

# SERICA ENERGY PLC (AIM: SQZ)

February 18, 2025

Share price: £1.44

Target: **£3.00**

## Triton shut down until March: frustrating but unlikely to be too impactful

- Production at Triton has been suspended due to issues caused by Storm Éowyn, which resulted in minor damage to one of the cargo tanks. While preparing to conduct repairs, an integrity issue with a coupling in the inert gas line required for purging the tanks was identified. The FPSO remains offline pending identification of the root cause.
- Production is now expected to restart in mid to late March, but the summer maintenance shutdown could also be longer than the expected 40 days as further safety and integrity investigations are conducted.
- The FY25 production guidance of ~40 mboe/d is under review.
- While the shutdown of Triton is likely to impact FY25 financials, this could have limited materiality for several reasons.
- The FY25 production guidance already factored in 80% production efficiency, including 45 days at Triton (12% downtime) for a total of 68% production efficiency. Assuming two months of shutdown in 1Q25 and a further 1.5 months in 3Q25 implies approximately 70% production efficiency.
- The FY25 guidance is based on the P90 profile of the new wells. So far, the wells have performed well above expectations, exceeding our assumptions by 60-100%. Production in February (excluding Triton) averaged 27 mboe/d to date.
- Given the nature of the required work (welding, ...), we expect the costs associated with the repairs to be minimal.
- UK gas prices have been much higher than forecasted so far in 2025 (134p per therm vs. 100p per therm in our model). Even assuming a worst-case scenario of FY25 production in line with FY24 (34.6 mboe/d), this would still lead to operating cashflow (after tax and net of financial costs) of ~US\$290 mm. This compares with the FY25 capex guidance of US\$240 mm. Given the cash generation to come, it should not be presumed that the dividend will be cut, in our view.
- Pending further details on the new guidance, we re-iterate our target price of £3.00 per share.

## Triton life extended to 2040. 2<sup>nd</sup> compressor restoration on track

The 2<sup>nd</sup> compressor is still expected to be available by the end of 1Q25. A third-party engineering study has confirmed that the life of the Triton FPSO could be extended well into the 2030s. Our model currently assumes 2034. An extension could have positive implications for reserves and resources.

## Valuation

Pending further details on the new production guidance, we have not changed our estimates. Our Core NAV of £2.50 per share and our ReNAV of £2.97 per share remain unchanged.

Rating & target	Old	New	
Target	£3.00	n.c.	
Yield		16%	
Implied total return		124%	
Share data	2023	2024e	2025e
Shares dil., mm	402	403	403
Mkt cap, US\$mm	\$1,166	\$731	\$710
EV, US\$mm	\$1,074	\$802	\$718
Financial Data	2023	2024e	2025e
Gas, mmcf/d	103.0	111.4	113.3
Liquids, bbl/d	20,318	15,394	20,562
Total boe/d (6:1)	40,121	34,600	40,103
CFO, US\$mm	\$98	\$272	\$427
Net capex, US\$mm	\$135	\$276	\$251
Net debt, US\$mm*	(\$92)	\$71	\$7
CFPS dil., US\$/shr	\$0.10	\$0.61	\$1.11
EPS dil., US\$/shr	\$0.38	\$0.04	\$0.42
Valuation	2023	2024e	2025e
Share price, £/shr	£2.32	£1.44	£1.44
EV/DACF	8.9x	2.7x	1.6x
EV per boe/d (US\$)	\$26,761	\$23,175	\$17,902
Net asset value			
CNAV, £/shr			£2.50
RENAV, £/shr			£2.97
Unrisked NAV, £/shr			£4.54
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	\$10.55	\$11.47	\$11.25	\$11.25	\$11.25
USD / GBP	US\$/£	\$1.25	\$1.26	\$1.23	\$1.25	\$1.25	\$1.25
<b>Production</b>							
Oil and Liquids	bbl/d	20,318	15,394	20,562	22,000	19,282	15,935
Natural Gas	mmcf/d	103.0	111.4	113.3	123.6	138.6	123.4
Total (6 mcf = 1 boe)	boe/d	40,121	34,600	40,103	43,313	43,185	37,217
% Oil and Liquids	%	51%	44%	51%	51%	45%	43%
<b>Netbacks</b>							
Revenue	US\$/boe	\$61.46	\$61.07	\$65.66	\$63.29	\$62.40	\$62.08
Royalties	US\$/boe	\$0.63	\$0.81	\$0.69	\$0.64	\$0.51	\$0.45
Production & Transport Costs	US\$/boe	\$21.05	\$26.13	\$22.48	\$19.80	\$18.59	\$21.57
Operating Netback	US\$/boe	\$43.20	\$35.68	\$41.74	\$42.87	\$43.30	\$40.07
Taxes	US\$/boe	\$17.80	\$8.90	\$10.46	\$3.98	\$19.05	\$22.08
Cash Flow Netback	US\$/boe	\$9.45	\$23.46	\$30.66	\$35.46	\$27.74	\$16.22
<b>Financials</b>							
Cash Flow from Ops. before tax and							
fin. Costs (CFO)	US\$mm	\$469	\$451	\$592	\$654	\$658	\$520
CFO less current tax	US\$mm	\$240	\$338	\$439	\$591	\$358	\$220
CFO less cash tax and fin. Costs	US\$mm	\$98	\$272	\$427	\$539	\$415	\$198
CFPS - diluted	US\$/shr	\$0.10	\$0.61	\$1.11	\$1.43	\$1.12	\$0.56
EBITDAX	US\$mm	\$512	\$410	\$587	\$654	\$658	\$520
E&D Capex (incl. decom.)	US\$mm	\$78	\$266	\$240	\$273	\$36	\$0
A&D Capex, Net	US\$mm	\$57	\$10	\$11	\$4	\$4	\$0
Total Net Capex	US\$mm	\$135	\$276	\$251	\$277	\$40	\$0
Total Net Capex/CFO	x	1.4x	1.0x	0.6x	0.5x	0.1x	0.0x
<b>Leverage</b>							
Net Debt	US\$mm	(\$92)	\$71	\$7	(\$142)	(\$405)	(\$490)
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	\$731	\$710	\$725	\$725	\$725
Enterprise Value	US\$mm	\$1,074	\$802	\$718	\$583	\$320	\$234
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$mm	\$110	\$112	\$113	\$113	\$113	\$113
Dividends	£/sh	£0.23	£0.23	£0.23	£0.23	£0.23	£0.23
Dividends	\$/shr	\$0.29	\$0.29	\$0.28	\$0.29	\$0.29	\$0.29
Dividend Yield	%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Share Buybacks	US\$mm	\$0	\$19	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	\$19	\$6	\$187	\$266	\$380	\$198
Cash returned to shareholders as % of Cash invested/CFO	%	113.0%	48.2%	26.4%	20.9%	27.1%	56.8%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%		-27%	16%	8%	0%	-14%
PPS Growth (Y/Y) DDA - dil.	%		-45%	21%	36%	36%	4%
CFPS Growth (Y/Y) - dil.	%		530%	82%	28%	-22%	-50%
CFPS Growth (Y/Y) DDA - dil.	%		299%	90%	62%	6%	-39%
ROCE	%		3%	21%	37%	37%	25%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	£/shr	£2.50					
RENAV (Atax) - diluted	£/shr	£2.97					
Unrisked NAV (Atax) - diluted	£/shr	£4.54					
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	£1.44	£1.44	£1.44	£1.44	£1.44
P/CF	x	29.9x	3.0x	1.6x	1.3x	1.6x	3.2x
EV/DACF	x	8.9x	2.7x	1.6x	1.0x	0.7x	1.1x
Target EV/DACF	x	43.9x	6.7x	3.4x	2.4x	2.5x	4.6x
EV per boe/d	\$/boepd	\$26,761	\$23,175	\$17,902	\$13,466	\$7,412	\$6,297
Proved Plus Probable		140	128	113	97	97	97
EV per 2P boe	US\$/boe	\$7.65	\$6.28	\$6.35	\$6.00	\$3.29	\$2.41
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 18-Feb-25

**Figure 2. NAV Table**

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Riskd £/Share	Unrisked £/Share	% Total
Net Cash + Div 2025 (YE25)			105	105	0.21	0.21	7%
G&A			-84	-84	-0.17	-0.17	-6%
<b>Bruce Hub 2P (NNS)</b>	<b>84</b>		<b>496</b>	<b>496</b>	<b>1.01</b>	<b>1.01</b>	<b>34%</b>
<b>Triton Hub 2P (CNS)</b>	<b>49</b>		<b>666</b>	<b>666</b>	<b>1.35</b>	<b>1.35</b>	<b>45%</b>
<b>Other assets</b>							
Orlando 2P (NNS)	2		16	16	0.03	0.03	1%
Columbus 2P (CNS)	2		16	16	0.03	0.03	1%
Erskine 2P (CNS)	2		18	18	0.04	0.04	1%
<b>Total Core NAV</b>			<b>1,233</b>	<b>1,233</b>	<b>2.50</b>	<b>2.50</b>	<b>84%</b>
<b>Buchan area (OMF)</b>							
Buchan main 2C	21	60%	115	69	0.14	0.23	5%
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%	104	52	0.11	0.21	4%
<b>Kyle redevelopment 2C</b>							
Kyle redevelopment 2C	10	50%	49	24	0.05	0.10	2%
<b>Other assets</b>							
Mansell redevelopment 2C	16	0%	78	0	0.00	0.16	0%
Skerryvore Exploration Mey target (Shallow)	37	7%	200	14	0.03	0.41	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	400	54	0.11	0.81	4%
<b>Total Risked Appraisal &amp; Exploration</b>			<b>1006</b>	<b>234</b>	<b>0.47</b>	<b>2.04</b>	<b>16%</b>
<b>Total NAV</b>			<b>2239</b>	<b>1467</b>	<b>2.97</b>	<b>4.54</b>	<b>100%</b>
<b>P/Core NAV</b>					<b>61%</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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