

ADX Energy Ltd (ASX: ADX)

July 12, 2023

Share price: A\$0.008

Target: A\$0.100

Securing funding to prepare for drilling

- ADX is issuing A\$1.5 mm of loan notes with a term of 18 months.
- A\$1.0 mm of the loan notes carry an interest rate of 8% per annum with 30 mm options with an exercise price of A\$0.01 per share and 30 mm options with an exercise price of A\$0.014 per share.
- The balance of the loan notes carry an interest rate of 12% per annum with 21.5 mm options with an exercise price of A\$0.014 per share.
- The proceeds of the funding will allow the company to continue preparations for (1) the planned drilling of two wells at Anshof, the Welchau gas prospect and a further gas prospect as well as (2) engineering and procurement for the installation of a permanent facility at the Anshof-3 well site.
- Drilling is expected to start in September.
- ADX expects to secure farm-in partners for some of its Upper Austrian drilling projects during the summer. This will provide further funding. ADX is offering multiple farmouts of individual prospects or play types within its extensive portfolio of exploration projects within its licence areas in Upper Austria
- 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. The dilution associated with the funding is minimal. We reiterate our target price of A\$0.100/sh.

Valuation

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\$0.035 per share (~4.5x the current share price). Our ReNAV stands at A\$0.10 per share. A successful farmout of some of the prospects and projects could highlight their values and provide further funding to accelerate the drilling programme. The Welchau prospect expected to be drilled in 2H23 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		1150%	
Share data	2022	2023e	2024e
Shares dil., mm	3,911	3,992	3,992
Mkt cap, US\$mm	\$19	\$22	\$23
EV, US\$mm	\$17	\$26	\$20
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\$ 0.008	A\$ 0.008
EV/DACF	4.8x	6.0x	1.1x
EV per boe/d (US\$)	\$72,605	\$61,953	\$20,859
Net asset value			
CNAV, A\$/shr			A\$ 0.017
RENAV, A\$/shr			A\$ 0.099
Unrisks NAV, A\$/shr			A\$ 0.681
P/CNAV			0.5x
P/RENAV			0.1x
P/ENAV			0.0x

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

Contact details

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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	\$86.57	\$92.45	\$73.71	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$11.65	\$37.75	\$18.10	\$13.30	\$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	bb/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	\$82.10	\$83.70	\$69.27	\$66.01	\$66.17
Royalties	US\$/boe	\$0.00	\$0.00	\$5.86	\$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	\$17.42	\$32.85	\$24.25	\$21.67	\$22.97
Taxes	US\$/boe	\$0.00	\$3.22	\$6.58	\$4.78	\$2.36	\$1.83	\$3.84
Cash Flow Netback	US\$/boe	(\$11.25)	\$11.80	\$18.87	\$34.94	\$26.75	\$25.03	\$25.15
Government Take	%	0%	3%	15%	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	\$4	\$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	3.2x	0.4x	0.9x	0.6x	0.1x
Leverage								
Net Debt	US\$mm	(\$1)	(\$2)	\$4	(\$3)	(\$4)	(\$9)	(\$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	3992	3992	3992	3992	3992
Market Capitalization	US\$mm	\$24	\$19	\$22	\$23	\$23	\$23	\$23
Enterprise Value	US\$mm	\$23	\$17	\$26	\$20	\$19	\$14	(\$2)
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%	318%	44%	88%	58%	7%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-44%	-32%	68%	130%	21%	10%	n.a.
PPS Growth (Y/Y) DDA - dil. ^b	%	-35%	-40%	49%	129%	60%	43%	n.a.
CFPS Growth (Y/Y) - dil.	%	64%	-243%	9%	360%	-9%	3%	44%
CFPS Growth (Y/Y) DDA - dil. ^b	%	12%	-202%	-8%	353%	21%	34%	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\$ 0.099						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 0.681						
P/CNAV	x	0.5x						
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\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008	A\$ 0.008
P/CF	x	-19.3x	18.4x	7.3x	1.7x	2.0x	1.9x	1.4x
EV/DACF	x	-9.9x	4.8x	6.0x	1.1x	1.2x	0.9x	-0.1x
Target EV/DACF	x	-107.7x	131.8x	45.0x	10.8x	12.3x	11.7x	7.5x
EV per boe/d	US\$/boe/d	\$81,897	\$72,605	\$61,953	\$20,859	\$16,119	\$10,824	(\$889)
Proved Plus Probable	mmboe	6	6	6	5	5	4	4
EV per 2P boe	US\$/boe	\$3.97	\$3.00	\$4.66	\$3.89	\$3.95	\$3.24	(\$0.45)
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 11-Jul-23

Figure 2. NAV Table

	WI Reserves / Resources (mboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE23)		-4	-0.002		-4	-0.002	-2%
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	0.191	25%	130	0.048	48%
Anshof P3 Reserves	8	101	0.037	60%	61	0.022	22%
Anshof 3C Resources	9	114	0.042	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	72	931	0.342	30%	279		0%
H2 30 MW CH4 Equivalent		12	0.004				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.015				0%
Romania							
Iecea Mare	2	7	0.003	60%	4		0%
Italy							
d363C.R-.AX gas resources	34	23	0.008	25%	6		0%
Total Risked Appraisal & Exploration		1,804	0.662		539	0.083	83%
Total NAV		1,855.04	0.681		584	0.099	100%
Unrisked NAV						0.681	
P/Core NAV					47.6%		
P/NAV					8.1%		
P/Unrisked NAV					1.2%		

Source: Auctus, Company Disclosures

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