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This is SAC's weekly newsletter for 12 October 2022. Thank you for reading.

### Analysts' Notes

Oiltek International Ltd <Business Update> | The Group secured RM38.3m new contracts in the oil refinery business segment. It will contribute positively to FY23 financials. The current order book stands at RM 193.3, which is targeted to be cleared in 18-24mths.

The Group is sitting on RM36.6m of cash with no debt and trading at a PB and 1H22 annualised PE of 2.3x and 19.0x respectively. (Yeo Peng Joon)

Megachem Ltd <Business Update> | Megachem obtained its first US\$10m sustainability-linked loan on 11 Oct 22 from UOB. The loan is pegged to ratings by an international sustainability rating agency, EcoVadis. If the pre-determined sustainability performance targets are achieved, Megachem can enjoy a lower interest.

With this loan, the Group's net gearing will increase from 40.5 (1H22) to 63.4. (Yeo Peng Joon)

Duty Free International Ltd (DFIL) <1H23> | 2Q23 revenue rose to RM34.4m (+183.9% qoq) as the Group resumes operations for all its retail stores, compared to 2Q22 where MCO was still in effect. Surged in tourist arrivals (+1974% in calendar year 1Q to 2Q) also contributed to it. Net profit increased by 139.8% to RM2.8m is supported by (i) higher revenue; and (ii) increase in the value of inventories. This is partially offset by higher freight costs, donation, insurance, management fees and larger rental cost from the resumption of operations. Hit with losses by Covid, the earnings inflexion came in 4Q22 when earnings turned positive.

We expect DFIL to benefit from the increase in airlift activities especially in 2H23 due to festive and gift seasons as well as year-end travel. DFIL has a strong balance sheet of RM172m net cash and is trading at an annualised PE and PB of 51.9x and 1.1x respectively. (Yeo Peng Joon)

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