

# ADX Energy Ltd (ASX: ADX)

May 09, 2022

Share price: A\$0.007

Target: A\$0.060

## Better reservoir performance than expected at Anshof

- The Anshof-3 well has flowed at a maximum rate of 132 bbl/d (light oil and no water) from the Eocene reservoir. This is well above the flow rate of ~75 bbl/d announced two weeks ago and initial expectations of 40-80 bbl/d.
- Downhole pressure data recorded during the test also indicates better than expected reservoir flow performance. This has positive implications with regards to the economics of the well and near term cashflow. The well could be put in production at 100-150 bbl/d; which represents 50% of the 1Q22 production.
- Another very important factor is the fact that there were no flow barriers indicated from the well test data. This is good news with regards to the overall volume that could be recovered from the well. This also somewhat derisks the rest of the structure.
- Assuming these good reservoir characteristics extend to the area of the field where the reservoir thickens, we see some potential upside to the volume and the value of the 6.6 mmmboe prospective resources (mid case).
- We currently value the volume that has been discovered so far at Anshof at A\$0.006 per share. Appraisal success in the area where the sands thicken could add a further A\$0.020/sh (unrisked).
- We maintain our target price of A\$0.060/sh.

### New resources estimate report

A new independent resources estimate for the Anshof discovery will be published in the next two months. It will shed light on the impact of the well test and also provide an independent valuation of the discovery.

### Valuation

Ahead of the publication of the new resources estimates and production start-up at Anshof, we have not changed our valuation. We have set our target price near our ReNAV. Our Core NAV stands at A\$0.016 per share (>2x the current share price).

Rating & target	Old	New
Target	A\$ 0.040	A\$ 0.055
Yield		0%
Implied total return		588%

Share data	2020	2021e	2022e
Shares dil., mm	2,278	3,723	3,723
Mkt cap, US\$m	\$10	\$27	\$21
EV, US\$m	\$12	\$26	\$16

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\$m	(\$1)	(\$2)	\$7
Net capex, US\$mn	\$3	(\$0)	\$3
Net debt, US\$m	\$2	(\$1)	(\$5)

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\$ 0.008
EV/DACF	-10.7x	-8.3x	1.5x
EV per boe/d (US\$)	\$40,831	\$92,665	\$52,577

Net asset value	
CNAV, A\$/shr	A\$ 0.011
RENAV, A\$/shr	A\$ 0.056
Unrisked NAV, A\$/shr	A\$ 0.612
P/CNAV	0.7x
P/RENAV	0.1x
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)**

<b>Financial &amp; Operating Information</b>		<b>2020a</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Commodity Prices</b>								
Brent	US\$/bbl	\$41.23	\$69.35	\$102.62	\$100.00	\$92.45	\$73.71	\$70.00
German border Gas price	US\$/mcf	\$7.30	\$12.05	\$35.00	\$18.54	\$13.59	\$11.14	\$9.96
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
<b>Production</b>								
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%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$43.36	\$67.80	\$111.59	\$94.66	\$85.96	\$68.39	\$64.59
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	\$60.26	\$50.40	\$41.70	\$22.49	\$18.70
Taxes	US\$/boe	-\$6.55	\$0.00	\$0.00	\$8.36	\$8.13	\$4.97	\$4.40
Cash Flow Netback	US\$/boe	(\$13.84)	(\$11.25)	\$61.28	\$40.67	\$32.20	\$16.10	\$12.87
Government Take	%	-15%	0%	0%	9%	9%	7%	7%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	(\$1)	(\$2)	\$7	\$5	\$4	\$2	\$1
CFPS - diluted	US\$/shr	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$mm	(\$1)	\$0	\$7	\$6	\$5	\$3	\$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	0.4x	0.1x	0.1x	0.2x	0.3x
<b>Leverage</b>								
Net Debt	US\$mm	\$2	(\$1)	(\$5)	(\$10)	(\$13)	(\$15)	(\$16)
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.
<b>Capital Structure</b>								
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	\$21	\$21	\$21	\$21	\$21
Enterprise Value	US\$mm	\$12	\$26	\$16	\$12	\$8	\$7	\$6
<b>Dividends &amp; Sustainability</b>								
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)	\$4	\$5	\$3	\$1	\$1
Cash Use/CFO	%	-260%	7%	38%	9%	11%	23%	30%
<b>Performance</b>								
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%	-594%	-27%	-21%	-52%	-20%
CFPS Growth (Y/Y) DDA - dil.	%	-125%	22%	-410%	20%	45%	-17%	34%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.017						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.058						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.646						
P/CNAV	x	0.5x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
<b>Valuation</b>								
Share Price, YE/Current	A\$/shr	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008
P/CF	x	-7.1x	-26.2x	4.2x	5.8x	7.4x	15.3x	19.1x
EV/DACF	x	-10.7x	-8.3x	1.5x	1.1x	0.5x	2.5x	2.7x
Target EV/DACF	x	-48.6x	-99.5x	16.1x	20.8x	25.4x	54.0x	67.1x
EV per boe/d	US\$/boe/d	\$40,831	\$92,665	\$52,577	\$33,796	\$23,655	\$20,324	\$17,296
EV per 2P boe	US\$/boe	\$13.59	\$13.82	\$13.82	\$9.05	\$6.99	\$5.29	\$4.39
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 26-Apr-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)		4	0.001		4	0.001	2%
G&A		-11	-0.004		-11	-0.004	-7%
<b>Austria</b>							
Zistersdorf 2P	2	24	0.009	100%	24	0.009	16%
Zistersdorf Infill and low risk appraisal	1	12	0.005	70%	8	0.003	6%
Upper Austria Anshof Derisked Resources	2	23	0.008	75%	17	0.006	11%
<b>Total Core NAV</b>		<b>52</b>	<b>0.019</b>		<b>42</b>	<b>0.016</b>	<b>28%</b>
<b>Austria</b>							
Zistersdorf simulation upside	1	19	0.007	40%	8	0.003	5%
Zisterdorf Flysch Resources	6	81	0.030	35%	29	0.011	19%
Upper Austria Oho	10	142	0.053	15%	21	0.016	29%
Upper Austria Anshof (still to be appraised)	4	52	0.020	60%	30	0.011	20%
Remaining prospects	31	436	0.163	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	60	0.022	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	-6	-0.002	0%	0	0.000	0%
<b>Romania</b>							
Iecea Mare	2	7	0.003	60%	0	0.000	0%
<b>Italy</b>							
Nilde Contingent Resources	34	23	0.009	10%	0	0.000	0%
<b>Total Risked Appraisal &amp; Exploration</b>		<b>815</b>	<b>0.304</b>		<b>88</b>	<b>0.041</b>	<b>72%</b>
<b>Total NAV</b>		<b>867.17</b>	<b>0.323</b>		<b>130</b>	<b>0.057</b>	<b>100%</b>
<b>Unrisked NAV</b>						<b>0.643</b>	
<b>P/Core NAV</b>					<b>44.2%</b>		
<b>P/NAV</b>					<b>12.3%</b>		
<b>P/Unrisked NAV</b>					<b>1.1%</b>		

Source: Auctus, Company Disclosures

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