

Rock Solid Images (RSI LN)

BUY

Flash Note

Price target: £0.13

Oilfield Services

6 September 2011

Trading update and results indication as expected

RSI has a transformed outlook as a high end geophysical consultancy with a leadership position in the integration of data types. With the resolution of the strategic uncertainties, RSI remains poised to benefit from its stronger financial position and the opportunities to it in the de-risking of hydrocarbon exploration activity.

The year-end (Aug FY) trading statement revealed indications for results much in line with our expectations. The Group's revenues are expected to be approximately £4.0M although the mix between WISE (Well-driven Integration of Seismic and Electromagnetics) and WSS (Well and Surface Seismic) favoured WSS. The pre-tax loss for FY11 will be in the £2.8 to £3.0M range compared with our expectations of a £2.7M loss. The end of year cash-balance of £1.7M is better than we had expected. We are retaining our forecasts for the time being.

The strong results from the WSS product group were pleasing. The lack of performance from the CSEM driven WISE business line was slightly disappointing but we note that the CSEM market remains immature and revenues generated through the Service Agreement with the divested operation (OHM) did not transpire as anticipated at the time of the divestment. However, the recently announced sale of OHM Ltd to emgs, the industry's largest marine EM data acquirer and the resulting transfer of RSI's Services Agreement from OHM to emgs should result in an increase in its WISE project backlog. The group has also been in discussions with large oil and gas companies and National Oil Companies about re-processing CSEM data already acquired on their behalf, and it is anticipated that these discussions will translate into important business in the near future.

The group's outlook statement remains positive with management stating that 'We remain focused on restoring the Group to profitability as soon as possible via continued revenue growth and careful control of costs... 'The timing of increased sales is difficult to predict, however the Board is confident that RSI is now in a position to generate sales growth and handle the increased workload that growth will bring.'

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Stock Data

52 - wk Range:	£0.03-0.10
Current Price:	£0.035
Market Cap (M):	£5.5
EV (M):	£3.8

52 Week range

2.75	3.5	9.5
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Price Chart



Investment Issues

RSI has strong brand recognition.
 Dominant position in niche market.
 De-risks hydrocarbon exploration and exploitation activity
 Organic and acquisition growth potential
 High class technical expertise.
 Financial position on a strong improving trend.

Analysts

Paul Singer

Tel: +44 (0)20 3 463 5042
 Email: paul.singer@fox-davies.com

Ian Lucas

Tel: +44 (0)20 3 463 5032
 Email: ian.lucas@fox-davies.com

Valuation Table

\$M	2008	2009E	2010E	2011E	2012E
Revenues	9,227	3,633	4,058	8,162	11,630
EBITDA	-6,489	-1,706	-1,954	1,332	2,832
EPS	-20.41	-6.02	-2.50	0.26	1.42
DPS	0.00	0.00	0.00	0.00	0.00
EV/EBITDA	-0.2	-0.9	-1.9	3.5	1.5
PE	-0.2	-0.8	-1.4	13.5	2.5
Yield	0.0	0.0	0.0	0.0	0.0

Research Disclosures

Paul Singer

Paul joined the Fox-Davies Capital research team July 2010. Prior to this, Paul became an equity analyst in 1986 after a decade in the oil & chemical industries, with BP and ARCO Chemical (division of Atlantic Richfield), where his roles included scientific research and strategic planning respectively. He has worked on the sell-side for Credit Lyonnais, Enskilda, Metzler and Morgan Stanley, the latter for seven years. He was Extel-rated for pan-European chemicals research and has also assisted in the coverage of metals and oil & gas. More recently he worked on the buy-side for Barclays as a senior global resources equity and commodity analyst for six years. He joins us from Edison Investment Research, where he was responsible for their coverage of industrials and oil & gas support services. Paul has an MBA from Cranfield School of Management and Bachelor of Science Honours in Chemistry from Southampton University.

+44 (0)203 463 5042

paul.singer@fox-davies.com

Ian Lucas

Ian Lucas joined the Fox-Davies Capital research team in December 2007. Prior to this, Ian gained a Bachelor of Arts (Hons) in Archaeology from University College London, and worked on a number of research excavations around Europe. He has passed the Securities and Investment Institute Certificate in Securities and has passed the level 2 CFA examination.

+44 (0)203 463 5034

ian.lucas@fox-davies.com

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Research disclosure as of 06 September 2011

Company Name	Disclosure
Rock Solid Images (RSI)	1, 2, 7, 8

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Company	Ticker	Recommendation	Date	Last Price	Target Price
Oil Services					
Amec	AMEC LN Equity	HOLD	20.06.11	£8.54	
Baker Hughes	BHI UN Equity	HOLD	28.07.11	\$58.27	
Cape	CIU LN equity	HOLD	20.06.11	£4.89	
Capital Drilling	CAPD LN Equity	BUY	22.08.11	£0.92	
Hunting	HTG LN equity	BUY	20.06.11	£6.38	
KBC Advanced Technologies	KBC LN Equity	HOLD	20.06.11	£0.58	
Kentz	KENZ LN Equity	BUY	20.06.11	£4.32	
Lamprell	LAM LN Equity	HOLD	20.06.11	£2.83	
Newpark Resources	NR US Equity	BUY	01.08.11	\$7.65	
Petrofac	PFC LN Equity	BUY	23.08.11	£12.69	
Rock Solid Images	RSI LN Equity	BUY	06.09.11	£0.04	£0.13
Technip	TEC FP Equity	HOLD	02.08.11	62.61 €	
Schoeller-Bleckmann	SBO AV Equity	BUY	18.08.11	47.95 €	
Wood Group	WG/ LN Equity	BUY	24.08.11	£5.58	

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