

MARKET NEWS

US stocks were higher on Friday, as gains in the healthcare, energy and consumer staple sectors led shares higher. At the close of the NYSE, the DJIA gained 0.33% and the S&P 500 index rose 0.06%, while the NASDAQ Composite index dropped 0.11%. Advancing stocks outnumbered falling ones on the NYSE by 2,040 to 730 and 112 ended unchanged; on the Nasdaq Stock Exchange, 2,852 advanced and 1,232 declined, while 169 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index fell 16.94pt to 3,094.81. Among the top active stocks were Seatrium (-0.9%), Thaibev (-0.9%), Genting Singapore (-1.1%), Thomson Medical (+1.8%) and Medtecs International (-2.2%). The FTSE ST Mid Cap index fell 0.3% while the FTSE ST Small Cap Index was down 0.7%. The broader market saw 248 gainers and 331 losers with total trading value of S\$517.3m.

WHAT'S IN THE PACK

Singapore Company Update:

REX International Holding - Not much to cheer about heading into the festive season as production problems at key Yumna field persist. Retain SELL rating

(REXI SP/SELL/S\$0.17/Target: S\$0.10)

Rex's latest production update for Oct 23 did not provide much cause for cheer due to continued travails at its Yumna Field. At present, it is shut down with no visibility as to when production can resume. The Brage Field meanwhile has brought on-stream two new wells; however, we note the lack of disclosure on production numbers. In early-Nov 23, Rex bought a 17% stake in the Brasse Field offshore Norway for an undisclosed sum. Maintain SELL. Target price: S\$0.10...

Singapore Technical Analysis:

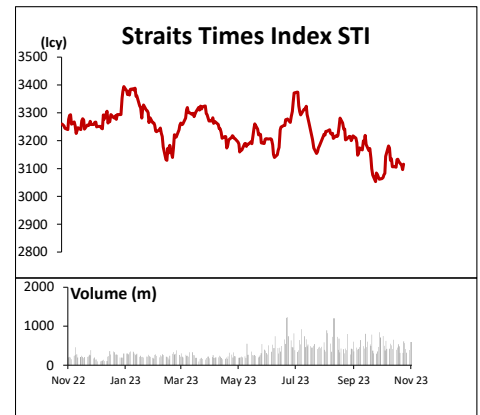
Propnex (PROP SP) - Trading BUY

Price rebounded after being supported by the middle Bollinger band, aka the 20-day moving average. The 20MA is rising, suggesting potential upside ahead...

Medtecs International (MED SP) Trading SELL

Price is trading below the cloud, keeping the downtrend intact. It could be forming a potential bearish flag pattern. MACD remains bearish and a bearish crossover is likely...

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	35390.2	9.2	6.8
S&P 500	4559.3	10.7	18.7
FTSE 100	7488.2	2.7	0.5
AS30	7244.1	3.3	0.3
CSI 300	3538.0	(0.7)	(8.6)
FSSTI	3094.8	1.1	(4.8)
HSCEI	6041.2	1.0	(9.9)
HSI	17559.4	0.9	(11.2)
JCI	7009.6	3.7	2.3
KLCI	1453.9	0.8	(2.8)
KOSPI	2496.6	8.4	11.6
Nikkei 225	33625.5	8.5	28.9
SET	1397.4	0.7	(16.3)
TWSE	17287.4	7.1	22.3
BDI	2102	34.5	38.7
CPO (RM/mt)	3827	4.1	(5.5)
Brent Crude (US\$/bbl)	81	(8.5)	(6.2)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (\$S)	Chg (%)	5-day ADT (\$S\$m)
DBS Group Holdings	31.82	(0.4)	117.1
Singapore Telecommunications	2.26	(0.9)	76.4
CapitaLand Ascendas Reit	2.83	0.4	38.5
Oversea-Chinese Banking Corp	12.67	(0.9)	37.9
United Overseas Bank	27.29	(0.3)	37.6

TOP GAINERS

Company	Price (\$S)	Chg (%)	5-day ADT (\$S\$m)
Mandarin Oriental - Jers Reg	1.70	6.9	0.0
Propnex	0.88	3.5	0.2
Golden Agri-Resources	0.27	1.9	3.0
Hour Glass Ltd/The	1.66	1.8	0.8
Thomson Medical Group	0.06	1.8	0.2

TOP LOSERS

Company	Price (\$S)	Chg (%)	5-day ADT (\$S\$m)
Sri Trang Agro-Industry-For	0.59	(7.1)	0.0
Olam Group	1.03	(2.8)	1.2
Nio Inc-Class A	7.57	(2.7)	0.8
DFI Retail Group Holdings	2.23	(2.6)	0.9
Digital Core Reit Management	0.59	(2.5)	1.6

*ADT: Average daily turnover

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TRADERS' CORNER



Propnex (PROP SP)

Trading Buy Range: S\$0.860-0.865

Last price: S\$0.880

Target price: S\$0.945

Protective stop: S\$0.835

Price rebounded after being supported by the middle Bollinger band, aka the 20-day moving average. The 20MA is rising, suggesting potential upside ahead. MACD is bullish and is rising. These could increase chances of the stock price moving higher.

The potential upside target is S\$0.945. Stop-loss could be placed at S\$0.835.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.23.



Medtecs International (MED SP)

Trading Sell Range: S\$0.134-0.135

Last price: S\$0.132

Target price: S\$0.115

Protective stop: S\$0.139

Price is trading below the cloud, keeping the downtrend intact. It could be forming a potential bearish flag pattern. MACD remains bearish and a bearish crossover is likely. These could increase chances of the stock price continuing to move lower.

The potential downside target is S\$0.115. Stop-loss could be placed at S\$0.139.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

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FROM THE REGIONAL MORNING NOTES...

Rex International Holding (REXI SP)

Not Much To Cheer About Heading Into The Festive Season

Rex's latest production update for Oct 23 did not provide much cause for cheer due to continued travails at its Yumna Field. At present, it is shut down with no visibility as to when production can resume. The Brage Field meanwhile has brought on-stream two new wells; however, we note the lack of disclosure on production numbers. In early-Nov 23, Rex bought a 17% stake in the Brasse Field offshore Norway for an undisclosed sum. Maintain SELL. Target price: S\$0.10.

WHAT'S NEW

- **Yumna still hobbling towards the company's 20,000bpd production target.** In Rex International's (Rex) latest production update for Oct 23, the company disclosed that its Yumna Field in offshore Block 50 in Oman (Rex equity stake: 91.81%) only managed an anaemic 1,304bpd of oil production, declining 20% mom and 65% yoy. The latest problem at Yumna was a production shutdown on 25 Oct 23 due to "damage to the internal pressure containing liner of the newly installed larger flowline". No guidance was given as to when the field, which produced an average of nearly 11,000bpd in 2021, would be re-started. With Yumna continuing to underperform, Rex's average production ytd stands at just over 9,000bpd and is far from its 20,000bpd target.
- **Lack of disclosure continues to be an issue.** While it is positive that the company's combined production from the Brage and Yme fields in Norway exceeded 10,000bpd in the last week of Oct 23, we highlight that unlike its previous production reports, the company did not present a breakdown of production from these two fields. This may imply that the Yme field continues to experience problems given the higher-than-expected water cuts that have been reported by its operator in the past. Brage meanwhile has remained a strong performer with a new well brought on-stream in late-Oct 23 and another in early-Nov 23, and recently made a 1mmbbl discovery.
- **Acquiring long-term production potential.** In early-Nov 23, Rex announced that its 91.65%-owned subsidiary Lime Petroleum will be acquiring a 17% stake in the Brasse Field located in the Norwegian sector of the North Sea. Production is expected to start in 2027 and the operator of the field has reported recoverable resources of between 21-29mmboe, of which 25-30% is gas (4mmboe net to Rex). According to Rex, it is unable to disclose the purchase price for Brasse given confidentiality issues. We have not incorporated this acquisition into our financial model given the paucity of information at present; however we note that Rex has indicated that the proximity of the Brasse field will have "significant positive synergies with Brage".

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	158	170	196	158	143
EBITDA	75	10	38	32	28
Operating profit	73	8	30	30	27
Net profit (rep./act.)	67	(1)	5	8	7
Net profit (adj.)	118	55	56	50	46
EPS (US\$ cent)	9.0	4.2	4.2	3.8	3.5
PE (x)	1.4	3.0	3.0	3.3	3.6
P/B (x)	0.9	0.9	1.0	1.1	1.0
EV/EBITDA (x)	3.2	23.4	6.2	7.5	8.5
Dividend yield (%)	2.9	2.9	11.7	11.7	0.0
Net margin (%)	42.4	(0.6)	2.3	5.3	4.8
Net debt/(cash) to equity (%)	(2.7)	(13.5)	33.8	22.7	3.0
Interest cover (x)	25.6	0.7	2.1	3.4	3.0
ROE (%)	42.8	n.a.	2.6	5.1	4.4
Consensus net profit	-	-	66	48	13
UOBKH/Consensus (x)	-	-	0.85	1.04	3.47

Source: REX INTERNATIONAL HOLDING, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

STOCK IMPACT

- Money not well spent. Nearly 1.5 years after the successful hook-up and commissioning of the new floating storage tanker and Mobile Offshore Production Unit (MOPU) at its key Yumna asset offshore Oman, production remains problematic. Prior to the upgrades, Rex had guided for the new facility to double its liquids processing capacity to 30,000bpd. However since Jun 22, production was 1,300bpd prior to the recent shutdown vs production of 7,500-10,600bpd in the six months prior to the change-out of the MOPU. We understand that this is partly attributable to the lack of availability of jack-up rigs offshore Oman to service the problematic field. With a number of Middle Eastern national oil companies having tied up such assets, and the prohibitive cost of bringing in rigs from Europe or Asia, we believe that Yumna will continue to face production issues in the near to medium term.

EARNINGS REVISION/RISK

- No changes to our earnings forecasts. However, we highlight downside risk to earnings given the company's continued poor production performance. Higher interest expense will also hit its bottom line given that as at end-1H23, it had net debt of US\$58.7m vs net cash of US\$27.0m at end-1H22.

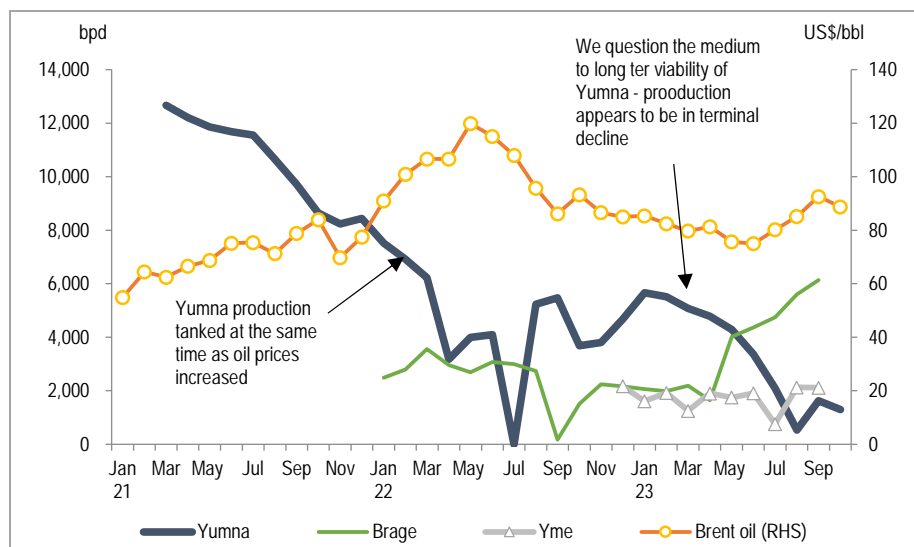
VALUATION/RECOMMENDATION

- We retain our SELL rating with a target price of S\$0.10. While upstream oil & gas companies are traditionally valued using a discounted cash flow methodology, we have elected to use a target 0.5x P/B multiple instead due to our diminished confidence in the company's ability to execute on its oil production targets. On the asset valuation side, Rex currently trades on an EV/boe of US\$16.90 per barrel which appears attractive relative to current oil prices.

SHARE PRICE CATALYST

- Refraining from related-party transactions in sectors that are unrelated to oil and gas.
- Better consistency and reliability in delivering oil production numbers.
- Removal of the opacity surrounding its spending on M&A and capex items.

MONTHLY PRODUCTION FROM REX'S THREE KEY FIELDS VS BRENT OIL PRICE



Note: Production data for Brage and Yme not disclosed in Oct 23
Source: Rex International

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