

## MARKET NEWS

US stocks were higher after the close on Tuesday, as gains in the materials, industrials and consumer discretionary sectors led shares higher. At the close of the NYSE, the DJIA rose 0.43%, while the S&P 500 index gained 0.69%, and the NASDAQ Composite index advanced 1.53%. Advancing stocks outnumbered falling ones on the NYSE by 2,079 to 893 and 111 ended unchanged; on the Nasdaq Stock Exchange, 2,921 advanced and 1,554 declined while 191 ended unchanged. (Source: WSJ, CNBC)

During the last trading session, the FSSTI index fell 6.67pt to 3,189.40. Among the top active stocks were Thai Beverage (+1.8%), Seatrium (+1.6%), Genting Singapore (+1.1%), UMS (+2.9%) and SIA (+1.4%). The FTSE ST Mid Cap index rose 0.2% while the FTSE ST Small Cap Index was down 0.1%. The broader market saw 286 gainers and 246 losers with total trading value of S\$1.05b.

## WHAT'S IN THE PACK

### Singapore Company Update:

**Rex International Holding - Despite having the benefit of new facilities at its key oil-producing asset at Yumna for the past 12 months, production remains stubbornly low. Reiterate SELL.**

(REXI SP/SELL/S\$0.164/Target: S\$0.10)

Twelve months after new oil production facilities were installed at the Yumna oil field offshore Oman (which is Rex's major cash cow), production has yet to regain the highs seen in 2021...

### Singapore Technical Analysis:

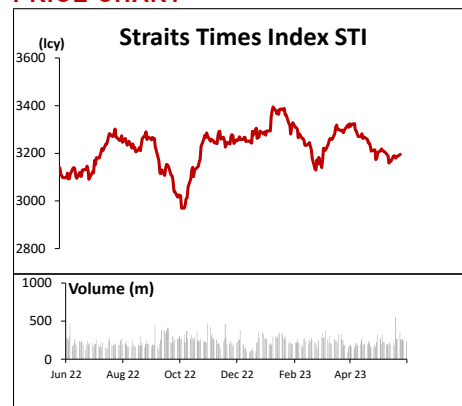
**Seatrium (STM SP) - Trading BUY**

Price is trading above the cloud, keeping the uptrend intact. It broke and closed above the downtrend line as well. MACD is hovering around the zero line and a bullish crossover is likely...

**Hong Fok Corp (HFC SP) - Trading BUY**

Price rebounded after being supported by the rising trendline formed since May 22. The RSI is rising from the oversold zone, hinting at potential upside ahead...

## PRICE CHART



## KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34212.1	2.7	3.2
S&P 500	4369.0	5.9	13.8
FTSE 100	7594.8	(2.1)	1.9
AS30	7329.1	(1.7)	1.5
CSI 300	3864.9	(1.9)	(0.2)
FSSTI	3189.4	(0.6)	(1.9)
HSCEI	6618.3	(0.7)	(1.3)
HSI	19521.4	(0.5)	(1.3)
JCI	6719.0	0.2	(1.9)
KLCI	1380.6	(3.0)	(7.7)
KOSPI	2638.0	6.6	18.0
Nikkei 225	33018.7	12.4	26.5
SET	1562.4	0.1	(6.4)
TWSE	17216.6	11.1	21.8
BDI	1074	(31.1)	(29.1)
CPO (RM/mt)	3357	(11.9)	(17.1)
Brent Crude (US\$/bbl)	74	0.2	(13.5)

Source: Bloomberg

## TOP VOLUME

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.13	1.6	367,991
Golden Agri-Resources	0.26	0.0	85,156
Genting Singapore	0.96	1.1	39,206
Thai Beverage	0.58	1.8	27,627
Singapore Telecommunications	2.46	0.8	22,613

## TOP GAINERS

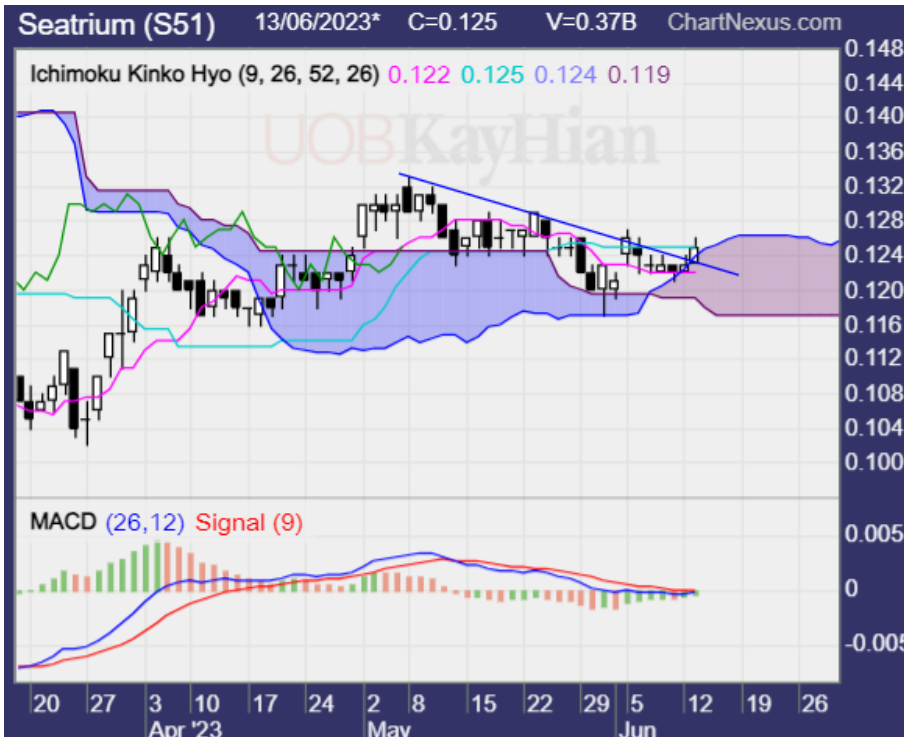
Company	Price (S\$)	Chg (%)	Volume ('000s)
Nio Inc	8.53	6.1	221
Sembcorp Industries	5.63	3.1	7,216
Venture Corp	15.12	3.0	1,637
ComfortDelGro Corp	1.08	2.9	15,652
iFAST Corp	4.47	2.8	326

## TOP LOSERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Sinarmas Land	0.21	(4.5)	53
OUE REIT	0.32	(3.0)	2,190
Mandarin Oriental Intl	1.65	(2.9)	157
Bumitama Agri	0.55	(2.7)	341
Keppel DC REIT	2.00	(2.0)	5,570

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TRADERS' CORNER



## Seatrium (STM SP)

Trading Buy Range: S\$0.123-0.124

Last price: S\$0.125

Target price: S\$0.133

Protective stop: S\$0.120

**Price is trading above the cloud, keeping the uptrend intact. It broke and closed above the downtrend line as well. MACD is hovering around the zero line and a bullish crossover is likely. These could increase chances of the stock price moving higher.**

The potential upside target is S\$0.133. Stop-loss could be placed at S\$0.12.

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\$0.17.



## Hong Fok Corp (HFC SP)

Trading Buy Range: S\$0.985-0.990

Last price: S\$0.995

Target price: S\$1.070

Protective stop: S\$0.965

**Price rebounded after being supported by the rising trendline formed since May 22. The RSI is rising from the oversold zone, hinting at potential upside ahead. These could increase chances of the stock price rebounding to move higher.**

The potential upside target is S\$1.07. Stop-loss could be placed at S\$0.965.

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

ANALYST(S)

**Wong Shueh Ting, CFTe**

+65 6590 6616

shuehting@uobkayhian.com

FROM THE REGIONAL MORNING NOTES...

## Rex International Holding (REXI SP)

### Yumna Oil Field Remains Problematic

Twelve months after new oil production facilities were installed at the Yumna oil field offshore Oman (which is Rex's major cash cow), production has yet to regain the highs seen in 2021. Instead, production remains stubbornly at 50% below change-out of the new facilities. As a result, even with the inclusion of the oil production assets at Brage and Yme, Rex's total production remains 31% below the levels seen two years ago. **Maintain SELL. Target price: S\$0.10.**

### WHAT'S NEW

- Disappointing production at its key asset.** One year 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 has continued to disappoint. Prior to the upgrades, Rex International Holding (Rex) had guided for the new facility to double its liquids processing capacity to 30,000bpd. However, ever since Jun 22, production has remained at around 4,300bpd of oil vs production of 7,500-10,600bpd in the six months prior to the change-out of the MOPU. Over the past two years, Yumna's production has declined by >60% (see chart overleaf), with the latest May 23 data showing a 10% mom decline.
- Could excessive water production be a problem?** Rex had specified "liquids" processing capacity for its new facilities instead of oil, thus potentially indicating that Yumna's wells may be producing excessive amounts of water together with the oil. High water production is generally an indicator of a damaged reservoir, or one that is undergoing faster-than-expected depletion. Given numerous historical problems with production at Yumna (see table overleaf), we believe that there may be significant operational challenges for Rex to achieve and maintain oil production in excess of 10,000bpd, despite its claims that Yumna wells produced 20,000bpd of oil in Mar 21.
- Third interested-party transaction (IPT) in five months.** In early-2Q23, Rex announced its third IPT in five months with the provision of US\$17.6m worth of security to its 20%-owned Crescent Marine Holding Ltd (CMH) (an IPT) to allow for debt financing from a third party. CMH intends to purchase a second vessel from a third-party that will be deployed for Rex's oil exploration and production activities, with the company stating that this will be more economically beneficial to its projects. The other two IPTs (announced in Dec 22) related to drone and medical technology were supposedly undertaken to diversify away from oil and gas. However this latest IPT is oil and gas related, which could cause some confusion in the market regarding Rex's strategy. The company has declined to provide the market with any details of the vessel at present.

### KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	158	170	132	99	89
EBITDA	75	10	43	23	21
Operating profit	73	8	41	22	20
Net profit (rep./act.)	67	(1)	38	22	20
Net profit (adj.)	118	55	60	39	36
EPS (US\$ cent)	9.0	4.2	4.6	3.0	2.7
PE (x)	1.4	2.9	2.7	4.1	4.5
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	2.2	16.5	3.8	7.2	8.0
Dividend yield (%)	3.0	3.0	12.0	12.0	0.0
Net margin (%)	42.4	(0.6)	28.4	22.3	22.8
Net debt/(cash) to equity (%)	(2.7)	(13.5)	(2.9)	(17.7)	(31.8)
Interest cover (x)	25.6	0.7	88.9	47.5	42.5
ROE (%)	42.8	n.a.	20.8	12.1	10.9
Consensus net profit	-	-	77	20	(11)
UOBKH/Consensus (x)	-	-	0.79	2.00	n.m.

Source: Rex International, Bloomberg, UOB Kay Hian

## STOCK IMPACT

- **A bright spot at Brage.** In the same production update, production at Brage rose by nearly 1.5x due to the commencement of a new production well. However, production here could have been higher if not for limited gas processing facilities on the platform. Rex also disclosed that Brage's production could increase again in Sep 23 as it has plans to bring on another production well.
- **For exposure to upstream oil & gas in Singapore, we prefer RH Petrogas (BUY/Target: S\$0.255).** Compared to Rex, RH Petrogas is more focused oil play as it has exposure only to onshore Indonesia, does not undertake IPTs, and more importantly has been able to demonstrate a higher level of operational excellence, having increased production at its two mature onshore oil fields in the past five years.

## EARNINGS REVISION/RISK

- **No changes to core earnings forecasts.** We have adjusted our EBITDA calculations to take into account Rex's annual depletion of oil and gas properties as well as impairment losses on exploration and evaluation assets.

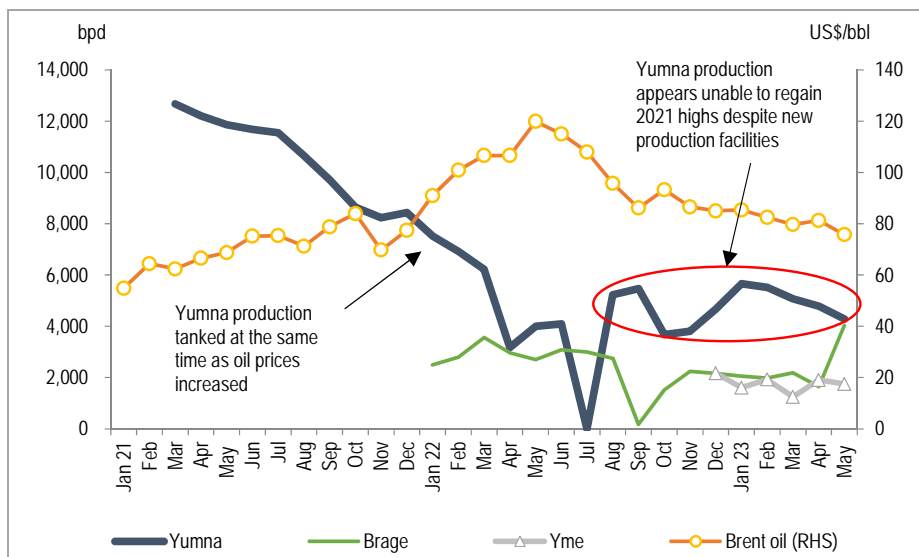
## VALUATION/RECOMMENDATION

- **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. In addition, we believe that its interested party transactions has raised corporate governance issues which we believe detracts from the company's oil assets which could – if managed properly – generate decent cash flow.
- **Some positives.** As at end-22, Rex had a net cash position of S\$0.024 per share which represents around 15% of the company's current share price. In addition, the company currently trades on an EV/boe of US\$16.70 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.

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



Source: Rex International

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