

COMPANY RESULTS

Rex International Holding (REXI SP)

2021: Record-Breaking Year, Yet To Be Surpassed By 2022

Rex returned to profitability as 2021 PATMI reached US\$67.2m, vs a US\$14m loss in 2020. The ramp up in production, backed by higher oil prices, contributed to the surge in earnings. Rex's completed US\$43m acquisition of the Brage field would boost production volumes by around 3,000bbl/day. We reckon that Rex is an attractive pure-play on surging oil prices and see potential upside surprise to our forecasts given cautious oil price assumptions. Maintain BUY with a higher target price of S\$0.58.

2021 RESULTS

Year to 31 Dec (US\$m)	2021	2020	yoy change (%)	2H21	yoy change (%)	hoh change (%)
Revenue (Sale of crude oil)	158.4	46.7	239.5	82.7	157.7	9.1
Gross Profit	81.3	(0.8)	Nm	49.0	323.0	51.8
EBITDA	110.2	3.0	Nm	64.7	284.9	40.3
PATMI	67.2	(14.2)	Nm	43.2	539.3	80.6
Cash and Quoted Investments	86.9	46.3	87.7	86.9	87.7	88.0

Source: Rex, UOB Kay Hian

RESULTS

- Robust profitability, beating expectations.** Rex International Holdings (Rex) reported strong profitability for 2021 as oil liftings increased from seven to 12 in 2021, backed by higher oil prices. 2021 revenue (+239.5% yoy) and PATMI (vs US\$14.2m loss in 2020) skyrocketed, forming 106.2% and 136.8% of our full-year forecasts. The higher-than-expected PATMI was contributed by a US\$20m increase in other income, resulting from US\$18.4m fair value gains from Rex's Brage field acquisition. Excluding other income, its PATMI would have formed around 100% of our full-year forecasts. 2021 gross profit and EBITDA margins expanded sharply as 2021 average realised oil price was US\$67/bbl compared with US\$34/bbl in 2020, against stable yoy operating costs.
- Maiden dividend declared as balance sheet remains healthy.** With strong operating cash flows and a healthy net cash position of US\$31.3m, Rex declared its first maiden dividend of S\$0.005/ordinary share pending approval. Management is considering paying an interim dividend in 1H22, depending on Rex's financial results for 1H22. Also, to increase shareholder value via stable yield, Rex is aiming to set up a regular dividend policy whereby a total annual dividend of S\$0.02/share would be paid out quarterly starting 1Q23, subject to Rex's profitability and the Board's discretion.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2020	2021	2022F	2023F	2024F
Net turnover	47	158	206	149	99
EBITDA	(19)	75	94	67	39
Operating profit	(21)	73	92	66	38
Net profit (rep./act.)	(14)	67	86	64	40
Net profit (adj.)	(14)	67	86	64	40
EPS (US\$ cent)	(1.1)	5.1	6.5	4.9	3.1
PE (x)	n.m.	6.9	5.4	7.2	11.5
P/B (x)	3.6	2.5	1.8	1.6	1.5
EV/EBITDA (x)	n.m.	5.1	4.0	5.6	9.7
Dividend yield (%)	0.0	1.6	3.2	6.4	6.4
Net margin (%)	(30.5)	42.4	41.9	42.8	40.8
Net debt/(cash) to equity (%)	(1.9)	(2.7)	(35.8)	(52.8)	(58.5)
Interest cover (x)	(105.1)	25.6	n.a.	n.a.	n.a.
ROE (%)	n.a.	42.8	38.6	23.0	13.2

Source: Rex, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	S\$0.48
Target Price	S\$0.58
Upside	+20.8%
(Previous TP:	S\$0.46)

COMPANY DESCRIPTION

Rex International Holding is a production and exploration oil company with concessions in Norway and Oman.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	REXI SP
Shares issued (m):	1,302.3
Market cap (S\$m):	625.1
Market cap (US\$m):	458.4
3-mth avg daily t'over (US\$m):	4.9

Price Performance (%)

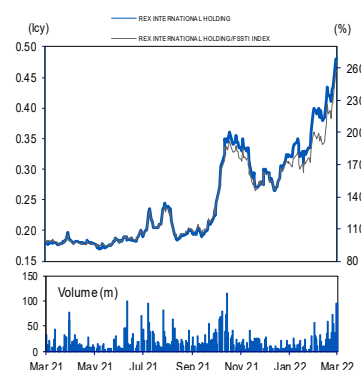
52-week high/low		S\$0.480/S\$0.169		
1mth	3mth	6mth	1yr	YTD
23.1	60.0	140.0	174.3	57.4

Major Shareholders

	%
Limea Ltd (Lidgren Family)	34.7
Bevoy Investment Ltd (Kjellesvik Family)	6.0

FY22 NAV/Share (US\$)	0.20
FY22 Net Debt/Share (US\$)	0.07

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Norway: Timely acquisition as oil prices surge.** Starting Jan 22, Rex's US\$42.6m completed acquisition of the Brage field would add around 3,000bbl/day to Rex's overall production volumes. For Jan 22, production from the Brage field amounted to 2,496bbl/day and is expected to remain consistent for 2022. As oil prices soar to historical highs, we reckon that this timely acquisition would help boost Rex's profitability for 2022, given that operating costs are estimated at US\$50,000/day – lower than Oman's. The addition of the Brage field would also add estimated net 2P reserves of 7.3mboe to current 2C contingent resources of 27.7mboe from Rex's existing three discovery assets. Although the exploratory drilling of the Fat Canyon prospect came up dry, Rex still owns interests in several discovery assets (PL1125 Falk, PL433 Tyrving, PL838 Shrek) that could be developed further and may move into production in the coming years.
- Oman: Cash generating machine.** For Jan 22, production from Rex's Yumna field amounted to 7,518bbl/day, dragged down by maintenance works on its production system. We expect production to revert back to around 9,500bbl/day once maintenance works have been completed. With the drilling of two additional production wells in Yumna, there were six oil liftings in 2H21, taking total liftings to 12 for 2021 (seven in 2020). We expect 2022 to have the same number of oil liftings as 2021. Also, Rex's average realised oil price sold/bbl in 2021 increased to US\$67/bbl from a low of US\$23/bbl in 2020. Oil prices are expected to increase further due to worsening demand-supply imbalance, reaching a high of US\$139/bbl in Mar 22. As operating costs in Oman remain constant at US\$80,000/day, Rex is poised to see strong margin expansion and supernormal earnings for 2022, in our view.
- Supply crunch from geopolitical tensions.** Oil prices face unprecedented volatility as geopolitical tensions in Ukraine and Russia have resulted in Russian banking sanctions and the major risk of US/European import bans on Russian oil. As Russia currently exports 7% of global crude and oil products supply, an embargo on Russian oil could see oil prices reach US\$160-200/bbl, according to industry estimates. Also, a delay in Iranian nuclear talks has helped support oil prices even though the resumption of Iranian oil exports would not help replace the loss of Russian exports.

EARNINGS REVISION/RISK

- We have increased our revenue and net profit estimates for 2022-24** based on higher oil price assumptions and new revenue contribution from the Brage field acquisition.
- 2022-24 revenue forecasts** are US\$205.6m (from US\$129.9m), US\$149.4m (from US\$104.3m) and US\$98.5m while PATMI is forecasted at US\$86.1m (from US\$38.3m), US\$64.0m (from US\$21.3m) and US\$40.2m respectively. However, we are mindful that any sharp pullback in oil prices would significantly affect our forecasts.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher SOTP-based target price of S\$0.58 (S\$0.46)**, based on 1.0x 2022F RNAV. The higher target price is due to higher DCF valuations for both its Norwegian and Omani assets. We opine that Rex is an attractive pure-play on the ongoing oil super cycle. However, as total oil production is currently capped at 11,000-12,000bbls/day, and any rise in revenue would mainly be caused by oil price increases and not volume production. Thus, we have incorporated conservative 2022-24 oil price assumptions of US\$90/bbl, US\$85/bbl and US\$80/bbl respectively. Even so, there is still considerable potential upside at current price levels.
- Also, Rex is moving onto SGX's mainboard as of 8 Mar 22**, allowing the company to reach out to more institutional investors moving forward.

SHARE PRICE CATALYST

- Stronger-than-expected oil production volume from Oman and crude oil prices.
- Unlocking value from Norwegian discovery assets.

BLOCK 50 OMAN VALUATION

USDSGD	1.36
SUM OF NPV (US\$,000)	433,137
Sum of NPV (SGD\$,000)	589,066
Number of shares	1,315,507
Value per share (USD\$/ Share)	0.329
Value per share (SGD\$/ Share)	0.4478

Source: UOB Kay Hian.

BRAGE FIELD VALUATION

USDSGD	1.36
SUM OF NPV (US\$,000)	111,556
Sum of NPV (SGD\$,000)	151,716
Number of shares	1,315,507
Value per share (USD\$/ Share)	0.085
Value per share (SGD\$/ Share)	0.1153

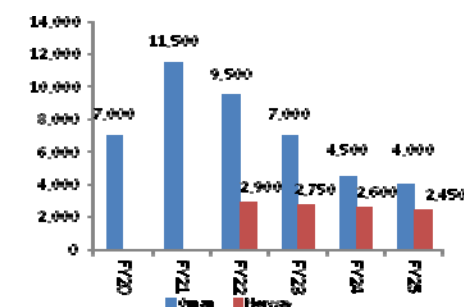
Source: UOB Kay Hian.

ASSUMPTIONS FOR OMAN AND NORWAY

	2022	2023	2024
% of Yumna Field owned	86%	86%	86%
Revenue per Barrel (US\$/barrel)	90.0	85.0	80.0
Previous Revenue per Barrel (US\$/barrel)	63.0	63.0	-
Oman Operating profit (%)	78%	78%	78%
Previous Oman Operating profit (%)	77%	76%	-
WACC	10%	10%	10%
% of Brage Field owned	31%	31%	31%
Revenue per Barrel (US\$/barrel)	90.0	85.0	80.0
Brage Field Operating profit (%)	65.0	65.0	65.0
WACC	10%	10%	10%

Source: UOB Kay Hian.

BARRELS/DAY ASSUMPTIONS



Source: UOB Kay Hian

RNAV SOTP VALUATION

	RNAV	RNAV/Share
Block 50 Omani assets (S\$,000)	589,066	0.448
Norwegian assets (S\$,000)	151,716	0.115
Net Cash (S\$,000)	118,196	0.090
Other assets (S\$,000)	377,513	0.287
Other liabilities (S\$,000)	(467,711)	(0.356)
Net asset value (S\$,000)		0.584

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Net turnover	158.4	205.6	149.4	98.5
EBITDA	74.6	94.0	67.3	39.0
Deprec. & amort.	1.6	1.8	1.3	1.1
EBIT	73.0	92.2	66.0	37.9
Total other non-operating income	(0.7)	(0.7)	(0.7)	(0.7)
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(2.9)	0.3	0.4	0.5
Pre-tax profit	69.4	91.7	65.7	37.7
Tax	9.5	9.5	9.5	9.5
Minorities	(11.8)	(15.1)	(11.2)	(7.0)
Net profit	67.1	86.1	64.0	40.2
Net profit (adj.)	67.1	86.1	64.0	40.2

BALANCE SHEET

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Fixed assets	42.3	41.4	41.0	40.9
Other LT assets	307.7	283.4	265.4	253.4
Cash/ST investment	60.6	130.8	178.3	198.0
Other current assets	132.6	143.4	154.6	162.5
Total assets	543.2	599.0	639.4	654.7
ST debt	8.5	8.5	8.5	8.5
Other current liabilities	50.2	50.7	70.1	76.8
LT debt	47.1	29.5	13.0	7.7
Other LT liabilities	238.1	238.0	238.0	238.0
Shareholders' equity	186.4	259.3	297.0	310.9
Minority interest	12.9	12.9	12.9	12.9
Total liabilities & equity	543.2	599.0	639.4	654.7

CASH FLOW

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Operating	99.0	149.1	128.0	78.7
Pre-tax profit	69.4	91.7	65.7	37.7
Tax	9.5	9.5	9.5	9.5
Deprec. & amort.	1.6	1.8	1.3	1.1
Associates	0.0	0.0	0.0	0.0
Working capital changes	(23.1)	(10.3)	8.2	(1.2)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	41.6	56.3	43.3	31.6
Investing	(74.0)	(46.1)	(33.2)	(21.4)
Capex (growth)	(0.2)	(0.1)	(0.1)	(0.1)
Investments	(0.8)	0.0	0.0	0.0
Others	(73.0)	(46.0)	(33.1)	(21.3)
Financing	13.6	(32.7)	(47.3)	(37.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	2.9	0.0	0.0	0.0
Loan repayment	(21.1)	(17.6)	(16.6)	(5.2)
Others/interest paid	31.8	(15.1)	(30.7)	(32.3)
Net cash inflow (outflow)	38.6	70.2	47.5	19.7
Beginning cash & cash equivalent	20.4	60.6	130.8	178.3
Changes due to forex impact	1.6	0.0	0.0	0.0
Ending cash & cash equivalent	60.6	130.8	178.3	198.0

KEY METRICS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	47.1	45.7	45.1	39.6
Pre-tax margin	43.8	44.6	44.0	38.3
Net margin	42.4	41.9	42.8	40.8
ROA	18.2	15.1	10.3	6.2
ROE	42.8	38.6	23.0	13.2
Growth				
Turnover	239.5	29.7	(27.3)	(34.1)
EBITDA	n.a.	25.9	(28.4)	(42.1)
Pre-tax profit	n.a.	32.2	(28.4)	(42.6)
Net profit	n.a.	28.3	(25.7)	(37.2)
Net profit (adj.)	n.a.	28.3	(25.7)	(37.2)
EPS	n.a.	28.3	(25.7)	(37.2)
Leverage				
Debt to total capital	21.8	12.3	6.5	4.8
Debt to equity	29.8	14.7	7.2	5.2
Net debt/(cash) to equity	(2.7)	(35.8)	(52.8)	(58.5)
Interest cover (x)	25.6	n.a.	n.a.	n.a.

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