SERICA ENERGY PLC (AIM: SQZ)

October 19, 2026

Share price: £2.80
Target: £3.45

Solid 3Q26 production; Triton maintenance extended. Busy 2027

- 3Q26 WI production was ~22 mboe/d, above our forecast of 20.9 mboe/d.
- This was supported by the performance of assets acquired in 2026. Despite the Lancaster shut-in in May, West of Shetland production was a robust 4.5 mboe/d. 3Q26 West of Shetland volumes are mostly gas, which benefits from higher realisations and less hedging than oil.
- The newly acquired Southern North Sea assets are set to boost 4Q26 production and revenues. However, The Triton maintenance period has been extended to the end of November to replace an engine on one of the power generation units. The result is that Serica now expects FY26 production of just below 40 mboe/d. We forecast ~38 mboe/d, 2 mboe/d below our previous estimate.
- The impact on our YE26 net cash estimate is limited (–US$8 mm). This reflects robust gas production from West of Shetland and ~12 mboe/d of SNS gas production from 1 October, and strong UK gas prices relative to Brent. Serica has reiterated FY26 CFFO guidance of US$450–475 mm.
- Serica's shares are expected to move to the Main Market of the London Stock Exchange by the end of October, with FTSE 250 inclusion to follow. We expect this to broaden demand for the shares. We reiterate our target price of £3.45 per share, in line with our ReNAV.

Rating & target		Old	New
Target		£3.45	n.c.
Yield			6%
Implied total return			31%
Share data	**2025**	**2026e**	**2027e**
Shares dil., mm	400	402	402
Mkt cap, US$mm	$921	$1,486	$1,486
EV, US$mm	$1,122	$1,483	$1,354
Financial Data	**2025**	**2026e**	**2027e**
Gas, mmcf/d	91.2	124.3	170.2
Liquids, bbl/d	11,852	16,837	19,027
Total boe/d (6:1)	27,577	38,264	48,370
CFO, US$mm	$224	$447	$630
Net capex, US$mm	$260	$146	$422
Net debt, US$mm*	$201	($2)	($132)
CFPS dil., US$/shr	$0.70	$1.33	$1.66
EPS dil., US$/shr	($0.13)	$0.11	$0.63
Valuation	**2025**	**2026e**	**2027e**
Share price, £/shr	£1.75	£2.80	£2.80
EV/DACF	4.5x	3.2x	2.1x
EV per boe/d (US$)	$40,680	$38,761	$27,984
Net asset value			
CNAV, £/shr			£3.23
RENAV, £/shr			£3.46
Unrisked NAV, £/shr			£4.99
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*

A busy 2027

The start of the Bruce infill campaign (3Q27) and FIDs at Glendronach and Kyla had been flagged previously. Serica now also expects to drill the high-impact Skerryvore prospect (70% WI) in 2027. Skerryvore is estimated to hold 135 mmboe of gross unrisked prospective resources in two reservoirs, within tie-back distance of existing infrastructure with multiple host options. Our unrisked NAV is £0.17 per share for the shallow target and £0.99 per share for the deep target.

Valuation

Our Core NAV is £3.23 per share and our ReNAV £3.46 per share. We estimate that Serica's cumulative free cash flow over 2027–2030 will equate to ~90% of its YE26 enterprise value. This assumes Brent at US$70/bbl from 3Q27, and NBP at 89p/therm in 2028 and 80p/therm thereafter.

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See final two pages for important disclosures

Figure 1. Financial & operating information

Serica Energy (SQZ LN)		Historical & Auctus Outlook						
Financial & Operating Information		**2024**	**2025**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Commodity Prices								
Brent	US$/bbl	$79.90	$69.47	$84.59	$73.71	$70.00	$70.00	$70.00
UK NBP	p/th	GBp84	GBp88	GBp134	GBp110	GBp89	GBp80	GBp80
UK NBP	US$/mcf	$10.55	$11.55	$17.69	$14.50	$11.70	$10.56	$10.56
USD / GBP	US$/£	$1.26	$1.32	$1.32	$1.32	$1.32	$1.32	$1.32
Production								
Oil and Liquids	bbl/d	15,394	11,852	16,837	19,027	19,796	23,947	25,261
Natural Gas	mmcf/d	111.4	91.2	124.3	170.2	188.4	200.6	178.3
Total (6 mcf = 1 boe)	boe/d	34,600	27,577	38,264	48,370	52,274	58,537	55,996
% Oil and Liquids	%	44%	43%	44%	39%	38%	41%	45%
Netbacks								
Revenue	US$/boe	$57.58	$59.75	$95.05	$76.88	$64.66	$60.77	$61.31
Royalties	US$/boe	$0.54	$0.80	$0.65	$0.46	$0.32	$0.28	$0.29
Production & Transport Costs	US$/boe	$24.54	$36.81	$35.61	$28.30	$26.19	$23.38	$24.20
Operating Netback	US$/boe	$34.98	$30.15	$39.38	$41.04	$38.15	$37.10	$36.81
Taxes	US$/boe	$1.10	-$6.29	$7.83	$0.00	$0.00	$5.59	$3.52
Cash Flow Netback	US$/boe	$22.30	$24.81	$33.70	$37.05	$36.06	$31.50	$30.56
Government Take	%	2%	-11%	8%	0%	0%	9%	6%
Financials								
Cash Flow from Ops. before tax and fin. Costs (CFO)	US$mm	$434	$186	$487	$691	$688	$753	$712
CFO less current tax	US$mm	$420	$185	$377	$691	$688	$633	$640
CFO less cash tax and fin. Costs	US$mm	$243	$224	$447	$630	$664	$649	$600
CFPS - diluted	US$/shr	$0.53	$0.70	$1.33	$1.66	$1.75	$1.71	$1.59
EBITDAX [a]	US$mm	$373	$277	$415	$691	$688	$753	$712
E&D Capex (incl. decom.)	US$mm	$251	$262	$210	$418	$496	$200	$131
A&D Capex, Net	US$mm	$3	($2)	($65)	$4	$0	$0	$0
Total Net Capex	US$mm	$254	$260	$146	$422	$496	$200	$131
Total Net Capex/CFO	x	1.0x	1.2x	0.3x	0.7x	0.7x	0.3x	0.2x
Leverage								
Net Debt	US$mm	$71	$201	($2)	($132)	($202)	($548)	($916)
Entry Net Debt/CFO	x	n.a.	0.3x	0.4x	n.a.	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	393	394	394	394	394	394	394
Diluted Shares o/s @ YE	mm	404	400	402	402	402	402	402
Market Capitalization	US$mm	$687	$921	$1,486	$1,486	$1,486	$1,486	$1,486
Enterprise Value	US$mm	$758	$1,122	$1,483	$1,354	$1,284	$938	$570
Dividends & Sustainability								
Dividends	US$mm	$113	$85	$83	$78	$98	$103	$101
Dividends	£/sh	£0.19	£0.16	£0.16	£0.15	£0.19	£0.20	£0.19
Dividend Yield	%	6.8%	5.7%	5.7%	5.4%	6.7%	7.1%	6.9%
Share Buybacks	US$mm	$19	$0	$0	$0	$0	$0	$0
Free Cash Flow	US$mm	($8)	($38)	$301	$212	$168	$449	$469
Cash returned to shareholders as % of CFO	%	54.5%	37.9%	18.6%	12.4%	14.8%	15.9%	16.8%
Cash invested/CFO	%	104%	116%	33%	67%	75%	31%	22%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	39%	26%	8%	12%	-4%
PPS Growth (Y/Y) DDA - dil. [b]	%	-32%	-31%	51%	41%	14%	44%	49%
CFPS Growth (Y/Y) - dil.	%	444%	32%	90%	25%	5%	-2%	773%
CFPS Growth (Y/Y) DDA - dil. [b]	%	327%	14%	107%	39%	10%	26%	45%
ROCE	%	13%	-8%	7%	37%	26%	58%	69%
Net Asset Value [c]								
CNAV (Atax) - diluted	£/shr	£3.23						
RENAV (Atax) - diluted	£/shr	£3.46						
Unrisked NAV (Atax) - diluted	£/shr	£4.99						
P/CNAV	x	0.9x						
P/RENAV	x	0.8x						
P/Unrisked NAV	x	0.6x						
Valuation		**2024**	**2025**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Share Price, YE/Current	£/shr	£1.35	£1.75	£2.80	£2.80	£2.80	£2.80	£2.80
P/CF	x	3.2x	3.3x	2.8x	2.2x	2.1x	2.2x	2.3x
EV/DACF	x	2.7x	4.5x	3.2x	2.1x	1.9x	1.4x	0.9x
Target EV/DACF	x	8.8x	7.3x	3.5x	2.6x	2.4x	1.9x	1.5x
EV per boe/d	$/boepd	$21,912	$40,680	$38,761	$27,984	$24,560	$16,025	$10,171
Proved Plus Probable		128	138	124	107	88	66	46
EV per 2P boe	US$/boe	$5.94	$8.11	$11.92	$12.68	$14.64	$14.14	$12.41

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 18-Oct-26

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US$ mm)	EMV (US$ mm)	Risked £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			2	2	0.00	0.00	0%
Dividend still due in 2026			31	31	0.06	0.06	2%
G&A			-102	-102	-0.19	-0.19	-6%
Unused tax losses (Parkmead)			54	54	0.10	0.10	3%
Bruce Hub (NNS)							
Production	43		238	238	0.45	0.45	13%
2027-2028 drilling programme	19		104	104	0.20	0.20	6%
Triton Hub 2P (CNS)							
Production	40		531	531	1.00	1.00	29%
Kyla	10		136	136	0.26	0.26	7%
Greater Laggan Area 2P (NNS)	4		**16**	**16**	**0.03**	**0.03**	**1%**
Southern North Sea Hub	14		**297**	**297**	**0.56**	**0.56**	**16%**
Other assets							
Orlando 2P (NNS)	1		-13	-13	-0.02	-0.02	-1%
Columbus 2P (CNS)	2		17	17	0.03	0.03	1%
Erskine 2P (CNS)	2		18	18	0.03	0.03	1%
Lancaster 2P (NNS)	1		-22	-22	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	3		7	7	0.01	0.01	0%
Bruce Hub 2C Resources (NNS)							
Remaining BKR 2C resources	56	80%	297	238	0.45	0.56	13%
Triton Hub 2P Resources (CNS)							
Infill drilling 2C	11	75%	122	92	0.17	0.23	5%
Greater Laggan Area 2C Resources (NNS)							
Glendronach discovery	5	75%	58	44	0.08	0.11	2%
Total Core NAV			**1,829**	**1,715**	**3.23**	**3.45**	**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%
Southern North Sea Hub							
2C resources	3	35%	70	25	0.05	0.13	1%
Greater Laggan Area (NNS)							
Prospective Resources	475	0%	0	0	0.00	0.00	0%
Other assets							
Skerryvore Exploration Mey target (Shallow)	20	22%	92	20	0.04	0.17	1%
Skerryvore Exploration Tor target (Deep)	115	9%	527	45	0.08	0.99	2%
Total Risked Appraisal & Exploration			**821**	**122**	**0.23**	**1.55**	**7%**
Total NAV			**2650**	**1838**	**3.46**	**4.99**	**100%**
P/Core NAV				**87%**			
P/NAV				**81%**			
P/Unrisked NAV				**56%**			

Source: Auctus Advisors, Company Disclosures

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