

## Rex International Holding Ltd (5WH SP)

Initiation of Coverage | 24 November 2025

Rating: **BUY**

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Last Close: **S\$0.160**

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Target Price: **S\$0.190**

### Rex International: Discounted Barrels, Imminent Growth

#### Executive Summary

##### Initiating at BUY; TP S\$0.19 on conservative oil deck

We initiate coverage on Rex International Holding Ltd (“Rex”) with a **BUY** rating and a **12-month target price of S\$0.19**, implying c.19% upside from the current share price of S\$0.16. Our TP is based on a **risked DCF/SOTP** using a **US\$60/bbl Brent** price assumption for FY2025–26 and a **12% WACC**, cross-checked against peer EV/EBITDA and P/BV multiples.

Rex is a Singapore-listed upstream oil & gas producer with assets in **Oman, Norway, Germany and Benin**, producing c.**11.2k barrels per day** in 1H25. Production is backed by 2P reserves across the **Yumna** field in Oman, the **Brage, Yme and Bestla** assets in Norway, and the **Sèmè** redevelopment in Benin. The group generated **FY2024 revenue of US\$298.1m** and **adjusted EBITDA of US\$160.4m** (54% margin), but reported a **loss after tax of US\$50.2m** due to high depletion and non-cash charges.

On **1H FY2025**, Rex delivered **US\$154.5m revenue**, **US\$67.5m adjusted EBITDA**, and a **loss after tax of US\$29.7m**, with production rising to **11,208 bopd** (+2.5% YoY). Operating cash flows remained positive at **US\$37.2m** in 1H25 despite heavier capex and tax payments.

##### FY2025 still loss-making; first meaningful Benin contribution in FY2026

We expect **FY2025 to remain loss-making at the net level**. 1H25 already recorded a US\$29.7m loss driven by (i) high depletion (US\$50.7m), (ii) an US\$8.7m exploration impairment, and (iii) substantial tax expense in Norway and Oman. 2H25 will see higher activity (and therefore higher D&D and interest), while the **Benin Sèmè field** only begins to contribute near year-end.

The **Benin redevelopment** is progressing in line with company guidance: a **100-day three-well campaign** in Sèmè commenced in August 2025, covering two horizontal production wells in the H6 reservoir and one deeper appraisal well in H7/H8. On 19 November 2025, Rex disclosed that the Sèmè drilling campaign has encountered technical issues, delaying completion of the original three-well

program. The FSO has arrived in Benin and mooring installation is underway, while the MOPU is scheduled to reach field location by end-November. Importantly, the company maintained its guidance that first oil remains targeted before end-December 2025.

Even if first oil is achieved on schedule, initial volumes will be modest and back-ended. We therefore expect **only minimal P&L impact in FY2025**, with **first meaningful financial contribution from Benin in FY2026** (our base case), when the field reaches stable production and regular liftings.

### Valuation: risked DCF/SOTP at US\$60/bbl; TP S\$0.19

We build the valuation from the ground up using:

- **Oil price:** US\$60/bbl Brent (flat in real terms from FY2025–26)
- **Discount rate:** 12% WACC, reflecting small-cap status and emerging-market exposure
- **Volumes:** future production back-solved from the **2P reserve QPRs** and recent production data
- **Costs:** benchmark offshore opex and capex per barrel for Oman, Norway and West Africa

Our **risked DCF/SOTP** (details in Valuation section) yields an **equity NPV of c.US\$190m**, equivalent to **c.S\$0.20 per share** at USD/SGD 1.3000. Applying a modest discount to reflect execution risk and small-cap illiquidity, we derive a **12-month TP of S\$0.19**.

At the current price, Rex trades at:

- **P/BV (FY24):** c.2.4× (BVPS US\$0.049 / S\$0.065)
- **EV/EBITDA (FY24):** c.1.1× on Dec-24 net debt; c.1.2× on Jun-25 net debt (vs regional E&P norm 3–4×)
- **EV/2P:** c.**US\$10/boe** on our estimate of ~18.6 MMboe net 2P reserves (Oman, Norway, Benin combined)

On our **FY2026E net profit of ~US\$25m**, the stock trades at **~6.3× forward P/E** at S\$0.16 and **~7.5×** at our TP of S\$0.19 – still a discount to peers at c.8–9×.

### Investment case in one line

Rex offers **fully funded growth in production and reserves** (via Benin, Bestla, and Germany) at a valuation that prices its 2P barrels at a steep discount and **ignores the improving cash-flow and capital structure post-2026**. We see a favourable risk-reward: **BUY, TP S\$0.19**.

## Key Financial Metrics

(Financials in USD unless stated; FX 1H25: 1 USD = 1.3000 SGD)

### Trading & Capitalisation

- Share Price (21 Nov 2025): **S\$0.160**
- 12-m Target Price: **S\$0.190**
- Implied Upside: **~19%**
- Shares Outstanding: **1,302,320,991** (ex-treasury)
- Market Capitalisation: **~S\$208m**
- Enterprise Value (using 30 Jun 2025 net debt): **~US\$191m**
- Free Float: **~56%** (as at 10 Mar 2025)
- 3-m Average Daily Volume: **~9–10m** shares (est.)

### Profitability (Reported)

- **FY2024 Revenue:** US\$298.1m
- **FY2024 Adjusted EBITDA:** US\$160.4m (54% margin)
- **FY2024 Loss after tax:** –US\$50.2m
- **1H25 Revenue:** US\$154.5m (–3% YoY)
- **1H25 Adjusted EBITDA:** US\$67.5m (43.7% margin)
- **1H25 Loss after tax:** –US\$29.7m
- **ROE (FY2024):** negative, given reported losses

### Valuation Multiples (based on last close / FY24 actuals)

- **P/E (TTM):** N.M. (loss-making)
- **P/BV (FY24):** ~2.4× (Equity US\$64.0m, BVPS 4.91 US cents / ~S\$0.065)
- **EV/EBITDA (FY24):**
  - ~1.14× using Dec-24 net debt (US\$24.9m)
  - ~1.2× using Jun-25 net debt (US\$73.9m)
- **EV/2P (net to Rex):** ~US\$10/boe on ~18.6 MMboe net 2P reserves (Oman, Norway, Benin)

## Balance Sheet & Liquidity

- **Dec-24 Cash & Equivalents:** US\$117.2m; **quoted investments:** US\$13.0m; total US\$130.2m
- **Dec-24 Loans & Borrowings:** US\$142.1m (secured NOK bonds)
- **Jun-25 Cash & Equivalents:** US\$96.6m; quoted investments US\$11.1m; total US\$107.7m
- **Jun-25 Loans & Borrowings:** US\$170.5m (increase after bond taps)
- **Net Debt (Jun-25, cash only):** ~US\$73.9m – c.0.46× FY24 EBITDA
- **NAV (Dec-24):** US\$64.0m; NAV/share 4.91 US cents (\$0.065)
- **Total decommissioning provisions (Jun-25):** US\$239.2m (mostly Norway)

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## Business Overview

### International upstream footprint

Rex is a pure-play E&P company headquartered in Singapore, with producing and development assets in:

1. **Oman – Block 50 / Yumna Field**
  - Operated by **Masirah Oil Ltd (“MOL”)**, 91.81% owned by Rex.
  - Shallow-water oil field on production since 2020.
  - Qualified Person’s Report (QPR, Mar 2025) shows **2P net entitlement reserves of 1.8 MMstb** attributed to Rex, with economic limit around **2029**.
2. **Norway – Brage, Yme & Bestla (via Lime Petroleum)**
  - Rex owns **91.65%** of Lime Petroleum AS (LPA).
  - **Brage Field:** 33.8434% working interest; mature oil & gas producer with strong operating uptime.
  - **Yme Field:** interest increased from 10% to **25%** in 2024, following a 15% acquisition.
  - **Bestla (ex-Brasse) Field:** 17% interest; being developed as a subsea tie-back to Brage with first oil planned around 2027.
  - QPR 2024 attributes to Rex (through Lime) net **2P reserves of 3.37 MMboe (Yme), c.3.3 MMboe (Brage) and 2.9 MMboe (Bestla)** after converting gas and NGL to oil equivalent.
3. **Benin – Sèmè Field (Block 1)**

- Offshore redevelopment project operated by **Akrake Petroleum Benin S.A.**, indirectly controlled by Rex.
- Rex holds **80.14%** of Akrake; combined with Akrake's working interest, this equates to **60.91% net entitlement interest for Rex** in the QPR.
- QPR 2024: **2P reserves of 10.9 MMstb gross, 7.2 MMstb net to Akrake, and 5.8 MMstb net to Rex** (economic limit ~2033).

#### 4. Germany – Erfelden / Schwarzbach area

- 100% owned by Lime Resources Germany GmbH (LRG).
- Existing small production, with a plan to drill **two wells in Q4 2025** aiming to add c.500 boepd from Jan 2026, followed by a larger campaign in 2H26.

#### 5. Technology & energy transition

- **Xer Technologies** – rugged multi-rotor drones; Rex owns c.53% currently but intends to vend 60% of Xer Tech AB into a Swedish shell (RVN) via RTO, resulting in a **~50.4% stake** post-listing.
- **CCS Licences in Norway** – Lime has obtained at least one carbon storage licence in 2024, adding long-term optionality.

Rex's group structure is essentially two operating pillars – **Masirah (Oman)** and **Lime (Norway/Germany/Benin)** – under the SGX-listed parent, with minority interests mainly at Lime and Masirah level.

#### Production and Reserves

- **1H25 production:** 11,208 barrels per day (gross in Oman and net to Lime in Norway/Germany), up from 10,934 bopd in 1H24.
- **FY2023 Norway production:** net 2.38 MMboe to Lime from Brage and Yme.
- **Reserves (2P net to Rex, as at 31 Dec 2024 QPRs):**
  - Yumna (Oman): 1.8 MMstb net entitlement
  - Sèmè (Benin): 5.8 MMstb net entitlement
  - Norway (Yme, Brage, Bestla): ~9.6 MMboe combined
  - Total net 2P to Rex: **~18.6 MMboe** (after converting gas & NGL to boe)

At our EV of ~US\$191m, Rex trades at **~US\$10/boe of net 2P** – reasonable but still below typical transaction multiples for producing 2P barrels (often low-teens per boe), especially given progression into development at Bestla and Sèmè.

## Financial Analysis

### Historical performance: revenue growth, but accounting losses

#### Revenue & EBITDA:

- FY2024 revenue from oil & gas sales rose **34% YoY** to **US\$298.1m**, primarily due to higher volumes in Norway (Brage & Yme) which more than offset declining Oman production and slightly lower oil prices.
- **Adjusted EBITDA** increased **47% YoY** to **US\$160.4m**, highlighting strong underlying cash generation even as accounting profit remained negative.

#### Bottom line:

- FY2024 loss after tax narrowed to **US\$50.2m** from **US\$69.4m** in FY2023, mainly due to lower impairments on goodwill and E&E assets.
- Key drivers of the 2024 loss were:
  - **Depletion of O&G properties:** US\$97.9m (up from US\$75.1m in 2023) as Norwegian production increased.
  - **Production & operating expenses:** US\$95.3m (vs US\$73.1m) due to expanded activities in Norway.
  - **Administrative expenses:** US\$41.8m (vs US\$28.6m) due to higher headcount and consolidation of Xer.

#### 1H25 results:

- Revenue **US\$154.5m**, down 3% YoY, as higher volumes were offset by lower average crude prices.
- Adjusted EBITDA **US\$67.5m** (-24% YoY) and gross profit **US\$37.1m**, with gross margin 24%.
- **Loss after tax widened to US\$29.7m** due to:
  - Depletion of US\$50.7m (vs US\$41.9m in 1H24)
  - Exploration and evaluation spend of US\$3.3m
  - **Impairment of E&E assets of US\$8.7m** from a relinquished Norwegian licence
  - Tax expense of US\$27.3m, mainly in Norway and Oman

Despite the accounting losses, **operating cash flow remained positive**: net cash from operations was **US\$84.5m** in FY2024 and **US\$37.2m** in 1H25. This underscores the strong cash-generative nature of the underlying barrels.

### Balance sheet: more leveraged, but still manageable vs cash flow

Rex ended **FY2024** with:

- **Cash & equivalents:** US\$117.2m; **quoted investments:** US\$13.0m
- **Total borrowings:** US\$142.1m (NOK senior secured bonds at the Lime level)
- **Net debt (cash only):** ~US\$24.9m

This translated to **net debt/EBITDA of c.0.16x** and **net debt/equity of ~0.4x**, indicating a conservative balance sheet at end-2024.

By **30 Jun 2025**, after additional **NOK 100m** tap issues and ongoing capex (particularly Benin and Norway), borrowings increased to **US\$170.5m**, while cash fell to **US\$96.6m**. Net debt rose to **c.US\$73.9m**, or **~0.46x FY2024 EBITDA** – still comfortable in the context of future EBITDA growth, but clearly higher leverage than at FY2024.

We note that Rex's liabilities are **heavily skewed towards non-cash items**:

- **Decommissioning provisions:** US\$210.4m at Dec-24, rising to US\$239.2m at Jun-25 due mainly to FX effects.
- **Deferred tax liabilities:** c.US\$49.6–50.4m.

These provisions inflate leverage if viewed mechanically, but the **cash outflows occur at end-of-field life** and are tax-deductible in Norway.

#### Cash flows and capex

- **FY2024 operating cash flow:** US\$84.5m, driven by oil sales from Oman and Norway.
- **FY2024 investing cash flow:** –US\$85.0m, mainly additions to O&G properties (US\$95.9m) and E&E spend (US\$17.0m), partially offset by acquisition-related inflows, disposals and interest income.
- **1H25 investing cash flow:** –US\$72.1m, largely additions to O&G properties (US\$66.2m) and E&E (US\$7.7m).

Overall, we are near **peak capex** in 2024–25, as Benin and Bestla progress and as Yme drilling is consolidated.

#### Outlook for FY2025–26 profits

Given:

- 1H25 loss of **US\$29.7m**,
- Continued high D&D and interest in 2H25, and
- Only a **partial-year contribution from Benin** at startup,

we expect **FY2025 to still post a net loss**, albeit with solid EBITDA.

From **FY2026**, with:

- First full-year contribution from **Benin**
- Incremental production from **Bestla** (early ramp) and Germany's Erfelden wells
- Normalisation of exploration impairments

we forecast **net profit of ~US\$25m** (our base case) at US\$60/bbl, which would place the stock on **6–8× FY2026E P/E** depending on share price.

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## Benin Sèmè Project – Status and Economics

### Project status near the end of FY2025

The **Sèmè Field** is a brownfield redevelopment of an offshore field that produced in the past but was shut in. Key parameters based on the QPR and company commentary:

- **2P reserves (Base case):** 10.9 MMstb gross; 7.2 MMstb net to Akrake; 5.8 MMstb net to Rex.
- **Economic limit year (2P):** 2033 (Rex net).
- **Development concept:** MOPU + FSO, three wells in Phase 1 (two H6 producers + one deeper appraisal for H7/H8) with potential Phase 2 expansion.

### Operational progress (as at late 2025):

- Akrake spudded the **first well** in Sèmè using the **Borr Gerd jack-up rig** on 4 August 2025.
- A **100-day drilling program** is underway with two horizontal producers and one vertical appraisal well.
- MOPU and FSO are expected on location and hooked up during **4Q 2025**, with commissioning thereafter.
- Company guidance targets **first oil in Q4 2025**, with initial production rates potentially around **15,000 bopd gross** (we risk-adjust this in our model).

### Operational Update (19 November 2025 SGX Announcement)

On 19 November 2025, Rex International released a project update noting that Akrake's Sèmè drilling campaign encountered technical issues requiring remedial action. As a result, completion of the original three-well program will be delayed.

The Floating Storage & Offloading (FSO) unit has arrived in Benin and is now at the anchorage; mooring and flowline installation are in progress. The Mobile Offshore Production Unit (MOPU) is scheduled to arrive by end-November 2025.

Despite these operational challenges, Rex reiterated that the target remains to commence production before end-December 2025. This suggests the execution timeline is tight but still tracking towards the previously stated Q4 start-up window.

### Financial contribution timing

Even if first oil is achieved in Q4 2025, **the first meaningful financial impact will be in FY2026** because:

1. **Ramp-up:** early production is often constrained as wells are tested and facilities fine-tuned.
2. **Liftings:** revenue is recognised upon liftings/sales; a late-Q4 first oil may only lead to one cargo (if any) in FY2025.
3. **Start-up costs:** commissioning and early operating costs weigh on profitability.
4. **Accounting:** any initial revenue will be a small fraction of annual volumes.

Hence, we **explicitly model:**

- **Minimal 2025 EBITDA from Benin** (treated as development phase)
- **From 2026:** a multi-year production profile in line with 5.8 MMstb net 2P, delivering a sizeable share of group cash flows.

### Economics at US\$60/bbl (base case)

Under our base-case assumptions:

- Brent: US\$60/bbl (real)
- Netback (after opex, royalties, taxes): US\$20–23/bbl over field life
- Net 2P to Rex: 5.8 MMstb
- Capex: we use a project cost guide of US\$150m+ (consistent with Lime's bond financing & company disclosures)
- Discount rate: 12%

We estimate:

- **Risked NPV (Benin to Rex): c.US\$70–80m**, after deducting future capex and abandonment, with a risk factor to acknowledge remaining execution and reservoir risk.

This makes Benin a **key value driver**, contributing roughly one-third to our group equity NPV.

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## Investment Thesis

We see Rex as an attractive upstream energy name underpinned by five pillars:

### 1. Core production engine with visible growth

- **Oman and Norway** currently deliver >11k boepd, providing US\$300m-class annual revenue and robust EBITDA even at sub-US\$70 oil.
- Near-term growth levers:
  - **Benin Sèmè**: first oil targeted Q4 2025, full-year impact in 2026.
  - **Bestla (Norway)**: PDO approved; tie-back to Brage, with production planned around 2027.
  - **Germany**: Schwarzbach/Erfelden wells targeting an additional ~500 boepd from early 2026.
- Base production is somewhat mature (Yumna is mid-life; Brage is long-life but declining), yet ongoing drilling and infill work offset natural decline.

### 2. Strategic focus and monetisation of non-core assets (Xer Tech)

- The planned **RTO of Xer Tech AB** into Swedish vehicle Renewable Ventures Nordic AB will list the drone business on a more appropriate market, allowing it to raise ~SEK 40m for growth while Rex retains ~50.4% ownership.
- This **unlocks value without further capital strain** on Rex's balance sheet and simplifies the equity story back to a primarily upstream E&P.
- The Xer stake is included in our SOTP at a **modest discount** to the implied RTO valuation, recognising execution risk and liquidity considerations.

### 3. Valuation discount vs assets and peers

- At S\$0.16, Rex trades at **~2.4x P/BV**, but this reflects a compressed equity base after capital reduction; on an asset basis (2P reserves and cash flows), the valuation is more compelling.
- **EV/EBITDA** of **~1.1–1.2x** (on FY24 actuals and Jun-25 net debt) is far below regional upstream peers, many of which trade at **3–4x**.
- **EV/2P** of **~US\$10/boe** remains reasonable even under US\$60/bbl pricing and suggests material upside if Rex executes on its growth plan.

We expect a **re-rating** as:

- Benin moves from development to production
- Bestla progresses toward first oil
- Accounting losses narrow and then swing to profit from FY2026 onward.

#### 4. Funded growth with acceptable leverage

- Lime's **NOK 1.75bn bond** (US\$173.5m) fully funds Benin Phase 1, Yme and Bestla development, avoiding near-term equity issuance.
- Even after the 2025 bond taps, net debt is **<0.5× FY24 EBITDA**, giving room to absorb shocks.
- Decommissioning liabilities are sizeable but **tax-sheltered and long-dated**, largely matched by field cash flows and abandonment trusts in Norway.

#### 5. Optionality from CCS and tech / ESG positioning

- Lime's **CCS licences** in Norway provide long-term optionality in CO<sub>2</sub> storage, potentially monetisable with industrial emitters under future regulatory frameworks.
- Rex's internal **Virtual Drilling** technology improves exploration odds, potentially reducing wasted wells and environmental footprint.
- These initiatives do not drive our base-case valuation but provide upside and help narrow any ESG-related discount.

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## Valuation & Peer Comparison

### Methodology

We use a **blended approach**:

1. **Risked DCF / SOTP** of key assets, under a **US\$60/bbl** Brent deck and **12% WACC**.
2. **Peer multiples cross-check** using regional upstream names (RH Petrogas, Hibiscus Petroleum, etc.).

#### 1. Risked DCF / SOTP

We model cash flows for three main asset clusters:

- **Oman (Yumna)**
  - 2P net entitlement 1.8 MMstb, economic limit c.2029.
  - Low lifting cost, but modest remaining reserves and declining profile.
  - NPV (Rex share, after tax, capex & abandonment): **~US\$35–40m** at US\$60/bbl, 12% WACC.
- **Norway (Brage, Yme, Bestla, small assets)**
  - Combined net 2P ~9.6 MMboe to Rex.

- Heavy 78% tax, but with tax shields on capex and decommissioning; long life and relatively stable production.
  - NPV to Rex (after tax & abandonment): **~US\$70–80m**.
- **Benin (Sèmè)**
    - Redevelopment capex ~US\$150m+ at project level (debt funded); we allocate economic burden in line with Rex’s net entitlement.
    - Using conservative plateau and decline assumptions at US\$60/bbl, after royalties and tax, we derive a **risked NPV of c.US\$70–80m** for Rex.

We then add:

- **Germany small production & expansion potential:** ~US\$5–10m (risked).
- **Xer Tech stake post-RTO:** valued at **~S\$8m (~US\$6m)** vs implied SEK 150m valuation, discounted for execution & liquidity.
- **Net working capital / other assets & liabilities**, excluding decommissioning (already accounted) – broadly neutral in our mid-2025 equilibrium.

Summing these risked NPVs yields a **group asset NPV of c.US\$230–240m**. Deducting **Jun-25 net debt of c.US\$74m** gives a **group equity NPV of ~US\$190m**, or **~S\$247m** at USD/SGD 1.3000, equivalent to **~S\$0.19 per share**.

To reflect single-asset development risk (Benin), small-cap liquidity, and macro uncertainty, we apply a modest discount and set our **12-month TP at S\$0.19** (c.100% of our central NAV).

Following the 19 November project update, we maintain a conservative risk adjustment on the Benin NPV to reflect the ongoing technical remediation in the drilling campaign.

## 2. Peer Multiples Cross-Check

We compare Rex to SEA upstream peers:

Company	Exchange	Prod. (boepd)	P/E (TTM)	EV/EBITDA	P/BV	Comment
Rex	SGX	~11k	N.M.	~1.1–1.2x	~2.4x	Oman/Norway/Benin
RH Petrogas	SGX	~4k	~8x	~3x	~2.2x	Indonesia producer
Hibiscus Petroleum	KLSE	~18k	~5x	~2x	~1.5x	Larger MY upstream

*(Peer multiples indicative, based on recent trading ranges; Rex metrics based on FY24 + 1H25.)*

On our FY2026E estimates:

- At **S\$0.16**, Rex trades at **~6.3× FY2026E P/E** and **~1.2–1.3× EV/EBITDA** (on our ~US\$150–160m EBITDA).
- At our **TP of S\$0.19**, implied multiples rise to **~7.5× P/E** and **~1.6× EV/EBITDA** – still a notable discount to typical SEA upstream valuations (8–9× earnings and 3–4× EV/EBITDA).

Thus, the peer cross-check **supports** our DCF-derived TP and suggests **upside beyond S\$0.19** if Rex executes well and macro stays benign.

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## Catalysts

Key potential re-rating triggers over the next 12–24 months:

1. **Benin first oil and ramp-up (Q4 2025 onward)**
  - Successful well results, commissioning, and early production updates will help de-risk the project.
2. **Bestla and Norwegian drilling results**
  - Brage exploration wells, Bestla tie-back wells, and infill drilling at Yme could lift reserves and sustain high-margin production.
3. **Germany production uplift**
  - The Erfelden drilling program aims to add c.500 boepd from early 2026, which should modestly boost group volumes and cash flow.
4. **Completion of Xer Tech RTO**
  - Successful listing in Sweden at or above implied valuation would crystallise value and simplify the group structure.
5. **Return of dividends or buybacks (post-2026)**
  - Following the 2024 capital reduction, Rex is better positioned to resume distributions once sustainable profitability is restored.
6. **Higher-than-assumed oil prices**
  - Our model uses US\$60/bbl; Brent above that level would significantly enhance free cash flow and shorten payback periods.

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## Key Risks

We highlight the main downside risks relative to our base case:

### 1. Oil price risk

- Sustained Brent prices **well below US\$50/bbl** would pressure margins and likely force capex rescheduling, especially in Norway and Benin.

### 2. Execution risk in Benin

- Wells may underperform, facilities could face delays, or subsea / topside issues may emerge. Any major cost overrun or schedule slippage into late-2026 would reduce NPV and might require refinancing.
- Execution risk has increased following the 19 November update stating that the Sèmè drilling campaign had encountered technical issues, delaying completion of the three-well program. While first oil guidance remains unchanged at 'before end-December 2025', any further operational setbacks could push initial liftings into early 2026 and compress early-year production volumes. We therefore maintain a conservative ramp-up profile and a risk-adjusted NPV in our SOTP.

### 3. Reserve and production risk

- QPR reserve estimates are probabilistic. Steeper-than-expected decline in Yumna, Yme or Brage, or lower recovery at Sèmè, would reduce long-term cash flows.

### 4. Fiscal & regulatory changes

- Norway's 78% petroleum tax regime is generous on exploration refunds but politically sensitive; changes to uplift rules or new windfall taxes would affect project economics.
- PSC terms in Oman/Benin and regulations in Benin/Germany could also evolve over time.

### 5. Leverage and refinancing risk

- Although net debt/EBITDA is currently modest, the absolute quantum of Lime's NOK bonds (NOK 1.75bn outstanding) is significant. If Benin underperforms or oil prices fall significantly, bond refinancing terms could worsen.

### 6. FX risk (USD/NOK/SGD)

- Debt is NOK-denominated while reporting is in USD; NOK strengthening can inflate USD debt and decommissioning provisions, as seen in 1H25.

### 7. ESG / environmental incidents

- Any material offshore incident (spill, blowout) could lead to fines, remediation costs, and reputational damage.

### 8. Management and key person risk

- Rex's technical and strategic direction is closely tied to its founding team and Lime's experienced management; unexpected departures could slow execution.

Overall, we believe these risks are **adequately reflected** in our choice of **US\$60/bbl, 12% WACC** and **risked reserves** in Benin and other assets.

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## Dividend & Balance Sheet Commentary

### Dividend history & policy:

- Rex paid a **S\$0.005/share** final dividend for FY2021 (paid in 4Q2022), but has since refrained from payouts amid heavy investment and subsequent losses.
- A **capital reduction** in 2024 eliminated US\$168.1m of accumulated losses, reducing share capital to US\$89.6m and resetting retained earnings to –US\$31.3m as at Dec-24.
- This accounting clean-up **does not change cash**, but gives the Board more flexibility to resume dividends once profits re-emerge.

### Outlook:

We believe Rex will prioritise:

1. Full funding and execution of Benin and Bestla;
2. Deleveraging of Lime's bond debt once Benin is cash-flow positive;
3. Only then, a **measured dividend policy** (perhaps 20–30% payout of net profit) or opportunistic buybacks.

On our FY2026E net profit of US\$25m and a 25% payout, dividends would be roughly **US\$6.3m (~S\$8.4m)**, or about **S\$0.0065/share**, implying an attractive yield from current levels – though this is **not** our base-case assumption yet; we treat dividends as upside optionality.

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## ESG Commentary

Rex operates offshore O&G assets in **Norway, Oman and Benin**, all of which have regulatory requirements for safety and environmental management.

- **Environmental:** participation in **CCS licences** in Norway and an **Omani hydrogen study** signal efforts to align with transition themes. Use of **MOPUs/FSOs** and tie-backs minimises new infrastructure footprints.
- **Social:** local employment and in-country value in Oman and Benin, plus adherence to Singapore's governance standards, provide a baseline of social responsibility.
- **Governance:** SGX listing, Big-Four audit, independent directors and detailed AR disclosures suggest reasonable governance. The capital reduction and avoidance of dilutive equity raises signal alignment with minority shareholders.

We see ESG as a **supportive, not primary**, factor: it may help close any ESG discount but is not a central driver of our TP.

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## Conclusion & Recommendation

Rex International is at a **transition point**:

- **Past 3 years**: heavy investment, increased leverage, accounting losses driven by D&D and impairments.
- **Next 3 years**: harvesting from Benin, Bestla and Germany, with potential for a **swing back to profitability from FY2026** even under a **US\$60/bbl** scenario.

At **S\$0.16/share**, investors gain exposure to:

- ~**18.6 MMboe** of net 2P reserves
- A portfolio capable of **US\$150m+ EBITDA** under our conservative assumptions
- Fully funded development of a high-impact West African field
- Extra upside from Xer Tech and CCS, with limited incremental capital burden.

Our **risked DCF/SOTP** yields an equity NPV of **c.S\$0.20/share**, and we set our **12-month Target Price at S\$0.19**, reflecting a small discount for execution and small-cap risks. This implies **~19% upside** and still-low forward EV/EBITDA and P/E multiples.

**Initiate with BUY | Target Price S\$0.19.**

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