

SERICA ENERGY PLC (AIM: SQZ)

January 21, 2026

Share price: £1.99

Target: £3.15

Over US\$300 mm FCF in 2026. Potential to reach 65 mboe/d during 2H26

- 4Q25 production averaged 33.5 mboe/d, including 1.4 mbbl/d from Lancaster, slightly ahead of our 32.7 mboe/d forecast.
- The balance sheet at the end of 2025 was in line with expectations, taking into account the timing of liftings from Triton.
- January-to-date production has averaged ~43 mboe/d, with current rates of ~50 mboe/d comprising 20 mboe/d at Bruce, 21 mboe/d at Triton, and 6 mbbl/d at Lancaster. The second Triton compressor has been commissioned, and with Evelyn EV-02 and Belinda available, Triton output should continue to rise. We forecast ~45 mboe/d net production in 1Q26.
- Serica guides to “well in excess of 40 mboe/d” for 2026. Our forecast is ~47 mboe/d, assuming completion of the GLA acquisition in early 1Q26, of the ONE-Dyas’ assets in early 3Q26, and of the Southern North Sea package in early 4Q26. On this basis, net production could exceed 65 mboe/d by year-end. We forecast ~54 mboe/d for 2027.
- The 2026 capex budget is US\$175–195 mm, including ~US\$120 mm at Bruce and US\$50 mm at Triton. This is above our prior ~US\$115 mm assumption, reflecting US\$50 mm of growth capex at Bruce and ~US\$30 mm for replacement of the WAD umbilical. Serica also expects to spend ~US\$20 mm on decommissioning, primarily at Lancaster in 2H26.
- Even at US\$65/bbl for Brent, we forecast that Serica will generate ~US\$330 mm of free cash flow in 2026. After deducting ~US\$83 mm to be paid in 2026 (~8% dividend yield), we estimate the company will hold ~US\$45 mm in net cash at YE26.
- We re-iterate our target price of £3.15 per share.

Growth opportunities

Serica has numerous growth opportunities in its portfolio including the redevelopment of Kyle, drilling at Bruce and Glendronach (following completion of the acquisition). The 2026 capex plan includes US\$50 mm for long-lead items tied to a potential high-impact 2027 infill programme at Bruce. With details yet to be confirmed, we have notionally incorporated a modest ~12 mmcfe/d increase.

Valuation

With the FY26 capex programme incorporated, our Core NAV is £2.86/sh and our ReNAV is £3.15/sh. We currently assume US\$112 mm of development capex in 2027 (plus decommissioning), though this could increase meaningfully if the Bruce infill campaign proceeds. Under these assumptions, we expect Serica to exit 2027 with ~US\$450 mm of net cash, after an US\$83 mm dividend in 2027 —over 40% of today’s market capitalisation.

Rating & target	Old	New	
Target	£3.15	n.c.	
Yield		8%	
Implied total return		70%	
Share data	2024	2025e	2026e
Shares dil., mm	404	404	404
Mkt cap, US\$mm	\$687	\$1,058	\$1,062
EV, US\$mm	\$758	\$1,258	\$976
Financial Data	2024	2025e	2026e
Gas, mmcfd	111.4	90.5	134.8
Liquids, bbl/d	15,394	12,008	24,042
Total boe/d (6:1)	34,600	27,613	47,285
CFO, US\$mm	\$243	\$190	\$525
Net capex, US\$mm	\$254	\$246	\$156
Net debt, US\$mm*	\$71	\$200	(\$86)
CFPS dil., US\$/shr	\$0.53	\$0.55	\$1.34
EPS dil., US\$/shr	\$0.24	(\$0.27)	\$0.77
Valuation	2024	2025e	2026e
Share price, £/shr	£1.35	£1.99	£1.99
EV/DACF	2.7x	5.9x	1.8x
EV per boe/d (US\$)	\$21,912	\$45,542	\$20,643
Net asset value			
CNAV, £/shr			£2.83
RENAV, £/shr			£3.13
Unrisked NAV, £/shr			£4.50
P/CNAV			0.7x
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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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	\$69.47	\$68.77	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBp84	GBp88	GBp75	GBp72	GBp75	GBp75
UK NBP	US\$/mcf	\$10.55	\$11.55	\$9.89	\$9.56	\$9.90	\$9.90
USD / GBP	US\$/£	\$1.26	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
Production							
Oil and Liquids	bbl/d	15,394	12,008	24,042	21,767	18,703	16,159
Natural Gas	mmcf/d	111.4	90.5	134.8	185.2	176.4	159.3
Total (6 mcf = 1 boe)	boe/d	34,600	27,613	47,285	53,699	49,115	43,626
% Oil and Liquids	%	44%	43%	51%	41%	38%	37%
Netbacks							
Revenue	US\$/boe	\$57.58	\$59.63	\$59.12	\$57.66	\$57.98	\$57.73
Royalties	US\$/boe	\$0.54	\$0.65	\$0.58	\$0.41	\$0.34	\$0.38
Production & Transport Costs	US\$/boe	\$24.54	\$36.21	\$26.22	\$20.18	\$20.81	\$22.17
Operating Netback	US\$/boe	\$34.98	\$29.13	\$32.46	\$37.07	\$36.84	\$35.18
Taxes	US\$/boe	\$1.10	\$0.84	\$0.48	\$4.79	\$15.79	\$15.58
Cash Flow Netback	US\$/boe	\$22.30	\$21.13	\$31.73	\$32.67	\$23.34	\$17.49
Government Take	%	2%	1%	1%	8%	27%	27%
Financials							
Cash Flow from Ops. before tax and fin. Costs (CFO)	US\$mm	\$434	\$221	\$559	\$706	\$638	\$538
CFO less current tax	US\$mm	\$420	\$130	\$551	\$612	\$355	\$290
CFO less cash tax and fin. Costs	US\$mm	\$243	\$190	\$525	\$617	\$395	\$255
CFPS - diluted	US\$/shr	\$0.53	\$0.55	\$1.34	\$1.63	\$1.06	\$0.71
EBITDAX	US\$mm	\$373	\$270	\$539	\$706	\$638	\$538
E&D Capex (incl. decom.)	US\$mm	\$251	\$250	\$204	\$160	\$55	\$32
A&D Capex, Net	US\$mm	\$3	(\$4)	(\$48)	\$4	\$0	\$0
Total Net Capex	US\$mm	\$254	\$246	\$156	\$164	\$55	\$32
Total Net Capex/CFO	x	1.0x	1.3x	0.3x	0.3x	0.1x	0.1x
Leverage							
Net Debt	US\$mm	\$71	\$200	(\$86)	(\$456)	(\$714)	(\$854)
Entry Net Debt/CFO	x	n.a.	0.4x	0.4x	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	\$1,058	\$1,062	\$1,062	\$1,062	\$1,062
Enterprise Value	US\$mm	\$758	\$1,258	\$976	\$606	\$348	\$208
Dividends & Sustainability							
Dividends	US\$mm	\$113	\$83	\$83	\$83	\$83	\$83
Dividends	£/sh	£0.19	£0.16	£0.16	£0.16	£0.16	£0.16
Dividend Yield	%	9.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Share Buybacks	US\$mm	\$19	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	(\$8)	(\$60)	\$321	\$457	\$341	\$223
Cash returned to shareholders as % of CFO	%	54.5%	43.7%	15.8%	13.5%	21.0%	32.6%
Cash invested/CFO	%	104%	129%	30%	27%	14%	13%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-20%	71%	14%	-9%	-11%
PPS Growth (Y/Y) DDA - dil.	b %	-32%	-30%	119%	76%	34%	39%
CFPS Growth (Y/Y) - dil.	%	444%	4%	144%	21%	-35%	-33%
CFPS Growth (Y/Y) DDA - dil.	b %	327%	-9%	213%	89%	-5%	4%
ROCE	%	13%	-18%	44%	62%	40%	34%
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	0.7x					
P/RENAV	x	0.6x					
P/Unrisked NAV	x	0.4x					
Valuation		2024	2025e	2026e	2027e	2028e	2029e
Share Price, YE/Current	£/shr	£1.35	£1.99	£1.99	£1.99	£1.99	£1.99
P/CF	x	3.2x	4.8x	2.0x	1.6x	2.5x	3.7x
EV/DACF	x	2.7x	5.9x	1.8x	0.9x	0.8x	0.7x
Target EV/DACF	x	8.1x	8.7x	3.0x	1.9x	2.3x	3.0x
EV per boe/d	\$/boepd	\$21,912	\$45,542	\$20,643	\$11,286	\$7,094	\$4,773
EV per 2P boe	US\$/boe	\$5.94	\$10.69	\$9.73	\$6.04	\$3.47	\$2.08

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 20-Jan-26

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Risked £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			86	86	0.16	0.16	5%
G&A			-63	-63	-0.12	-0.12	-4%
Unused tax losses (Parkmead)			54	54	0.10	0.10	3%
Bruce Hub 2P (NNS)	70		354	354	0.66	0.66	21%
Triton Hub 2P (CNS)	42		575	575	1.08	1.08	34%
Greater Laggan Area 2P (NNS)	5		10	10	0.02	0.02	1%
Southern North Sea Hub	19		179	179	0.34	0.34	11%
Other assets							
Orlando 2P (NNS)	2		-9	-9	-0.02	-0.02	-1%
Columbus 2P (CNS)	2		12	12	0.02	0.02	1%
Erskine 2P (CNS)	3		10	10	0.02	0.02	1%
Lancaster 2P (NNS)	3		-20	-20	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	4		-2	-2	0.00	0.00	0%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	33	75%	204	153	0.29	0.38	9%
Triton Hub 2C Resources (CNS)							
Kyle redevelopment 2C	11	80%	76	61	0.11	0.14	4%
Greater Laggan Area 2C Resources (NNS)							
Tormore infill and Glendronach discovery	5	75%	37	28	0.05	0.07	2%
Total Core NAV			1,585	1,510	2.83	2.97	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%	89	22	0.04	0.17	1%
Southern North Sea Hub							
2C resources	3	35%	33	11	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	0.34	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	364	49	0.09	0.68	3%
Total Risked Appraisal & Exploration			816	158	0.30	1.53	9%
Total NAV			2402	1668	3.13	4.50	100%
P/Core NAV					70%		
P/NAV					64%		
P/Unrisked NAV					44%		

Source: Auctus Advisors, Company Disclosures

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