

SERICA ENERGY PLC (AIM: SQZ)

November 30, 2025

Share price: £1.80

Target: £3.05

UK budget neutral for Serica

- Average 3Q25 production was 27.5 mboe/d, comprising 15.4 mboe/d from Bruce, 7.7 mboe/d from Triton, and 4.4 mboe/d from other assets. This performance is in line with expectations, given issues at Triton, that are now solved, were previously flagged.
- Production at the Bruce hub is above 20 mboe/d, though output was temporarily curtailed to ~16 mboe/d in October.
- Portfolio production had rebounded to once again be over 50,000 boe/d, of which Triton was 25.3 mboe/d ahead of planned subsea work that commenced on 23 November. As previously guided, production will be minimal during this work, which is expected to conclude by mid-December.
- November's Triton output was achieved using a single compressor, limiting throughput to 25–30 mboe/d. Testing of the second compressor is underway, and once operational will provide redundancy and potential uplift. Additional upside exists from the Belinda development, though for now we assume ~19 mboe/d average net production from Triton in 1H26.
- At end-September, Serica held ~US\$41 mm in cash and had borrowings of US\$231 mm.
- The company guides for 27–28 mboe/d of production in 2025, with capex of ~US\$250 mm. Our FY25 projections are broadly unchanged, with net debt expected at ~US\$175 mm at year-end.
- While the UK budget has no direct impact on forecasts, it could create incremental M&A opportunities for Serica. With Triton production normalizing and Prax assets contributing from late 2025, Serica is positioned to return to growth in 2026. We reiterate our target price of £3.05 per share.

Reflections of the UK budget

The sunset date for the EPL remains 2030. Beyond that point, or earlier if commodity prices fall below the EPL threshold, the EPL will be replaced by the Oil and Gas Price Mechanism (OGPM). The OGPM will tax the proportion of revenue earned above the inflation-adjusted thresholds of US\$90/bbl and £0.90/therm, at a tax rate of 35%. For 2030, this equates to ~US\$97.6/bbl for Brent and ~£0.98/therm. These thresholds are well above our assumptions (US\$70/bbl Brent and £0.84/therm NBP), meaning the OGPM has no impact on our valuation. With regards to licensing, the new regime will have no effect on Serica's existing portfolio, planned developments, or its growth strategy, which remains centered on near-field appraisal and development around established hubs.

Valuation and financials

Our Core NAV and ReNAV are £2.74 and £3.02 per share respectively.

Rating & target		Old	New	
Target		£3.05	n.c.	
Yield			9%	
Implied total return			80%	
Share data		2024	2025e	2026e
Shares dil., mm		404	404	404
Mkt cap, US\$mm		\$687	\$968	\$971
EV, US\$mm		\$758	\$1,142	\$755
Financial Data		2024	2025e	2026e
Gas, mmcf/d		111.4	93.2	118.8
Liquids, bbl/d		15,394	11,371	25,424
Total boe/d (6:1)		34,600	27,434	45,903
CFO, US\$mm		\$243	\$232	\$531
Net capex, US\$mm		\$254	\$263	\$57
Net debt, US\$mm*		\$71	\$175	(\$217)
CFPS dil., US\$/shr		\$0.53	\$0.69	\$1.41
EPS dil., US\$/shr		\$0.24	(\$0.17)	\$1.06
Valuation		2024	2025e	2026e
Share price, £/shr		£1.35	£1.82	£1.82
EV/DACF		2.7x	4.5x	1.4x
EV per boe/d (US\$)		\$21,912	\$41,636	\$16,440
Net asset value				
CNAV, £/shr				£2.74
RENAV, £/shr				£3.02
Unrisked NAV, £/shr				£4.38
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	GBp90	GBp84	GBp84	GBp84	GBp84
UK NBP	US\$/mcf	\$10.55	\$11.88	\$11.09	\$11.09	\$11.09	\$11.09
USD / GBP	US\$/£	\$1.26	\$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
Natural Gas	mmcf/d	111.4	93.2	118.8	133.4	130.5	118.7
Total (6 mcf = 1 boe)	boe/d	34,600	27,434	45,903	44,049	41,188	36,609
% Oil and Liquids	%	44%	41%	55%	48%	45%	44%
Netbacks							
Revenue	US\$/boe	\$57.58	\$64.27	\$62.80	\$62.89	\$62.41	\$62.19
Royalties	US\$/boe	\$0.54	\$0.66	\$0.60	\$0.50	\$0.40	\$0.45
Production & Transport Costs	US\$/boe	\$24.54	\$35.00	\$25.85	\$23.82	\$24.14	\$25.67
Operating Netback	US\$/boe	\$34.98	\$34.78	\$36.47	\$38.57	\$37.86	\$36.07
Taxes	US\$/boe	\$1.10	\$0.85	\$2.65	\$6.39	\$19.37	\$18.50
Cash Flow Netback	US\$/boe	\$22.30	\$25.43	\$33.03	\$32.02	\$21.21	\$14.82
Government Take	%	2%	1%	4%	10%	31%	30%
Financials							
Cash Flow from Ops. before tax and fin. Costs (CFO)	US\$mm	\$434	\$263	\$590	\$598	\$547	\$460
CFO less current tax	US\$mm	\$420	\$155	\$546	\$495	\$256	\$213
CFO less cash tax and fin. Costs	US\$mm	\$243	\$232	\$531	\$493	\$297	\$176
CFPS - diluted	US\$/shr	\$0.53	\$0.69	\$1.41	\$1.31	\$0.81	\$0.50
EBITDAX	US\$mm	\$373	\$325	\$590	\$598	\$547	\$460
E&D Capex (incl. decom.)	US\$mm	\$251	\$250	\$108	\$178	\$2	\$2
A&D Capex, Net	US\$mm	\$3	\$13	(\$51)	\$4	\$0	\$0
Total Net Capex	US\$mm	\$254	\$263	\$57	\$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	\$175	(\$217)	(\$445)	(\$636)	(\$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	\$968	\$971	\$971	\$971	\$971
Enterprise Value	US\$mm	\$758	\$1,142	\$755	\$526	\$336	\$245
Dividends & Sustainability							
Dividends	US\$mm	\$113	\$83	\$83	\$83	\$104	\$83
Dividends	£/shr	£0.19	£0.16	£0.16	£0.20	£0.16	£0.16
Dividend Yield	%	10.4%	8.8%	8.8%	11.0%	8.8%	8.8%
Share Buybacks	US\$mm	\$19	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$mm	(\$8)	(\$18)	\$423	\$315	\$295	\$174
Cash returned to shareholders as % of CFO	%	54.5%	35.8%	15.6%	16.9%	35.0%	47.2%
Cash invested/CFO	%	104%	113%	11%	37%	1%	1%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	67%	-4%	-6%	-11%
PPS Growth (Y/Y) DDA - dil.	%	-32%	-30%	155%	34%	24%	21%
CFPS Growth (Y/Y) - dil.	%	444%	30%	104%	-7%	-38%	-38%
CFPS Growth (Y/Y) DDA - dil.	%	327%	14%	211%	30%	-18%	-15%
ROCE	%	13%	-10%	57%	42%	33%	27%
Net Asset Value							
CNAV (Atax) - diluted	£/shr	£2.74					
RENAV (Atax) - diluted	£/shr	£3.02					
Unrisked NAV (Atax) - diluted	£/shr	£4.38					
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	£1.82	£1.82	£1.82	£1.82	£1.82
P/CF	x	3.2x	3.5x	1.7x	1.8x	3.0x	4.8x
EV/DACF	x	2.7x	4.5x	1.4x	1.0x	1.1x	1.2x
Target EV/DACF	x	7.8x	6.6x	2.6x	2.3x	3.1x	4.5x
EV per boe/d	\$/boepd	\$21,912	\$41,636	\$16,440	\$11,951	\$8,146	\$6,681
EV per 2P boe	US\$/boe	\$5.94	\$9.71	\$7.48	\$5.22	\$3.33	\$2.42

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 27-Nov-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 (YE25)			-175	-175	-0.33	-0.33	-11%
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		429	429	0.82	0.82	27%
Triton Hub 2P (CNS)	42		761	761	1.45	1.45	48%
Greater Laggan Area 2P (NNS)	5		119	119	0.23	0.23	7%
Other assets							
Orlando 2P (NNS)	2		1	1	0.00	0.00	0%
Columbus 2P (CNS)	2		23	23	0.04	0.04	1%
Erskine 2P (CNS)	3		22	22	0.04	0.04	1%
Lancaster 2P (NNS)	3		-25	-25	-0.05	-0.05	-2%
Catcher and Golden Eagle Area 2P (CNS)	4		41	41	0.08	0.08	3%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	33	75%	224	168	0.32	0.43	11%
Triton Hub 2C Resources (CNS)							
Kyle redevelopment 2C	11	80%	74	60	0.11	0.14	4%
Greater Laggan Area 2C Resources (NNS)							
Tormore infill and Glendronach discovery	5	75%	36	27	0.05	0.07	2%
Total Core NAV			1,520	1,440	2.74	2.89	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%	87	22	0.04	0.16	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			782	146	0.28	1.49	9%
Total NAV			2302	1587	3.02	4.38	100%
P/Core NAV				78%			
P/NAV				71%			
P/Unrisked NAV				49%			

Source: Auctus Advisors, Company Disclosures

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The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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