



Rex International Holding Ltd

(REXI SP/5WH.SI)

Rolling like the good old times

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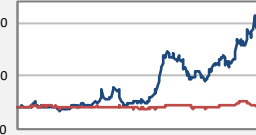
- **Benefiting from high oil prices.** On 28 Feb, Rex reported FY2021 net profit of US\$78.9mn, a significant turnaround from the US\$15.2mn loss in FY2020. This was on the back of US\$67 per barrel average realised oil price in FY2021, almost double compared to US\$34 it realised in FY2020.
- **Record free cash flows.** In FY2021, Rex generated US\$110.2mn in EBITDA. The group's cash and equivalents and quoted investments totalled US\$86.9mn as at end-2021, an 88% increase from US\$46.4mn as at end-2020.
- **Good old times.** Oil prices are now trading at levels when oil companies were partying like there was no tomorrow (2012 to 2014). However, most of the price increase in the past month was driven by supply disruptions due to Russia's attack on Ukraine. We believe a more sustainable and healthy oil price should be between US\$90-110 per barrel in order to avoid demand destruction.
- We maintain an **Outperform** recommendation while raising our DCF-backed **target price to S\$0.54**, mainly as we factor in higher oil prices of US\$90 in our base-case.

Financials & Key Operating Statistics					
YE Dec (US\$ '000)	2020	2021	2022F	2023F	2024F
Revenue	46,664	158,474	235,656	208,983	175,580
PATMI	(14,218)	67,157	125,745	103,547	68,411
EPS (Sing cents)	(1.46)	6.89	12.78	10.42	6.81
EPS growth (%)	-	-	85.39	(18.47)	(34.59)
Price P/E (x)	-	5.7x	3.1x	3.7x	5.7x
Net Profit Margin (%)	(32.6%)	49.8%	54.1%	50.3%	39.9%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Price P/B (x)	2.98	2.04	1.22	0.93	0.80
ROE (%)	-11.3%	50.3%	51.0%	28.7%	15.4%

Source: Company data, KGI Research

Harvest time for oil & gas companies. After seven years of famine in the oil & gas industry, companies who stayed faithful are now reaping a bountiful harvest. Rex's FY2021 revenue surged 240% YoY to US\$158.4mn as Rex achieved a higher average realised oil price sold of US\$67 per barrel, up from US\$34 in FY2020. More importantly on the cash flow and balance sheet aspect, the group increased its cash and cash equivalents by US\$38.1mn in FY2021, bringing its overall cash and cash equivalent to US\$60.6mn as at end-2021. Total cash + quoted investments amounted to US\$86.9mn as at end-2021, a sizeable war chest to fund its growth and diversification plans.

Upgrading works at Yumna to increase production. Production at Yumna was shut for 24 days in Feb/Mar 2022 for changing of the floating storage tanker. It is the midst of replacing the Mobile Offshore Production Unit (MOPU). While the replacement will potentially help increase production starting 2H2022, it is expected to have an impact on 1H2022 revenue and earnings. However, the higher average oil sales prices, revenue and profits from the Brage field will help offset the downtime and even add to higher profits in FY2022.

Outperform - Maintain			
Price as of 10 Mar 22 (SGD)	0.39	Performance (Absolute)	
12M TP (\$)	0.54	1 Month (%)	-1.3
Previous TP (\$)	0.40	3 Month (%)	45.0
Upside, incl div (%)	39.3	12 Month (%)	121.6
Trading data			
Mkt Cap (\$mn)	508	Perf. vs STI Index (Red)	
Issued Shares (mn)	1,302		
Vol - 3M Daily avg (mn)	20.7		
Val - 3M Daily avg (\$mn)	8.0		
Free Float (%)	55.4%		
Major Shareholders		Previous Recommendations	
Lidgren Family	34.7%	18-Oct-21	OP TP S\$0.40
Svein Helge Kjellesvik	6.0%	18-Aug-21	OP TP S\$0.33
		2-Aug-21	OP TP S\$0.32

Something to brag about. The acquisition of the 33.84% interest in the oil producing Brage Field in Norway was completed on 31 Dec 2021. Beginning Jan 2022, revenue and profits will be fully recognised by Rex in its P&L statement, which we have factored into our FY2022-2024F forecast.

Expansion in Asia. Rex's two production sharing contracts (PSCs) in offshore Malaysia will be its maiden oil field project in Asia. The PSCs will provide a great opportunity for Rex to expand its oil reserves and diversify its source of cashflows. We have not factored in the Malaysian's PSCs into our valuation until we have visibility on its exploration plans.

It's the good old times again. Brent oil price surged to more than US\$130 last week as the effects of the international sanctions on Russia disrupted global supply chains. Brent is now trading at the levels when oil & gas companies were partying like there was no tomorrow, in 2012 to 2014. The price of oil when demand destruction starts to set in is quite varied, with market estimates ranging from US\$120 to US\$150. In our view, we think US\$90-110 is the sweet spot to maintain healthy dynamics in the sector.

Valuation & Action: We maintain Outperform while raising our base case TP to S\$0.54, as we raise our oil price forecast from US\$75 to S\$90. Our DCF-backed valuation assumes a WACC of 10.0%. Accordingly, we raise our bull case TP to S\$0.71 and our bear case TP to S\$0.39. Rex's strong balance sheet, free cash flow generation and access to capital, differentiates it from many other E&P companies. The successful transfer to the SGX mainboard will also help Rex reach a wider investor base, in addition to facilitating greater access to equity and debt markets.

Risks: The direction of oil price is the biggest contributing factor of profits. There is an ongoing claim against two of Rex's subsidiaries in Oman; Rex has assessed that there will be no material financial impact from the claim.

See the last page for important disclosures.

Valuations and peer comparison

We expect Rex's valuations to be driven primarily by oil prices, production volumes and breakeven costs.

We maintain our Outperform recommendation while raising our fair value to S\$0.53 per share in our base case scenario.

Key valuation drivers and scenario analysis

The three key drivers of Rex's valuation are the average selling price (ASP) of oil, production volume and breakeven costs. We have assumed an ASP of US\$90 in our base-case scenario and utilised a total average cost of production (CapEx + OpEx) of US\$29 per barrel.

Norway tax formula:

Operating income
 - Operating expenses
 - Depreciation (6 yrs)
 - Exploration and development expenses (100%)
 - Environmental taxes and area fees
 - Net financial costs
 = Corp tax base (22%)
 - Uplift (24% of capex)
 = Special tax base (56%)

Taxes are calculated differently for Oman and Norway. For Oman, MOL is entitled to approximately 64% of gross oil production while the remainder goes to the government who pays the taxes. In Norway, oil and gas companies are taxed a total rate of 78%. However, this is split between 20-30% for the standard company tax rate and 50-60% for the special tax rate. As of 2021, this ratio was at 22% for standard rate and 56% for special.

However, many oil & gas companies operating in Norway are expected to pay minimal or no taxes in 2021 due to favourable government policies. The key changes implemented for 2020 and 2021 include tax rebates set at 100% of capital expenditure, with which Rystad Energy estimates can reduce breakeven prices for projects by an average of 40%. Furthermore, a higher uplift of 24% (uplift is a percentage of CapEx that can offset the special tax base) is now accelerated to one year rather than the previous 20.8% over four years.

Valuation	Assumptions for 2021-2027 <i>Key changes between each scenario are underlined</i>	Valuation per share (S\$)
Base case	<ul style="list-style-type: none"> ▪ <u>US\$90 oil price</u> ▪ Yumna total gross production based on <u>7.0 MMboe (2022-2025)</u> ▪ Brage total production based on 6.5 MMboe (2022-2027) ▪ <u>US\$4.50 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.54
Upside case	<ul style="list-style-type: none"> ▪ <u>US\$100 oil price</u> ▪ Yumna total production based on <u>8.7 MMboe (2022-2027)</u> ▪ Brage total production based on 6.5 MMboe (2022-2027) ▪ <u>US\$6.00 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.71
Downside case	<ul style="list-style-type: none"> ▪ <u>US\$80 oil price</u> ▪ Yumna total production based on <u>4.2 MMboe (2022-2023)</u> ▪ Brage total production based on 6.5 MMboe (2022-2027) ▪ <u>US\$3.00 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.39

Base case valuation

Our base case scenario assumes an average oil price of US\$90 over our forecast period.

We assumed 40 days of production shut-in for the replacement of the floating storage tanker and MOPU in 1Q2022.

Our base case valuation scenario utilizes a conservative set of assumptions. We applied a 10.0% discount rate. The cost of debt is at 8.5%, and the cost of equity equals 11.5%. For Brage, 100% of capex in 2021 can be expensed in the same year, while we estimate that US\$77mn in deferred taxes will offset the special tax (56% rate) up to 2027.

YUMNA, OMAN						
(US\$)	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)	(31.8%)	(26.7%)	(27.3%)	(25.0%)		
Gross production rate (bopd)	7,500	5,500	4,000	3,000	-	-
Production days	325	365	365	365		
Masirah: Gross production rate per annum (barrels)	2,437,500	2,007,500	1,460,000	1,095,000	-	-
Masirah: Net entitlement (%)	64.0%	64.0%	64.0%	64.0%		
Masirah: Net entitlement (barrels)	1,560,000	1,284,800	934,400	700,800	-	-
Oil price (US\$ per barrel)	90	90	90	90	-	-
Net revenue (US\$)	140,400,000	115,632,000	84,096,000	63,072,000		
Drilling and development Capex (US\$)	2,400,000	-	-	-	-	-
Abandonment (US\$)	-	-	-	4,000,000	-	-
Opex per barrel of oil equivalent (US\$)	13.8	15.3	21.0	18.7		
Operating expenses (US\$)	33,580,000	30,660,000	30,660,000	20,440,000	-	-
Operating expense / net revenue (%)	23.9%	26.5%	36.5%	32.4%		
Free Cash flow (US\$)	104,420,000	84,972,000	53,436,000	38,632,000	-	-
Discount Rate	10%					
NPV (US\$)	231,685,500					
Shares outstanding ('000)	1,315,508					
NPV/share (US\$)	0.18					
NPV/share (S\$)	0.24					
Rex Ownership	91.81%					
Rex's Share (S\$/share)	0.22					

BRAGE NORWAY						
(US\$)	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)
Gross Production rate (bopd)	2,900	2,842	2,785	2,729	2,675	2,621
Production days	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,058,400	1,037,232	1,016,487	996,158	976,234	956,710
Oil Price (US\$ per barrel)	90	90	90	90	90	90
Brage: Net Revenue (US\$)	95,256,000	93,350,880	91,483,862	89,654,185	87,861,101	86,103,879
Drilling and development Capex (US\$)	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816
Abandonment (US\$)	-	-	-	-	-	-
Opex per barrel of oil equivalent (US\$)	7.0	7.0	7.0	7.0	7.0	7.0
Operating expenses (US\$)	7,408,800	7,260,624	7,115,412	6,973,103	6,833,641	6,696,968
Operating expense / net revenue (%)	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Free Cash flow (US\$)	63,479,384	61,722,440	60,000,635	58,313,266	56,659,644	55,039,095
Corporate Tax (22%)	13,965,464	13,578,937	13,200,140	12,828,918	12,465,122	12,108,601
Free cash flow after corporate tax	49,513,919	48,143,503	46,800,495	45,484,347	44,194,522	42,930,494
Special Tax (56%) rebate	-	-	-	-	-	-
Free Cash flow after tax and rebates	49,513,919	48,143,503	46,800,495	45,484,347	44,194,522	42,930,494
Discount Rate	10%					
NPV (US\$)	202,703,465					
Shares outstanding ('000)	1,315,508					
NPV/share (US\$)	0.15					
NPV/share (S\$)	0.21					
Rex Ownership	91.65%					
Rex's Share (S\$/share)	0.191					

NORWAY LICENSES				
License	Estimated 2C resources (MMboe)	% stake owned by Rex	Total barrels owned by Rex (MMboe)	Remarks
Shrek	23.0	27%	6.2	
Falk	28.6	45%	12.9	
Linerle	-	45%	-	No date set for drilling
Fat Canyon	-	14%	-	Drilling in 2H 2021
Fogelberg	49.0	12%	5.9	Pending cash payable
Total	100.6		25.0	

Scenario (NPV per barrel of oil equivalent), US\$	3.00	4.50	6.00
Barrels to Rex (MMboe)	25.0	25.0	25.0
Total value of Licenses (US\$)	74.9	112.3	149.8
Total value of licenses / share (US\$)	0.06	0.09	0.11
Total value of licenses / share (S\$)	0.08	0.12	0.15

Excluding "Fat Canyon" and "Linerle"

Total valuation per share, S\$	Value	Assumptions
YUMNA, OMAN	0.218	Rex has 91.81% stake in MOL; MOL has a 100% stake in the Yumna field. Production life based on Gross 2P reserves of 10.0mn MMboe (2021-2025)
BRAGE, NORWAY	0.191	Rex has 91.65% stake in Lime; Lime has a 33.8% stake in Brage field. Production life based on 7.7 MMboe (2021-2027)
NORWAY LICENSES	0.115	US\$4.50 per MMboe for Shrek, Falk and Fogelberg
Less Net Debt / Add net cash (excluding US\$60mn bond)	0.080	Cash and quoted investments as at end-2021
Less US\$60mn 2.5 Yr bond (S\$81mn)	(0.062)	Interest rate 3m NIBOR +8.25%; maturity 9 Jan 2024; to be listed on Oslo Børs.
Total value per share, S\$	0.54	

Upside case valuation

Our upside scenario assumes oil prices of US\$100, larger reserves for Yumna and higher NAV for the Norwegian licenses.

YUMNA, OMAN					
(US\$)	2022	2023	2024	2025	2026
Decline rate per annum (%)	(29.8%)	(27.5%)	(25.9%)	(23.3%)	(27.3%)
Gross production rate (bopd)	8,000	5,800	4,300	3,300	2,400
Production days	365	335	365	365	365
Masirah: Gross production rate per annum (barrels)	2,920,000	1,943,000	1,569,500	1,204,500	876,000
Masirah: Net entitlement (%)	64.0%	64.0%	64.0%	64.0%	64.0%
Masirah: Net entitlement (barrels)	1,868,800	1,243,520	1,004,480	770,880	560,640
Oil price (US\$ per barrel)	100	100	100	100	100
Net revenue (US\$)	186,880,000	124,352,000	100,448,000	77,088,000	56,064,000
Drilling and development Capex (US\$)	16,819,200	–	–	–	–
Abandonment (US\$)	–	–	–	–	–
Opex per barrel of oil equivalent (US\$)	10.5	15.8	19.5	25.5	35.0
Operating expenses (US\$)	30,660,000	30,660,000	30,660,000	30,660,000	30,660,000
Operating expense / net revenue (%)	16.4%	24.7%	30.5%	39.8%	54.7%
Free Cash flow (US\$)	139,400,800	93,692,000	69,788,000	46,428,000	25,404,000
Discount Rate	10%				
NPV (US\$)	304,076,996				
Shares outstanding ('000)	1,315,508				
NPV/share (US\$)	0.23				
NPV/share (S\$)	0.31				
Rex Ownership	91.81%				
Rex's Share (S\$/share)	0.29				

BRAGE NORWAY						
(US\$)	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)
Gross Production rate (bopd)	3,264	3,133	3,008	2,888	2,772	2,661
Production days	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,191,360	1,143,706	1,097,957	1,054,039	1,011,878	971,402
Oil Price (US\$ per barrel)	100	100	100	100	100	100
Brage: Net Revenue (US\$)	119,136,000	114,370,560	109,795,738	105,403,908	101,187,752	97,140,242
Drilling and development Capex (US\$)	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816
Abandonment (US\$)	–	–	–	–	–	–
Opex per barrel of oil equivalent (US\$)	7.0	7.0	7.0	7.0	7.0	7.0
Operating expenses (US\$)	8,339,520	8,005,939	7,685,702	7,378,274	7,083,143	6,799,817
Operating expense / net revenue (%)	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Free Cash flow (US\$)	86,428,664	81,996,805	77,742,220	73,657,818	69,736,793	65,972,609
Corporate Tax (22%)	19,014,306	18,039,297	17,103,288	16,204,720	15,342,094	14,513,974
Free cash flow after corporate tax	67,414,358	63,957,508	60,638,932	57,453,098	54,394,699	51,458,635
Special Tax (56%) rebate	–	–	–	–	–	–
Free Cash flow after tax and rebates	67,414,358	63,957,508	60,638,932	57,453,098	54,394,699	51,458,635

Discount Rate	10%
NPV (US\$)	261,765,276
Shares outstanding ('000)	1,315,508
NPV/share (US\$)	0.20
NPV/share (S\$)	0.27
Rex Ownership	91.65%
Rex's Share (S\$/share)	0.246

NORWAY LICENSES

Licence	Estimated 2C resources (MMboe)	% stake owned by Rex	Total barrels owned by Rex (MMboe)	Remarks
Shrek	23.0	27%	6.2	
Falk	28.6	45%	12.9	
Linerle	–	45%	–	No date set for drilling
Fat Canyon	–	14%	–	Drilling in 2H 2021
Fogelberg	49.0	12%	5.9	Pending cash payable
Total	100.6		25.0	

Scenario (NPV per barrel of oil equivalent), US\$	3.00	4.50	6.00
Barrels to Rex (MMboe)	25.0	25.0	25.0
Total value of Licenses (US\$)	74.9	112.3	149.8
Total value of licenses / share (US\$)	0.06	0.09	0.11
Total value of licenses / share (S\$)	0.08	0.12	0.15

Excluding "Fat Canyon" and "Linerle"

Total valuation per share, S\$	Value	Assumptions
YUMNA, OMAN	0.286	Rex has 91.81% stake in MOL; MOL has a 100% stake in the Yumna field. Production life based on Gross 2P reserves of 13.3mn MMboe (2021-2027)
BRAGE, NORWAY	0.246	Rex has 91.65% stake in Lime; Lime has a 33.8% stake in Brage field. Production life based on 7.7 MMboe (2021-2027)
NORWAY LICENSES	0.154	US\$6.00 per MMboe for Shrek, Falk and Fogelberg
Less Net Debt / Add net cash (excluding US\$60mn bond)	0.080	Cash and quoted investments as at end-2021
Less US\$60mn 2.5 Yr bond (S\$81mn)	(0.062)	Interest rate 3m NIBOR +8.25%; maturity 9 Jan 2024; to be listed on Oslo Børs.
Total value per share, S\$	0.71	

Downside case valuation

Our downside scenario assumes oil prices of US\$80, smaller reserves for Yumna and lower NAV for the Norwegian licenses.

YUMNA, OMAN						
(US\$)	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)	(36.4%)	(35.7%)				
Gross production rate (bopd)	7,000	4,500				
Production days	335	365				
Masirah: Gross production rate per annum (barrels)	2,345,000	1,642,500				
Masirah: Net entitlement (%)	64.0%	64.0%				
Masirah: Net entitlement (barrels)	1,500,800	1,051,200				
Oil price (US\$ per barrel)	80	80				
Net revenue (US\$)	120,064,000	84,096,000				
Drilling and development Capex (US\$)	-	-				
Abandonment (US\$)	-	4,000,000				
Opex per barrel of oil equivalent (US\$)	13.1	18.7				
Operating expenses (US\$)	30,660,000	30,660,000				
Operating expense / net revenue (%)	25.5%	36.5%				
Free Cash flow (US\$)	89,404,000	49,436,000				
Discount Rate	10%					
NPV (US\$)	122,132,562					
Shares outstanding ('000)	1,315,508					
NPV/share (US\$)	0.09					
NPV/share (S\$)	0.13					
Rex Ownership	91.81%					
Rex's Share (S\$/share)	0.12					

BRAGE NORWAY						
(US\$)	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)
Gross Production rate (bopd)	3,264	3,133	3,008	2,888	2,772	2,661
Production days	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,191,360	1,143,706	1,097,957	1,054,039	1,011,878	971,402
Oil Price (US\$ per barrel)	80	80	80	80	80	80
Brage: Net Revenue (US\$)	95,308,800	91,496,448	87,836,590	84,323,126	80,950,201	77,712,193
Drilling and development Capex (US\$)	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816	24,367,816
Abandonment (US\$)	-	-	-	-	-	-
Opex per barrel of oil equivalent (US\$)	7.0	7.0	7.0	7.0	7.0	7.0
Operating expenses (US\$)	8,339,520	8,005,939	7,685,702	7,378,274	7,083,143	6,799,817
Operating expense / net revenue (%)	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Free Cash flow (US\$)	62,601,464	59,122,693	55,783,072	52,577,037	49,499,243	46,544,560
Corporate Tax (22%)	13,772,322	13,006,992	12,272,276	11,566,948	10,889,833	10,239,803
Free cash flow after corporate tax	48,829,142	46,115,700	43,510,796	41,010,089	38,609,409	36,304,757
Special Tax (56%) rebate						
Free Cash flow after tax and rebates	48,829,142	46,115,700	43,510,796	41,010,089	38,609,409	36,304,757

Discount Rate	10%
NPV (US\$)	187,669,520
Shares outstanding ('000)	1,315,508
NPV/share (US\$)	0.14
NPV/share (S\$)	0.19
Rex Ownership	91.65%
Rex's Share (S\$/share)	0.177

NORWAY LICENSES				
Licence	Estimated 2C resources (MMboe)	% stake owned by Rex	Total barrels owned by Rex (MMboe)	Remarks
Shrek	23.0	27%	6.2	
Falk	28.6	45%	12.9	
Linerle	-	45%	-	No date set for drilling
Fat Canyon	-	14%	-	Drilling in 2H 2021
Fogelberg	49.0	12%	5.9	Pending cash payable
Total	100.6		25.0	

Scenario (NPV per barrel of oil equivalent), US\$	3.00	4.50	6.00
Barrels to Rex (MMboe)	25.0	25.0	25.0
Total value of Licenses (US\$)	74.9	112.3	149.8
Total value of licenses / share (US\$)	0.06	0.09	0.11
Total value of licenses / share (S\$)	0.08	0.12	0.15

Excluding "Fat Canyon" and "Linerle"

Total valuation per share, S\$	Value	Assumptions
YUMNA, OMAN	0.115	Rex has 86.37% stake in MOL; MOL has a 100% stake in the Yumna field. Production life based on Gross 2P reserves of 8.2mn MMboe (2021-2023)
BRAGE, NORWAY	0.177	Rex has 91.65% stake in Lime; Lime has a 33.8% stake in Brage field. Production life based on 7.7 MMboe (2021-2027)
NORWAY LICENSES	0.077	US\$3.00 per MMboe for Shrek, Falk and Fogelberg
Less Net Debt / Add net cash (excluding US\$60mn bond)	0.080	Cash and quoted investments as at end-2021
Less US\$60mn 2.5 Yr bond (S\$81mn)	(0.062)	Interest rate 3m NIBOR +8.25%; maturity 9 Jan 2024; to be listed on Oslo Børs.
Total value per share, S\$	0.39	

Peer comparison

Balance sheet matters

A key differentiating factor between Rex and other E&P independents is its strong balance sheet. Rex's balance sheet was net cash as at end-2021, a much stronger position compared to an average net gearing (net debt/equity) of 10% for international upstream O&G companies.

The most comparable peer among locally listed stocks is RH Petrogas (RHP SP). RHP is an E&P company with a focus on onshore developments in Sarawak, Malaysia and West Papua, Indonesia. RHP was also able to benefit from higher oil prices in 2021, reporting a PATMI of US\$23.6mn for the year compared to the US\$3.7mn losses in 2020.

RHP currently trades at 8.1x FY2022 P/E vs Rex's 5.7x historical and 3.1x forward P/E.

Figure 1: Peer comparison

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (US\$ m)	Dividend Yield (%)		Net Gearing (%)	P/E (x)		P/B (x)	6M Average Daily Trading Volume (Local \$)	Price Performance (YTD)
				FY20	FY21F		12M	Forward			
REXI SP	REX INTERNATIONAL HOLDING	SGD 0.39	374	0.0	-	-15.4	NA	5.7	1.6	7,766	27.9
Singapore Exploration and Production (E&P)											
RHP SP	RH PETROGAS LTD	SGD 0.35	214	0.0	-	-86.9	8.1	-	4.8	3,579	114.7
ITRR SP	INTERRA RESOURCES LTD	SGD 0.05	24	0.0	-	-12.7	9.5	-	0.7	132	16.3
Singapore Oil & Gas Services											
CVL SP	CIVMEC LTD	SGD 0.65	240	1.6	3.5	22.8	7.7	8.1	1.1	196	-2.3
CSE SP	CSE GLOBAL LTD	SGD 0.47	177	5.6	6.0	37.7	16.0	12.1	1.3	203	-5.1
MMT SP	MERMAID MARITIME PCL	SGD 0.08	83	0.0	-	25.5	-	-	0.5	227	6.7
DMHL SP	DYNA-MAC HOLDINGS LTD	SGD 0.10	72	0.0	-	-251.8	17.9	-	3.1	96	4.4
NRD SP	NORDIC GROUP LTD	SGD 0.41	116	3.4	-	-12.0	14.0	-	1.6	31	-1.2
International Exploration and Production (E&P)											
COP US	CONOCOPHILLIPS	USD 96.21	125,027	2.7	2.1	33.3	16.0	10.4	2.1	698,542	33.3
EOG US	EOG RESOURCES INC	USD 113.77	66,603	5.6	3.7	3.1	13.0	9.8	2.3	433,181	28.1
MPC US	MARATHON PETROLEUM CORP	USD 75.43	42,133	3.6	3.1	47.8	33.0	15.5	1.4	448,635	17.9
HES US	HESS CORP	USD 96.70	29,952	1.4	1.3	91.5	45.1	17.8	3.6	216,915	30.6
AKRBP NO	AKER BP ASA	NOK 308.30	12,417	5.4	5.5	74.4	14.6	10.3	4.7	417,079	13.5
LUNESS	LUNDIN ENERGY AB	SEK 383.60	11,301	4.5	5.2	-	30.4	10.8	-	338,374	18.2
HBR LN	HARBOUR ENERGY PLC	GBp 400.20	4,880	0.0	1.8	-	-	9.2	-	799,248	13.1
ENOG LN	ENERGEAN PLC	GBp 1042.00	2,438	0.0	0.0	107.8	-	-	1.9	172,329	21.9
CNE LN	CAPRICORN ENERGY PLC	GBp 196.10	1,279	0.0	23.0	-12.2	1.5	43.1	0.7	347,676	4.1
ENQLN	ENQUEST PLC	GBp 25.60	636	0.0	-	-	-	5.2	-	97,228	36.8
SOZ LN	SERICA ENERGY PLC	GBp 335.00	1,190	3.0	1.1	6.5	-	3.6	1.5	266,004	39.0
International Oil Companies (IOC)											
XOM US	EXXON MOBIL CORP	USD 82.79	350,499	5.7	4.3	26.2	15.6	11.3	1.5	1,782,227	35.3
CVX US	CHEVRON CORP	USD 166.27	323,820	4.5	3.4	20.9	19.3	13.9	1.6	1,677,055	41.7
SHELL NA	SHELL PLC	EUR 23.78	199,237	-	3.8	29.7	-	6.4	-	291,477	23.1
857 HK	PETROCHINA CO LTD-H	HKD 4.01	155,781	4.3	7.8	25.8	7.1	6.4	0.3	477,237	15.6
BP/LN	BP PLC	GBp 368.40	94,471	4.8	4.6	42.5	13.0	6.2	1.2	16,790,600	11.5
EQNR NO	EQUINOR ASA	NOK 298.75	108,849	2.7	4.2	-6.4	12.7	8.5	2.2	1,114,831	26.6
ENI IM	ENI SPA	EUR 13.44	53,583	7.0	6.9	31.8	8.0	7.1	1.0	226,774	10.0
REP SM	REPSOL SA	EUR 11.90	20,101	5.7	5.3	33.2	7.2	5.7	0.8	112,386	14.0

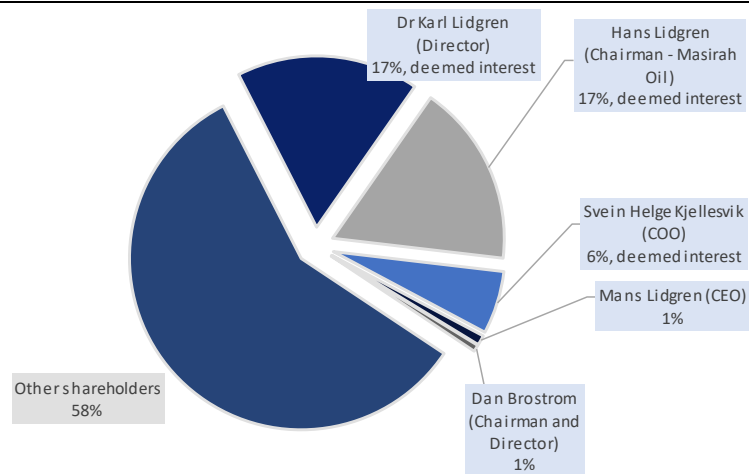
Source: Bloomberg, KGI Research

Shareholders – Alignment of interest

Rex has an experienced management team whose interests align with minority shareholders. Management who are also shareholders accounts for 42% of the total outstanding shares.

The two largest shareholders, Dr. Karl Lidgren and Hans Lidgren, each has a 17.2% stake / combined deemed interest of 34.71% in Rex. The two of them are brothers whom, since the 1980s, have utilized satellite altimeter data in oil exploration activities which enabled major oil and gas findings.

Figure 2: Rex's shareholder list

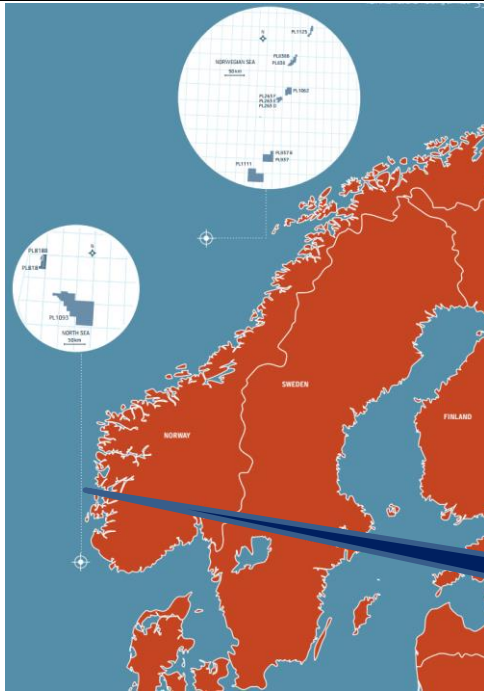


Source: Company data, KGI Research

Business summary

Rex has two oil producing fields. The fields are located offshore Oman and Norway. In addition, Rex is an active explorer in the Norwegian continental shelf, having amassed more than 10 licenses, including 3 discovery assets with commercial development potential.

Figure 3: Rex's concessions in Norway



Source: Company data, KGI Research

Figure 4: Rex's Oman field



Source: Company data, KGI Research

Brage oil producing field

Oman Block 50 oil producing field

NORWAY

Business in Norway is conducted through Rex's 91.65% owned Lime Petroleum AS (LPA). LPA is an Oslo-based pre-qualified oil exploration company established in 2012, with a portfolio of licences focusing on mature areas close to existing oil and gas infrastructure in the Norwegian Continental Shelf.

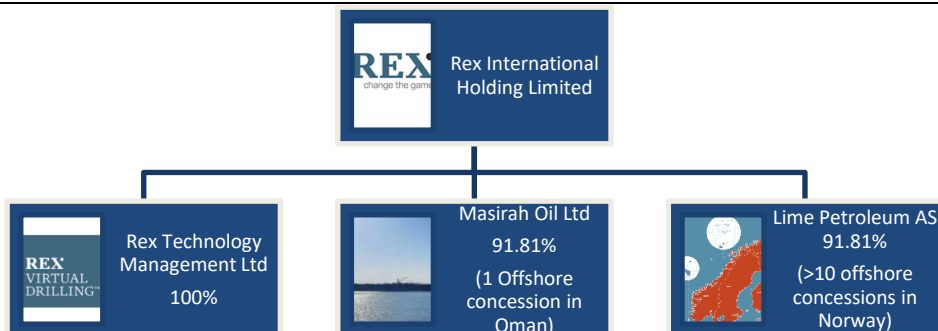
LPA's key asset is the 33.8% stake in the oil producing Brage Field, located in the northern part of the North Sea. The Brage Field operates in water depth of 140 metres, and according to the Norwegian Petroleum Directorate, produced gross 3.14 MMboe in 2021. Net 2P reserves of about 7.3 MMboe from the Brage Field will also be added to LPA's current attributable 2C Contingent Resources of 27.7 MMboe.

OMAN

Rex's business in Oman is conducted through its 86.37% owned Masirah Oil Ltd (MOL). MOL's key asset is the 100%-owned Block 50 concession in Oman.

MOL's key asset is the oil producing Yumna Field. The Yumna Field lies within the Block 50 licence located on the eastern coast of the Sultanate of Oman, in a water depth of some 30 metres and as of 31 December 2021, had produced 5.772 MMstb of oil. The licence is 100% owned and operated by MOL. The Yumna Field is the first discovery in Block 50 Oman and is located in the Masirah Graben geological feature.

Figure 5: Rex's corporate structure



Source: Company, KGI Research

KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

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