

Oil & Gas Sector

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Oil prices

- **Review.** Oil price rallied in 3Q23 from below USD70/bbl in June 2023 to over USD90/bbl in September before correcting downwards in 4Q23.

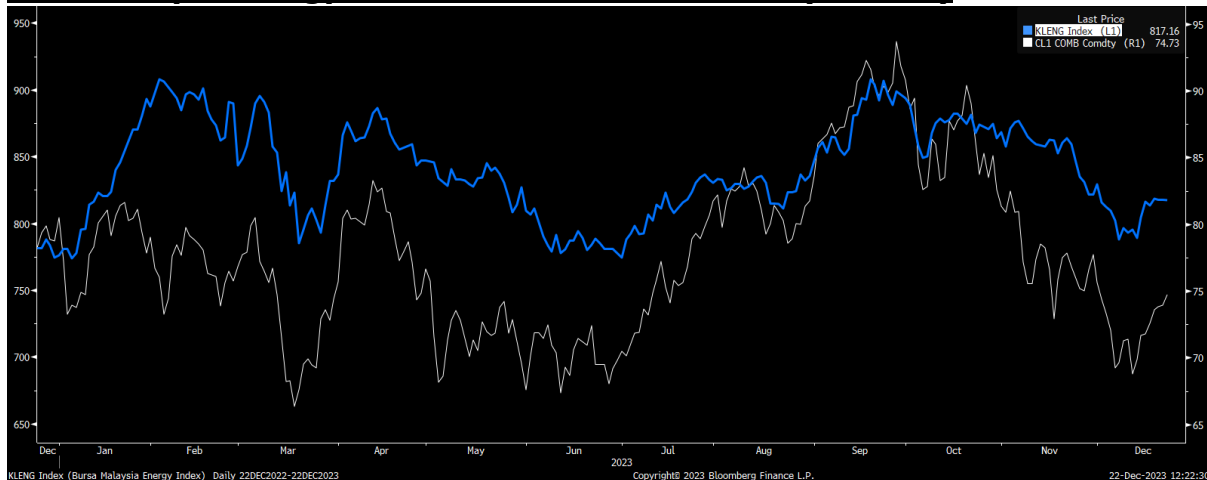
Crude oil price (USD/bbl)



Source: Bloomberg

- In line with lower oil prices in 4Q23, the Bursa Malaysia Energy Index came of its peak of 900 pts in September. We gather that the index continues to demonstrate strong correlation with oil price.

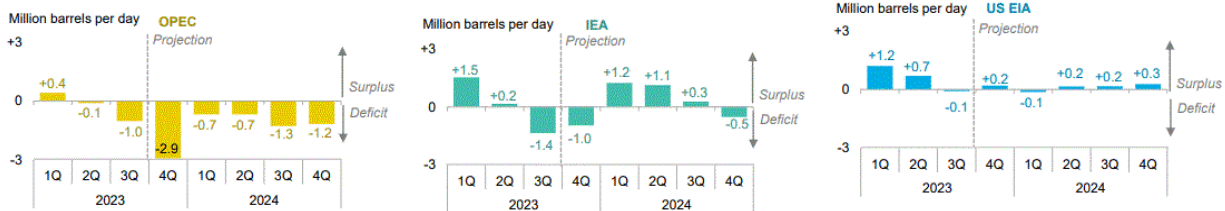
Bursa Malaysia Energy Index vs Brent Crude Oil Price (USD/bbl)



Source: Bloomberg

- **Outlook.** Oil price is expected to remain elevated over the near term despite softer demand due to slower global economic growth as OPEC+ remains defensive with its production cuts to limit supply and support prices. Other potential catalysts include China's reopening which could gain momentum and potentially boost demand for oil, recovery in air travel increases jet fuel demand, and geopolitical factors that affects supply.

Oil Demand/Supply Outlook



Source: Bloomberg

- Going forward, OPEC forecasted supply deficit to continue next year while IEA and US IEA expect slight surplus in 2024. We expect oil prices to average around US\$80/barrel in 2024.
- **Valuation & Recommendation.** Elevated oil prices are expected to benefit players such as **Hibiscus Petroleum Bhd (NR, FV: RM1.39)**, **Bumi Armada Bhd (HOLD, FV: RM0.61)**, **Dayang Enterprise Holdings Bhd (NR, FV: RM1.39)**, **Uzma Bhd (NR, FV: RM1.06)** and **Yinson Holdings Bhd (NR, FV: RM3.67)**.
- **Key Risk.** Lower oil demand due to global economic slowdown, sticky inflation and monetary tightening by central banks, rising US inventories, stronger-than-expected output from non-OPEC countries (such as US shale gas).
- **Summary.** All in all, we are **Overweight** on the Oil and Gas sector, premised to the elevated oil prices and capex by Petronas of almost RM60bn to spur the industry's growth.

Top Picks

Company	Price (RM) as at 29Dec23	2022	P/E (x) 2023F	2024F	Dividend Yield (%)	Target Price (RM)	Potential Upside
Bumi Armada Bhd	0.50	3.88	4.76	3.78	-	0.61	23.2%
Hibiscus Petroleum Bhd*	2.54	4.35	4.65	5.10	0.49	4.08	60.6%
Dayang Enterprise Holdings Bhd*	1.60	12.51	10.96	8.89	2.44	2.27	41.9%
Uzma Bhd*	0.75	6.49	6.25	5.77	-	1.13	50.7%
Yinson Holdings Bhd*	2.50	12.36	10.96	9.73	1.36	3.61	44.4%

* Denotes Bloomberg consensus data

Source: Apex Securities Bhd, Bloomberg