

# Oiltek International Limited

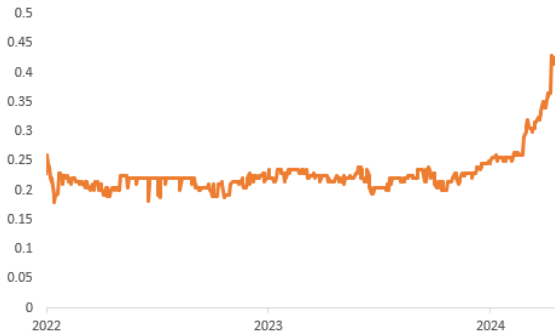
20 Jun 2024

## Non-Rated

<b>BBG</b>	OTEK SP	
<b>Market Cap</b>	S\$64.4m	
<b>Price (20 Jun 2024)</b>	S\$0.46	
<b>52-week range</b>	S\$0.19 - 0.465	
<b>Shares Outstanding</b>	143.0m	
<b>Free Float</b>	20.6%	
<b>Major Shareholder</b>	Koh Brothers Eco Engineering Limited	68.1%
	Yong Khai Weng	6.3%

Source: Company Data, Bloomberg, SAC Capital

## SHARE PRICE



Source: Bloomberg, SAC Capital

## ANALYST

Daniel Ng  
+65 9382 9657  
[dng@saccapital.com.sg](mailto:dng@saccapital.com.sg)

Matthias Chan  
+65 9687 9957  
[mchan@saccapital.com.sg](mailto:mchan@saccapital.com.sg)

## Positioned for Long-Term Success in Renewable Energy

**Oiltek International Limited** - Oiltek is an established integrated process technology and renewable energy solutions provider in the vegetable oil industry, providing solutions that cater to all types of vegetable oils, including palm oil, soybean oil and rapeseed oil, which are some of the major agricultural commodities in the world.

**Robust Financial Performance** – Oiltek recorded robust financial performance in FY2023. Revenue grew by 22.8% yoy to a record high of RM201.1 million, driven by increased business activities across all three of the Group's business segments, comprising the Edible & Non-Edible Oil Refinery segment, Renewable Energy segment, and Product Sales and Trading segment. Gross profit and net profit grew by 28.3% yoy and 50.9% yoy to RM39.2 million and RM19.1 million respectively, in line with the rise in revenue. Gross profit improved slightly to 19.5% from 18.7% in FY2022 and net profit improved to 9.5% from 7.7% in FY2022.

**Record Order book** – Oiltek's total value of new contracts secured in FY2023 reached approximately RM322.1 million, marking a 64.3% increase compared to FY2022. As of 3 June 2024, the company achieved a new milestone with RM94.8 million in new contracts, elevating its order book to a record RM400.5 million. As Oiltek maintains its momentum in contract acquisition, its growing project pipeline is expected to boost its growth and enhance its value for shareholders.

**Business Outlook** - The aviation industry's push towards net zero emissions by 2050 is driving significant demand for Sustainable Aviation Fuel (SAF). Singapore and Malaysia are implementing mandates to increase SAF usage, with targets reaching up to 47% by 2050. Oiltek is strategically positioned to capitalize on this trend through its advanced solutions in the renewable energy sector. The company's capabilities in treating and cleaning palm oil mill effluent (POME) and used cooking oil (UCO) for use as feedstock in producing hydrogenated vegetable oil (HVO) – a critical component of SAF – highlight its readiness to meet the rising SAF demand. The successful delivery of a pioneering HVO feedstock treatment plant in Malaysia demonstrates Oiltek's potential to leverage its expertise in supporting the aviation industry's shift towards sustainable fuel alternatives. This alignment with the SAF fuel trend not only enhances Oiltek's growth prospects but also positions the company as a key player in contributing to global sustainability goals within the aviation sector.

## KEY FINANCIAL HIGHLIGHTS

Year ended Dec (RM\$m)	FY21	FY22	FY23
Revenue	100.6	163.7	201.1
EBIT	13.0	17.7	25.5
Net profit	9.7	12.7	19.1
EPS (in sen)	8.1	9.1	13.4
Dividend per share (S\$ cents)	0.0	1.2	1.6
Net cash / (debt)	42.9	67.4	132.5
<b>Valuation</b>			
Gross profit margin (%)	23.4%	18.7%	19.5%
Net profit margin (%)	9.6%	7.7%	9.5%
EV/EBITDA (x)	14.0	8.9	3.7
P/E (x)	19.8	17.6	12.0
P/B (x)	5.6	4.2	3.3
Dividend yield (%)	-	3%	4%
ROE (%)	28.2%	23.7%	28.2%

**Valuation** – Oiltek is currently in a net cash position of RM132.5 million with no borrowings, equivalent to 58.5% of its current market cap. Net asset value per share also improved by 26.7% yoy to RM47.4 cents. It currently trades at a P/E of 12.0x and P/B of 3.3x.

## Oiltek Serves Some of the World's Largest Agricultural Commodities Markets




Costa Rica  
Honduras  
Mexico  
Nicaragua  
Guatemala

Brazil  
Venezuela  
Colombia

Algeria  
Benin  
Cameroon  
Egypt  
Ghana  
Ivory Coast  
Kenya  
Nigeria  
South Africa  
Tanzania  
Togo  
Uganda  
Zaire  
Zambia

Bangladesh  
China  
Indonesia  
Malaysia  
Myanmar  
Pakistan  
Philippines  
Saudi Arabia  
Singapore  
South Korea  
Thailand  
Vietnam

Papua New Guinea

 International Sales Agents

## Oiltek's Solutions and Services



### EDIBLE & NON-EDIBLE OIL REFINERY

- Physical/Steam Refining Plants
- Chemical/Alkali Refining Plants
- Neutralisation Plants
- Dry Fractionation Plants
- Detergent Fractionation Plants
- Palm Kernel Oil Fractionation Plants
- Winterisation & Dewaxing Plants
- Hydrogenation Plants
- Chemical/Enzymatic Interesterification Plants
- Texturisation (Margarine & Shortening) Plants
- Pasteurising Plants
- Phytonutrient Extraction Plants
- Spray Cooling Plants
- Premium Specialty Animal Feed Product Processing Plants
- Pilot Plants

### RENEWABLE ENERGY

- Normal Palm Biodiesel Plants
- Winter Fuel Plants
- Multi-Feedstock Biodiesel Plants
- Proprietary Oiltek Biodiesel & Multi-Feedstock Process
- Proprietary Enzymatic Multi-Feedstock Biodiesel Process
- Proprietary Post-Biodiesel Phytonutrient Extraction & Concentration Process
- Acidulation Processes
- Glycerine Refining Process
- HVO Feedstock Treatment Plants
- High Efficiency Biogas Methane Recovery Plants
- Pilot Plants

### PRODUCT SALES AND TRADING

- Engineering Component Sales
- Specialty Chemical Product Trading
- Agency And Distributorship
  - API Schmidt Plate Heat Exchanger
  - TMCI Padovan Chemetator
  - Kieselmann Sanitary Valve, Pipe & Fitting
  - GekaKonus Heating Systems
  - Novozymes Enzymes
- Consumables, Wear And Tear Items In The Process Plants

## Income Statement

FYE Dec (RM\$'m)	FY21	FY22	FY23
<b>Revenue</b>	<b>100.6</b>	<b>163.7</b>	<b>201.1</b>
Cost of sales	(77.0)	(133.1)	(161.9)
<b>Gross profit</b>	<b>23.6</b>	<b>30.6</b>	<b>39.2</b>
Other income	0.1	2.2	1.3
Other gains - net	0.7	1.8	1.4
(Allowance for)/reversal of impairment of trade receivables	2.0	(0.1)	0.2
Administrative expenses and others	(13.3)	(16.7)	(16.7)
<b>Profit before income tax</b>	<b>13.0</b>	<b>17.7</b>	<b>25.5</b>
Income tax expense	(3.3)	(5.0)	(6.4)
<b>Net profit</b>	<b>9.7</b>	<b>12.7</b>	<b>19.1</b>

## Balance Sheet

FYE Dec (RM\$'m)	FY21	FY22	FY23
<b>Current assets</b>			
Cash and bank balances	42.9	67.4	132.5
Trade and other receivables	17.0	11.4	26.9
Contract assets	18.2	39.5	21.4
Inventories	0.9	0.6	0.6
Income tax receivables	0.1	0.1	0.1
<b>Total current assets</b>	<b>79.1</b>	<b>119.0</b>	<b>181.5</b>
<b>Non-current assets</b>			
Investments in subsidiaries	0.0	0.0	0.0
Property, plant and equipment	2.9	3.2	3.3
Deferred tax assets	0.2	0.3	0.5
<b>Total non-current assets</b>	<b>3.1</b>	<b>3.5</b>	<b>3.8</b>
<b>Total assets</b>	<b>82.2</b>	<b>122.5</b>	<b>185.2</b>
<b>Current liabilities</b>			
Trade and other payables	31.2	44.4	38.4
Contract liabilities	15.9	23.1	77.4
Current income tax liabilities	0.8	1.6	1.7
<b>Total liabilities</b>	<b>47.9</b>	<b>69.0</b>	<b>117.5</b>
<b>Net Assets</b>	<b>34.4</b>	<b>53.5</b>	<b>67.7</b>
<b>Share capital and reserves</b>			
Share capital	83.9	98.6	98.6
Merger reserve	(81.4)	(81.4)	(81.4)
Currency translation reserve	-	0.7	1.7
Retained profits/(accumulated losses)	31.9	35.6	48.9
<b>Total equity</b>	<b>34.4</b>	<b>53.5</b>	<b>67.7</b>

## Cash Flow Statement

FYE Dec (RM\$'m)	FY21	FY22	FY23
<b>Cash flows from operating activities</b>			
Profit after income tax	9.7	12.7	19.1
Adjustments for:			
Income tax expense	3.3	5.0	6.4
Depreciation of property, plant and equipment	0.1	0.2	0.2
Property, plant and equipment written off	0.0	0.0	0.0
Interest Income	(0.1)	(0.3)	(1.3)
Gain on disposal of property, plant and equipment			(0.0)
Unrealised translation loss	0.3	1.1	(1.5)
Operating profit/(loss) before working capital changes	13.4	18.6	22.9
Changes in working capital:			
Trade and other receivables	(9.6)	4.8	(15.4)
Inventories	0.2	0.3	0.0
Contract assets and liabilities	(7.2)	(14.1)	72.4
Trade and other payables	13.9	13.2	(6.0)
Cash generated from operations	10.7	22.8	73.9
Interest received	0.1	0.3	1.2
Income tax paid	(3.5)	(4.4)	(6.4)
<b>Net cash provided by operating activities</b>	<b>7.2</b>	<b>18.6</b>	<b>68.8</b>
<b>Cash flows from investing activity</b>			
Purchase of property, plant and equipment	(0.0)	(0.4)	(0.3)
Proceeds from disposal of property, plant and equipment	-	-	0.0
<b>Net cash used in investing activity</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>(0.3)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(14.4)	(8.9)	(5.9)
Listing expenses paid	(0.9)	(0.5)	-
Proceeds from issuance of new shares pursuant to the Listing	-	16.0	-
<b>Net cash provided by/(used in) financing activities</b>	<b>(15.2)</b>	<b>6.6</b>	<b>(5.9)</b>
<b>Net change in cash and bank balances</b>	<b>(8.1)</b>	<b>24.8</b>	<b>62.6</b>
<b>Beginning of financial year</b>	<b>51.3</b>	<b>42.9</b>	<b>67.4</b>
<b>Effect of currency translation on cash and bank balances</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>2.5</b>
<b>End of financial year</b>	<b>42.9</b>	<b>67.4</b>	<b>132.5</b>

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