only based on contracted revenue.

For 2014 estimates remain as previously for revenue of US$20.6m, pre-tax profit US$3.0m and eps of 15.7 cents (10.07p) resulting in a 2 year PER of 15x. Seemingly clear scope for upgrades here!

The recent placing which raised approximately £5.4m at a price of 120p per share was well supported by both leading institutional investors and the Executive Chairman.

The Statoil contract has dominated the news but this is a timely and sizeable contract.