

SERICA ENERGY PLC (AIM: SQZ)

Share price: £2.60

Target: £3.60

June 02, 2026

Organic growth unlocks material value

- Serica is tendering for a rig for a 400-plus-day drilling campaign to potentially develop 34 mmboe of 2P reserves + 2C resources, adding ~30 mboe/d of aggregate production capacity.
- The programme is costed and deliverable. We have increased our production forecast by 4–15 mboe/d over 2027–2030, with output peaking at >57 mboe/d in 2029. Management indicates that the programme delivers an average IRR of ~40% across the portfolio.
- Total programme capex is estimated at US\$700–800 mm over 2027–2029, in addition to US\$100–120 mm per year of sustaining capex.
- The campaign is likely to begin with 3 Bruce infill wells targeting 18.6 mmboe of undeveloped 2P reserves in 2027, with ~US\$400 mm of associated drilling costs. These wells are highly tax efficient, and are expected to add >10 mboe/d across 2028–2029. Bruce remains Serica's most material asset, with >20 further infill opportunities and 46 mmboe of 2C contingent resources, suggesting this could be the first phase of a multi-year programme.
- The Kyla development (10.1 mmboe 2P) can potentially be executed as a 12 km tie-back to Bittern/Triton from 2028, requiring US\$225 mm of capex and adding ~5 mboe/d.
- The Glendronach (West of Shetland) development involves recompleting an existing well and could add ~5 mboe/d. FID is possible in 2026, which could convert 5 mmboe into 2P reserves. Tormore, an infill opportunity in the same area, could add further reserves and ~4 mboe/d. Two new infill wells (C16 and C17) will be drilled at Cygnus, while a potential infill opportunity in the north-west of Clipper South is currently under technical review.
- Reflecting the uplift in development activity, we have increased our target price from £3.35/sh to £3.60/sh, in line with our new ReNAV.

Dividend policy

Serica has introduced a dividend policy of 15–30% of cash flow from operations (post-tax, pre-interest; CCFO). On our 2026 CCFO estimate of US\$480 mm, this implies a dividend range of US\$72–144 mm, equivalent to £0.13–0.27/sh. This compares with £0.16/sh for 2025.

Valuation

Triton uptime has been very high in 2Q26 at >90%, delivering 20.4 mboe/d from the FPSO and ~49.5 mboe/d for Serica overall quarter-to-date. We now forecast production of ~54 mboe/d in 2027–2028, ~57 mboe/d in 2029 and ~53 mboe/d in 2030. Net debt stood at US\$72 mm on 1 June, with positive net cash expected by the end of June. We have increased our Core NAV from £3.07/sh to £3.33/sh and our ReNAV from £3.30/sh to £3.59/sh. Even after incorporating the development programme, we estimate that Serica's cumulative 2027–2030 free cash flow will exceed its YE26 EV.

Rating & target	Old	New	
Target	£3.35	£3.60	
Yield		6%	
Implied total return		47%	
Share data	2025	2026e	2027e
Shares dil., mm	400	402	402
Mkt cap, US\$m	\$921	\$1,379	\$1,379
EV, US\$m	\$1,122	\$1,338	\$1,173
Financial Data	2025	2026e	2027e
Gas, mmcf/d	91.2	131.6	182.0
Liquids, bbl/d	11,852	20,751	22,458
Total boe/d (6:1)	27,577	43,435	53,836
CFO, US\$m	\$224	\$482	\$674
Net capex, US\$m	\$260	\$156	\$422
Net debt, US\$m*	\$201	(\$42)	(\$207)
CFPS dil., US\$/shr	\$0.70	\$1.48	\$1.58
EPS dil., US\$/shr	(\$0.13)	\$0.83	\$0.43
Valuation	2025	2026e	2027e
Share price, £/shr	£1.75	£2.60	£2.60
EV/DACF	4.5x	2.6x	1.7x
EV per boe/d (US\$)	\$40,680	\$30,798	\$21,787
Net asset value			
CNAV, £/shr			£3.33
RENAV, £/shr			£3.59
Unrisked NAV, £/shr			£5.08
P/CNAV			0.8x
P/RENAV			0.7x
P/ENAV			0.5x

All figures in US\$ unless otherwise noted
 * based on cash rather than working capital

Contact details

Analyst:

Stephane Foucaud

sf@auctusadvisors.co.uk

+44 7854 891249

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	\$77.49	\$71.23	\$70.00	\$70.00	\$70.00
UK NBP	p/th	GBP84	GBP88	GBP104	GBP89	GBP81	GBP80	GBP80
UK NBP	US\$/mcf	\$10.55	\$11.55	\$13.70	\$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
Production								
Oil and Liquids	bbl/d	15,394	11,852	20,751	22,458	20,927	22,813	22,595
Natural Gas	mmcf/d	111.4	91.2	131.6	182.0	190.6	199.4	175.9
Total (6 mcf = 1 boe)	boe/d	34,600	27,577	43,435	53,836	53,796	57,198	52,926
% Oil and Liquids	%	44%	43%	48%	42%	39%	40%	43%
Netbacks								
Revenue	US\$/boe	\$57.58	\$59.75	\$74.57	\$65.52	\$61.36	\$60.61	\$60.90
Royalties	US\$/boe	\$0.54	\$0.80	\$0.64	\$0.41	\$0.31	\$0.29	\$0.31
Production & Transport Costs	US\$/boe	\$24.54	\$36.81	\$28.54	\$24.65	\$23.71	\$21.11	\$21.00
Operating Netback	US\$/boe	\$34.98	\$30.15	\$41.80	\$38.23	\$37.34	\$39.22	\$39.60
Taxes	US\$/boe	\$1.10	-\$6.29	\$3.86	\$5.11	\$5.43	\$5.76	\$3.29
Cash Flow Netback	US\$/boe	\$22.30	\$24.81	\$31.96	\$35.56	\$29.98	\$31.76	\$33.25
Government Take	%	2%	-11%	5%	8%	9%	10%	5%
Financials								
Cash Flow from Ops. before tax and fin. Costs	US\$m	\$434	\$186	\$548	\$786	\$693	\$779	\$725
CFO less current tax	US\$m	\$420	\$185	\$486	\$686	\$587	\$658	\$661
CFO less cash tax and fin. Costs	US\$m	\$243	\$224	\$482	\$674	\$564	\$638	\$618
CFPS - diluted	US\$/shr	\$0.53	\$0.70	\$1.48	\$1.58	\$1.50	\$1.68	\$1.63
EBITDAX	US\$m	\$373	\$277	\$623	\$711	\$693	\$779	\$725
E&D Capex (incl. decom.)	US\$m	\$251	\$262	\$210	\$418	\$496	\$200	\$131
A&D Capex, Net	US\$m	\$3	(\$2)	(\$54)	\$4	\$0	\$0	\$0
Total Net Capex	US\$m	\$254	\$260	\$156	\$422	\$496	\$200	\$131
Total Net Capex/CFO	x	1.0x	1.2x	0.3x	0.6x	0.9x	0.3x	0.2x
Leverage								
Net Debt	US\$m	\$71	\$201	(\$42)	(\$207)	(\$181)	(\$531)	(\$918)
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\$m	\$687	\$921	\$1,379	\$1,379	\$1,379	\$1,379	\$1,379
Enterprise Value	US\$m	\$758	\$1,122	\$1,338	\$1,173	\$1,199	\$849	\$461
Dividends & Sustainability								
Dividends	US\$m	\$113	\$85	\$83	\$87	\$94	\$88	\$99
Dividends	£/sh	£0.19	£0.16	£0.16	£0.17	£0.18	£0.17	£0.19
Dividend Yield	%	7.3%	6.2%	6.2%	6.5%	6.9%	6.5%	7.4%
Share Buybacks	US\$m	\$19	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	US\$m	(\$8)	(\$38)	\$326	\$256	\$68	\$438	\$487
Cash returned to shareholders as % of CFO	%	54.5%	37.9%	17.3%	12.9%	16.6%	13.8%	16.1%
Cash invested/CFO	%	104%	116%	32%	63%	88%	31%	21%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	57%	24%	0%	6%	-7%
PPS Growth (Y/Y) DDA - dil.	%	-32%	-31%	107%	32%	-2%	50%	78%
CFPS Growth (Y/Y) - dil.	%	444%	32%	111%	7%	-6%	13%	798%
CFPS Growth (Y/Y) DDA - dil.	%	327%	14%	178%	14%	-8%	59%	86%
ROCE	%	13%	-8%	42%	23%	9%	56%	65%
Net Asset Value								
CNAV (Atax) - diluted	£/shr	£3.33						
RENAV (Atax) - diluted	£/shr	£3.59						
Unrisked NAV (Atax) - diluted	£/shr	£5.08						
P/CNAV	x	0.8x						
P/RENAV	x	0.7x						
P/Unrisked NAV	x	0.5x						
Valuation								
Share Price, YE/Current	£/shr	£1.35	£1.75	£2.60	£2.60	£2.60	£2.60	£2.60
P/CF	x	3.2x	3.3x	2.3x	2.2x	2.3x	2.0x	2.1x
EV/DACF	x	2.7x	4.5x	2.6x	1.7x	2.0x	1.3x	0.7x
Target EV/DACF	x	9.2x	7.6x	3.2x	2.7x	2.9x	2.1x	1.5x
EV per boe/d	\$/boepd	\$21,912	\$40,680	\$30,798	\$21,787	\$22,280	\$14,836	\$8,719
Proved Plus Probable		128	138	123	103	83	62	43
EV per 2P boe	US\$/boe	\$5.94	\$8.11	\$10.92	\$11.40	\$14.40	\$13.60	\$10.72

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 1-Jun-26

Creating value at the drill bit

Serica Energy is entering an active three-year investment phase aimed at developing 29 mmboe of 2P reserves and 5 mmboe of 2C resources through a portfolio of short-cycle, quick-payback projects. Collectively, these developments have the potential to add around 30 mboe/d of incremental production.

Key projects include:

- Bruce: three wells targeting 18.6 mmboe of undeveloped 2P reserves, with the potential to add around 10 mboe/d of production.
- Kyla: 10.1 mmboe of undeveloped 2P reserves, expected to contribute around 5 mboe/d of incremental production.
- Glendronach and Tormore: together offering more than 5 mmboe of 2C resources and the potential to add around 9 mboe/d of production.

We have raised our production forecasts by 5–15 mboe/d over 2027–2030, with output expected to peak at more than 57 mboe/d in 2029.

Figure 2. Forecasts changes

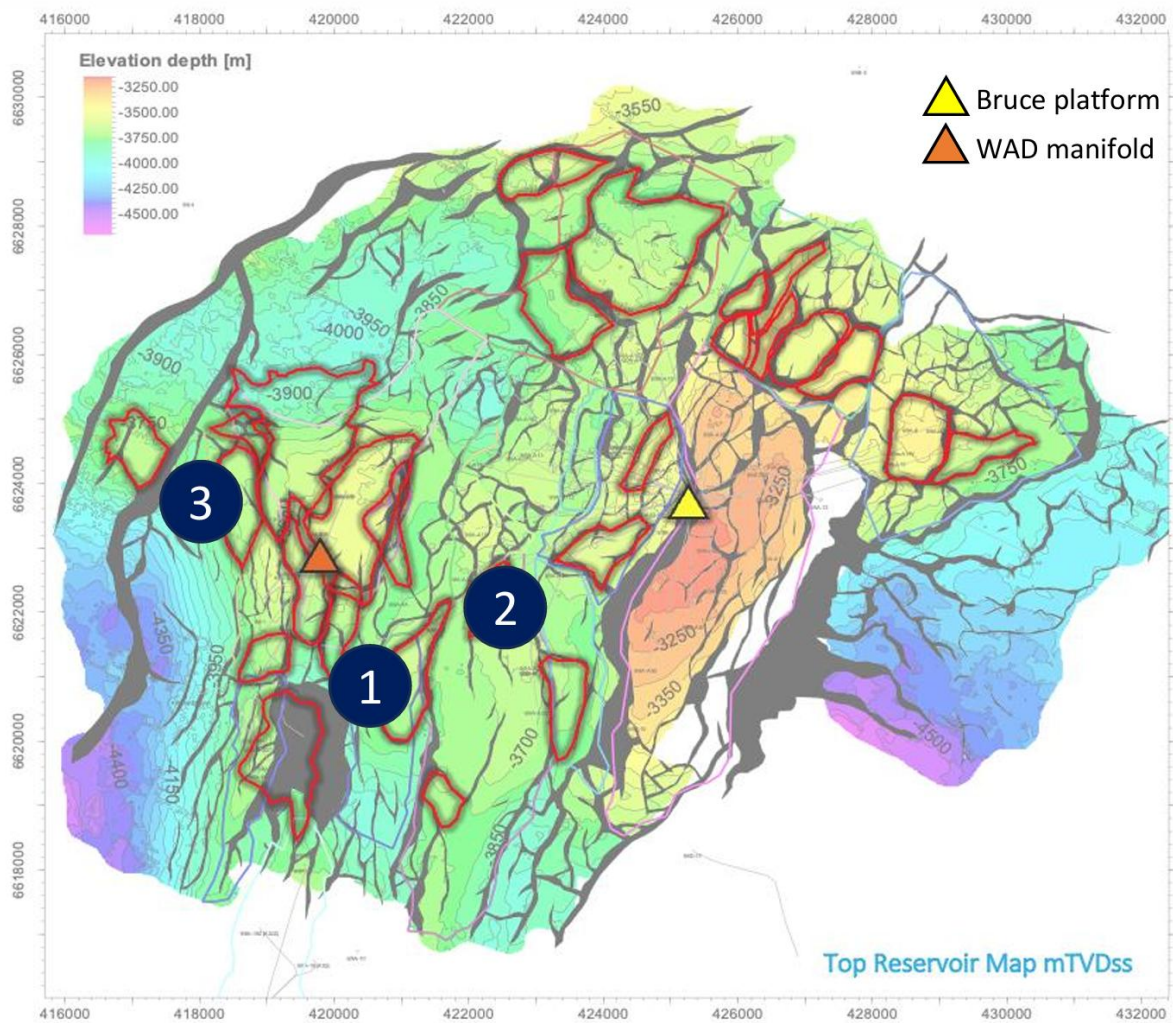
	2027	2028	2029	2030
Previous production profile (mboe/d)	53,836	49,576	43,989	35,719
New production profile (mboe/d)	53,836	53,796	57,198	52,926
% change	0%	9%	30%	48%
Previous capex programme + decomm (US\$ mm)	168	53	27	111
New capex programme + decomm (US\$ mm)	418	496	200	131

Source: Auctus

Bruce

With more than 20 infill locations, Bruce is Serica's most material asset. The company has already high-graded five drilling opportunities, with the 2027–2029 programme set to begin with three infill wells requiring total capex of US\$400 mm. These wells are expected to recover 18.6 mmboe of undeveloped 2P reserves. The highest-ranked targets are South Central West (SCW), South Central East (SCE) and Western Area Dev 5 (WAD5). First production is expected in 2028, with the final well coming onstream in 2029.

Figure 3. Serica's licences

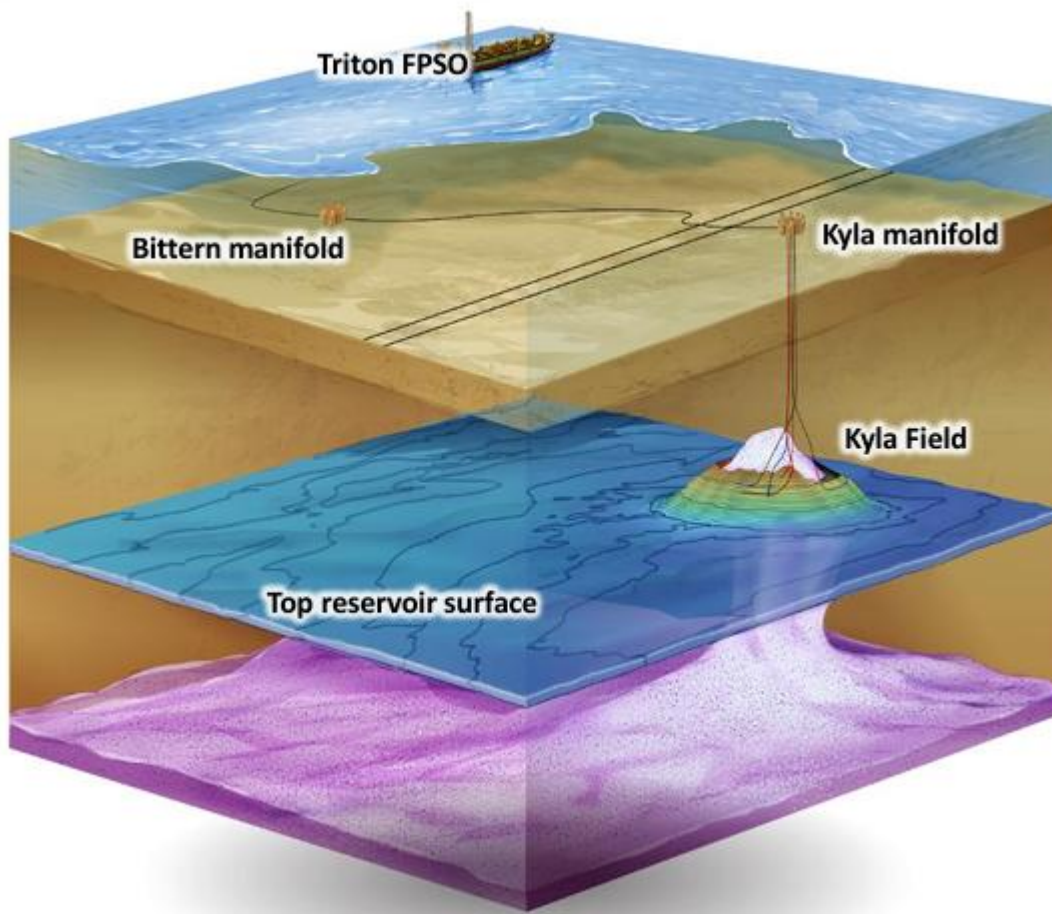


Source: Company

Kyla

The drilling rig could potentially then move to Kyla, where the development is expected to require total capex of around US\$225 mm and deliver production of around 5 mboe/d in 2029. This 10.1 mmboe redevelopment of an existing field (2P reserves) will be executed through a single horizontal well targeting the crest of the Kyla structure. The well will be tied back to the Bittern manifold, located 12 km away. The FDP is expected to be approved by year-end 2026.

Figure 4. Kyla development



Source: Company

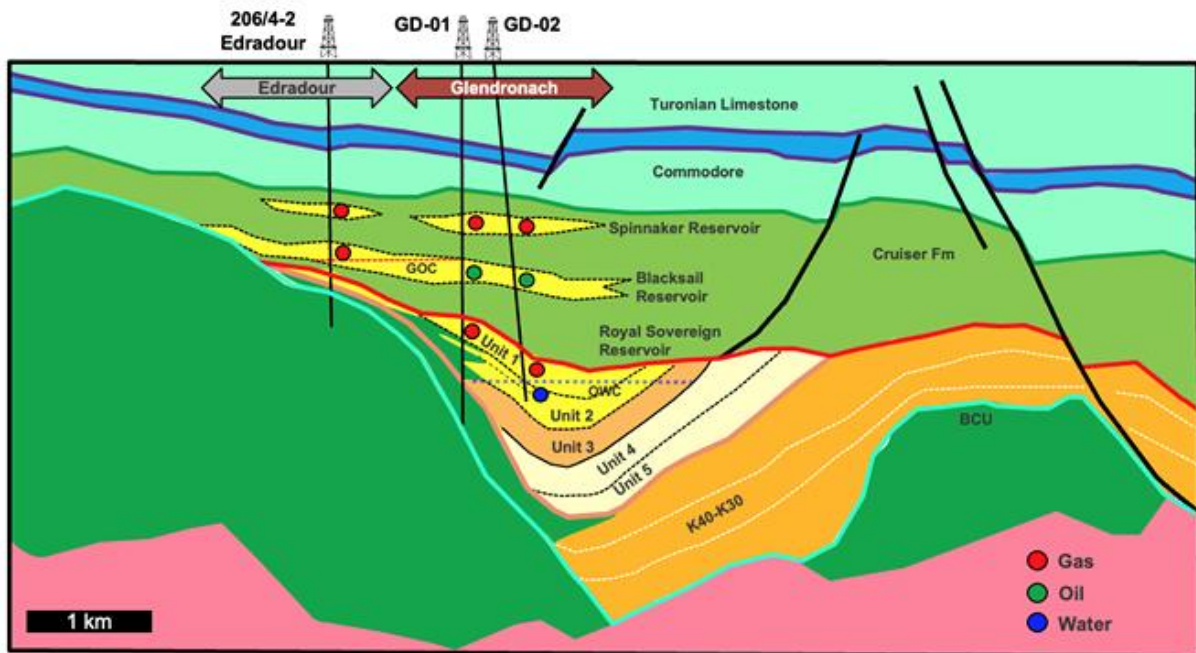
West of Shetland

There are three high-value, short-cycle opportunities in the West of Shetland GLA hub, each offering a relatively rapid route to first hydrocarbons of around six months from project start.

At Glendronach, Serica plans to re-complete the suspended GD-01 discovery well. FID is possible in 2026. Total capex is estimated at around US\$100 mm, including modifications to the Shetland Gas Plant to enable mercury removal. The development could add around 5 mboe/d from 2H29.

The development could recover around 5 mmboe, above the 3.4 mmboe of 2C resources currently carried by Serica.

Figure 5. Glendronach

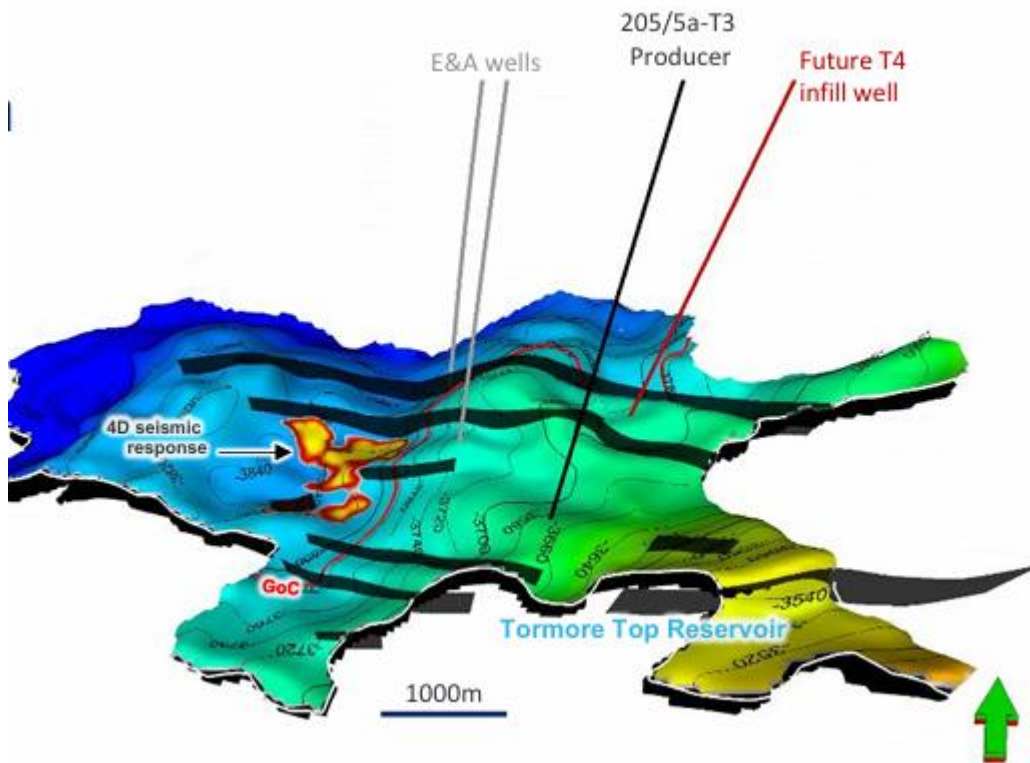


Source: Company

Tormore

At Tormore, the T4 infill area is believed to represent an undrained compartment that could be developed with a single new well. The project could add around 4 mboe/d from 2H29, at an estimated cost of US\$75 mm.

Figure 6. Tormore



Source: Company

Tying Tornado into the Tormore infrastructure and processing Tornado gas through the Shetland Gas Plant (Ithaca’s project) would materially reduce Serica’s share of GLA operating costs. This reflects the fact that plant operating costs are allocated based on each field’s contribution, meaning that the addition of third-party volumes such as Tornado would lower Serica’s net exposure. In addition, the decommissioning of the plant would be deferred to 2040.

Other opportunities

At Cygnus (SNS), two new infill wells will be drilled in 2027, while a further well is under consideration at Clipper South. We now forecast net production of around 10 mboe/d at SNS through to 2028.

Serica also plans to drill the 135 mboe Skerryvore exploration well in 2027, at an estimated cost of US\$30 mm pre tax.

Valuation and forecasts

Our detailed forecasts currently include only the new wells at Bruce and Kyla. Glendronach and Tormore are reflected solely in our NAV, and we will incorporate both

fields into our production forecasts at FID. Their addition is expected to lift our 2029–2030 production profile. We ascribe no value at this stage to the potential Tornado tie-in.

Our forecasts assume a dividend payout of 15% of CFFO. However, under our production and commodity price assumptions, the company's cash-generation capacity would support a materially higher dividend than this policy level.

We have increased our Core NAV from £3.07/sh to £3.33/sh and our ReNAV from £3.30/sh to £3.59/sh.

Figure 7. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Riskd £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			42	42	0.08	0.08	2%
Dividend 2026			83	83	0.16	0.16	4%
G&A			-120	-120	-0.23	-0.23	-6%
Unused tax losses (Parkmead)			54	54	0.10	0.10	3%
Bruce Hub (NNS)							
Production	43		221	221	0.42	0.42	12%
2027-2028 drilling programme	19		96	96	0.18	0.18	5%
Triton Hub 2P (CNS)							
Production	40		590	590	1.11	1.11	31%
Kyla	10		152	152	0.29	0.29	8%
Greater Laggan Area 2P (NNS)	4		27	27	0.05	0.05	1%
Southern North Sea Hub	14		246	298	0.56	0.46	16%
Other assets							
Orlando 2P (NNS)	1		-7	-7	-0.01	-0.01	0%
Columbus 2P (CNS)	2		13	13	0.03	0.03	1%
Erskine 2P (CNS)	2		-6	-6	-0.01	-0.01	0%
Lancaster 2P (NNS)	1		-22	-22	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	3		6	6	0.01	0.01	0%
Bruce Hub 2C Resources (NNS)							
Remaining BKR 2C resources	56	80%	273	219	0.41	0.52	11%
Triton Hub 2P Resources (CNS)							
Infill drilling 2C	11	75%	93	70	0.13	0.18	4%
Greater Laggan Area 2C Resources (NNS)							
Glendronach discovery	5	75%	44	33	0.06	0.08	2%
Total Core NAV			1,812	1,768	3.33	3.41	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%	76	19	0.04	0.14	1%
Southern North Sea Hub							
2C resources	3	35%	58	20	0.04	0.11	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			885	137	0.26	1.67	7%
Total NAV			2696	1905	3.59	5.08	100%
P/Core NAV					77%		
P/NAV					71%		
P/Unrisked NAV					50%		

Source: Auctus Advisors, Company Disclosures

Copyright and Risk Warnings

Serica Energy Plc (“Serica” or the “Company”) is a corporate client of Auctus Advisors LLP (“Auctus”).

Auctus receives, and has received in the past 12 months, compensation for providing corporate broking and/or investment banking services to the Company, including the publication and dissemination of marketing material from time to time.

MiFID II Disclosures

This document, being paid for by a corporate issuer, is believed by Auctus to be an ‘acceptable minor non-monetary benefit’ as set out in Article 12 (3) of the Commission Delegated Act C(2016) 2031 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. It is produced solely in support of our corporate broking and corporate finance business. Auctus does not offer a secondary execution service in the UK.

This note is a marketing communication and NOT independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is NOT subject to the prohibition on dealing ahead of the dissemination of investment research.

Author

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

Not an offer to buy or sell

Under no circumstances is this note to be construed to be an offer to buy or sell or deal in any security and/or derivative instruments. It is not an invitation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000.

Note prepared in good faith and in reliance on publicly available information

Comments made in this note have been arrived at in good faith and are based, at least in part, on current public information that Auctus considers reliable, but which it does not represent to be accurate or complete, and it should not be relied on as such. The information, opinions, forecasts and estimates contained in this document are current as of the date of this document and are subject to change without prior notification. No representation or warranty either actual or implied is made as to the accuracy, precision, completeness or correctness of the statements, opinions and judgements contained in this document.

Auctus’ and related interests

The persons who produced this note may be partners, employees and/or associates of Auctus. Auctus and/or its employees and/or partners and associates may or may not hold shares, warrants, options, other derivative instruments or other financial interests in the Company and reserve the right to acquire, hold or dispose of such positions in the future and without prior notification to the Company or any other person.

Information purposes only

This document is intended to be for background information purposes only and should be treated as such. This note is furnished on the basis and understanding that Auctus is under no responsibility or liability whatsoever in respect thereof, whether to the Company or any other person.

Investment Risk Warning

The value of any potential investment made in relation to companies mentioned in this document may rise or fall and sums realised may be less than those originally invested. Any reference to past performance should not be construed as being a guide to future performance. Investment in small companies, and especially upstream oil & gas companies, carries a high degree of risk and investment in the companies or commodities mentioned in this document may be affected by related currency variations. Changes in the pricing of related currencies and or commodities mentioned in this document may have an adverse effect on the value, price or income of the investment.

Distribution

This document is directed at persons having professional experience in matters relating to investments to whom Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“FPO”) applies, or high net worth organisations to whom Article 49 of the FPO applies. The investment or investment activity to which this communication relates is available only to such persons and other persons to whom this communication may lawfully be made (“relevant persons”) and will be engaged in only with such persons. This Document must not be acted upon or relied upon by persons who are not relevant persons. Without limiting the foregoing, this note may not be distributed to any persons (or groups of persons), to whom such distribution would contravene the UK Financial Services and Markets Act 2000 or would constitute a contravention of the corresponding statute or statutory instrument in any other jurisdiction.

Disclaimer

This note has been forwarded to you solely for information purposes only and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto (“financial instruments”). This note is intended for use by professional and business investors only. This note may not be reproduced without the prior written consent of Auctus.

The information and opinions expressed in this note have been compiled from sources believed to be reliable but, neither Auctus, nor any of its partners, officers, or employees accept liability from any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this note. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Auctus is not agreeing to nor is it required to update the opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this note can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This note does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this note.

Auctus (or its partners, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of the Company or any related or other company referred to herein, and may add to or dispose of any such position or may make a market or act as principle

in any transaction in such securities or financial instruments. Partners of Auctus may also be directors of the Company or any other of the companies mentioned in this note. Auctus may, from time to time, provide or solicit investment banking or other financial services to, for or from the Company or any other company referred to herein. Auctus (or its partners, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published.

Further Disclosures for the United Kingdom

This note has been issued by Auctus Advisors LLP, which is authorised and regulated by the Financial Conduct Authority. This note is not for distribution to private customers. This note is not intended for use by, or distribution to, US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

This publication is confidential and may not be reproduced in whole or in part or disclosed to another party, without the prior written consent of Auctus. Securities referred to in this note may not be eligible for sale in those jurisdictions where Auctus is not authorised or permitted by local law to do so. In particular, Auctus does not permit the distribution or redistribution of this note to non-professional investors or other persons to whom disclosure would contravene local securities laws. Auctus expressly disclaims and will not be held responsible in any way, for third parties who affect such redistribution.

© Auctus Advisors LLP All rights reserved 2026