

# SERICA ENERGY PLC (AIM: SQZ)

April 24, 2026

Share price: £2.71

**Target: £3.35**

## Potential bond issue to increase liquidity

- Serica is evaluating a potential bond issue in the Nordic market. Given its strong balance sheet and high free cash flow (net debt has been reduced from ~US\$200 mm at YE25 to US\$78 mm), we view this as a shrewd tactical move to take advantage of favourable bond-market conditions.
- Proceeds would be used to repay drawings under the existing US\$525 mm RBL and so would not increase debt, while leaving the full undrawn amount of the RBL available, therefore materially increasing available liquidity for Serica's next phase of growth and insulating the company from commodity-price volatility.
- Serica has an exciting portfolio of growth options, with the focus on rapid-return projects, such as Bruce infill drilling, which has the potential to go from drilling to production in 12-18 months. We expect greater clarity on the organic growth outlook at the Capital Markets Day, scheduled for 2 June.
- As well as future-proofing the balance sheet for the organic growth phase, the undrawn RBL would preserve acquisition firepower for opportunistic deals as the company continues to seek value accretive M&A opportunities.
- The portfolio has generated strong cash flow year-to-date, reducing net debt by US\$122 mm and putting Serica on track to move into a net-cash position by mid-year. This is a positive story for credit investors, and we believe that pricing on a new bond could be comparable to the current RBL.
- We re-iterate our target price of £3.35 per share.

## High production

Production was 39.1 mboe/d in 1Q26, increasing 25.6% to 49.1 mboe/d so far in 2Q26. The FY26 production guidance of "significantly over 40 mboe/d" is unchanged.

## Valuation

Our Core NAV and ReNAV stand at £3.07/sh and £3.30/sh, based on Brent and NBP assumptions of US\$76/bbl and £1.08/th for 2026, US\$71/bbl and £0.89/th for 2029, and US\$70/bbl and £0.80–0.81/th thereafter. We forecast that Serica could hold ~US\$145 mm in **net cash** by YE26 (YE25: ~US\$200 mm **net debt**).

Rating & target	Old	New	
Target	£3.35	n.c.	
Yield		6%	
Implied total return		32%	
Share data	2025	2026e	2027e
Shares dil., mm	400	402	402
Mkt cap, US\$m	\$921	\$1,438	\$1,438
EV, US\$m	\$1,122	\$1,292	\$985
Financial Data	2025	2026e	2027e
Gas, mmcf/d	91.2	131.3	185.4
Liquids, bbl/d	11,852	21,287	22,381
Total boe/d (6:1)	27,577	43,931	54,349
CFO, US\$m	\$224	\$579	\$562
Net capex, US\$m	\$260	\$150	\$172
Net debt, US\$m*	\$201	(\$146)	(\$453)
CFPS dil., US\$/shr	\$0.70	\$1.53	\$1.48
EPS dil., US\$/shr	(\$0.13)	\$0.90	\$0.91
Valuation	2025	2026e	2027e
Share price, £/shr	£1.75	£2.71	£2.71
EV/DACF	4.5x	2.1x	1.7x
EV per boe/d (US\$)	\$40,680	\$29,414	\$18,127
Net asset value			
CNAV, £/shr			£3.07
RENAV, £/shr			£3.30
Unrisked NAV, £/shr			£4.66
P/CNAV			0.9x
P/RENAV			0.8x
P/ENAV			0.6x

*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	2025	2026e	2027e	2028e	2029e	2030e
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$79.90	\$69.47	\$76.25	\$71.23	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBP84	GBP88	GBP108	GBP89	GBP81	GBP80	GBP80
UK NBP	US\$/mcf	\$10.55	\$11.55	\$14.19	\$11.71	\$10.72	\$10.56	\$10.56
USD / GBP	US\$/£	\$1.26	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
<b>Production</b>								
Oil and Liquids	bbl/d	15,394	11,852	21,287	22,381	19,150	16,529	14,126
Natural Gas	mmcf/d	111.4	91.2	131.3	185.4	176.5	159.3	125.2
Total (6 mcf = 1 boe)	boe/d	34,600	27,577	43,931	54,349	49,576	43,989	35,719
% Oil and Liquids	%	44%	43%	48%	41%	39%	38%	40%
<b>Netbacks</b>								
Revenue	US\$/boe	\$57.58	\$59.75	\$75.47	\$65.43	\$61.23	\$60.38	\$60.53
Royalties	US\$/boe	\$0.54	\$0.80	\$0.63	\$0.41	\$0.33	\$0.38	\$0.46
Production & Transport Costs	US\$/boe	\$24.54	\$36.81	\$28.22	\$24.42	\$25.73	\$27.44	\$31.11
Operating Netback	US\$/boe	\$34.98	\$30.15	\$42.88	\$38.39	\$35.17	\$32.56	\$28.95
Taxes	US\$/boe	\$1.10	-\$6.29	\$4.30	\$8.64	\$14.72	\$13.70	\$3.26
Cash Flow Netback	US\$/boe	\$22.30	\$24.81	\$37.51	\$29.45	\$19.99	\$15.41	\$18.08
Government Take	%	2%	-11%	6%	13%	24%	23%	5%
<b>Financials</b>								
Cash Flow from Ops. before tax and fin. Costs	US\$m	\$434	\$186	\$648	\$722	\$596	\$483	\$337
CFO less current tax	US\$m	\$420	\$185	\$579	\$550	\$330	\$263	\$295
CFO less cash tax and fin. Costs	US\$m	\$243	\$224	\$579	\$562	\$339	\$225	\$214
CFPS - diluted	US\$/shr	\$0.53	\$0.70	\$1.53	\$1.48	\$0.92	\$0.63	\$0.60
EBITDAX	US\$m	\$373	\$277	\$648	\$722	\$596	\$483	\$337
E&D Capex (incl. decom.)	US\$m	\$251	\$262	\$204	\$168	\$53	\$27	\$111
A&D Capex, Net	US\$m	\$3	(\$2)	(\$54)	\$4	\$0	\$0	\$0
Total Net Capex	US\$m	\$254	\$260	\$150	\$172	\$53	\$27	\$111
Total Net Capex/CFO	x	1.0x	1.2x	0.3x	0.3x	0.2x	0.1x	0.5x
<b>Leverage</b>								
Net Debt	US\$m	\$71	\$201	(\$146)	(\$453)	(\$657)	(\$772)	(\$791)
Entry Net Debt/CFO	x	n.a.	0.3x	0.3x	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>								
Basic Shares o/s @ YE	mm	393	394	394	394	394	394	394
Diluted Shares o/s @ YE	mm	404	400	402	402	402	402	402
Market Capitalization	US\$m	\$687	\$921	\$1,438	\$1,438	\$1,438	\$1,438	\$1,438
Enterprise Value	US\$m	\$758	\$1,122	\$1,292	\$985	\$781	\$666	\$647
<b>Dividends &amp; Sustainability</b>								
Dividends	US\$m	\$113	\$85	\$83	\$83	\$83	\$83	\$83
Dividends	£/sh	£0.19	£0.16	£0.16	£0.16	£0.16	£0.16	£0.16
Dividend Yield	%	7.0%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Share Buybacks	US\$m	\$19	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$m	(\$8)	(\$38)	\$429	\$394	\$287	\$198	\$103
Cash returned to shareholders as % of CFO	%	54.5%	37.9%	14.3%	14.8%	24.5%	36.9%	38.9%
Cash invested/CFO	%	104%	116%	26%	31%	15%	12%	52%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	59%	24%	-9%	-11%	-19%
PPS Growth (Y/Y) DDA - dil.	%	-32%	-31%	113%	57%	10%	5%	-8%
CFPS Growth (Y/Y) - dil.	%	444%	32%	119%	-3%	-38%	-32%	230%
CFPS Growth (Y/Y) DDA - dil.	%	327%	14%	192%	24%	-25%	-19%	7%
ROCE	%	13%	-8%	45%	47%	33%	28%	22%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	£/shr	£3.07						
RENAV (Atax) - diluted	£/shr	£3.30						
Unrisked NAV (Atax) - diluted	£/shr	£4.66						
P/CNAV	x	0.9x						
P/RENAV	x	0.8x						
P/Unrisked NAV	x	0.6x						
<b>Valuation</b>								
Share Price, YE/Current	£/shr	£1.35	£1.75	£2.71	£2.71	£2.71	£2.71	£2.71
P/CF	x	3.2x	3.3x	2.3x	2.4x	3.9x	5.7x	6.0x
EV/DACF	x	2.7x	4.5x	2.1x	1.7x	2.2x	2.7x	2.7x
Target EV/DACF	x	8.6x	7.1x	2.7x	2.3x	3.1x	4.1x	4.2x
EV per boe/d	\$/boepd	\$21,912	\$40,680	\$29,414	\$18,127	\$15,760	\$15,145	\$18,106
Proved Plus Probable		128	138	122	103	84	68	55
EV per 2P boe	US\$/boe	\$5.94	\$8.11	\$10.56	\$9.61	\$9.25	\$9.74	\$11.69

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

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 23-Apr-26

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Riskd £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			146	146	0.27	0.27	8%
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%
<b>Bruce Hub 2P (NNS)</b>	<b>61</b>		<b>338</b>	<b>338</b>	<b>0.64</b>	<b>0.64</b>	<b>19%</b>
<b>Triton Hub 2P (CNS)</b>							
Production	39		546	546	1.03	1.03	31%
Kyla	11		64	64	0.12	0.12	4%
<b>Greater Laggan Area 2P (NNS)</b>	<b>4</b>		<b>12</b>	<b>12</b>	<b>0.02</b>	<b>0.02</b>	<b>1%</b>
<b>Southern North Sea Hub</b>	<b>14</b>		<b>180</b>	<b>180</b>	<b>0.34</b>	<b>0.34</b>	<b>10%</b>
<b>Other assets</b>							
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		7	7	0.01	0.01	0%
<b>Bruce Hub 2C Resources (NNS)</b>							
BKR 2C resources	56	80%	296	237	0.45	0.56	14%
<b>Triton Hub 2P Resources (CNS)</b>							
Infill drilling 2C	11	75%	91	68	0.13	0.17	4%
<b>Greater Laggan Area 2C Resources (NNS)</b>							
Tormore infill and Glendronach discovery	5	75%	47	35	0.07	0.09	2%
<b>Total Core NAV</b>			<b>1,721</b>	<b>1,627</b>	<b>3.07</b>	<b>3.24</b>	<b>93%</b>
<b>Buchan area (OMF)</b>							
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%
<b>Triton Hub (CNS)</b>							
Remaining 2C Resources (including Wagtail)	9	25%	74	18	0.03	0.14	1%
<b>Southern North Sea Hub</b>							
2C resources	3	35%	42	15	0.03	0.08	1%
<b>Greater Laggan Area (NNS)</b>							
Prospective Resources	475	0%	0	0	0.00	0.00	0%
<b>Other assets</b>							
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%
<b>Total Risked Appraisal &amp; Exploration</b>			<b>752</b>	<b>123</b>	<b>0.23</b>	<b>1.42</b>	<b>7%</b>
<b>Total NAV</b>			<b>2473</b>	<b>1750</b>	<b>3.30</b>	<b>4.66</b>	<b>100%</b>
<b>P/Core NAV</b>					<b>87%</b>		
<b>P/NAV</b>					<b>81%</b>		
<b>P/Unrisked NAV</b>					<b>57%</b>		

Source: Auctus Advisors, Company Disclosures

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