

ADX Energy Ltd (ASX:ADX)

November 04, 2021

Share price: A\$0.011

Target: A\$0.045

2P reserves increased by >150% with further upside

- 2P reserves at the Zistersdorf and Gaiselberg fields in Austria as at 01 July 2021 have been estimated by the company's reserves auditor at 1.8 mmboe. This represents a 154% increase versus previous estimates. The reserves increase reflects 32+ recompletions of existing wells to access behind pipe reserves from different zones (stacked hydrocarbon reservoirs).
- The overall cost of the recompletions is only ~US\$3.5 mm with the majority of re-completions occurring over the next 10 years and the last re-completion is scheduled for 2042. The reserves auditor (RISC) has estimated the NPV10 of the 2P reserves at ~EUR16 mm based on a US\$65/bbl for Brent. This compares favourably with our previous estimate of US\$11 mm.
- In addition, ADX's own reservoir simulation shows that the existing wells could recover more hydrocarbons than the auditor's estimations with minimal additional costs and a potential 1.4 mmboe additional reserves upside.
- 3Q21 production in Austria was 275 boe/d, below our forecasts of ~315 boe/d due to well downtime. A well workover programme has started in October to add 100-150 boe/d.
- At the end of September, ADX held A\$4.2 mm in cash.
- We have increased our target price from A\$0.040 to A\$0.045 per share.

High impact newsflow

The Anshof-1 exploration well will be spudded in December with 6.6 mmboe unrisks resources and 45% geological chance of success. We carry an unrisks NAV of A\$0.034 per share for the well (=3x the current share price). The green hydrogen project is on track. We continue to view the green hydrogen project as a rare instance of an H₂ project that would be profitable in the prevailing environment before the summer. Taking the green hydrogen project to FID could be worth A\$0.022 per share (=2x the current share price) assuming a 30 MW project. Farming out the OHO prospect could start to unlock A\$0.053 per share (=~5x the current share price).

Valuation

We have incorporated our estimate of the value of the new 2P reserves in our Core NAV that is now A\$0.005 per share. We have included in our risked upside the potential additional reserve upside identified by ADX that we have risked at 40%. We have increased our ReNAV by A\$0.004 per share to A\$0.044 per share with no value attributed yet to the H₂ project. Depending on cost of capital, natural gas, carbon credits and H₂ prices, the value of this project could be a multiple of ADX's current market cap.

Rating & target	Old	New	
Target	A\$ 0.040	A\$ 0.045	
Yield		0%	
Implied total return		309%	
Share data	2020	2021e	2022e
Shares dil., mm	2,278	3,296	3,296
Mkt cap, US\$mm	\$19	\$27	\$27
EV, US\$mm	\$21	\$29	\$24
Financial Data	2020	2021e	2022e
Gas, mmmcf/d	0.2	0.2	0.1
Liquids, bbl/d	270	271	426
Total boe/d (6:1)	298	296	450
CFO, US\$mm	(\$1)	\$0	\$4
Net capex, US\$mm	\$3	\$3	\$0
Net debt, US\$mm	\$2	\$2	(\$3)
CFPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.00
Valuation	2020	2021e	2022e
Share price, A\$/shr	A\$ 0.011	A\$ 0.011	A\$ 0.011
EV/DACF	-13.9x	222.4x	3.8x
EV per boe/d (US\$)	\$69,049	\$96,282	\$53,839
Net asset value			
CNAV, A\$/shr			A\$ 0.005
RENAV, A\$/shr			A\$ 0.044
Unrisks NAV, A\$/shr			A\$ 0.020
P/CNAV			2.3x
P/RENAV			0.2x
P/ENAV			0.0x
<i>All figures in US\$ unless otherwise noted</i>			
A\$/US\$:			0.74

Contact details

Analyst:
Stephane Foucaud
 sf@auctusadvisors.co.uk
 +44 7854 891249

Figure 1. Financial & operating information

ADX Energy Ltd (ADX AU)

Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
Commodity Prices							
Brent	US\$/bbl	\$41.23	\$69.35	\$66.23	\$65.00	\$65.00	\$65.00
UK NBP	US\$/mcf	\$5.41	\$5.92	\$6.04	\$6.08	\$6.09	\$6.09
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74
Production							
Oil and Liquids	bbl/d	270	271	426	401	351	300
Natural Gas	mmcf/d	0.2	0.2	0.1	0.2	0.1	0.1
Total (6 mcf = 1 boe)	boe/d	298	296	450	431	372	314
% Oil and Liquids	%	91%	91%	95%	93%	94%	96%
Netbacks							
Realized Price	US\$/boe	\$43.25	\$64.44	\$61.24	\$60.09	\$60.16	\$60.24
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$46.36	\$41.40	\$32.91	\$34.33	\$39.84	\$47.23
Operating Netback	US\$/boe	(\$3.12)	\$15.61	\$28.41	\$25.77	\$20.32	\$13.00
Taxes	US\$/boe	-\$6.54	\$0.00	\$0.00	\$5.00	\$4.97	\$4.14
Cash Flow Netback	US\$/boe	(\$13.80)	\$6.15	\$27.96	\$18.41	\$12.62	\$5.63
Government Take	%	-15%	0%	0%	8%	8%	7%
Financials							
Cash Flow (CFO)	US\$m	(\$1)	\$0	\$4	\$3	\$2	\$1
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$m	(\$1)	\$2	\$5	\$4	\$2	\$1
E&D Capex	US\$m	\$3	\$3	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$m	(\$0)	(\$0)	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$3	\$3	\$0	\$0	\$0	\$0
Total Net Capex/CFO	x	-2.6x	315.3x	0.0x	0.1x	0.1x	0.4x
Leverage							
Net Debt	US\$m	\$2	\$2	(\$3)	(\$5)	(\$7)	(\$7)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	249.6x	0.4x	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	1958	2591	2591	2591	2591	2591
Diluted Shares o/s @ YE	mm	2278	3296	3296	3296	3296	3296
Market Capitalization	US\$m	\$19	\$27	\$27	\$27	\$27	\$27
Enterprise Value	US\$m	\$21	\$29	\$24	\$22	\$20	\$20
Dividends & Sustainability							
Dividends	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash Flow	US\$m	(\$4)	(\$3)	\$4	\$3	\$1	\$0
Cash Use/CFO	%	-260%	31531%	3%	8%	15%	42%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	-87%	-41%	38%	-4%	-14%	-16%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-91%	-126%	527%	-37%	-41%	-62%
CFPS Growth (Y/Y) DDA - dil.	%	-117%	-100%	49047%	-23%	-35%	-63%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	A\$ 0.005					
RENAV (Atax) - diluted	A\$/shr	A\$ 0.044					
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.520					
P/CNAV	x	2.3x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.0x					
Valuation							
Share Price, YE/Current	A\$/shr	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011	A\$ 0.011
P/CF	x	-13.0x	49.5x	7.9x	12.5x	21.2x	56.3x
EV/DACF	x	-13.9x	222.4x	3.8x	5.1x	7.7x	7.7x
Target EV/DACF	x	-36.8x	124.7x	17.1x	26.2x	43.6x	n.a.
EV per boe/d	US\$/boe/d	\$69,049	\$96,282	\$53,839	\$50,152	\$54,435	\$63,476
EV per 2P boe	US\$/boe	\$23.05	\$36.42	\$36.42	\$39.13	\$46.88	\$0.00
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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 3-Nov-21

Figure 2. NAV Table

Asset Valuation	WI Reserves / Resources (mboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE21)		-2	-0.001		-2	-0.001	-2%
G&A		-12	-0.005		-12	-0.005	-11%
Austria							
Zistersdorf 2P	2	20	0.008	100%	20	0.008	18%
Zistersdorf Infill and low risk appraisal	1	8	0.003	70%	5	0.002	5%
Total Core NAV		14	0.006		11	0.005	11%
Austria							
Zistersdorf simulation upside	1	17	0.007	40%	7	0.003	6%
Zisterdorf Flysch Resources	6	71	0.029	30%	21	0.009	20%
Upper Austria Oho	10	125	0.051	15%	19	0.014	31%
Upper Austria Anshof	7	82	0.034	45%	35	0.014	32%
Remaining prospects	25	309	0.127	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	10	0.004	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	43	0.018	0%	0	0.000	0%
Romania							
Iecea Mare	2	7	0.003	60%	0	0.000	0%
Italy							
Nilde Contingent Resources	34	23	0.009	10%	0	0.000	0%
Total Risked Appraisal & Exploration		688	0.282		82	0.040	89%
Total NAV		701.61	0.288		93	0.044	100%
Unrisked NAV						0.520	
P/Core NAV					234.7%		
P/NAV					24.8%		
P/Unrisked NAV					2.1%		

Source: Auctus, Company Disclosures

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