

SERICA ENERGY PLC (AIM: SQZ)

October 08, 2025

Share price: £2.14

Target: £3.05

Another operational setback at Triton; value and distribution profile intact

- Operational issues with the flare system at the Triton FPSO have resulted in a temporary suspension of production.
- Production is likely to restart shortly at very low rates until the root cause is identified and resolved.
- In the absence of further clarity, we conservatively assume that Triton production will be constrained until the scheduled Bittern pipeline shutdown in November.
- We now forecast 2025 group production of 27.5 mboe/d, revised down from 30.8 mboe/d.
- Reflecting the 2025 disruption, we have also increased our downtime assumptions for 2026, now forecasting ~45.3 mboe/d. As volumes are deferred rather than lost, we assume a shallower decline profile from 2027 onward.
- Incorporating lower output in 2025–26, we now estimate YE25 net debt of ~US\$165 mm, versus ~US\$105 mm previously.
- Our dividend forecast remains unchanged at ~US\$85 mm in 2026, supporting a projected YE26 net cash position above US\$215 mm.
- The operational issues at Triton underscores the strategic importance of Serica's M&A efforts to diversify its asset base and reduce single-asset exposure.
- Reflecting updated production and financial assumptions, we revise our target price to £3.05 per share, in line with our updated ReNAV.

Valuation and financials

Our Core NAV and ReNAV are now £2.80 per share and £3.05 per share, respectively. Despite the revised production profile, we continue to forecast free cash flow in excess of US\$350 mm in 2026, based on a Brent price of US\$70/bbl and NBP of £0.82/therm.

Rating & target	Old	New	
Target	£3.15	£3.05	
Yield		8%	
Implied total return		66%	
Share data	2024	2025e	2026e
Shares dil., mm	404	404	404
Mkt cap, US\$m	\$687	\$1,061	\$1,073
EV, US\$m	\$758	\$1,227	\$855
Financial Data	2024	2025e	2026e
Gas, mmcfd	111.4	94.3	118.0
Liquids, bbl/d	15,394	11,244	24,967
Total boe/d (6:1)	34,600	27,499	45,307
CFO, US\$m	\$243	\$242	\$505
Net capex, US\$m	\$254	\$263	\$37
Net debt, US\$m*	\$71	\$166	(\$218)
CFPS dil., US\$/shr	\$0.53	\$0.75	\$1.34
EPS dil., US\$/shr	\$0.24	(\$0.13)	\$1.07
Valuation	2024	2025e	2026e
Share price, £/shr	£1.35	£1.98	£1.98
EV/DACF	2.7x	4.6x	1.6x
EV per boe/d (US\$)	\$21,912	\$44,605	\$18,873
Net asset value			
CNAV, £/shr			£2.80
RENAV, £/shr			£3.04
Unrisked NAV, £/shr			£4.28
P/CNAV			0.7x
P/RENAV			0.7x
P/ENAV			0.5x

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		2024	2025e	2026e	2027e	2028e	2029e
Commodity Prices							
Brent	US\$/bbl	\$79.90	\$68.73	\$70.00	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBp84	GBp90	GBp82	GBp82	GBp82	GBp82
UK NBP	US\$/mcf	\$10.55	\$11.97	\$11.05	\$11.05	\$11.05	\$11.05
USD / GBP	US\$/£	\$1.26	\$1.33	\$1.34	\$1.34	\$1.34	\$1.34
Production							
Oil and Liquids	bbl/d	15,394	11,244	24,967	20,572	18,286	15,812
Natural Gas	mmcf/d	111.4	94.3	118.0	132.4	129.7	118.1
Total (6 mcf = 1 boe)	boe/d	34,600	27,499	45,307	43,403	40,655	36,169
% Oil and Liquids	%	44%	41%	55%	47%	45%	44%
Netbacks							
Revenue	US\$/boe	\$57.58	\$64.62	\$63.35	\$62.80	\$62.31	\$62.09
Royalties	US\$/boe	\$0.54	\$0.66	\$0.61	\$0.51	\$0.41	\$0.46
Production & Transport Costs	US\$/boe	\$24.54	\$33.15	\$25.48	\$21.71	\$23.18	\$26.06
Operating Netback	US\$/boe	\$34.98	\$36.93	\$37.29	\$40.58	\$38.72	\$35.57
Taxes	US\$/boe	\$1.10	\$0.58	\$2.70	\$7.38	\$19.73	\$18.33
Cash Flow Netback	US\$/boe	\$22.30	\$26.37	\$31.86	\$33.33	\$21.46	\$14.29
Government Take	%	2%	1%	4%	12%	32%	30%
Financials							
Cash Flow from Ops. before tax and fin. Costs	US\$mm	\$434	\$271	\$595	\$621	\$553	\$448
CFO less current tax	US\$mm	\$420	\$156	\$550	\$504	\$260	\$206
CFO less cash tax and fin. Costs	US\$mm	\$243	\$242	\$505	\$506	\$296	\$167
CFPS - diluted	US\$/shr	\$0.53	\$0.75	\$1.34	\$1.34	\$0.81	\$0.48
EBITDAX	US\$mm	\$373	\$347	\$595	\$621	\$553	\$448
E&D Capex (incl. decom.)	US\$mm	\$251	\$250	\$108	\$178	\$2	\$2
A&D Capex, Net	US\$mm	\$3	\$13	(\$71)	\$4	\$0	\$0
Total Net Capex	US\$mm	\$254	\$263	\$37	\$182	\$2	\$2
Total Net Capex/CFO	x	1.0x	1.1x	0.1x	0.4x	0.0x	0.0x
Leverage							
Net Debt	US\$mm	\$71	\$166	(\$218)	(\$458)	(\$647)	(\$727)
Entry Net Debt/CFO	x	n.a.	0.3x	0.3x	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	393	394	394	394	394	394
Diluted Shares o/s @ YE	mm	404	404	404	404	404	404
Market Capitalization	US\$mm	\$687	\$1,061	\$1,073	\$1,073	\$1,073	\$1,073
Enterprise Value	US\$mm	\$758	\$1,227	\$855	\$615	\$426	\$346
Dividends & Sustainability							
Dividends	US\$mm	\$113	\$84	\$84	\$84	\$105	\$84
Dividends	£/sh	£0.19	£0.16	£0.16	£0.20	£0.16	£0.16
Dividend Yield	%	9.6%	8.1%	8.1%	10.1%	8.1%	8.1%
Share Buybacks	US\$mm	\$19	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	(\$8)	(\$8)	\$397	\$328	\$294	\$165
Cash returned to shareholders as % of CFO	%	54.5%	34.9%	16.7%	16.7%	35.6%	50.6%
Cash invested/CFO	%	104%	108%	7%	36%	1%	1%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	65%	-4%	-6%	-11%
PPS Growth (Y/Y) DDA - dil.	%	-32%	-28%	149%	31%	21%	13%
CFPS Growth (Y/Y) - dil.	%	444%	42%	78%	0%	-40%	-41%
CFPS Growth (Y/Y) DDA - dil.	%	327%	28%	169%	38%	-22%	-24%
ROCE	%	13%	-7%	58%	45%	34%	26%
Net Asset Value							
CNAV (Atax) - diluted	£/shr	£2.80					
RENAV (Atax) - diluted	£/shr	£3.04					
Unrisked NAV (Atax) - diluted	£/shr	£4.28					
P/CNAV	x	0.7x					
P/RENAV	x	0.7x					
P/Unrisked NAV	x	0.5x					
Valuation							
Share Price, YE/Current	£/shr	£1.35	£1.98	£1.98	£1.98	£1.98	£1.98
P/CF	x	3.2x	3.5x	2.0x	2.0x	3.3x	5.5x
EV/DACF	x	2.7x	4.6x	1.6x	1.2x	1.3x	1.8x
Target EV/DACF	x	7.8x	6.1x	2.7x	2.3x	3.2x	4.9x
EV per boe/d	\$/boepd	\$21,912	\$44,605	\$18,873	\$14,168	\$10,479	\$9,558
EV per 2P boe	US\$/boe	\$5.94	\$10.43	\$8.46	\$6.08	\$4.21	\$3.42

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 7-Oct-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)			-81	-81	-0.15	-0.15	-5%
G&A			-77	-77	-0.14	-0.14	-5%
NPV of UK Tax Losses			738	738	1.36	1.36	45%
Bruce Hub 2P (NNS)	70		424	424	0.78	0.78	26%
Triton Hub 2P (CNS)	42		283	283	0.52	0.52	17%
Greater Laggan Area 2P (NNS)	5		-7	-7	-0.01	-0.01	0%
Other assets							
Orlando 2P (NNS)	2		18	18	0.03	0.03	1%
Columbus 2P (CNS)	2		6	6	0.01	0.01	0%
Erskine 2P (CNS)	3		8	8	0.01	0.01	0%
Lancaster 2P (NNS)	3		-26	-26	-0.05	-0.05	-2%
Catcher and Golden Eagle Area 2P (CNS)	4		5	5	0.01	0.01	0%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	33	75%	203	152	0.28	0.37	9%
Triton Hub 2C Resources (CNS)							
Kyle redevelopment 2C	11	75%	67	51	0.09	0.12	3%
Greater Laggan Area 2C Resources (NNS)							
Tormore infill and Glendronach discovery	5	75%	33	25	0.05	0.06	1%
Total Core NAV			1,593	1,517	2.80	2.94	92%
Buchan area (OMF)							
Buchan main 2C	21	50%	104	52	0.10	0.19	3%
J2 2C	3	25%	15	4	0.01	0.03	0%
Verbier 2C	6	25%	30	7	0.01	0.06	0%
Triton Hub (CNS)							
Remaining 2C Resources	5	20%	32	6	0.01	0.06	0%
Greater Laggan Area (NNS)							
Prospective Resources	475	0%	0	0	0.00	0.00	0%
Other assets							
Skerryvore Exploration Mey target (Shallow)	37	7%	182	12	0.02	0.34	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	364	49	0.09	0.67	3%
Total Risked Appraisal & Exploration			727	131	0.24	1.34	8%
Total NAV			2320	1648	3.04	4.28	100%
P/Core NAV				71%			
P/NAV				65%			
P/Unrisked NAV				46%			

Source: Auctus Advisors, Company Disclosures

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