

# SERICA ENERGY PLC (AIM: SQZ)

January 07, 2025

Share price: £1.50

Target: **£3.00**

## Triton back on stream. Compressor vulnerability to be fixed in 1Q25.

- Triton production resumed on 27 December 2024 following a shut-down of about three weeks, within the guidance of two to four weeks.
- There was brief period of unscheduled downtime at Bruce due to a subsea intervention associated with the Rhum field. Production at Bruce has now resumed. Total FY24 production was 34.6 mboe/d including 25.1 mboe/d in 4Q24. 4Q24 production of 7.3 mboe/d at the “other assets” was particularly high given the contribution from Erskine that restarted production at the end of August.
- Current total net production stands at 46.4 mboe/d and is expected to increase further with the phased production ramp-up at Triton, including new output from the Gannet GE-05 well (Serica WI: 100%). Back in early October 2024, overall production had already reached 50 mboe/d, excluding the GE-05 well.
- We currently estimate additional net production of 3 mboe/d from the GE-05 well, though this may be conservative. The recent B6 well had a net IP rate of over 5 mboe/d (~8 mboe/d gross) when brought online.
- Drilling at the EC1 well on the Guillemot North West field (Serica WI: 10%) has been completed, with production expected to commence in 1Q25. We anticipate it will add 300 boe/d net to Serica.
- The second compressor at Triton continues to be expected to be repaired in 1Q25. This is crucial as it will provide redundancy and address operational vulnerabilities at Triton.
- We re-iterate our target price of £3.00 per share.

### Valuation

As we incorporate the FY24 actual production in our forecasts, our Core (2P) NAV is now £2.50 per share with a ReNAV of £2.96 per share.

Rating & target	Old	New	
Target	£3.00	n.c.	
Yield		15%	
Implied total return		115%	
Share data	2023	2024e	2025e
Shares dil., mm	402	403	403
Mkt cap, US\$mm	\$1,166	\$776	\$785
EV, US\$mm	\$1,074	\$882	\$787
Financial Data	2023	2024e	2025e
Gas, mmcfd	103.0	111.4	110.8
Liquids, bbl/d	20,318	15,394	22,258
Total boe/d (6:1)	40,121	34,600	41,370
CFO, US\$mm	\$98	\$240	\$481
Net capex, US\$mm	\$135	\$278	\$261
Net debt, US\$mm*	(\$92)	\$105	\$2
CFPS dil., US\$/shr	\$0.10	\$0.62	\$1.28
EPS dil., US\$/shr	\$0.38	\$0.04	\$0.56
Valuation	2023	2024e	2025e
Share price, £/shr	£2.32	£1.50	£1.50
EV/DACF	8.9x	3.3x	1.6x
EV per boe/d (US\$)	\$26,761	\$25,482	\$19,028
Net asset value			
CNAV, £/shr			£2.50
RENAV, £/shr			£2.96
Unrisked NAV, £/shr			£4.47
P/CNAV			0.6x
P/RENAV			0.5x
P/ENAV			0.3x

*All figures in US\$ unless otherwise noted  
\* based on cash rather than working capital*

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**Figure 1. Financial & operating information**

Serica Energy (SQZ LN)		Historical & Auctus Outlook					
Financial & Operating Information		2023	2024e	2025e	2026e	2027e	2028e
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$82.99	\$79.90	\$73.74	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBP114	GBP84	GBP94	GBP90	GBP90	GBP90
UK NBP	US\$/mcf	\$14.26	\$10.83	\$12.18	\$11.70	\$11.70	\$11.70
USD / GBP	US\$/£	\$1.25	\$1.29	\$1.30	\$1.30	\$1.30	\$1.30
<b>Production</b>							
Oil and Liquids	mbbl/d	20,318	15,394	22,258	23,366	20,449	16,933
Natural Gas	mmcf/d	103.0	111.4	110.8	124.0	139.0	123.7
Total (6 mcf = 1 boe)	boe/d	40,121	34,600	41,370	44,746	44,408	38,262
% Oil and Liquids	%	51%	44%	54%	52%	46%	44%
<b>Netbacks</b>							
Revenue	US\$/boe	\$61.46	\$61.70	\$68.02	\$64.61	\$63.86	\$63.59
Royalties	US\$/boe	\$0.63	\$0.81	\$0.67	\$0.62	\$0.50	\$0.43
Production & Transport Costs	US\$/boe	\$21.05	\$26.41	\$20.87	\$19.17	\$18.07	\$20.98
Operating Netback	US\$/boe	\$43.20	\$35.91	\$44.99	\$44.66	\$45.28	\$42.18
Taxes	US\$/boe	\$17.80	\$9.18	\$10.36	\$5.91	\$20.78	\$23.96
Cash Flow Netback	US\$/boe	\$9.45	\$20.92	\$33.32	\$36.06	\$27.97	\$16.46
<b>Financials</b>							
Cash Flow from Ops. before tax and							
fin. Costs (CFO)	US\$mm	\$469	\$419	\$648	\$705	\$710	\$565
CFO less current tax	US\$mm	\$240	\$303	\$492	\$609	\$373	\$231
CFO less cash tax and fin. Costs	US\$mm	\$98	\$240	\$481	\$567	\$431	\$208
CFPS - diluted	US\$/shr	\$0.10	\$0.62	\$1.28	\$1.50	\$1.16	\$0.59
EBITDAX	US\$mm	\$512	\$413	\$655	\$705	\$710	\$565
E&D Capex (incl. decom.)	US\$mm	\$78	\$268	\$250	\$273	\$36	\$0
A&D Capex, Net	US\$mm	\$57	\$10	\$11	\$4	\$4	\$0
Total Net Capex	US\$mm	\$135	\$278	\$261	\$277	\$40	\$0
Total Net Capex/CFO	x	1.4x	1.2x	0.5x	0.5x	0.1x	0.0x
<b>Leverage</b>							
Net Debt	US\$mm	(\$92)	\$105	\$2	(\$171)	(\$446)	(\$536)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	0.2x	0.0x	n.a.	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	391	392	392	392	392	392
Diluted Shares o/s @ YE	mm	402	403	403	403	403	403
Market Capitalization	US\$mm	\$1,166	\$776	\$785	\$785	\$785	\$785
Enterprise Value	US\$mm	\$1,074	\$882	\$787	\$614	\$340	\$249
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$mm	\$110	\$112	\$117	\$117	\$117	\$117
Dividends	£/sh	£0.23	£0.23	£0.23	£0.23	£0.23	£0.23
Dividends	\$/shr	\$0.29	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Dividend Yield	%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%
Share Buybacks	US\$mm	\$0	\$19	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	\$19	(\$28)	\$231	\$294	\$396	\$208
Cash returned to shareholders as % of Cash invested/CFO	%	113.0%	54.7%	24.4%	20.7%	27.2%	56.4%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%		-27%	19%	8%	-1%	-14%
PPS Growth (Y/Y) DDA - dil.	%		-45%	32%	38%	38%	6%
CFPS Growth (Y/Y) - dil.	%		537%	107%	17%	-23%	-49%
CFPS Growth (Y/Y) DDA - dil.	%		308%	130%	50%	7%	-38%
ROCE	%		2%	28%	39%	39%	26%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	£/shr	£2.50					
RENAV (Atax) - diluted	£/shr	£2.96					
Unrisked NAV (Atax) - diluted	£/shr	£4.47					
P/CNAV	x	0.6x					
P/RENAV	x	0.5x					
P/Unrisked NAV	x	0.3x					
<b>Valuation</b>							
Share Price, YE/Current	£/shr	£2.32	£1.50	£1.50	£1.50	£1.50	£1.50
P/CF	x	29.9x	3.1x	1.5x	1.3x	1.7x	3.3x
EV/DACF	x	8.9x	3.3x	1.6x	1.0x	0.7x	1.1x
Target EV/DACF	x	43.9x	6.8x	3.1x	2.4x	2.5x	4.5x
EV per boe/d	\$/boepd	\$26,761	\$25,482	\$19,028	\$13,729	\$7,646	\$6,503
Proved Plus Probable		140	128	113	96	96	96
EV per 2P boe	US\$/boe	\$7.65	\$6.91	\$6.99	\$6.38	\$3.53	\$2.59
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus Advisors, Company Disclosures

\*\*Futures strip as of 6-Jan-25

**Figure 2. NAV Table**

<b>Asset Valuation</b>	<b>2P/2C/P50</b>		<b>Unrisked</b>	<b>EMV</b>	<b>Risked</b>	<b>Unrisked</b>	
	<b>(mmboe)</b>	<b>CoS (%)</b>	<b>(US\$ mm)</b>	<b>(US\$ mm)</b>	<b>£/Share</b>	<b>£/Share</b>	<b>% Total</b>
Net Cash + Div 2025 (YE25)			115	115	0.22	0.22	8%
G&A			-84	-84	-0.16	-0.16	-5%
<b>Bruce Hub 2P (NNS)</b>	<b>84</b>		<b>527</b>	<b>527</b>	<b>1.02</b>	<b>1.02</b>	<b>34%</b>
<b>Triton Hub 2P (CNS)</b>	<b>49</b>		<b>685</b>	<b>685</b>	<b>1.32</b>	<b>1.32</b>	<b>45%</b>
<b>Other assets</b>							
Orlando 2P (NNS)	2		16	16	0.03	0.03	1%
Columbus 2P (CNS)	2		15	15	0.03	0.03	1%
Erskine 2P (CNS)	2		19	19	0.04	0.04	1%
<b>Total Core NAV</b>			<b>1,294</b>	<b>1,294</b>	<b>2.50</b>	<b>2.50</b>	<b>84%</b>
<b>Buchan area (OMF)</b>							
Buchan main 2C	21	60%	115	69	0.13	0.22	4%
J2 2C	4	35%	20	7	0.01	0.04	0%
Verbier 2C	7	35%	39	14	0.03	0.08	1%
<b>Bruce Hub (NNS)</b>							
Bruce field further infill (3 wells)	20	50%	111	55	0.11	0.21	4%
<b>Kyle redevelopment 2C</b>							
Kyle redevelopment 2C	10	50%	52	26	0.05	0.10	2%
<b>Other assets</b>							
Mansell redevelopment 2C	16	0%	83	0	0.00	0.16	0%
Skerryvore Exploration Mey target (Shallow)	37	7%	200	14	0.03	0.39	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	400	54	0.10	0.77	4%
<b>Total Risked Appraisal &amp; Exploration</b>			<b>1020</b>	<b>238</b>	<b>0.46</b>	<b>1.97</b>	<b>16%</b>
<b>Total NAV</b>			<b>2314</b>	<b>1533</b>	<b>2.96</b>	<b>4.47</b>	<b>100%</b>
<b>P/Core NAV</b>				<b>60%</b>			
<b>P/NAV</b>				<b>51%</b>			
<b>P/Unrisked NAV</b>				<b>34%</b>			

Source: Auctus Advisors, Company Disclosures

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