



Rex International Holding Ltd

(REXI SP/5WH.SI)

Bulking its war chest

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- **Good start; even better second half.** Rex International Holding (Rex) reported its highest semi-annual revenue since listing in 2013. Rex's 1H2021 PATMI of US\$24.0mn is a significant reversal from the US\$20.1mn loss in 1H2020, driven by higher production and oil prices. We expect better performance ahead as the group grows organically and through acquisitions.
- **Record free cash flows.** Free cash flow generated by oil and gas companies are expected to break records this year with oil currently close to US\$70 per barrel. For Rex, the windfall will continue to strengthen its already strong balance sheet and give it opportunities to diversify.
- We maintain an **Outperform** recommendation while raising our DCF-backed **target price to S\$0.33**, factoring in higher production from Oman.

Financials & Key Operating Statistics

YE Dec (US\$ m)	2019	2020	2021F	2022F	2023F
Revenue	135	46,664	167,024	112,362	71,365
PATMI	19,401	(14,218)	115,316	49,255	7,117
EPS (Sing cents)	2.03	(1.46)	11.72	4.96	0.71
EPS growth (%)	1,596.1	-	-	(57.7)	(85.7)
Price P/E (x)	9.40	-	1.63	3.85	26.94
Net Profit Margin (%)	16465.9%	(32.6%)	67.7%	42.8%	8.4%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Price P/B (x)	1.30	1.46	0.78	0.66	0.65
ROE (%)	17.1%	-11.3%	61.5%	18.2%	2.1%

Source: Company data, KGI Research

Good first half. Rex reported a 1H2021 PATMI of US\$23.9mn, making up 21% of our updated full-year forecast of US\$115.3mn. This is line with our expectations as Rex will benefit from the full effect of higher oil prices and contribution from Brage in the second half of 2021. Net cash (Cash + quoted investments - debt) strengthened to US\$21.3mn as at end June 2021. The group generated positive operating cash flows of US\$17.8mn and spent US\$22.0mn on E&P capex. Its net cash should be at least US\$42mn higher (net to Rex as per our estimates) given that it only received the sale of oil from three liftings in July and August 2021.

Even better going forward. The acquisition of the 33.84% interest in the oil producing Brage Field in Norway will be effective from 1 January 2021, after approval from the Norwegian authorities. Brage Field will add around 3.4k barrels of oil production per day net to Rex's subsidiary, Lime Petroleum. We estimate this will translate to around US\$20mn free cash flow net to Rex in 2021. The acquisition will be funded by the US\$60mn senior secured bond that was fully subscribed back in June 2021. For the year ahead, based on US\$65 oil price, we forecast Rex's net cash position to surge to US\$107mn by FY2022F. This is equivalent to S\$144mn or 58% of the group's current market capitalisation (based on 19.2 Sing cents share price).

Outperform - Maintain

Price as of 17 Aug 21 (SGD)	0.19	Performance (Absolute)	
12M TP (\$)	0.33	1 Month (%)	-18.7
Previous TP (\$)	0.32	3 Month (%)	16.0
Upside, incl div (%)	75.2	12 Month (%)	15.8
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	249		
Issued Shares (mn)	1,302		
Vol - 3M Daily avg (mn)	22.9		
Val - 3M Daily avg (\$mn)	4.7		
Free Float (%)	55.4%		
Major Shareholders		Previous Recommendations	
Lidgren Family	34.7%	2-Aug-21	OP TP S\$0.32
Svein Helge Kjellesvik	6.0%		

We are bullish on oil prices. Rex's average realised oil price was US\$62 per barrel in 1H2021, an increase from US\$23 per barrel in 1H2020. Brent oil prices have remained resilient above US\$68 per barrel since May, despite concerns over the rising Covid cases in China. While China has recently reduced oil imports, it is at the expense of drawing down its onshore storage levels. Hence, China will eventually have to begin increasing oil imports later this year. Furthermore, global crude inventories continue to decline. Overall, we should see a positive tailwind to oil prices driven by China's resumption of oil imports going into the fourth quarter, as well as an accelerating economic recovery in 2022.

Neglected sector...but where opportunities abound. Rystad Energy, an energy consultancy firm, projects that with oil trading around US\$70 per barrel, the world's publicly traded exploration and production (E&P) companies are set to generate record-breaking free cash flows in 2021. Their combined free cash flows is expected to surge to US\$348bn in 2021, from a previous high of US\$311bn back in 2008, as per Rystad's estimates.

Valuation & Action: We maintain an Outperform recommendation while raising our TP to S\$0.33, based on discounted cash flow with a WACC of 11.0%. Rex's strong balance sheet, free cash flow generation and access to capital, differentiates it from many other E&P companies. Rex is the only game in town (at least on the SGX) for investors looking for direct exposure to the neglected O&G sector.

Risks: The direction of oil price is the biggest driving factor of profits. U.S. shale production represents the largest supply variable. 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\$0.33 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\$65 in our base-case scenario and utilised a total average cost of production (CapEx + OpEx) of US\$29 per barrel.

Norway tax formula for 2020 and 2021:

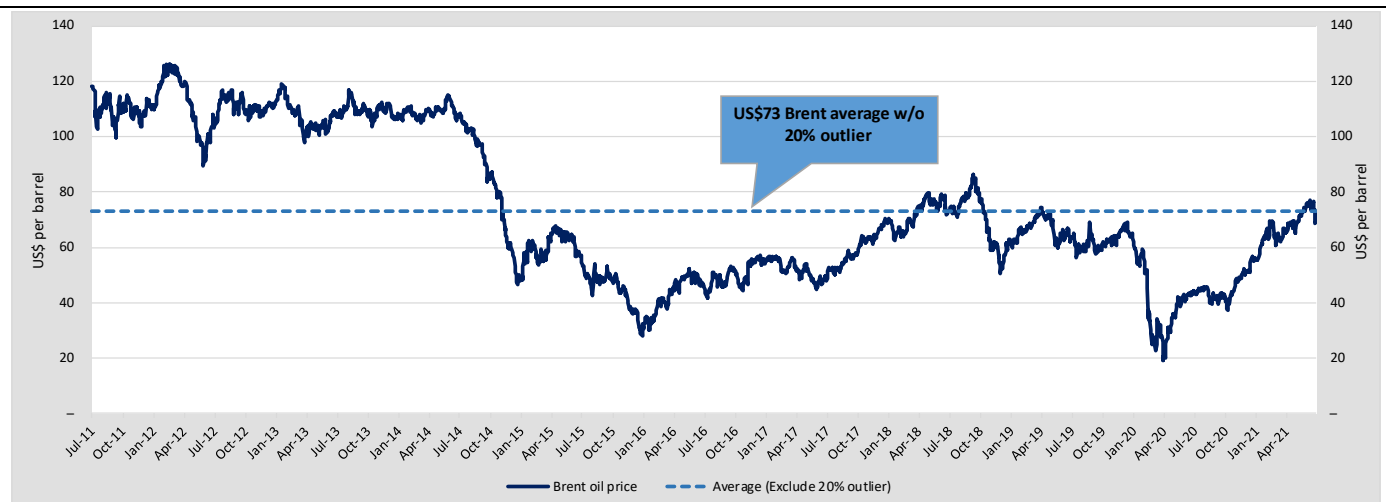
Operating income
 - Operating expenses
 - Depreciation (6 yrs)
 - Exploration and development expenses (100%)
 - Environmental taxes and area fees
 - Net financial costs
 = Corp tax base (22%)
 - Uplift (24% of capex)
 = Special tax base (56%)

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 2020, 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"> US\$65 oil price Yumna total gross production based on <u>10.4 MMboe (2021-2025)</u> Brage total production based on 7.7 MMboe (2021-2027) <u>US\$4.50 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.33
Upside case	<ul style="list-style-type: none"> US\$75 oil price Yumna total production based on <u>13.3 MMboe (2021-2027)</u> Brage total production based on 7.7 MMboe (2021-2027) <u>US\$6.00 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.47
Downside case	<ul style="list-style-type: none"> US\$55 oil price Yumna total production based on <u>8.2 MMboe (2021-2023)</u> Brage total production based on 7.7 MMboe (2021-2027) <u>US\$3.00 NPV</u> per MMboe for Shrek, Falk and Fogelberg 	S\$0.22

Figure 1: Brent oil price – 10 years



Source: Bloomberg, KGI Research

Our base case scenario assumes an average oil price of US\$65 over our forecast period.

Base case valuation

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\$)	2021	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)		(32.7%)	(36.5%)	(31.9%)	(31.3%)		
Gross production rate (bopd)	11,000	7,400	4,700	3,200	2,200	-	-
Production days	365	365	365	365	365		
Masirah: Gross production rate per annum (barrels)	4,015,000	2,701,000	1,715,500	1,168,000	803,000	-	-
Masirah: Net entitlement (%)	64.0%	64.0%	64.0%	64.0%	64.0%		
Masirah: Net entitlement (barrels)	2,569,600	1,728,640	1,097,920	747,520	513,920	-	-
Oil price (US\$ per barrel)	65	65	65	65	65	-	-
Net revenue (US\$)	167,024,000	112,361,600	71,364,800	48,588,800	33,404,800		
Drilling and development Capex (US\$)	20,556,800	-	-	-	-	-	-
Abandonment (US\$)	-	-	-	-	4,000,000	-	-
Opex per barrel of oil equivalent (US\$)	7.6	11.4	17.9	26.3	25.5		
Operating expenses (US\$)	30,660,000	30,660,000	30,660,000	30,660,000	20,440,000	-	-
Operating expense / net revenue (%)	18.4%	27.3%	43.0%	63.1%	61.2%		
Free Cash flow (US\$)	115,807,200	81,701,600	40,704,800	17,928,800	8,964,800	-	-
Discount Rate	10%						
NPV (US\$)	221,195,422						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.17						
NPV/share (\$\$)	0.23						
Rex Ownership	86.37%						
Rex's Share (\$\$/share)	0.20						

BRAGE NORWAY							
(US\$)	2021	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)	3,400	3,264	3,133	3,008	2,888	2,772	2,661
Production days	365	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,241,000	1,191,360	1,143,706	1,097,957	1,054,039	1,011,878	971,402
Oil Price (US\$ per barrel)	65	65	65	65	65	65	65
Brage: Net Revenue (US\$)	80,665,000	77,438,400	74,340,864	71,367,229	68,512,540	65,772,039	63,141,157
Drilling and development Capex (US\$)	24,367,816	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	7.0
Operating expenses (US\$)	8,687,000	8,339,520	8,005,939	7,685,702	7,378,274	7,083,143	6,799,817
Operating expense / net revenue (%)	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
Free Cash flow (US\$)	47,610,184	44,731,064	41,967,109	39,313,712	36,766,451	34,321,080	31,973,524
Corporate Tax (22%)	10,474,240	9,840,834	9,232,764	8,649,017	8,088,619	7,550,638	7,034,175
Free cash flow after corporate tax	37,135,943	34,890,230	32,734,345	30,664,695	28,677,831	26,770,442	24,939,349
Special Tax (56%) rebate	27,480,462						
Free Cash flow after tax and rebates	64,616,405	34,890,230	32,734,345	30,664,695	28,677,831	26,770,442	24,939,349
Lime's stake 33.8%	21,868,130	11,807,900	11,078,284	10,377,853	9,705,439	9,059,921	8,440,224
Discount Rate	10%						
NPV (US\$)	60,521,778						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.05						
NPV/share (\$\$)	0.06						
Rex Ownership	90.0%						
Rex's Share (\$\$/share)	0.056						

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 (\$\$)	0.08	0.12	0.15
Excluding "Fat Canyon" and "Linerle"			

Total valuation per share, \$\$	Value	Assumptions
YUMNA, OMAN	0.196	Rex has 86.37% 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	0.056	Rex has 90% 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	0.029	Cash and quoted investments as at end-2020
Less US\$60mn 2.5 Yr bond (\$\$81mn)	(0.062)	Interest rate 3m NIBOR +8.25%; maturity 9 Jan 2024; to be listed on Oslo Børs.

Upside case valuation

Our upside scenario assumes oil prices of US\$75, larger reserves for Yumna and higher NAV for the Norwegian licenses.

YUMNA, OMAN							
(US\$)	2021	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)		(29.8%)	(27.5%)	(25.9%)	(23.3%)	(27.3%)	(37.5%)
Gross production rate (bopd)	11,400	8,000	5,800	4,300	3,300	2,400	1,500
Production days	365	365	365	365	365	365	365
Masirah: Gross production rate per annum (barrels)	4,161,000	2,920,000	2,117,000	1,569,500	1,204,500	876,000	547,500
Masirah: Net entitlement (%)	64.0%	64.0%	64.0%	64.0%	64.0%	64.0%	64.0%
Masirah: Net entitlement (barrels)	2,663,040	1,868,800	1,354,880	1,004,480	770,880	560,640	350,400
Oil price (US\$ per barrel)	75	75	75	75	75	75	75
Net revenue (US\$)	199,728,000	140,160,000	101,616,000	75,336,000	57,816,000	42,048,000	26,280,000
Drilling and development Capex (US\$)	21,304,320	16,819,200	–	–	–	–	–
Abandonment (US\$)	–	–	–	–	–	–	4,000,000
Opex per barrel of oil equivalent (US\$)	7.4	10.5	14.5	19.5	25.5	35.0	37.3
Operating expenses (US\$)	30,660,000	30,660,000	30,660,000	30,660,000	30,660,000	30,660,000	20,440,000
Operating expense / net revenue (%)	15.4%	21.9%	30.2%	40.7%	53.0%	72.9%	77.8%
Free Cash flow (US\$)	147,763,680	92,680,800	70,956,000	44,676,000	27,156,000	11,388,000	1,840,000
Discount Rate	10%						
NPV (US\$)	311,612,662						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.24						
NPV/share (S\$)	0.32						
Rex Ownership	86.37%						
Rex's Share (S\$/share)	0.28						

BRAGE NORWAY							
(US\$)	2021	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)	3,400	3,264	3,133	3,008	2,888	2,772	2,661
Production days	365	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,241,000	1,191,360	1,143,706	1,097,957	1,054,039	1,011,878	971,402
Oil Price (US\$ per barrel)	75	75	75	75	75	75	75
Brage: Net Revenue (US\$)	93,075,000	89,352,000	85,777,920	82,346,803	79,052,931	75,890,814	72,855,181
Drilling and development Capex (US\$)	24,367,816	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	7.0
Operating expenses (US\$)	8,687,000	8,339,520	8,005,939	7,685,702	7,378,274	7,083,143	6,799,817
Operating expense / net revenue (%)	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Free Cash flow (US\$)	60,020,184	56,644,664	53,404,165	50,293,285	47,306,841	44,439,855	41,687,548
Corporate Tax (22%)	13,204,440	12,461,826	11,748,916	11,064,523	10,407,505	9,776,768	9,171,261
Free cash flow after corporate tax	46,815,743	44,182,838	41,655,248	39,228,763	36,899,336	34,663,087	32,516,288
Special Tax (56%) rebate	34,430,062	–	–	–	–	–	–
Free Cash flow after tax and rebates	81,245,805	44,182,838	41,655,248	39,228,763	36,899,336	34,663,087	32,516,288
Lime's stake 33.8%	27,496,018	14,952,798	14,097,386	13,276,190	12,487,842	11,731,029	11,004,487
Discount Rate	10%						
NPV (US\$)	77,036,324						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.06						
NPV/share (S\$)	0.08						
Rex Ownership	90.0%						
Rex's Share (S\$/share)	0.071						

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	0.276	Rex has 86.37% 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	0.071	Rex has 90% 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	0.029	Cash and quoted investments as at end-2020
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\$	0.47	

Our downside scenario assumes oil prices of US\$55, smaller reserves for Yumna and lower NAV for the Norwegian licenses.

Downside case valuation

YUMNA, OMAN							
(US\$)	2021	2022	2023	2024	2025	2026	2027
Decline rate per annum (%)		(36.4%)	(35.7%)				
Gross production rate (bopd)	11,000	7,000	4,500				
Production days	365	365	365				
Masirah: Gross production rate per annum (barrels)	4,015,000	2,555,000	1,642,500				
Masirah: Net entitlement (%)	64.0%	64.0%	64.0%				
Masirah: Net entitlement (barrels)	2,569,600	1,635,200	1,051,200				
Oil price (US\$ per barrel)	55	55	55				
Net revenue (US\$)	141,328,000	89,936,000	57,816,000				
Drilling and development Capex (US\$)	20,556,800	–	–				
Abandonment (US\$)	–	–	4,000,000				
Opex per barrel of oil equivalent (US\$)	7.6	12.0	18.7				
Operating expenses (US\$)	30,660,000	30,660,000	30,660,000				
Operating expense / net revenue (%)	21.7%	34.1%	53.0%				
Free Cash flow (US\$)	90,111,200	59,276,000	23,156,000				
Discount Rate	10%						
NPV (US\$)	148,305,148						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.11						
NPV/share (S\$)	0.15						
Rex Ownership	86.37%						
Rex's Share (S\$/share)	0.13						

BRAGE NORWAY							
(US\$)	2021	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)	3,400	3,264	3,133	3,008	2,888	2,772	2,661
Production days	365	365	365	365	365	365	365
Brage: Gross Production rate per annum (barrels)	1,241,000	1,191,360	1,143,706	1,097,957	1,054,039	1,011,878	971,402
Oil Price (US\$ per barrel)	55	55	55	55	55	55	55
Brage: Net Revenue (US\$)	68,255,000	65,524,800	62,903,808	60,387,656	57,972,149	55,653,263	53,427,133
Drilling and development Capex (US\$)	24,367,816	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	7.0
Operating expenses (US\$)	8,687,000	8,339,520	8,005,939	7,685,702	7,378,274	7,083,143	6,799,817
Operating expense / net revenue (%)	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
Free Cash flow (US\$)	35,200,184	32,817,464	30,530,053	28,334,138	26,226,060	24,202,305	22,259,500
Corporate Tax (22%)	7,744,040	7,219,842	6,716,612	6,233,510	5,769,733	5,324,507	4,897,090
Free cash flow after corporate tax	27,456,143	25,597,622	23,813,441	22,100,628	20,456,327	18,877,798	17,362,410
Special Tax (56%) rebate	20,530,862						
Free Cash flow after tax and rebates	47,987,005	25,597,622	23,813,441	22,100,628	20,456,327	18,877,798	17,362,410
Lime's stake 33.8%	16,240,242	8,663,003	8,059,183	7,479,515	6,923,035	6,388,813	5,875,960
Discount Rate	10%						
NPV (US\$)	44,007,231						
Shares outstanding ('000)	1,315,508						
NPV/share (US\$)	0.03						
NPV/share (S\$)	0.05						
Rex Ownership	90.0%						
Rex's Share (S\$/share)	0.041						

NORWAY LICENSES				
Licensee	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	0.131	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	0.041	Rex has 90% 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	0.029	Cash and quoted investments as at end-2020
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\$	0.22	

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-2020, a much stronger position compared to an average net gearing (net debt/equity) of 68% for international upstream O&G companies.

Rex is the only game in town for those looking for a pure-play upstream company. 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. However, RHP has been loss-making over the past two years and was in a US\$30.1mn negative equity position as at end-2020. KrisEnergy (KRIS SP) was another Singapore-listed independent and was the closest comparable company to Rex before its shares were suspended in 2019 due to debt problems. KrisEnergy also listed on SGX in the same year as Rex in 2013 and reached a peak market capitalisation of S\$1.4bn.

International upstream performance. Upstream O&G companies have been among the better performers this year, returning an average of 20% YTD vs the MSCI World Index's 16% YTD. With the recent correction of Rex's share price, Rex is now slightly underperforming its larger US-listed peers (+37% YTD) including ConocoPhillips, EOG Resources and Marathon Petroleum, while outperforming European-based peers (+3% YTD) like Aker BP, Lundin Energy and Harbour Energy.

Figure 2: 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 0.19	183	0.0	-	-19.5	-	1.6	1.1	3,992	30.8
Singapore Exploration and Production (E&P)											
RHP SP	RH PETROGAS LTD	SGD 0.14	74	0.0	-	-	11.7	-	-	1,540	444.0
ITRR SP	INTERRA RESOURCES LTD	SGD 0.04	19	0.0	-	-9.4	-	-	0.8	86	-7.0
Singapore Oil & Gas Services											
CVL SP	CIVMEC LTD	SGD 0.73	267	2.7	2.8	33.7	22.2	11.0	0.7	310	79.0
CSE SP	CSE GLOBAL LTD	SGD 0.51	190	5.9	5.5	34.8	11.2	11.5	1.3	874	7.4
MMT SP	MERMAID MARITIME PCL	SGD 0.07	70	0.0	-	5.8	-	-	0.4	148	0.0
DMHL SP	DYNA-MAC HOLDINGS LTD	SGD 0.10	73	0.0	-	-55.0	-	-	4.5	250	-5.8
NRD SP	NORDIC GROUP LTD	SGD 0.36	101	2.4	-	-9.0	12.2	-	1.0	50	54.3
International Exploration and Production (E&P)											
COP US	CONOCOPHILLIPS	USD 54.81	73,395	4.2	3.2	32.0	37.3	11.6	1.4	500,625	37.1
EOG US	EOG RESOURCES INC	USD 65.92	38,488	3.0	3.5	16.9	14.7	8.9	1.4	336,702	33.9
MPC US	MARATHON PETROLEUM CORP	USD 58.38	37,258	5.6	4.0	108.1	-	67.8	1.2	373,601	41.2
HES US	HESS CORP	USD 67.46	20,891	1.9	1.5	115.8	-	32.2	3.0	159,752	27.8
AKRBP NO	AKER BP ASA	NOK 232.80	9,480	3.1	4.8	183.5	19.4	12.3	4.6	152,490	7.7
LUNESS	LUNDIN ENERGY AB	SEK 261.10	8,613	6.6	5.8	-	11.5	11.6	-	212,347	17.5
HBR LN	HARBOUR ENERGY PLC	GBP 330.00	4,212	0.0	2.2	-	-	12.1	-	556,855	-16.0
ENOG LN	ENERGEAN PLC	GBP 617.00	1,507	0.0	0.0	107.8	-	-	1.9	279,491	-14.4
CNE LN	CAIRN ENERGY PLC	GBP 179.80	1,238	0.0	12.6	-29.7	-	-	1.3	225,106	-14.1
ENQLN	ENQUEST PLC	GBP 22.95	597	0.0	-	-	-	1.6	-	103,778	104.0
SOZ LN	SERICA ENERGY PLC	GBP 152.00	562	3.0	2.4	6.5	44.9	4.8	1.5	43,748	32.2
International Oil Companies (IOC)											
XOM US	EXXON MOBIL CORP	USD 55.94	236,826	8.4	6.2	41.7	34.5	13.2	1.1	1,475,076	35.7
CVX US	CHEVRON CORP	USD 100.92	195,170	6.1	5.3	32.1	2173.5	15.3	1.2	1,091,309	19.5
RDSA NA	ROYAL DUTCH SHELL PLC-A SHS	EUR 16.89	153,231	3.7	4.4	48.1	28.0	7.8	0.9	214,609	15.6
857 HK	PETROCHINA CO LTD-H	HKD 3.22	121,925	4.3	8.1	25.8	7.8	6.3	0.3	554,977	34.2
BP/LN	BP PLC	GBP 297.90	82,886	9.1	5.3	58.5	9.6	7.8	1.0	12,812,530	16.9
EQNR NO	EQUINOR ASA	NOK 185.06	68,175	2.4	3.2	51.0	-	9.1	1.6	597,619	27.7
ENI IM	ENI SPA	EUR 10.30	43,690	4.2	7.7	44.5	-	12.3	0.8	165,682	20.4
REP SM	REPSOL SA	EUR 9.46	17,007	11.1	6.4	48.2	28.2	7.3	0.7	89,028	14.7

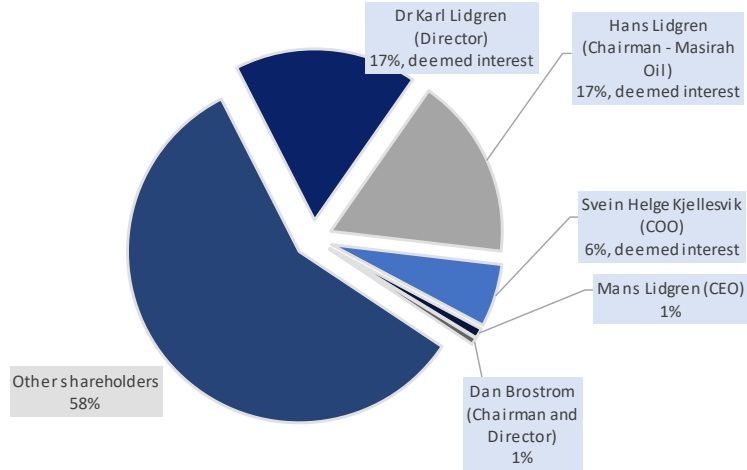
Source: Bloomberg, KGI Research

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 3: Rex's shareholder list

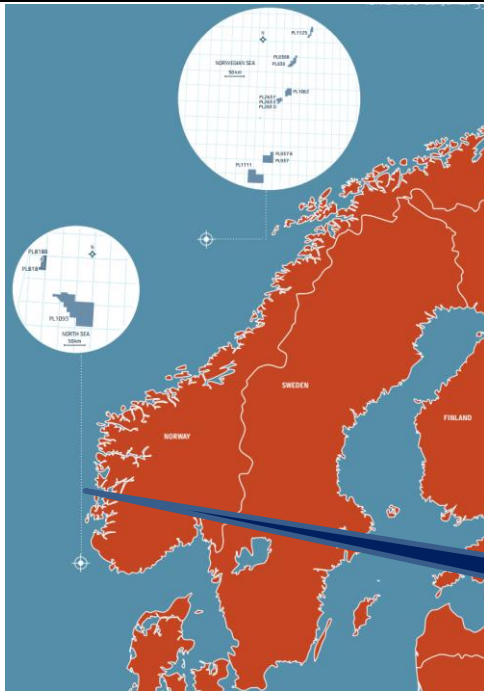


Source: Company data, KGI Research

Business summary

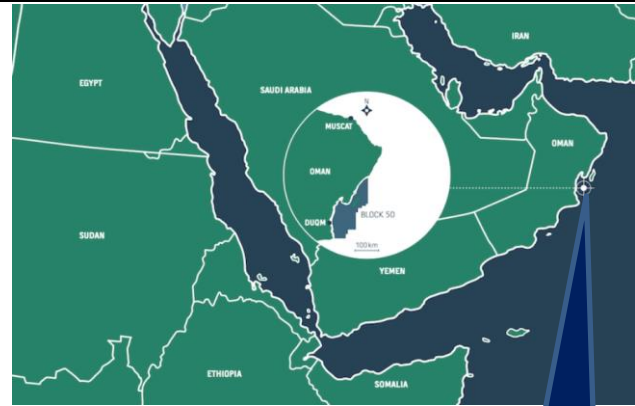
Rex has two oil producing fields. The fields are located offshore Oman and Norway (pending regulatory approval; expected to be completed in 4Q2021 with an effective date of 1 January 2021) and are expected to produce an average of around 15,000 barrels of oil equivalent per day in FY2021. In addition, 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 4: Rex's concessions in Norway



Source: Company data, KGI Research

Figure 5: Rex's Oman field



Source: Company data, KGI Research

Oman Block 50 oil producing field

Brage oil producing field (pending approval)

NORWAY

Business in Norway is conducted through Rex's 90.00% 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.

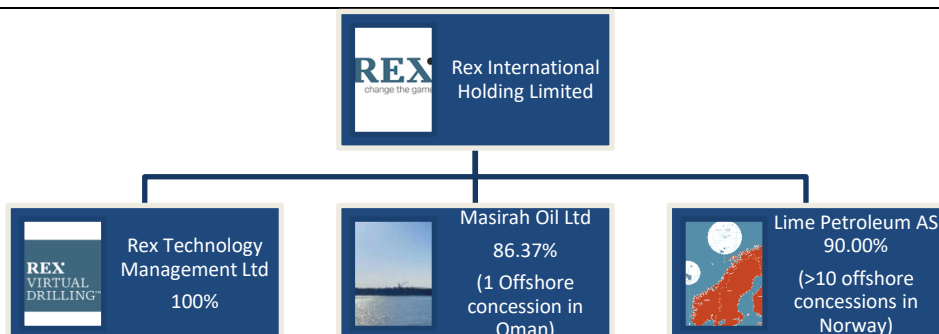
LPA's key asset will be the soon-to-be acquired 33.8% stake in the oil producing Brage Field, located in the northern part of the North Sea. The Brage Field operates in water depth of 140 metres and currently produces around 3.5k barrels of oil equivalent per day. While the acquisition of Brage is expected to complete before the end of 2021, LPA will recognise Brage's contribution from 1 Jan 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 with a current production rate of around 11.6k barrels of oil equivalent per day. 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 6: Rex's corporate structure



Source: Company, KGI Research

Financial summary

FYE 31 December					
INCOME STATEMENT (USD mn)					
	2019	2020	2021F	2022F	2023F
Revenues	135	46,664	167,024	112,362	71,365
Production and operating expenses	–	(23,841)	(30,660)	(30,660)	(30,660)
Depletion of oil and gas properties	–	(21,484)	(22,995)	(22,995)	(22,995)
Other expenses	(2,266)	(2,147)	(659)	(679)	(699)
Gross profit	(2,131)	(808)	112,710	58,028	17,010
Administration expenses	(17,147)	(15,291)	(15,597)	(15,909)	(16,227)
Other income/(expenses), including Brage	36,563	(4,720)	21,868	11,808	11,078
Results from operating activities	17,285	(20,819)	118,981	53,927	11,862
Finance income	848	777	778	778	778
Finance costs	(1,537)	(961)	(6,630)	(6,630)	(6,630)
Profit for the year	22,229	(15,212)	113,129	48,075	6,010
Non-controlling interests	2,828	(994)	(2,187)	(1,181)	(1,108)
PATMI	19,401	(14,218)	115,316	49,255	7,117
Earnings per share (Sing cents)	2.0	(1.5)	11.7	5.0	0.7
DPS (Sing cents)	–	–	–	–	–
BALANCE SHEET (USD mn)					
	2019	2020	2021F	2022F	2023F
Trade and other receivables	23,302	37,200	37,200	37,200	37,200
Quoted investments	40,001	25,925	25,925	25,925	25,925
Cash and cash equivalents	21,930	20,375	123,887	164,955	163,549
Total current assets	85,233	83,500	187,012	228,080	226,674
Exploration and evaluation assets	89,967	30,376	30,376	30,376	30,376
Oil and gas properties	–	76,266	95,871	72,876	49,881
Other intangible assets	4,215	3,365	3,365	3,365	3,365
Property, plant and equipment	1,388	2,160	1,990	2,366	3,152
Total non-current assets	95,570	112,167	181,774	188,780	196,196
Total assets	180,803	195,667	368,786	416,860	422,870
Loans and borrowings	15,790	18,010	78,000	78,000	78,000
Trade and other payables	7,216	22,053	22,053	22,053	22,053
Lease liabilities	391	422	422	422	422
Total current liabilities	23,397	40,485	100,475	100,475	100,475
Deferred tax liabilities	489	13,173	13,173	13,173	13,173
Provisions	1,628	1,210	1,210	1,210	1,210
Lease liabilities	893	573	573	573	573
Total non-current liabilities	3,010	14,956	14,956	14,956	14,956
Total liabilities	26,407	55,441	115,431	115,431	115,431
Unitholders' funds and reserves	154,396	140,226	253,355	301,429	307,439
Total liabilities and equity	180,803	195,667	368,786	416,860	422,870
CASH FLOW STATEMENT (USD mn)					
	2019	2020	2021F	2022F	2023F
Profit before tax	15,499	(20,114)	113,129	48,075	6,010
Adjustments	(32,099)	24,807	1,670	1,124	714
Operating cash flows before WC changes	(16,600)	4,693	114,799	49,198	6,723
Change in working capital	21,362	19,543	–	–	–
Income tax paid	6,730	4,902	–	–	–
Cash flows from operations	4,762	24,236	114,799	49,198	6,723
Exploration and evaluation expenditure	(22,580)	(38,039)	(20,557)	–	–
Acquisition of subsidiaries	(72)	(1,316)	(1,500)	(1,500)	(1,500)
Others, acquisitions	41,497	13,763	(42,600)	–	–
Cash flows from investing	18,845	(25,592)	(64,657)	(1,500)	(1,500)
Interest paid	(916)	(933)	(6,630)	(6,630)	(6,630)
Other financing cashflow	(6,714)	1,555	60,000	–	–
Cash flows from financing	(7,630)	622	53,370	(6,630)	(6,630)
FX Effects, Others	648.0	(821.0)	–	–	–
Net increase in cash	15,977	(734)	103,512	41,068	(1,407)
Beginning Cash	5,305	21,930	20,375	123,887	164,955
Ending cash	21,930	20,375	123,887	164,955	163,549
KEY RATIOS					
	2019	2020	2021F	2022F	2023F
EPS (SGD cents)	1.35	1.35	1.35	1.35	1.35
Price/Earnings (x)	9.4	(13.1)	1.6	3.9	26.9
NAV per share (SGD cents)	14.7	13.1	24.5	29.0	29.4
Price/NAV (x)	1.3	1.5	0.8	0.7	0.7
Profitability					
EBITDA Margin (%)	–	–	–	–	–
Net Margin (%)	16,465.9	(32.6)	67.7	42.8	8.4
ROE (ex. Property FV gain) (%)	11.4	(8.1)	40.1	12.2	1.4
ROA (ex. Property FV gain) (%)	17.1	(11.3)	61.5	18.2	2.1
Financial Structure					
Interest Coverage Ratio (x)	11.2	(21.7)	17.9	8.1	1.8
Net Gearing Ratio (%)	(32.8)	(22.2)	(29.8)	(39.1)	(37.8)

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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.
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