SERICA ENERGY PLC (AIM: SQZ)

August 05, 2025

Share price: £1.57
Target: £2.70

Robust 1H25 cashflow ahead of production boost in 2H25. Dividend in line.

- While 1H25 production was only 24.7 mboe/d with BKR producing 16.7 mboe/d, Serica's FY25 production guidance of 33-35 mboe/d implies a significant 2H25 uplift to 41.3–45.3 mboe/d, as Triton ramps up to full production and BKR rebounds. We continue to forecast 4Q25 production of ~48 mboe/d, supported by expected contributions of 21–22 mboe/d from BKR and ~25 mboe/d from Triton.
- Production in 2H25 will benefit from new wells coming onstream as a result of Triton drilling, with five successful well delivered nearly a month ahead of schedule and ~US$31 mm under budget. We maintain our 2026 production forecast of ~43 mboe/d, as the Belinda field comes online, now expected at the start of 2026.
- FY25 capex is now expected to be at the upper end of the US$220–250 mm guidance range, partly driven by £ strength against the US$ and the acceleration of early FY26 Belinda-related spend into the 2025 budget.
- Net debt declined to US$57 mm at end-June, representing a reduction of US$26 mm since YE24. While this improvement was boosted by a US$71 mm cash tax refund received in June 2025 (attributable to 2024 group relief), it is an encouraging outcome given elevated capex and the prolonged production outage at Triton since January.
- Despite anticipated dividend payments exceeding US$80 mm in 2H25, and a return to tax payments, we forecast YE25 net debt to remain broadly in line with end-June levels. We forecast FY25 free cash flow in excess of US$120 mm.
- We reiterate our target price of £2.70 per share. The total 2025 dividends to be paid in 2025 is £0.16 per share (implying a ~10% yield). With lower capex and higher production volumes anticipated in 2026, Serica could generate free cash flow in excess of US$300 mm.

Reflections on operations

In addition to reduced production at Rhum in January and unscheduled downtime in May due to maintenance on the export pipeline, BKR production was also constrained due to the main oil line booster pump being offline for the majority of the period. The booster pump was replaced in June, and BKR production averaged 21.6 mboe/d in July. 1H25 production of 2.1 mboe/d at Erskine was very high, offsetting lower volumes at Orlando (1.9 mboe/d). No surprise, the Mansell licence will be relinquished (we did not carry any value for Mansell). Development activities at BKR and Kyle are expected to start in late 2026/early 2027 (in line).

Valuation

Our forecasts are broadly unchanged. Our Core NAV and ReNAV are £2.41 per share and £2.71 per share respectively.

Rating & target		Old	New
Target		£2.70	n.c.
Yield			10%
Implied total return			87%
Share data	**2024**	**2025e**	**2026e**
Shares dil., mm	404	404	404
Mkt cap, US$mm	$800	$828	$825
EV, US$mm	$870	$858	$596
Financial Data	**2024**	**2025e**	**2026e**
Gas, mmcf/d	111.4	105.2	115.5
Liquids, bbl/d	15,394	15,825	23,303
Total boe/d (6:1)	34,600	33,967	43,216
CFO, US$mm	$243	$373	$445
Net capex, US$mm	$254	$261	$104
Net debt, US$mm*	$71	$30	($229)
CFPS dil., US$/shr	$0.53	$1.09	$1.19
EPS dil., US$/shr	$0.24	$0.18	$0.83
Valuation	**2024**	**2025e**	**2026e**
Share price, £/shr	£1.57	£1.57	£1.57
EV/DACF	3.1x	2.2x	1.3x
EV per boe/d (US$)	$25,150	$25,269	$13,801
Net asset value			
CNAV, £/shr			£2.41
RENAV, £/shr			£2.71
Unrisked NAV, £/shr			£4.04
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			**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**
Commodity Prices									
Brent		US$/bbl	$82.99	$79.90	$68.73	$70.00	$70.00	$70.00	$70.00
UK NBP		p/th	GBp114	GBp84	GBp90	GBp82	GBp82	GBp82	GBp82
UK NBP		US$/mcf	$14.26	$10.55	$11.80	$10.72	$10.72	$10.72	$10.72
USD / GBP		US$/£	$1.25	$1.26	$1.31	$1.30	$1.30	$1.30	$1.30
Production									
Oil and Liquids		bbl/d	20,318	15,394	15,825	23,303	19,000	16,063	13,899
Natural Gas		mmcf/d	103.0	111.4	105.2	115.5	119.1	113.0	102.3
Total (6 mcf = 1 boe)		boe/d	40,121	34,600	33,967	43,216	39,539	35,547	31,530
% Oil and Liquids		%	51%	44%	47%	54%	48%	45%	44%
Netbacks									
Revenue		US$/boe	$61.46	$57.58	$64.28	$62.56	$61.76	$61.17	$60.97
Royalties		US$/boe	$0.63	$0.54	$0.53	$0.64	$0.56	$0.47	$0.53
Production & Transport Costs		US$/boe	$21.05	$24.54	$26.83	$19.84	$20.30	$22.58	$25.46
Operating Netback		US$/boe	$43.20	$34.98	$41.73	$42.07	$40.90	$38.12	$34.99
Taxes		US$/boe	$17.80	$1.10	$1.71	$12.28	$12.18	$19.68	$19.27
Cash Flow Netback		US$/boe	$9.45	$22.30	$31.95	$29.58	$26.79	$18.79	$12.83
Government Take		%	29%	2%	3%	20%	20%	32%	32%
Financials									
Cash Flow from Ops. before tax and fin. Costs (CFO)		US$mm	$469	$434	$417	$642	$568	$473	$381
CFO less current tax		US$mm	$240	$420	$280	$448	$393	$217	$159
CFO less cash tax and fin. Costs		US$mm	$98	$243	$373	$445	$365	$222	$126
CFPS - diluted		US$/shr	$0.10	$0.53	$1.09	$1.19	$0.98	$0.62	$0.38
EBITDAX	a	US$mm	$512	$373	$494	$642	$568	$473	$381
E&D Capex (incl. decom.)		US$mm	$78	$251	$250	$100	$116	$0	$0
A&D Capex, Net		US$mm	$57	$3	$11	$4	$4	$0	$0
Total Net Capex		US$mm	$135	$254	$261	$104	$120	$0	$0
Total Net Capex/CFO		x	1.4x	1.0x	0.7x	0.2x	0.3x	0.0x	0.0x
Leverage									
Net Debt		US$mm	($92)	$71	$30	($229)	($392)	($511)	($555)
Entry Net Debt/CFO		x	n.a.	n.a.	0.2x	0.1x	n.a.	n.a.	n.a.
Capital Structure									
Basic Shares o/s @ YE		mm	391	393	394	394	394	394	394
Diluted Shares o/s @ YE		mm	402	404	404	404	404	404	404
Market Capitalization		US$mm	$1,166	$800	$828	$825	$825	$825	$825
Enterprise Value		US$mm	$1,074	$870	$858	$596	$433	$314	$270
Dividends & Sustainability									
Dividends		US$mm	$110	$113	$82	$82	$82	$102	$82
Dividends		£/sh	£0.23	£0.19	£0.16	£0.16	£0.20	£0.16	£0.16
Dividend Yield		%	14.6%	12.1%	10.2%	10.2%	12.7%	10.2%	10.2%
Share Buybacks		US$mm	$0	$19	$0	$0	$0	$0	$0
Free Cash Flow		US$mm	$19	($8)	$123	$345	$249	$222	$126
Cash returned to shareholders as % of CFO		%	113.0%	54.5%	21.9%	18.4%	22.5%	46.1%	65.1%
Cash invested/CFO		%	138%	104%	70%	23%	33%	0%	0%
Performance									
Prod. Per Shr Growth (Y/Y) - dil.		%		-27%	-2%	27%	-9%	-10%	-11%
PPS Growth (Y/Y) DDA - dil.	b	%		-32%	-2%	79%	28%	15%	6%
CFPS Growth (Y/Y) - dil.		%		444%	105%	9%	-17%	-37%	-39%
CFPS Growth (Y/Y) DDA - dil.	b	%		329%	104%	53%	16%	-19%	-27%
ROCE		%		13%	10%	43%	34%	26%	18%
Net Asset Value	c								
CNAV (Atax) - diluted		£/shr	£2.41						
RENAV (Atax) - diluted		£/shr	£2.71						
Unrisked NAV (Atax) - diluted		£/shr	£4.04						
P/CNAV		x	0.7x						
P/RENAV		x	0.6x						
P/Unrisked NAV		x	0.4x						
Valuation			**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**
Share Price, YE/Current		£/shr	£2.32	£1.57	£1.57	£1.57	£1.57	£1.57	£1.57
P/CF		x	29.9x	3.7x	1.9x	1.7x	2.1x	3.3x	5.4x
EV/DACF		x	8.9x	3.1x	2.2x	1.3x	1.1x	1.3x	1.8x
Target EV/DACF		x	39.2x	7.0x	3.4x	2.6x	2.7x	3.7x	5.8x
EV per boe/d		$/boepd	$26,761	$25,150	$25,269	$13,801	$10,956	$8,826	$8,561
EV per 2P boe		US$/boe	$7.65	$6.82	$7.45	$5.99	$4.35	$3.15	$2.71

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 4-Aug-25

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US$ mm)	EMV (US$ mm)	Risked £/Share	Unrisked £/Share	% Total
Net Cash + Div 2025 (YE25)			52	52	0.10	0.10	4%
G&A			-77	-77	-0.15	-0.15	-5%
Bruce Hub 2P (NNS)	70		**382**	**382**	**0.73**	**0.73**	**27%**
Triton Hub 2P (CNS)	42		**661**	**661**	**1.26**	**1.26**	**46%**
Other assets							
Orlando 2P (NNS)	2		33	33	0.06	0.06	2%
Columbus 2P (CNS)	2		15	15	0.03	0.03	1%
Erskine 2P (CNS)	3		20	20	0.04	0.04	1%
Bruce Hub 2C Resources (NNS)							
BKR 2C resources	33	75%	183	137	0.26	0.35	10%
Triton Hub 2C Resources (CNS)							
Kyle redevelopment 2C	11	75%	61	46	0.09	0.12	3%
Total Core NAV			**1,328**	**1,267**	**2.41**	**2.53**	**89%**
Buchan area (OMF)							
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%
Triton Hub (CNS)							
Remaining 2C Resources	5	20%	29	6	0.01	0.06	0%
Other assets							
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%
Total Risked Appraisal & Exploration			**793**	**157**	**0.30**	**1.51**	**11%**
Total NAV			**2121**	**1424**	**2.71**	**4.04**	**100%**
P/Core NAV				**65%**			
P/NAV				**58%**			
P/Unrisked NAV				**39%**			

Source: Auctus Advisors, Company Disclosures

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