

SERICA ENERGY PLC (AIM: SQZ)

March 26, 2026

Share price: £2.55

Target: £3.35

Increasing materiality with exposure to UK gas

- FY25 production and YE25 net debt were previously disclosed.
- FY26 guidance of 40+ mboe/d is reiterated. YE26 output remains guided at ~65 mboe/d.
- The guidance is unchanged despite 1Q26 production being impacted by a 24-day maintenance shut-in at Triton. Legacy assets still averaged 38.5 mboe/d YTD, rising to 50+ mboe/d after Triton resumed on 9 March.
- Adding the pro forma contributions from the recently acquired assets (not all the transactions are completed yet), production is running at ~70 mboe/d, underscoring the scale and depth of the enlarged portfolio.
- The GLA acquisition has closed, with a US\$56 m completion payment to Serica and ~5 mboe/d added. West of Shetland offers opportunities going forward, both through Serica's own production and third-party business at the Shetland Gas Plant.
- Given the strength of UK gas prices, there is potential for positive surprises in Serica's favour in the closing payments due on the remaining acquisitions (ONE-Dyas: 3Q26, Spirit Energy: 4Q26).
- Serica declared a £0.10/sh final dividend, bringing distributions for 2025 to £0.16/sh (~6.3% yield).
- With gas representing 54% of 2P reserves and 50–60% of 2026–27 production, Serica is uniquely positioned to take advantage of the current very high-price environment. At £1.08/th in 2026 (strip >£1.30/th), we forecast ~US\$185 m net **cash** at YE26 (vs US\$200 m net **debt** at YE25).
- Updating our forecasts and commodity assumptions, we raise our target price from £3.15/sh to £3.35/sh.

Reserves and resources addition

YE25 pro forma 2P reserves are estimated at 138.5 mmboe, a material increase of 19%, with 116.8 mmboe from the legacy assets. The company has almost entirely replaced its FY25 production through the booking of ~8.5 mmboe at Kyle. Additional infill opportunities have been identified at Bruce, adding 18.5 mmboe of 2C resources, while Wagtail contributes a further 8 mmboe of 2C resources. The reserves and resources additions showcase the depth of Serica's portfolio. We expect to hear more at a Capital Markets Day later next quarter.

Valuation

We have increased our Core NAV from £2.86/sh to £3.12/sh, while our ReNAV rises from £3.15/sh to £3.35/sh. This reflects updated Brent and NBP assumptions of US\$71/bbl and £0.89/th for 2027, US\$70/bbl and £0.81/th for 2028, and US\$70/bbl and £0.80/th thereafter. Under these forecasts, we expect Serica's cumulative free cash flow to 2030 to exceed its current enterprise value.

Rating & target	Old	New	
Target	£3.15	£3.35	
Yield		6%	
Implied total return		40%	
Share data	2025	2026e	2027e
Shares dil., mm	400	400	400
Mkt cap, US\$mm	\$921	\$1,353	\$1,353
EV, US\$mm	\$1,122	\$1,167	\$884
Financial Data	2025	2026e	2027e
Gas, mmcf/d	91.2	133.1	185.4
Liquids, bbl/d	11,852	22,357	22,270
Total boe/d (6:1)	27,577	45,306	54,243
CFO, US\$mm	\$224	\$619	\$540
Net capex, US\$mm	\$260	\$150	\$174
Net debt, US\$mm*	\$201	(\$186)	(\$468)
CFPS dil., US\$/shr	\$0.70	\$1.63	\$1.43
EPS dil., US\$/shr	(\$0.13)	\$1.00	\$0.84
Valuation	2025	2026e	2027e
Share price, £/shr	£1.75	£2.56	£2.56
EV/DACF	4.5x	1.8x	1.6x
EV per boe/d (US\$)	\$40,680	\$25,759	\$16,303
Net asset value			
CNAV, £/shr			£3.12
ReNAV, £/shr			£3.35
Unrisked NAV, £/shr			£4.72
P/CNAV			0.8x
P/ReNAV			0.8x
P/ENAV			0.5x

*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		2025	2026e	2027e	2028e	2029e	2030e
Commodity Prices							
Brent	US\$/bbl	\$69.47	\$76.25	\$71.23	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBp88	GBp108	GBp89	GBp81	GBp80	GBp80
UK NBP	US\$/mcf	\$11.55	\$14.19	\$11.71	\$10.72	\$10.56	\$10.56
USD / GBP	US\$/£	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
Production							
Oil and Liquids	bbl/d	11,852	22,357	22,270	19,065	16,465	14,074
Natural Gas	mmcf/d	91.2	133.1	185.4	176.6	159.5	125.5
Total (6 mcf = 1 boe)	boe/d	27,577	45,306	54,243	49,510	43,959	35,714
% Oil and Liquids	%	43%	49%	41%	39%	37%	39%
Netbacks							
Revenue	US\$/boe	\$59.75	\$75.60	\$65.41	\$61.21	\$60.36	\$60.50
Royalties	US\$/boe	\$0.80	\$0.61	\$0.41	\$0.33	\$0.38	\$0.46
Production & Transport Costs	US\$/boe	\$36.81	\$27.37	\$25.12	\$26.26	\$28.33	\$32.57
Operating Netback	US\$/boe	\$30.15	\$43.99	\$37.66	\$34.61	\$31.65	\$27.46
Taxes	US\$/boe	-\$6.29	\$4.16	\$9.15	\$14.50	\$13.28	\$3.31
Cash Flow Netback	US\$/boe	\$24.81	\$38.79	\$28.39	\$19.39	\$14.86	\$16.74
Government Take	%	-11%	6%	14%	24%	22%	5%
Financials							
Cash Flow from Ops. before tax and fin. Costs (CFO)	US\$m	\$186	\$688	\$706	\$585	\$468	\$318
CFO less current tax	US\$m	\$185	\$619	\$525	\$323	\$255	\$275
CFO less cash tax and fin. Costs	US\$m	\$224	\$619	\$540	\$328	\$216	\$196
CFPS - diluted	US\$/shr	\$0.70	\$1.63	\$1.43	\$0.89	\$0.61	\$0.55
EBITDAX	US\$m	\$277	\$688	\$706	\$585	\$468	\$318
E&D Capex (incl. decom.)	US\$m	\$262	\$204	\$170	\$55	\$32	\$112
A&D Capex, Net	US\$m	(\$2)	(\$54)	\$4	\$0	\$0	\$0
Total Net Capex	US\$m	\$260	\$150	\$174	\$55	\$32	\$112
Total Net Capex/CFO	x	1.2x	0.2x	0.3x	0.2x	0.1x	0.6x
Leverage							
Net Debt	US\$m	\$201	(\$186)	(\$468)	(\$659)	(\$760)	(\$761)
Entry Net Debt/CFO	x	0.3x	0.3x	n.a.	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	394	394	394	394	394	394
Diluted Shares o/s @ YE	mm	400	400	400	400	400	400
Market Capitalization	US\$m	\$921	\$1,353	\$1,353	\$1,353	\$1,353	\$1,353
Enterprise Value	US\$m	\$1,122	\$1,167	\$884	\$694	\$593	\$592
Dividends & Sustainability							
Dividends	US\$m	\$85	\$83	\$83	\$83	\$83	\$83
Dividends	£/sh	£0.16	£0.16	£0.16	£0.16	£0.16	£0.16
Dividend Yield	%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Share Buybacks	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$m	(\$38)	\$469	\$370	\$274	\$184	\$84
Cash returned to shareholders as % of CFO	%	37.9%	13.4%	15.4%	25.3%	38.4%	42.4%
Cash invested/CFO	%	116%	24%	32%	17%	15%	57%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-21%	64%	20%	-9%	-11%	-19%
PPS Growth (Y/Y) DDA - dil.	%	-31%	129%	52%	11%	5%	-11%
CFPS Growth (Y/Y) - dil.	%	32%	133%	-12%	-38%	-32%	205%
CFPS Growth (Y/Y) DDA - dil.	%	14%	224%	11%	-24%	-19%	-100%
ROCE	%	-8%	50%	43%	32%	26%	20%
Net Asset Value							
CNAV (Atax) - diluted	£/shr	£3.12					
RENAV (Atax) - diluted	£/shr	£3.35					
Unrisked NAV (Atax) - diluted	£/shr	£4.72					
P/CNAV	x	0.8x					
P/RENAV	x	0.8x					
P/Unrisked NAV	x	0.5x					
Valuation							
Share Price, YE/Current	£/shr	£1.75	£2.56	£2.56	£2.56	£2.56	£2.56
P/CF	x	3.3x	2.1x	2.4x	3.8x	5.6x	6.1x
EV/DACF	x	4.5x	1.8x	1.6x	2.0x	2.5x	2.7x
Target EV/DACF	x	7.1x	2.5x	2.3x	3.2x	4.2x	4.6x
EV per boe/d	\$/boepd	\$40,680	\$25,759	\$16,303	\$14,013	\$13,482	\$16,567
Proved Plus Probable		138	122	122	122	122	111
EV per 2P boe	US\$/boe	\$8.11	\$9.58	\$7.26	\$5.69	\$4.86	\$5.35

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 25-Mar-26

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Riskd £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			186	186	0.35	0.35	10%
Dividend 2026			83	83	0.16	0.16	5%
G&A			-120	-120	-0.23	-0.23	-7%
Unused tax losses (Parkmead)			54	54	0.10	0.10	3%
Bruce Hub 2P (NNS)	61		339	339	0.64	0.64	19%
Triton Hub 2P (CNS)							
Production	39		539	539	1.02	1.02	30%
Kyla	11		64	64	0.12	0.12	4%
Greater Laggan Area 2P (NNS)	4		13	13	0.02	0.02	1%
Southern North Sea Hub	14		181	181	0.34	0.34	10%
Other assets							
Orlando 2P (NNS)	1		-10	-10	-0.02	-0.02	-1%
Columbus 2P (CNS)	2		13	13	0.02	0.02	1%
Erskine 2P (CNS)	2		-6	-6	-0.01	-0.01	0%
Lancaster 2P (NNS)	1		-20	-20	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	3		-2	-2	0.00	0.00	0%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	56	80%	296	237	0.45	0.56	13%
Triton Hub 2P Resources (CNS)							
Infill drilling 2C	11	75%	88	66	0.13	0.17	4%
Greater Laggan Area 2C Resources (NNS)							
Tormore infill and Glendronach discovery	5	75%	45	34	0.06	0.09	2%
Total Core NAV			1,742	1,649	3.12	3.30	93%
Buchan area (OMF)							
Buchan main 2C	23	25%	104	26	0.05	0.20	1%
J2 2C	3	25%	14	3	0.01	0.03	0%
Verbier 2C	3	25%	15	4	0.01	0.03	0%
Triton Hub (CNS)							
Remaining 2C Resources (including Wagtail)	9	25%	71	18	0.03	0.14	1%
Southern North Sea Hub							
2C resources	3	35%	43	15	0.03	0.08	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%	168	11	0.02	0.32	1%
Skerryvore Exploration Chalk target (Deep)	73	14%	335	45	0.09	0.63	3%
Total Risked Appraisal & Exploration			750	123	0.23	1.42	7%
Total NAV			2492	1772	3.35	4.72	100%
P/Core NAV					82%		
P/NAV					76%		
P/Unrisked NAV					54%		

Source: Auctus Advisors, Company Disclosures

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