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Titan Energy Services

24/10/2017 FAT-AUS-845

TTN

AUD \$0.160

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HIGH**S**

Fat Prophets take a loss

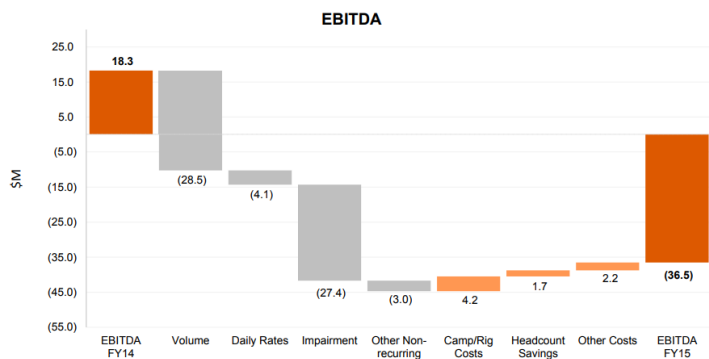
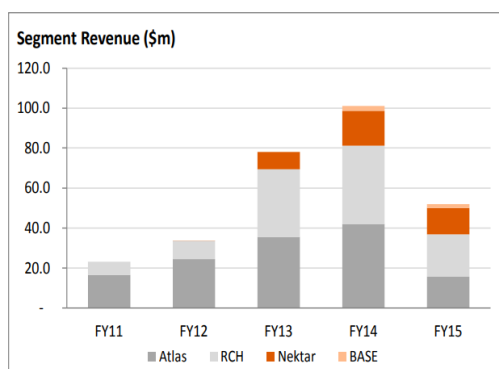
Note to Members: Titan Energy Services is now traded under the new name AuMake Australia with the ticker AU8

Much has changed since our last coverage of Titan Energy Services, with company, along with the rest of the energy services sector facing headwinds on the back of deteriorating energy prices. Since then the company has gone through the financial wringer, morphed into different entities, and has ultimately become a very different beast. We accept that Titan has been one of the most disappointing recommendations of ours in recent years, and we are now moving on from the stock and ceasing coverage.

The path to the company's demise saw came from the cancellation of numerous projects on the back of the falling oil prices. Important camp contracts including water, waste and catering were not renewed which was a strong sign of the trouble ahead.

Referring to the graphic below, one of the last reports the company provided showed difficulties at the financial level. The continued decline came despite a host of cost cutting, with 200 jobs axed in response to falling demand from the coal-seam gas industry.

Results Overview



FY15 Full year results

Source: Company Presentation

The impact to the company's balance sheet, as referenced below was even more pronounced with remaining assets at the end of the fiscal year only being a fraction of the 2014 period.

Source: Company Presentation

Unsurprisingly, this led to the company undertaking a last-ditch effort to raise some equity capital which we covered back in FAT-AUS-705. After roping in Ausdrill for \$1 million worth of shares, the company proceeded to request voluntary suspension in May 2015 in anticipation of divesting their Hofco Oil Field assets for \$13.5 million in order to pay rental dues to Royal Wolf. Titan then ended up with \$3.0 million for working capital requirements.

Calling in the administrators

However, that was not enough as the company opted for Voluntary Administration in December 2015 with the board quoting that they were “unable to reasonably form the view that the group can remain solvent” and that their “ability to continue as a going concern depended upon several factors including the ability to win new work and raise additional funds” which they were unable to do.

This was worsened by the fact that the company still owed Royal Wolf \$5 million in outstanding invoices, as well as an entitlement “to recover various other costs and expenses” which ultimately forced the company into receivership.

Following that, in May 2016, the company executed an Extraordinary General Meeting where it was opted to recapitalise the company and change the name. This led to the company shares being consolidated on a 40-to-1 basis and 81,000,000 shares were to be issued once the company came out of administration in 04 August 2016, and was reborn as **Augend Limited**.

New incarnation

Augend was short-lived, however, as itself reached an agreement with ITM Corporation, a wholesale and retail business located in Sydney, to perform a back-door listing through Augend to form AuMake International.

The company has effectively shed its oil and gas drilling past in favour of selling Australian cosmetics, vitamins, long-life milk, baby products, and wool and leather products to Chinese tourists in a process that is known as “Daigou”.

Source: AuMake Investor Presentation

Pictured below are ITM director Keong Chan (middle) with AuMake co-founders Joshua Zhou and Lyn Zheng.

Image Credit: Nick Moir

Summary

Given the substantial change of the business, with Titan Energy going into receivership and emerging as a Chinese tourist specialist retailer, **we will no longer be covering TTN or any of its reincarnations going forward.** We accept that Titan has been one of the most disappointing recommendations of ours in recent years, and we are now moving on from the stock.

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Snapshot TTN

Titan Energy Services

Latest Closing Price: \$0.16

Titan Energy Services provides diversified energy and infrastructure services to the oil and gas, mining, pipeline, rail, road and infrastructure sectors. The company is fronted by a well-heelled management team, reinforcing the company's reputation and ability to understand and meet the needs of energy sector clients. This expertise has also facilitated the company's growth through acquisition and a listing on the ASX in late 2011. The company has operated through four principal business units, and started up a fifth in November 2013.

Market Capitalisation: \$24.70M

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