

SERICA ENERGY PLC (AIM: SQZ)

December 16, 2025

Share price: £1.63

Target: £3.15

Another accretive gas acquisition

- Serica is acquiring a Southern North Sea (SNS) asset package from Spirit Energy for ~US\$74 mm, with an effective economic date of 1 January 2025. The assets produced 13.5 mboe/d in 1H25 (96% gas) and hold 18.7 mmboe of 2P reserves. Completion is expected in 2H26, with an expected modest cash payment at closing.
- Key assets acquired include: **(1) a 15% WI in Cygnus**, one of the UK's largest gas fields (operated by Ithaca), contributing 8.6 mmboe net 2P reserves and 4 mboe/d net production, **(2) operated positions in the Greater Markham Area**, delivering 7 mboe/d net production, including 100% of Chiswick (5.6 mmboe net 2P reserves) and 92.5% of Grove (1.2 mmboe), **(3) a 54% WI in Eris and 90% WI in Ceres**, with net production of 1 mboe/d and **(4) a 25% non-operated WI in Clipper South**, contributing 1.4 mmboe net 2P reserves and 1.2 mboe/d production.
- Spirit Energy will retain decommissioning liabilities for the operated assets, capped at 115% of current estimated costs.
- The acquisition is being executed via the recently acquired Prax, which holds substantial tax losses (we estimate RCT of ~US\$0.74 bn, SCT of US\$0.63 bn, and EPL of US\$0.34 bn). The transaction showcases the company's ability to create value in the UK North Sea. It is immediately accretive and the acquired assets are expected to generate ~US\$100 mm in free cash flow over 2027-2028, following the modest upfront payment. Residual pre-tax decommissioning liabilities of US\$60-70 mm are anticipated in the early to mid-2030s.
- We have increased our target price from £3.05/sh to £3.15/sh.

Knowledge of the acquired assets and running room

Chris Cox, Serica's CEO, brings direct operational insight to the transaction, having previously served as CEO of Spirit Energy. His familiarity with the acquired portfolio enhances Serica's ability to unlock value from these assets. The acquisition offers material upside potential through identified growth opportunities, including: (1) infill drilling at Cygnus (subject to approval), which could unlock additional reserves, (2) future drilling at Clipper South, both within the block and in adjacent areas, with the potential to significantly extend field life, and (3) incremental development at Grove, Chiswick, and Kew, alongside broader exploration, appraisal, and third-party tie-back opportunities in the Cygnus area.

Valuation

The transaction adds £0.31/sh to our Core NAV/ReNAV but our overall NAV increases by only £0.11/sh to £3.13/sh to reflect our lower NBP forecasts of £0.69-0.70/th for 2026 and 2027 and £0.75/th thereafter (from a flat £0.84/th previously). We estimate aggregate FCF in excess of US\$1.0 bn over the 2026-2028 period.

Rating & target	Old	New	
Target	£3.05	£3.15	
Yield		10%	
Implied total return		107%	
Share data	2024	2025e	2026e
Shares dil., mm	404	404	404
Mkt cap, US\$mm	\$687	\$867	\$870
EV, US\$mm	\$758	\$1,031	\$617
Financial Data	2024	2025e	2026e
Gas, mmcf/d	111.4	93.2	134.8
Liquids, bbl/d	15,394	11,371	25,424
Total boe/d (6:1)	34,600	27,434	48,667
CFO, US\$mm	\$243	\$225	\$553
Net capex, US\$mm	\$254	\$246	\$52
Net debt, US\$mm*	\$71	\$165	(\$253)
CFPS dil., US\$/shr	\$0.53	\$0.67	\$1.46
EPS dil., US\$/shr	\$0.24	(\$0.17)	\$1.12
Valuation	2024	2025e	2026e
Share price, £/shr	£1.35	£1.63	£1.63
EV/DACF	2.7x	4.2x	1.1x
EV per boe/d (US\$)	\$21,912	\$37,592	\$12,677
Net asset value			
CNAV, £/shr			£2.83
RENAV, £/shr			£3.13
Unrisked NAV, £/shr			£4.50
P/CNAV			0.6x
P/RENAV			0.5x
P/ENAV			0.4x
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	2030e
Commodity Prices								
Brent	US\$/bbl	\$79.90	\$69.47	\$68.77	\$70.00	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBp84	GBp88	GBp69	GBp70	GBp75	GBp75	GBp75
UK NBP	US\$/mcf	\$10.55	\$11.55	\$9.08	\$9.24	\$9.90	\$9.90	\$9.90
USD / GBP	US\$/£	\$1.26	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
Production								
Oil and Liquids	bbl/d	15,394	11,371	25,424	21,050	18,684	16,142	13,795
Natural Gas	mmcf/d	111.4	93.2	134.8	184.0	173.5	155.2	123.0
Total (6 mcf = 1 boe)	boe/d	34,600	27,434	48,667	52,778	48,602	42,906	34,998
% Oil and Liquids	%	44%	41%	52%	40%	38%	38%	39%
Netbacks								
Revenue	US\$/boe	\$57.58	\$63.12	\$57.62	\$56.29	\$58.02	\$57.79	\$57.88
Royalties	US\$/boe	\$0.54	\$0.66	\$0.57	\$0.42	\$0.34	\$0.39	\$0.47
Production & Transport Costs	US\$/boe	\$24.54	\$35.00	\$22.97	\$19.88	\$20.46	\$21.90	\$24.81
Operating Netback	US\$/boe	\$34.98	\$33.88	\$34.60	\$35.99	\$37.22	\$35.50	\$32.59
Taxes	US\$/boe	\$1.10	\$0.85	\$1.03	\$6.89	\$16.92	\$16.41	\$4.56
Cash Flow Netback	US\$/boe	\$22.30	\$24.72	\$32.35	\$29.94	\$22.20	\$16.77	\$21.13
Government Take	%	2%	1%	2%	12%	29%	28%	8%
Financials								
Cash Flow from Ops. before tax and fin. Costs	US\$mm	\$434	\$256	\$594	\$671	\$638	\$534	\$394
CFO less current tax	US\$mm	\$420	\$155	\$575	\$539	\$338	\$277	\$336
CFO less cash tax and fin. Costs	US\$mm	\$243	\$225	\$553	\$555	\$372	\$241	\$248
CFPS - diluted	US\$/shr	\$0.53	\$0.67	\$1.46	\$1.47	\$1.00	\$0.67	\$0.69
EBITDAX	US\$mm	\$373	\$316	\$594	\$671	\$638	\$534	\$394
E&D Capex (incl. decom.)	US\$mm	\$251	\$250	\$113	\$188	\$12	\$12	\$102
A&D Capex, Net	US\$mm	\$3	(\$4)	(\$61)	\$4	\$0	\$0	\$0
Total Net Capex	US\$mm	\$254	\$246	\$52	\$192	\$12	\$12	\$102
Total Net Capex/CFO	x	1.0x	1.1x	0.1x	0.3x	0.0x	0.0x	0.4x
Leverage								
Net Debt	US\$mm	\$71	\$165	(\$253)	(\$533)	(\$810)	(\$955)	(\$1,018)
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	\$867	\$870	\$870	\$870	\$870	\$870
Enterprise Value	US\$mm	\$758	\$1,031	\$617	\$337	\$60	(\$85)	(\$148)
Dividends & Sustainability								
Dividends	US\$mm	\$113	\$83	\$83	\$83	\$83	\$83	\$83
Dividends	£/shr	£0.19	£0.16	£0.16	£0.16	£0.16	£0.16	£0.16
Dividend Yield	%	11.7%	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Share Buybacks	US\$mm	\$19	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	(\$8)	(\$25)	\$440	\$367	\$360	\$229	\$146
Cash returned to shareholders as % of CFO	%	54.5%	36.9%	15.0%	15.0%	22.4%	34.5%	33.5%
Cash invested/CFO	%	104%	109%	9%	35%	3%	5%	41%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	77%	8%	-8%	-12%	-18%
PPS Growth (Y/Y) DDA - dil.	%	-32%	-31%	204%	85%	157%	-400%	-82%
CFPS Growth (Y/Y) - dil.	%	444%	26%	120%	0%	-32%	-33%	277%
CFPS Growth (Y/Y) DDA - dil.	%	327%	10%	276%	71%	90%	-326%	-100%
ROCE	%	13%	-10%	62%	48%	44%	36%	32%
Net Asset Value								
CNAV (Atax) - diluted	£/shr	£2.83						
RENAV (Atax) - diluted	£/shr	£3.13						
Unrisked NAV (Atax) - diluted	£/shr	£4.50						
P/CNAV	x	0.6x						
P/RENAV	x	0.5x						
P/Unrisked NAV	x	0.4x						
Valuation		2024	2025e	2026e	2027e	2028e	2029e	2030e
Share Price, YE/Current	£/shr	£1.35	£1.63	£1.63	£1.63	£1.63	£1.63	£1.63
P/CF	x	3.2x	3.2x	1.5x	1.5x	2.1x	3.2x	3.1x
EV/DACF	x	2.7x	4.2x	1.1x	0.6x	0.2x	-0.3x	-0.5x
Target EV/DACF	x	8.1x	7.0x	2.5x	2.0x	2.2x	2.8x	2.5x
EV per boe/d	\$/boepd	\$21,912	\$37,592	\$12,677	\$6,382	\$1,236	(\$1,990)	(\$4,232)
EV per 2P boe	US\$/boe	\$5.94	\$8.77	\$6.18	\$3.37	\$0.60	(\$0.85)	(\$1.66)

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 15-Dec-25

Accretive gas acquisition in the UK SNS

Serica Energy is acquiring a Southern North Sea (SNS) asset package from Spirit Energy for ~US\$74 mm, effective 1 January 2025. In 1H25, the portfolio delivered 13.5 mboe/d (96% gas) and contains 18.7 mmboe of 2P reserves. Completion is targeted for 2H26, with a modest upfront cash payment expected at closing. The transaction also includes two contingent payments totalling ~£3.5 mm, contingent on (1) the sanctioning of the drilling of an additional development well on Cygnus; and (2) the drilling of, and subsequent first production from, an infill well on Clipper South.

Key assets acquired include:

- Cygnus (15% WI, operated by Ithaca): Contributes 8.6 mmboe net 2P reserves and 4 mboe/d net production (1H25). The field, onstream since 2016, currently has 11 producing wells. Opex is ~US\$11/boe with very high uptime (97% in 1H25). A two-well infill campaign is underway, with one well already online, and the second expected by 4Q25. Additional infill drilling opportunities remain under evaluation.
- Greater Markham Area (Operated WI in Markham 37.5%, Chiswick 100%, Grove 92.5% and Kew 100%, as well as non-operated WI in the TotalEnergies-operated J3C (NL) 4%): Delivers 7 mboe/d net production. Located along the UK-Netherlands median line, gas from these fields is processed via the Markham J6A platform and exported through Wintershall's K/13 facilities into the Westgas pipeline system to Den Helder.
 - o Chiswick: Key asset with 5.6 mmboe 2P reserves.
 - o Grove: 1.2 mmboe 2P reserves.
 - o Kew: 0.3 mmboe 2P reserves.
 - o Further infill and production enhancement opportunities exist across all three fields.
- Clipper South (25% WI, operated by Ineos): Contributes 1.4 mmboe net 2P reserves and 1.2 mboe/d production from four long-reach, multi-fractured horizontal wells. The field is tied back to a Normally Unattended Installation linked to Shell's Clipper hub. Located in shallow waters (22–26 m), Clipper South is a mid-life asset with several future opportunities on the block and nearby acreage.
- Eris (54% WI, operated) and Ceres (90% WI, operated) : Combined net production of 1 mboe/d and 0.7 mmboe net 2P reserves. These are late-life, single-well tie-backs in shallow water, with decommissioning expected in 2026/2027.
- Galleon (8.4% WI, non-operated): Produces 300 boe/d net with 0.8 mmboe net 2P reserves. Located in the Sole Pit Area, east of Clipper and west of Audrey, in 28 m water depth, the field comprises 11 producing wells.

- NOGAT Pipeline (1.8% interest, operated by ENI): Strategic infrastructure transporting natural gas from Danish and Dutch fields to Den Helder.

Spirit Energy will retain decommissioning obligations for the operated assets (Markham, Chiswick, Grove, Kew, Eris, and Ceres), capped at 115% of current cost estimates. Serica's net decommissioning exposure is expected to be limited to US\$60–70 mm, relating to Cygnus, Clipper South, and Galleon, with related expenditure not expected to be incurred until the early to mid-2030s.

Figure 2. Details on acquired licences

		WI	Operator on completion	YE24 2P (mmboe)	1H25 net production (mboe/d)	Serica liable for decom?	Upside?
Eris & Ceres	Eris	54.0%	Serica	0.50	1.0	NO	
	Ceres	90.0%	Serica	0.20		NO	
MGA	Markham	37.5%	Serica			NO	
	Chiswick	100.0%	Serica	5.60		NO	Production enhancement and infill drilling
	Grove	92.5%	Serica	1.20	7.0	NO	Production enhancement and infill drilling
	Kew	100.0%	Serica	0.30		NO	Production enhancement and infill drilling
	J3C (NL)	4.0%	TotalEnergies	0.00		YES	
	Cygnus	15.0%	Ithaca	8.60	4.0	YES	Potential further infill wells
	Clipper South	25.0%	INEOS	1.40	1.2	YES	Potential infill and tiebacks from adjacent areas
	Galleon	8.4%	Shell	0.80	0.3	YES	
	NOGAT	1.8%	ENI	n.a.	n.a.	YES	

Source: Company disclosures

Figure 3. Serica's licences



Source: Company

Valuation and financials

We forecast production from the SNS assets to average 9.5 mboe/d in 2H26, declining to 8.7 mboe/d in 2027, 7.4 mboe/d in 2028, and 6.3 mboe/d in 2029. Capital expenditure for 2026 is projected at ~US\$50 mm, primarily driven by the ongoing drilling programme. We

assume that 25% of the 2026 capex will be incurred post-completion in 2H26, with annual capital expenditure normalizing to ~US\$10 mm from 2027 onwards.

Incorporating the accelerated utilisation of the tax losses in Prax but lowering our NBP forecasts, we have raised our Core NAV from £2.74/share to £2.83 /share and ReNAV from £3.02/share to £3.13/share.

Figure 4. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Risked £/Share	Unrisked £/Share	% Total
Net Cash (YE25)			-165	-165	-0.31	-0.31	-10%
G&A			-63	-63	-0.12	-0.12	-4%
Unused tax losses (Parkmead)			53	53	0.10	0.10	3%
Bruce Hub 2P (NNS)	70		342	342	0.65	0.65	21%
Triton Hub 2P (CNS)	42		796	796	1.51	1.51	48%
Greater Laggan Area 2P (NNS)	5		87	87	0.17	0.17	5%
Southern North Sea Hub	19		163	163	0.31	0.31	10%
Other assets							
Orlando 2P (NNS)	2		2	2	0.00	0.00	0%
Columbus 2P (CNS)	2		19	19	0.04	0.04	1%
Erskine 2P (CNS)	3		16	16	0.03	0.03	1%
Lancaster 2P (NNS)	3		-22	-22	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	4		41	41	0.08	0.08	2%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	33	75%	179	134	0.26	0.34	8%
Triton Hub 2C Resources (CNS)							
Kyle redevelopment 2C	11	80%	72	58	0.11	0.14	4%
Greater Laggan Area 2C Resources (NNS)							
Tormore infill and Glendronach discovery	5	75%	35	26	0.05	0.07	2%
Total Core NAV			1,556	1,488	2.83	2.96	91%
Buchan area (OMF)							
Buchan main 2C	21	50%	104	52	0.10	0.20	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 (including Wagtail)	13	25%	84	21	0.04	0.16	1%
Southern North Sea Hub							
2C resources	3	35%	30	10	0.02	0.06	1%
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	0.35	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	364	49	0.09	0.69	3%
Total Risked Appraisal & Exploration			809	156	0.30	1.54	9%
Total NAV			2364	1644	3.13	4.50	100%
P/Core NAV				63%			
P/NAV				57%			
P/Unrisked NAV				39%			

Source: Auctus Advisors, Company Disclosures

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