

# SERICA ENERGY PLC (AIM: SQZ)

May 22, 2025

Share price: £1.40

**Target: £2.70**

## Another very good well result. Triton on track, robust production and cashflow expected in 2H25

- From January to April 2025, production averaged 26.5 mboe/d. This is consistent with 1Q25 production of 27.6 mboe/d, which benefited from one month of output from Triton.
- Repairs at Triton have been completed, and production remains on track to restart in June. The FY25 production guidance of 33–37 mboe/d, with US\$220–250 mm in capex, has been reaffirmed. Assuming 2Q25 production of 25 mboe/d (excluding Triton), this implies 2H25 production of 41–47 mboe/d.
- The BE01 well (SQZ: 100% WI) has been flow tested at 7.5 mboe/d, with rates constrained by surface equipment. This marks the third well in the campaign in a row to demonstrate excellent productivity.
- Before shutdown, Triton was producing ~25 mboe/d. Upon restart in mid-2025, adding the W7z and EV02 wells could increase Triton's output to 30 mboe/d, with the tie-in of BE01 in early 2026 also boosting production.
- Over 20 potential infill targets have been identified at Bruce, with 5-6 high-graded drilling targets to be identified in the near term. Serica estimates 33.4 mmboe contingent resources at BKR, while FID for Kyle (11.1 mmboe, 6–8 mboe/d production in 2028) could be taken in early 2026.
- We continue to expect that Serica could distribute a total of £0.16 per share in dividends in 2025, representing a yield of ~11.4%. We re-iterate our target price of £2.70 per share.

Rating & target		Old	New	
Target		£2.70	n.c.	
Yield			11%	
Implied total return			109%	
Share data		2024	2025e	2026e
Shares dil., mm		404	404	404
Mkt cap, US\$m		\$713	\$738	\$736
EV, US\$m		\$784	\$774	\$538
Financial Data		2024	2025e	2026e
Gas, mmcfd		111.4	106.1	117.8
Liquids, bbl/d		15,394	16,475	22,658
Total boe/d (6:1)		34,600	34,771	42,968
CFO, US\$m		\$243	\$367	\$430
Net capex, US\$m		\$254	\$251	\$114
Net debt, US\$m*		\$71	\$36	(\$198)
CFPS dil., US\$/shr		\$0.53	\$0.96	\$1.15
EPS dil., US\$/shr		\$0.24	\$0.08	\$0.75
Valuation		2024	2025e	2026e
Share price, £/shr		£1.40	£1.40	£1.40
EV/DACF		2.8x	2.0x	1.2x
EV per boe/d (US\$)		\$22,648	\$22,265	\$12,513
Net asset value				
CNAV, £/shr				£2.38
RENAV, £/shr				£2.68
Unrisked NAV, £/shr				£4.10
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*

## Reflections on the financials

As of April 2025, net debt stood at US\$102 mm, in line with forecasts. The cash position has declined by only US\$19 mm compared to year-end 2024, despite Triton contributing for just one month out of four. No cash tax is currently due on Triton production, making it disproportionately cash generative. This bodes well for strong cash flow generation in 2H25, once Triton is fully back online.

## Valuation

Our forecasts are broadly unchanged. Our Core NAV and ReNAV are £2.38 per share and £2.68 per share respectively. We continue to forecast that the aggregate FCF from 2025 to 2027 will be equal to the current market cap.

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**Figure 1. Financial & operating information**

Serica Energy (SQZ LN)		Historical & Auctus Outlook						
Financial & Operating Information		2023	2024	2025e	2026e	2027e	2028e	2029e
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$82.99	\$79.90	\$68.73	\$70.00	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBP114	GBP84	GBP87	GBP82	GBP82	GBP82	GBP82
UK NBP	US\$/mcf	\$14.26	\$10.55	\$11.40	\$10.72	\$10.72	\$10.72	\$10.72
USD / GBP	US\$/£	\$1.25	\$1.26	\$1.31	\$1.30	\$1.30	\$1.30	\$1.30
<b>Production</b>								
Oil and Liquids	bbl/d	20,318	15,394	16,475	22,658	18,730	15,844	13,713
Natural Gas	mmcf/d	103.0	111.4	106.1	117.8	121.3	115.0	104.0
Total (6 mcf = 1 boe)	boe/d	40,121	34,600	34,771	42,968	39,646	35,664	31,649
% Oil and Liquids	%	51%	44%	47%	53%	47%	44%	43%
<b>Netbacks</b>								
Revenue	US\$/boe	\$61.46	\$57.58	\$62.47	\$62.36	\$61.63	\$61.04	\$60.85
Royalties	US\$/boe	\$0.63	\$0.54	\$0.48	\$0.64	\$0.56	\$0.46	\$0.52
Production & Transport Costs	US\$/boe	\$21.05	\$24.54	\$26.03	\$19.96	\$20.25	\$22.51	\$25.36
Operating Netback	US\$/boe	\$43.20	\$34.98	\$35.64	\$41.75	\$40.83	\$38.07	\$34.96
Taxes	US\$/boe	\$17.80	\$1.10	\$3.63	\$13.23	\$11.89	\$19.81	\$19.24
Cash Flow Netback	US\$/boe	\$9.45	\$22.30	\$30.67	\$28.78	\$26.60	\$18.77	\$12.79
Government Take	%	29%	2%	6%	21%	19%	32%	32%
<b>Financials</b>								
Cash Flow from Ops. before tax and fin. Costs	US\$mm	\$469	\$434	\$435	\$633	\$569	\$474	\$382
CFO less current tax	US\$mm	\$240	\$420	\$306	\$425	\$397	\$216	\$160
CFO less cash tax and fin. Costs	US\$mm	\$98	\$243	\$367	\$430	\$363	\$222	\$126
CFPS - diluted	US\$/shr	\$0.10	\$0.53	\$0.96	\$1.15	\$0.98	\$0.62	\$0.38
EBITDAX	US\$mm	\$512	\$373	\$430	\$633	\$569	\$474	\$382
E&D Capex (incl. decom.)	US\$mm	\$78	\$251	\$240	\$110	\$116	\$0	\$0
A&D Capex, Net	US\$mm	\$57	\$3	\$11	\$4	\$4	\$0	\$0
Total Net Capex	US\$mm	\$135	\$254	\$251	\$114	\$120	\$0	\$0
Total Net Capex/CFO	x	1.4x	1.0x	0.7x	0.3x	0.3x	0.0x	0.0x
<b>Leverage</b>								
Net Debt	US\$mm	(\$92)	\$71	\$36	(\$198)	(\$360)	(\$480)	(\$524)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	0.2x	0.1x	n.a.	n.a.	n.a.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	391	393	393	393	393	393	393
Diluted Shares o/s @ YE	mm	402	404	404	404	404	404	404
Market Capitalization	US\$mm	\$1,166	\$713	\$738	\$736	\$736	\$736	\$736
Enterprise Value	US\$mm	\$1,074	\$784	\$774	\$538	\$376	\$256	\$212
<b>Dividends &amp; Sustainability</b>								
Dividends	US\$mm	\$110	\$113	\$82	\$82	\$82	\$102	\$82
Dividends	£/sh	£0.23	£0.19	£0.16	£0.16	£0.20	£0.16	£0.16
Dividends	\$/shr	\$0.29	\$0.24	\$0.21	\$0.21	\$0.26	\$0.21	\$0.21
Dividend Yield	%	16.4%	13.6%	11.4%	11.4%	14.3%	11.4%	11.4%
Share Buybacks	US\$mm	\$0	\$19	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	\$19	(\$8)	\$127	\$320	\$248	\$222	\$126
Cash returned to shareholders as % of CFO	%	113.0%	54.5%	22.3%	19.1%	22.5%	46.0%	65.1%
Cash invested/CFO	%	138%	104%	68%	27%	33%	0%	0%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil.	%		-27%	0%	24%	-8%	-10%	-11%
PPS Growth (Y/Y) DDA - dil.	%		-32%	-7%	67%	30%	15%	7%
CFPS Growth (Y/Y) - dil.	%		444%	81%	20%	-15%	-37%	-40%
CFPS Growth (Y/Y) DDA - dil.	%		327%	68%	61%	20%	-19%	-27%
ROCE	%		13%	4%	37%	32%	24%	17%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	£/shr	£2.38						
RENAV (Atax) - diluted	£/shr	£2.68						
Unrisked NAV (Atax) - diluted	£/shr	£4.10						
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	£1.40	£1.40	£1.40	£1.40	£1.40	£1.40
P/CF	x	29.9x	3.3x	1.9x	1.6x	1.9x	2.9x	4.8x
EV/DACF	x	8.9x	2.8x	2.0x	1.2x	1.0x	1.0x	1.4x
Target EV/DACF	x	39.2x	7.0x	3.9x	2.7x	2.8x	3.8x	6.1x
EV per boe/d	\$/boepd	\$26,761	\$22,648	\$22,265	\$12,513	\$9,482	\$7,173	\$6,694
EV per 2P boe	US\$/boe	\$7.65	\$6.14	\$6.73	\$5.41	\$3.79	\$2.58	\$2.13
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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 21-May-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)			55	55	0.10	0.10	4%
G&A			-77	-77	-0.15	-0.15	-5%
<b>Bruce Hub 2P (NNS)</b>	70		<b>380</b>	<b>380</b>	<b>0.72</b>	<b>0.72</b>	<b>27%</b>
<b>Triton Hub 2P (CNS)</b>	42		<b>636</b>	<b>636</b>	<b>1.21</b>	<b>1.21</b>	<b>45%</b>
<b>Other assets</b>							
Orlando 2P (NNS)	2		36	36	0.07	0.07	3%
Columbus 2P (CNS)	2		13	13	0.02	0.02	1%
Erskine 2P (CNS)	3		24	24	0.04	0.04	2%
<b>Bruce Hub 2C Resources (NNS)</b>							
BKR 2C resources	33	75%	182	137	0.26	0.35	10%
<b>Triton Hub 2C Resources (CNS)</b>							
Kyle redevelopment 2C	11	75%	60	45	0.09	0.12	3%
<b>Total Core NAV</b>			<b>1,309</b>	<b>1,248</b>	<b>2.38</b>	<b>2.49</b>	<b>89%</b>
<b>Buchan area (OMF)</b>							
Buchan main 2C	21	60%	115	69	0.13	0.22	5%
J2 2C	3	30%	16	5	0.01	0.03	0%
Verbier 2C	6	30%	33	10	0.02	0.06	1%
<b>Triton Hub (CNS)</b>							
Remaining 2C Resources	5	20%	29	6	0.01	0.05	0%
<b>Other assets</b>							
Mansell redevelopment 2C	9	0%	49	0	0.00	0.09	0%
Skerryvore Exploration Mey target (Shallow)	37	7%	200	14	0.03	0.38	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	400	54	0.10	0.76	4%
<b>Total Risked Appraisal &amp; Exploration</b>			<b>842</b>	<b>157</b>	<b>0.30</b>	<b>1.60</b>	<b>11%</b>
<b>Total NAV</b>			<b>2151</b>	<b>1405</b>	<b>2.67</b>	<b>4.09</b>	<b>100%</b>
<b>P/Core NAV</b>				<b>53%</b>			
<b>P/NAV</b>				<b>47%</b>			
<b>P/Unrisked NAV</b>				<b>31%</b>			

Source: Auctus Advisors, Company Disclosures

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