

# ADX Energy Ltd (ASX: ADX)

October 25, 2022

Share price: A\$0.007

Target: A\$0.060

## Good production rate at Anshof. Busy months ahead.

- Commercial production at Anshof-3 has started at a stable rate of 100 bbl/d (80 bbl/d net to ADX). This increases overall production by approximately 30% to >350 boe/d.
- The well is producing above expectations but is constrained by trucking and storage capacity. Production from Anshof-3 could increase in the future (the well was tested at up to 135 bbl/d).
- An independent reserves estimate is expected to be published soon.
- Two further Anshof wells are expected to be drilled in 3Q/4Q23 to increase production. These wells will also be drilled in an area of where the reservoir is expected to thicken and could have a significant impact on reserves. The overall mid case recoverable resources at Anshof are estimated at ~5 mmboe net to ADX.
- Excluding the contribution from these two wells, we forecast ~350 boe/d production in 2023.
- The near-term focus of the story is the drilling of the high impact Welchau prospect. We re-iterate our target price of A\$0.06 per share.

Rating & target	Old	New	
Target	A\$ 0.060	n.c.	
Yield		0%	
Implied total return		757%	
Share data	2021	2022e	2023e
Shares dil., mm	3,312	3,594	3,594
Mkt cap, US\$m	\$24	\$18	\$18
EV, US\$m	\$23	\$17	\$12
Financial Data	2021	2022e	2023e
Gas, mmcf/d	0.1	0.2	0.2
Liquids, bbl/d	261	211	325
Total boe/d (6:1)	283	246	357
CFO, US\$m	(\$2)	\$3	\$5
Net capex, US\$m	(\$0)	\$5	\$0
Net debt, US\$m	(\$1)	(\$1)	(\$6)
CFPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.00
Valuation	2021	2022e	2023e
Share price, A\$/shr	A\$ 0.010	A\$ 0.007	A\$ 0.007
EV/DACF	-9.9x	3.7x	1.6x
EV per boe/d (US\$)	\$81,897	\$68,189	\$33,142
Net asset value			
CNAV, A\$/shr			A\$ 0.014
RENNAV, A\$/shr			A\$ 0.059
Unrisked NAV, A\$/shr			A\$ 0.633
P/CNAV			0.5x
P/RENNAV			0.1x
P/ENAV			0.0x
<i>All figures in US\$ unless otherwise noted</i>			
AS/US\$:			0.72

## Multiple upcoming activities on the rest of the portfolio

A drilling location for the high impact 800+ bcfe (134 mmboe) Welchau gas prospect is expected to be firmed-up imminently and drilling could start in 2Q23. The company continues to have multiple farm-out discussions with several industry partners with regards to its multiple other prospects. Overall, there are >70 mmboe prospective resources over these prospects (excluding Welchau). This could add multiple wells to the drilling programme next year. The solar project is expected to reduce electricity cost on the field but could also become a source of additional revenue. The recent announcement of OMV starting a geothermal project in the Vienna basin highlights the increasing interest from large corporations for geothermal in the area. ADX's Gmunden multi-energy source prospect includes shallower gas targets as well as a deeper geothermal target which is analogous to geothermal developments in the Munich region of Germany. The geothermal potential at Gmunden has been assessed to be capable of delivering 15 to 20 MW of long-term continuous (baseload) geothermal energy from a two-well development.

## Valuation

Our Core NAV stands at A\$0.014/sh (~2x the current share price). We estimate that FY23 operating cashflow represents ~3.3x the current market cap. Our unrisks NAV for Anshof is ~A\$0.03 per share. Our unrisks NAV for Welchau is >A\$0.20 per share.

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**Figure 1. Financial & operating information**

<b>ADX Energy Ltd (ADX AU)</b>			2020	2021	2022e	2023e	2024e	2025e	2026e
<b>Financial &amp; Operating Information</b>									
<b>Commodity Prices</b>									
Brent	US\$/bbl		\$41.23	\$69.35	\$103.57	\$100.00	\$92.45	\$73.71	\$70.00
Austria Gas price	US\$/mcf		\$7.30	\$12.08	\$33.00	\$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	211	325	312	300	300
Natural Gas	mmcf/d		0.2	0.1	0.2	0.2	0.2	0.2	0.2
Total (6 mcf = 1 boe)	boe/d		297	283	246	357	344	332	332
% Oil and Liquids	%		91%	92%	86%	91%	91%	90%	90%
<b>Netbacks</b>									
Realized Price	US\$/boe		\$43.36	\$67.80	\$106.79	\$94.60	\$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	\$63.87	\$42.65	\$44.25	\$45.89	\$45.89
Operating Netback	US\$/boe		(\$3.12)	\$3.33	\$38.20	\$51.95	\$41.70	\$22.49	\$18.70
Taxes	US\$/boe		-\$6.55	\$0.00	\$1.25	\$8.67	\$8.13	\$4.97	\$4.40
Cash Flow Netback	US\$/boe		(\$13.84)	(\$11.25)	\$26.30	\$41.96	\$32.20	\$16.10	\$12.87
Government Take	%		-15%	0%	1%	9%	9%	7%	7%
<b>Financials</b>									
Cash Flow (CFO)	US\$mm		(\$1)	(\$2)	\$3	\$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	\$3	\$7	\$5	\$3	\$2
E&D Capex	US\$mm		\$3	\$1	\$5	\$0	\$0	\$0	\$0
A&D Capex, Net	US\$mm		(\$0)	(\$1)	(\$1)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm		\$3	(\$0)	\$5	\$0	\$0	\$0	\$0
Total Net Capex/CFO	x		-2.6x	0.1x	1.5x	0.1x	0.1x	0.2x	0.3x
<b>Leverage</b>									
Net Debt	US\$mm		\$2	(\$1)	(\$1)	(\$6)	(\$10)	(\$11)	(\$12)
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	2974	3485	3485	3485	3485	3485
Diluted Shares o/s @ YE	mm		2278	3312	3594	3594	3594	3594	3594
Market Capitalization	US\$mm		\$10	\$24	\$18	\$18	\$18	\$18	\$18
Enterprise Value	US\$mm		\$12	\$23	\$17	\$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)	(\$2)	\$5	\$4	\$1	\$1
Cash Use/CFO	%		-260%	7%	145%	8%	11%	23%	29%
<b>Performance</b>									
Prod. Per Shr Growth (Y/Y) - dil.	%		-87%	-44%	-27%	45%	-4%	-4%	0%
PPS Growth (Y/Y) DDA - dil.	%		n.a.	-34%	-37%	106%	64%	45%	37%
CFPS Growth (Y/Y) - dil.	%		-91%	64%	-282%	67%	-27%	-53%	-21%
CFPS Growth (Y/Y) DDA - dil.	%		-129%	14%	-233%	136%	25%	-30%	8%
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\$ 0.014						
RENAV (Atax) - diluted	A\$/shr		A\$ 0.059						
Unrisked NAV (Atax) - diluted	A\$/shr		A\$ 0.633						
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\$ 0.006	A\$ 0.010	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007	A\$ 0.007
P/CF	x		-5.3x	-19.3x	7.7x	3.3x	4.5x	9.3x	11.6x
EV/DACF	x		-8.3x	-9.9x	3.7x	1.6x	1.5x	2.6x	2.7x
Target EV/DACF	x		-59.3x	-107.7x	54.9x	23.0x	30.5x	62.8x	78.1x
EV per boe/d	US\$/boe/d		\$40,831	\$81,897	\$68,189	\$33,142	\$24,201	\$20,841	\$17,766
Proved Plus Probable	\$		\$1	\$2	\$2	\$2	\$2	\$1	\$1
EV per 2P boe	US\$/boe		\$13.59	\$12.21	\$9.26	\$7.04	\$5.35	\$4.82	\$4.49
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 24-Oct-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)		1	0.001		1	0.001	1%
G&A		-16	-0.006		-16	-0.006	-11%
<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%	9	0.003	6%
Upper Austria Anshof Derisked Resources	2	23	0.009	75%	17	0.007	11%
<b>Total Core NAV</b>		<b>45</b>	<b>0.017</b>		<b>35</b>	<b>0.014</b>	<b>23%</b>
<b>Austria</b>							
Zisterdorf Flysch Resources	6	82	0.032	0%	0	0.000	0%
Welchau Prospect	67	619	0.239	15%	93	0.036	61%
Upper Austria Anshof (still to be appraised)	4	53	0.020	50%	25	0.010	16%
Upper Austria Oho	10	144	0.056	0%	0	0.000	0%
Remaining prospects	42	610	0.236	30%	0	0.000	0%
H2 30 MW CH4 Equivalent	0	12	0.004	0%	0	0.000	0%
Additional value - H2 30 MW H2 Market (US\$4/kg)	0	42	0.016	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 Apparaisal &amp; Exploration</b>		<b>1,592</b>	<b>0.615</b>		<b>118</b>	<b>0.046</b>	<b>77%</b>
<b>Total NAV</b>		<b>1,636.71</b>	<b>0.633</b>		<b>153</b>	<b>0.059</b>	<b>100%</b>
<b>Unrisked NAV</b>						<b>0.633</b>	
<b>P/Core NAV</b>					<b>51.4%</b>		
<b>P/NAV</b>					<b>11.8%</b>		
<b>P/Unrisked NAV</b>					<b>1.1%</b>		

Source: Auctus, Company Disclosures

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