

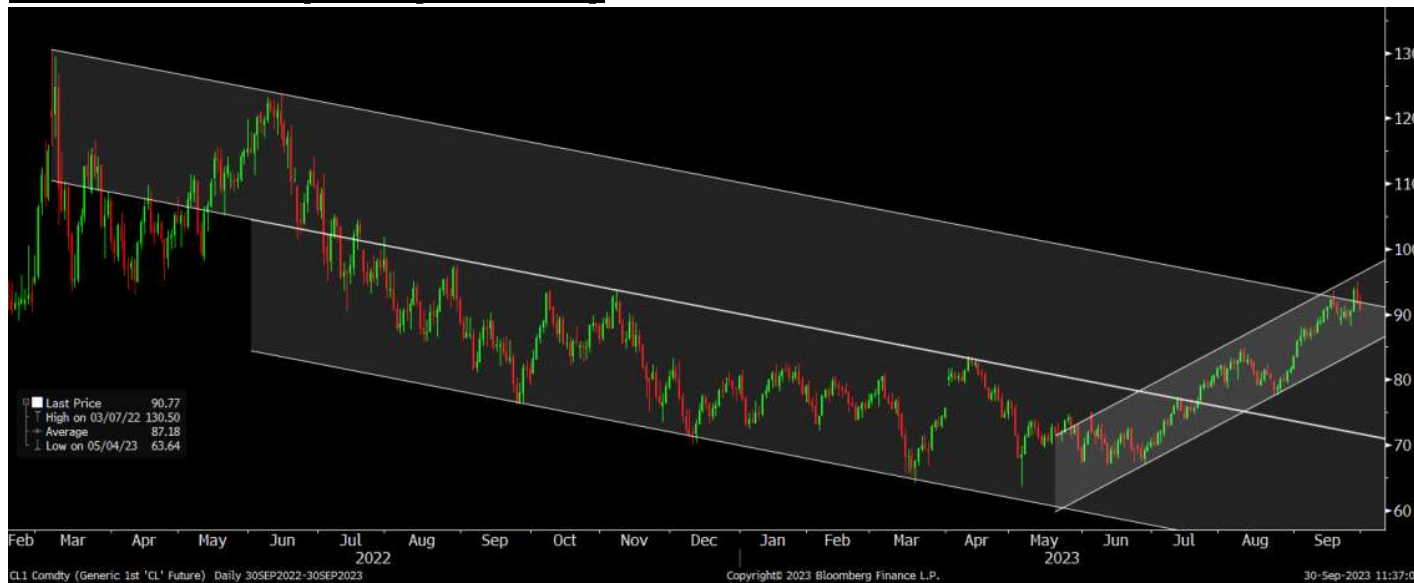
## Oil & Gas Sector

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### Riding on higher oil prices

- Review.** Oil price rallied in 3Q23 from below USD70/bbl in June 2023 to over USD90/bbl in recent month; its highest since August 2022. The rise in oil price took place as consumption outpaced production. According to International Energy Agency (IEA), global oil consumption grew 0.2m barrels per day (mb/d) to 101.37 mb/d in August 2023 while global production declined to a 7-month low of 100.79 mb/d as Saudi Arabia and Russia's extended their voluntary production cuts to end-2023 in bid to tighten supply.

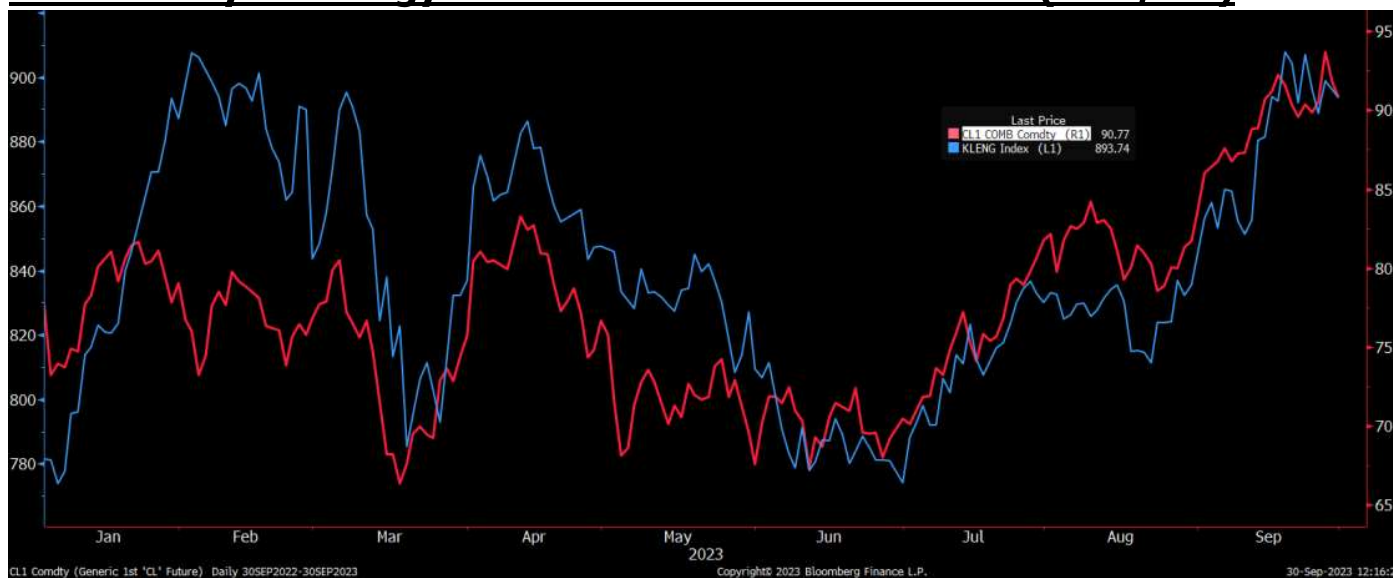
### Brent crude oil price (USD/bbl)



Source: Bloomberg

- In line with higher oil prices, the Bursa Malaysia Energy Index advanced to the highest level since February 2023 to retested 900 pts in 3Q23. We gather that the index continues to demonstrate strong correlation with oil price.

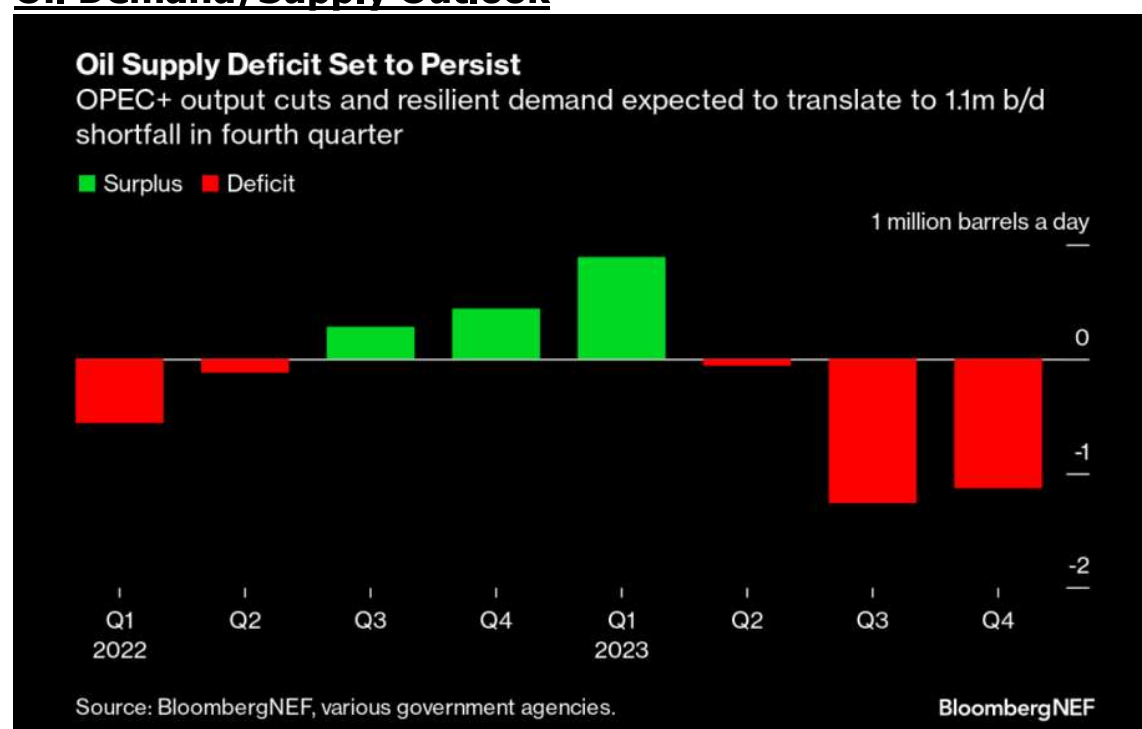
### Bursa Malaysia Energy Index vs Brent Crude Oil Price (USD/bbl)



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. 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

- **Valuation & Recommendation.** High 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 higher capex by Petronas to spur the industry's growth.

### Top Picks

Company	Price (RM)		P/E (x)			Dividend Yield (%)	Target Price (RM)	Potential Upside / Downside
	as at 29Sep23	2022	2023F	2024F				
Bumi Armada Bhd	0.565	4.91	5.65	4.28	-	0.61	8.0%	
Hibiscus Petroleum Bhd*	1.13	5.68	5.26	5.65	0.44	1.39	23.0%	
Dayang Enterprise Holdings Bhd*	1.93	19.07	13.50	11.56	0.78	2.11	9.3%	
Uzma Bhd*	0.845	7.63	7.68	7.48	-	1.06	25.4%	
Yinson Holdings Bhd*	2.48	11.23	10.69	9.36	1.21	3.67	48.0%	

\* Denotes Bloomberg consensus data

Source: Apex Securities Bhd, Bloomberg