

ADX Energy Ltd (ASX: ADX)

May 02, 2023

Share price: A\$0.007

Target: A\$0.100

1Q23 in line with expectations. Growing production at Anshof

- 1Q23 production was 299 boe/d including 88 bbl/d for Anshof. In March net production from Anshof has increased to 94 bbl/d. Overall net production in March including the Zistersdorf & Gaiselberg fields (Z&G) was 336 boe/d.
- Additional site storage is planned to be installed at the Anshof-3 well location in June which will enable the production rate to be increased to ~ 150 bbl/d (120 bbl/d net to ADX).
- A second 50 m³ oil storage tank is expected to be installed and commissioned on the well site by end 3Q23 to facilitate the increased field production after drilling of the Anshof-2 well.
- ADX held A\$3.4 mm in cash at the end of March.
- ADX has identified a number of shallow gas opportunities in the KTZ area in Upper Austria (ADX-AT-I licence). Many identified leads are supported by amplitude versus offset (AVO) anomalies. A typical discovery is anticipated to be able to deliver initial flow rates of 5-10 mmcf/d. Further visibility on prospective resources volumes for leads to be matured into prospects is expected in May.
- Further details on the GRB oil prospect and other Anshof satellite prospects are also expected to be provided in May.
- ADX continues to offer a combination of strong underlying value, increasing cashflow and reserves growth with very material exploration upside from an expanded near-term drilling programme. We reiterate our target price of A\$0.100/sh.

Drilling activity and news flow to pick-up from 3Q23

The Anshof-2 well continues to be expected to be drilled in 3Q23. A production licence for the field was awarded in early March. The Welchau prospect (807 Bcfe) is also expected to be drilled in 2H23.

Valuation

ADX offers value, based on its 2P reserves at Z&G and Anshof alone. Our Core NAV based on the company's 2P reserves stands at A\$0.016/sh (2.5x the current share price). De-risking the 3P/3C at Anshof would add A\$0.036 per share (~6x the current share price). Our ReNAV stands at A\$0.10 per share. The Welchau prospect has an unrisks NAV of A\$0.19 per share.

Rating & target	Old	New	
Target	A\$ 0.100	n.c.	
Yield		0%	
Implied total return		1567%	
Share data	2022	2023e	2024e
Shares dil., mm	3,911	3,911	3,911
Mkt cap, US\$mm	\$19	\$16	\$17
EV, US\$mm	\$17	\$20	\$14
Financial Data	2022	2023e	2024e
Gas, mmcf/d	0.3	0.2	0.3
Liquids, bbl/d	190	388	930
Total boe/d (6:1)	238	422	980
CFO, US\$mm	\$3	\$3	\$13
Net capex, US\$mn	\$3	\$9	\$6
Net debt, US\$mm	(\$2)	\$4	(\$3)
CFPS dil., US\$/shr	\$0.00	\$0.00	\$0.00
EPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.00
Valuation	2022	2023e	2024e
Share price, A\$/shr	A\$ 0.007	A\$ 0.006	A\$ 0.006
EV/DACF	4.8x	4.3x	0.7x
EV per boe/d (US\$)	\$72,605	\$47,461	\$14,029
Net asset value			
CNAV, A\$/shr			A\$ 0.017
RENAV, A\$/shr			A\$ 0.102
Unrisks NAV, A\$/shr			A\$ 0.631
P/CNAV			0.3x
P/RENAV			0.1x
P/ENAV			0.0x

All figures in US\$ unless otherwise noted
A\$/US\$: 0.69

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

Financial & Operating Information		2021	2022	2023e	2024e	2025e	2026e	2027e
Commodity Prices								
Brent	US\$/bbl	\$69.35	\$100.92	\$91.32	\$92.45	\$73.71	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$11.77	\$37.75	\$18.36	\$13.49	\$11.14	\$9.96	\$9.92
USD/CAD	US\$/C\$	\$0.75	\$0.75	\$0.74	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.73	\$0.69	\$0.68	\$0.72	\$0.72	\$0.72	\$0.72
Production								
Oil and Liquids	bbl/d	261	190	388	930	1,131	1,250	1,810
Natural Gas	mmcf/d	0.1	0.3	0.2	0.3	0.3	0.3	0.3
Total (6 mcf = 1 boe)	boe/d	283	238	422	980	1,181	1,300	1,856
% Oil and Liquids	%	92%	80%	92%	95%	96%	96%	98%
Netbacks								
Realized Price	US\$/boe	\$67.80	\$119.65	\$84.92	\$83.76	\$69.27	\$66.01	\$66.17
Royalties	US\$/boe	\$0.00	\$0.00	\$6.02	\$11.17	\$9.76	\$9.58	\$10.32
Production & Transport Costs	US\$/boe	\$56.71	\$85.69	\$58.82	\$39.68	\$35.25	\$34.76	\$32.88
Operating Netback	US\$/boe	\$3.33	\$29.10	\$20.08	\$32.91	\$24.25	\$21.67	\$22.97
Taxes	US\$/boe	\$0.00	\$3.22	\$7.90	\$4.78	\$2.36	\$1.83	\$3.84
Cash Flow Netback	US\$/boe	(\$11.25)	\$11.80	\$20.20	\$35.00	\$26.75	\$25.03	\$25.15
Government Take	%	0%	3%	16%	19%	18%	17%	21%
Financials								
Cash Flow (CFO)	US\$mm	(\$2)	\$3	\$3	\$13	\$11	\$12	\$17
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBITDAX	US\$mm	\$0	\$2	\$5	\$15	\$13	\$13	\$20
E&D Capex	US\$mm	\$1	\$4	\$9	\$6	\$10	\$7	\$1
A&D Capex, Net	US\$mm	(\$1)	(\$1)	(\$0)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	(\$0)	\$3	\$9	\$6	\$10	\$7	\$1
Total Net Capex/CFO	x	0.1x	1.3x	2.8x	0.4x	0.9x	0.6x	0.1x
Leverage								
Net Debt	US\$mm	(\$1)	(\$2)	\$4	(\$3)	(\$5)	(\$10)	(\$25)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	-1.1x	n.a.	n.a.	0.3x	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	2974	3513	3513	3513	3513	3513	3513
Diluted Shares o/s @ YE	mm	3312	3911	3911	3911	3911	3911	3911
Market Capitalization	US\$mm	\$24	\$19	\$16	\$17	\$17	\$17	\$17
Enterprise Value	US\$mm	\$23	\$17	\$20	\$14	\$12	\$7	(\$8)
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	(\$2)	(\$2)	(\$6)	\$7	\$1	\$5	\$16
Cash Use/CFO	%	7%	133%	284%	43%	87%	58%	7%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-44%	-32%	69%	133%	21%	10%	n.a.
PPS Growth (Y/Y) DDA - dil. ^b	%	-32%	-42%	47%	135%	80%	67%	n.a.
CFPS Growth (Y/Y) - dil.	%	64%	-243%	22%	319%	-11%	3%	44%
CFPS Growth (Y/Y) DDA - dil. ^b	%	17%	-198%	1%	324%	33%	56%	n.a.
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value ^c								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.017						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.102						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.631						
P/CNAV	x	0.3x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	A\$/shr	A\$ 0.010	A\$ 0.007	A\$ 0.006	A\$ 0.006	A\$ 0.006	A\$ 0.006	A\$ 0.006
P/CF	x	-19.3x	18.4x	5.1x	1.3x	1.5x	1.4x	1.0x
EV/DACF	x	-9.9x	4.8x	4.3x	0.7x	0.8x	0.4x	-0.4x
Target EV/DACF	x	-107.7x	131.8x	41.2x	10.6x	12.0x	11.4x	7.3x
EV per boe/d	US\$/boe/d	\$81,897	\$72,605	\$47,461	\$14,029	\$10,423	\$5,623	(\$4,551)
Proved Plus Probable	mmboe	6	6	6	5	5	4	4
EV per 2P boe	US\$/boe	\$3.97	\$3.00	\$3.57	\$2.62	\$2.55	\$1.68	(\$2.30)
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 29-Apr-23

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 (YE23)		-4	-0.001		-4	-0.001	-1%
G&A		-9	-0.003		-9	-0.003	-3%
Austria							
Zistersdorf 2P	2	11	0.004	100%	11	0.004	4%
Anshof 2P Reserves	4	54	0.020	90%	48	0.018	18%
Total Core NAV		51	0.019		46	0.017	17%
Austria							
Welchau Prospect	80	520	0.195	25%	130	0.049	48%
Anshof P3 Reserves	8	101	0.038	60%	61	0.023	22%
Anshof 3C Resources	9	114	0.043	30%	34	0.013	13%
Oil prospect (farm-out)	2	27	0.010	45%	12		0%
Gas prospect (farm-out)	2	27	0.010	45%	12		0%
Remaining prospects	59	760	0.285	30%	228		0%
H2 30 MW CH4 Equivalent		12	0.004				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.016				0%
Romania							
Iecea Mare	2	7	0.003	60%	4		0%
Italy							
d363C.R.-AX gas resources	34	23	0.009	25%	6		0%
Total Risked Appraisal & Exploration		1,633	0.612		488	0.084	83%
Total NAV		1,684.69	0.631		534	0.102	100%
Unrisked NAV						0.631	
P/Core NAV					34.7%		
P/NAV					5.9%		
P/Unrisked NAV					1.0%		

Source: Auctus, Company Disclosures

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