AUCTUS ADVISORS

SERICA ENERGY PLC (AIM: SQZ)

October 13, 2025

Share price: £1.79
Target: £3.05

Major potential acquisition

- Serica has agreed to acquire BP's 32% interest in the P111 and P2544 licences in the Central North Sea. P111 includes the Culzean gas condensate field—the UK North Sea's largest producing gas asset.
- Culzean commenced production in 2019, with remaining net 2P reserves of ~33 mmboe attributable to BP as of 1 January 2025. Net production to BP in 1H25 was 25.5 mboe/d. The remaining interests are held by TotalEnergies (49.99%) and NEO NEXT (18.01%).
- The transaction consideration includes an upfront cash payment of US$232 mm. The final amount payable at closing (~YE25) will be adjusted for potentially significant free cash flow generated from the effective date (1 September 2025). Two additional contingent payments may be triggered by: (1) successful exploration and production from a material opportunity on the P2544 licence, and (2) changes to the UK ring-fence fiscal regime.
- Should this complete, it would represent a transformational acquisition for Serica. Culzean's 1H25 net production to BP exceeds Serica's entire 1H25 output, offering immediate scale, diversification via a new hub, and a >25% uplift to 2P reserves (including Prax). There is also potential upside from infill drilling and exploration.
- Culzean opex is currently only US$10.7/boe. Assuming an NBP price of £0.80/therm, this implies netbacks of ~US$54/boe and 2025 annual pre-tax operating cash flow of ~US$490 mm at a full-year rate of 25 mboe/d. Following completion, applying Serica's CT and SCT tax losses going forward could reduce tax exposure. Additional EPL tax losses (~US$0.18 bn for Serica ex-Prax and ~US$0.34 bn for Prax) would further enhance future cash flows.
- The acquisition is subject to a 30-day pre-emption period.

Valuation and financials

Our Core NAV and ReNAV are currently unchanged at £2.80 per share and £3.05 per share, respectively. Should TotalEnergies or NEO NEXT not exercise their right to pre-emption, these figures will rise. The acquisition is expected to be funded from Serica's current cash and undrawn amounts under the existing US$525 mm RBL.

Rating & target		Old	New
Target		£3.05	n.c.
Yield			9%
Implied total return			83%
Share data	**2024**	**2025e**	**2026e**
Shares dil., mm	404	404	404
Mkt cap, US$mm	$687	$959	$970
EV, US$mm	$758	$1,125	$752
Financial Data	**2024**	**2025e**	**2026e**
Gas, mmcf/d	111.4	94.3	118.0
Liquids, bbl/d	15,394	11,244	24,967
Total boe/d (6:1)	34,600	27,499	45,307
CFO, US$mm	$243	$242	$505
Net capex, US$mm	$254	$263	$37
Net debt, US$mm*	$71	$166	($218)
CFPS dil., US$/shr	$0.53	$0.75	$1.34
EPS dil., US$/shr	$0.24	($0.13)	$1.07
Valuation	**2024**	**2025e**	**2026e**
Share price, £/shr	£1.35	£1.79	£1.79
EV/DACF	2.7x	4.2x	1.4x
EV per boe/d (US$)	$21,912	$40,903	$16,601
Net asset value			
CNAV, £/shr			£2.80
RENAV, £/shr			£3.04
Unrisked NAV, £/shr			£4.28
P/CNAV			0.6x
P/RENAV			0.6x
P/ENAV			0.4x

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

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Prepared by Auctus Advisors LLP
See final two pages for important disclosures

Figure 1. Financial & operating information

Serica Energy (SQZ LN)		Historical & Auctus Outlook						
Financial & Operating Information		**2024**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Commodity Prices								
Brent	US$/bbl	$79.90	$68.73	$70.00	$70.00	$70.00	$70.00	$70.00
UK NBP	p/th	GBp84	GBp90	GBp82	GBp82	GBp82	GBp82	GBp82
UK NBP	US$/mcf	$10.55	$11.97	$11.05	$11.05	$11.05	$11.05	$11.05
USD / GBP	US$/£	$1.26	$1.33	$1.34	$1.34	$1.34	$1.34	$1.34
Production								
Oil and Liquids	bbl/d	15,394	11,244	24,967	20,572	18,286	15,812	13,503
Natural Gas	mmcf/d	111.4	94.3	118.0	132.4	129.7	118.1	106.9
Total (6 mcf = 1 boe)	boe/d	34,600	27,499	45,307	43,403	40,655	36,169	31,931
% Oil and Liquids	%	44%	41%	55%	47%	45%	44%	42%
Netbacks								
Revenue	US$/boe	$57.58	$64.62	$63.35	$62.80	$62.31	$62.09	$61.83
Royalties	US$/boe	$0.54	$0.66	$0.61	$0.51	$0.41	$0.46	$0.52
Production & Transport Costs	US$/boe	$24.54	$33.15	$25.48	$21.71	$23.18	$26.06	$28.01
Operating Netback	US$/boe	$34.98	$36.93	$37.29	$40.58	$38.72	$35.57	$33.30
Taxes	US$/boe	$1.10	$0.58	$2.70	$7.38	$19.73	$18.33	$5.82
Cash Flow Netback	US$/boe	$22.30	$26.37	$31.86	$33.33	$21.46	$14.29	$20.61
Government Take	%	2%	1%	4%	12%	32%	30%	9%
Financials								
Cash Flow from Ops. before tax and fin. Costs	US$mm	$434	$271	$595	$621	$553	$448	$366
CFO less current tax	US$mm	$420	$156	$550	$504	$260	$206	$298
CFO less cash tax and fin. Costs	US$mm	$243	$242	$505	$506	$296	$167	$218
CFPS - diluted	US$/shr	$0.53	$0.75	$1.34	$1.34	$0.81	$0.48	$0.61
EBITDAX [a]	US$mm	$373	$347	$595	$621	$553	$448	$366
E&D Capex (incl. decom.)	US$mm	$251	$250	$108	$178	$2	$2	$92
A&D Capex, Net	US$mm	$3	$13	($71)	$4	$0	$0	$0
Total Net Capex	US$mm	$254	$263	$37	$182	$2	$2	$92
Total Net Capex/CFO	x	1.0x	1.1x	0.1x	0.4x	0.0x	0.0x	0.4x
Leverage								
Net Debt	US$mm	$71	$166	($218)	($458)	($647)	($727)	($769)
Entry Net Debt/CFO	x	n.a.	0.3x	0.3x	n.a.	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	393	394	394	394	394	394	394
Diluted Shares o/s @ YE	mm	404	404	404	404	404	404	404
Market Capitalization	US$mm	$687	$959	$970	$970	$970	$970	$970
Enterprise Value	US$mm	$758	$1,125	$752	$512	$323	$243	$201
Dividends & Sustainability								
Dividends	US$mm	$113	$84	$84	$84	$105	$84	$84
Dividends	£/sh	£0.19	£0.16	£0.16	£0.20	£0.16	£0.16	£0.16
Dividend Yield	%	10.6%	8.9%	8.9%	11.2%	8.9%	8.9%	8.9%
Share Buybacks	US$mm	$19	$0	$0	$0	$0	$0	$0
Free Cash Flow	US$mm	($8)	($8)	$397	$328	$294	$165	$126
Cash returned to shareholders as % of CFO	%	54.5%	34.9%	16.7%	16.7%	35.6%	50.6%	38.7%
Cash invested/CFO	%	104%	108%	7%	36%	1%	1%	42%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	65%	-4%	-6%	-11%	-12%
PPS Growth (Y/Y) DDA - dil. [b]	%	-32%	-29%	161%	39%	29%	23%	46%
CFPS Growth (Y/Y) - dil.	%	444%	42%	78%	0%	-40%	-41%	236%
CFPS Growth (Y/Y) DDA - dil. [b]	%	327%	26%	183%	45%	-17%	-18%	-100%
ROCE	%	13%	-7%	58%	45%	34%	26%	28%
Net Asset Value [c]								
CNAV (Atax) - diluted	£/shr	£2.80						
RENAV (Atax) - diluted	£/shr	£3.04						
Unrisked NAV (Atax) - diluted	£/shr	£4.28						
P/CNAV	x	0.6x						
P/RENAV	x	0.6x						
P/Unrisked NAV	x	0.4x						
Valuation		**2024**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Share Price, YE/Current	£/shr	£1.35	£1.79	£1.79	£1.79	£1.79	£1.79	£1.79
P/CF	x	3.2x	3.2x	1.8x	1.8x	3.0x	5.0x	3.9x
EV/DACF	x	2.7x	4.2x	1.4x	1.0x	1.0x	1.3x	0.8x
Target EV/DACF	x	7.8x	6.1x	2.7x	2.3x	3.2x	4.9x	3.7x
EV per boe/d	$/boepd	$21,912	$40,903	$16,601	$11,797	$7,947	$6,712	$6,294
EV per 2P boe	US$/boe	$5.94	$9.56	$7.44	$5.06	$3.20	$2.40	$2.18

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 11-Oct-25

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US$ mm)	EMV (US$ mm)	Risked £/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				**64%**			
P/NAV				**59%**			
P/Unrisked NAV				**42%**			

Source: Auctus Advisors, Company Disclosures

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