

ADX Energy Ltd (ASX: ADX)

February 01, 2022

Share price: A\$0.008

Target: A\$0.040

Gearing to a busy 2022

- 4Q21 production of 254 boe/d was below our expectations of ~300 boe/d due to a number of well failures (pumping and well bore blockages) as well as planned interruptions from an ongoing workover program to fully restore field production. The workover program is expected to be concluded by the end of February 2022 and add 80 to 100 boe/d of incremental oil production.
- In addition, a recently perforated gas interval is anticipated to imminently increase high value gas sales from ~0.13 mmcf/d to 0.42 mmcf/d.
- FY22 will be a busy year with the well test results for the oil Eocene and gas Miocene zones at Anshof-3 expected in March. In a success case, the most likely next steps would be to put the Miocene gas on production and drill further wells into the Eocene at a location where the sands are thicker. Our unrisks NAV for the Eocene formation is A\$0.024/sh. Depending on the results of the well test, production could be added in 4Q22.
- The company is also looking for a partner for the high impact OHO prospect targeting 17 mmboe (oil case) or 20.4 mmboe (gas case).
- With regards to the green hydrogen project, ADX anticipates reaching "project formation" to formalize the project and the structure of the Joint Venture in March or in April.
- We re-iterate our target price of A\$0.040 per share.

FY22 forecasts

Excluding any contributions from Anshof-3, we forecast ~370 mboe/d production in 2Q22 and ~310 boe/d in average over 2022. The main contributor to FY22 capex would be the remaining net cost of drilling and testing Anshof-3 (~EUR1.3 mm). The work-over programme is expected to cost ~EUR0.5 mm (part of which occurred in 2021). Licence fees and progressing the green hydrogen and the geothermal projects would add ~EUR0.6 mm.

Valuation

Our ReNAV per share is broadly unchanged ~A\$0.040/sh. This excludes the potentially valuable Miocene gas at Anshof-3 for which we currently carry no value. Assuming net backs of US\$30/mcf (~US\$175/boe) for the Miocene, US\$4 mm drilling and testing cost and 25% CT, the undiscounted value of each year of 1 mmcf/d (~170 boe/d) production could be worth ~US\$7 mm net to ADX or A\$0.006 per share.

Rating & target	Old	New	
Target	A\$ 0.040	n.c.	
Yield		0%	
Implied total return		471%	
Share data	2020	2021e	2022e
Shares dil., mm	2,278	3,723	3,723
Mkt cap, US\$mm	\$10	\$27	\$19
EV, US\$mm	\$12	\$26	\$19
Financial Data	2020	2021e	2022e
Gas, mmcf/d	0.2	0.1	0.3
Liquids, bbl/d	270	261	265
Total boe/d (6:1)	297	283	308
CFO, US\$mm	(\$1)	(\$2)	\$1
Net capex, US\$mn	\$3	(\$0)	\$3
Net debt, US\$mm	\$2	(\$1)	(\$0)
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\$ 0.006	A\$ 0.010	A\$ 0.007
EV/DACF	-9.6x	-7.2x	8.1x
EV per boe/d (US\$)	\$40,831	\$92,665	\$60,839
Net asset value			
CNAV, A\$/shr			A\$ 0.005
RENAV, A\$/shr			A\$ 0.036
Unrisks NAV, A\$/shr			A\$ 0.439
P/CNAV			1.3x
P/RENAV			0.2x
P/ENAV			0.0x

All figures in US\$ unless otherwise noted
A\$/US\$: 0.74

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Figure 1. Financial & operating information
ADX Energy Ltd (ADX AU)

Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e	2026e
Commodity Prices								
Brent	US\$/bbl	\$41.23	\$69.35	\$67.47	\$65.00	\$65.00	\$65.00	\$65.00
UK NBP	US\$/mcf	\$5.41	\$5.92	\$6.04	\$6.08	\$6.09	\$6.09	\$6.09
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.74	\$0.73	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72
Production								
Oil and Liquids	bb/d	270	261	265	312	312	300	300
Natural Gas	mmcf/d	0.2	0.1	0.3	0.2	0.2	0.2	0.2
Total (6 mcf = 1 boe)	boe/d	297	283	308	344	344	332	332
% Oil and Liquids	%	91%	92%	86%	91%	91%	90%	90%
Netbacks								
Realized Price	US\$/boe	\$43.36	\$67.80	\$63.35	\$59.99	\$59.97	\$59.95	\$59.95
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$46.49	\$56.71	\$49.47	\$44.25	\$44.25	\$45.89	\$45.89
Operating Netback	US\$/boe	(\$3.12)	\$3.33	\$13.75	\$15.73	\$15.72	\$14.06	\$14.06
Taxes	US\$/boe	-\$6.55	\$0.00	\$0.00	\$3.04	\$3.89	\$3.65	\$3.65
Cash Flow Netback	US\$/boe	(\$13.84)	(\$11.25)	\$14.78	\$11.32	\$10.45	\$8.99	\$8.99
Government Take	%	-15%	0%	0%	5%	6%	6%	6%
Financials								
Cash Flow (CFO)	US\$mm	(\$1)	(\$2)	\$1	\$1	\$1	\$1	\$1
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$mm	(\$1)	\$0	\$2	\$2	\$2	\$2	\$2
E&D Capex	US\$mm	\$3	\$1	\$3	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$mm	(\$0)	(\$1)	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$3	(\$0)	\$3	\$0	\$0	\$0	\$0
Total Net Capex/CFO	x	-2.6x	0.1x	1.7x	0.3x	0.4x	0.4x	0.4x
Leverage								
Net Debt	US\$mm	\$2	(\$1)	(\$0)	(\$1)	(\$2)	(\$2)	(\$3)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	-1.1x	n.a.	n.a.	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	1958	2876	2876	2876	2876	2876	2876
Diluted Shares o/s @ YE	mm	2278	3723	3723	3723	3723	3723	3723
Market Capitalization	US\$mm	\$10	\$27	\$19	\$19	\$19	\$19	\$19
Enterprise Value	US\$mm	\$12	\$26	\$19	\$18	\$17	\$17	\$16
Dividends & Sustainability								
Dividends	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$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%	0.00%
Free Cash Flow	US\$mm	(\$4)	(\$2)	(\$1)	\$1	\$1	\$1	\$1
Cash Use/CFO	%	-260%	7%	170%	33%	36%	44%	44%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-87%	-44%	-10%	10%	0%	-4%	0%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-91%	-55%	-219%	-16%	-8%	-17%	0%
CFPS Growth (Y/Y) DDA - dil.	%	-129%	26%	-155%	-9%	-3%	-16%	4%
ROCE	%	n.a.	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\$ 0.036						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.439						
P/CNAV	x	1.3x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	A\$/shr	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007
P/CF	x	-7.1x	-26.2x	15.4x	18.3x	19.9x	23.9x	23.9x
EV/DACF	x	-9.6x	-7.2x	8.1x	8.9x	9.0x	11.0x	10.6x
Target EV/DACF	x	-32.8x	-66.0x	46.5x	53.7x	57.6x	69.5x	69.1x
EV per boe/d	US\$/boe/d	\$40,831	\$92,665	\$60,839	\$51,900	\$49,695	\$49,923	\$48,312
EV per 2P boe	US\$/boe	\$13.59	\$13.82	\$13.82	\$10.47	\$10.74	\$11.12	\$10.78
EV per 2P boe, with FDC	US\$/boe	n.a.	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 31-Jan-22

Figure 2. NAV Table

	WI Reserves / Resources (mmboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE22)		0	0.000		0	0.000	0%
G&A		-9	-0.003		-9	-0.003	-9%
Austria							
Zistersdorf 2P	2	17	0.006	100%	17	0.006	17%
Zistersdorf Infill and low risk appraisal	1	8	0.003	70%	6	0.002	6%
Total Core NAV		16	0.006		14	0.005	14%
Austria							
Zistersdorf simulation upside	1	13	0.005	40%	5	0.002	6%
Zisterdorf Flysch Resources	6	55	0.021	35%	19	0.007	20%
Upper Austria Oho	10	99	0.037	15%	15	0.011	31%
Upper Austria Anshof	5	52	0.019	55%	28	0.010	29%
Remaining prospects	27	271	0.101	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	0.016	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		575	0.214		67	0.031	86%
Total NAV		591.45	0.221		81	0.036	100%
Unrisked NAV						0.439	
P/Core NAV					134.7%		
P/NAV					19.4%		
P/Unrisked NAV					1.6%		

Source: Auctus, Company Disclosures

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

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