

ADX Energy Ltd (ASX: ADX)

April 24, 2024

Share price: A\$0.12

Target: A\$1.00

Important step to unlock Sicily

- The Italian ministry has informed ADX that it will be granted the d 363C.R.-AX gas exploration permit in the Sicily Channel.
- In addition, the Regional Administrative Court of Rome has annulled the Plan for the Sustainable Energy Transition of Eligible Areas that prevented the oil redevelopment, appraisal and exploration activities on the licence. The annulment, if not contested, will result in reversion to the 2018 legislation enabling oil as well as gas within the d 363C.R.-AX permit to be exploited.
- ADX has high graded five prospects in the area with a total of 369 bcf prospective resources (best case). In addition, contingent resources of 19.2 - 65.6 mmbbl of remaining recoverable oil had been estimated in 2018.
- An oil redevelopment project at Nilde will target the production of 34.1 mmbbl of 2C contingent resources from 3 wells at an estimated initial production rate of 22,000 bbl/d. The Nilde field produced 20.5 mmbbl of light oil from 1980-1989 from subsea infrastructure tied back to the Firenze FPSO. The field was prematurely shut in due to the inability of the FPSO to handle water production and a collapse in oil price from around US\$30/bbl to US\$14/bbl.
- Pending confirmation that the decision to annul the Plan for the Sustainable Energy Transition of Eligible Areas is not contested, we are not changing our target price of A\$1.00 per share.
- The near term focus continues to be (1) the drilling of further wells at Anshof that are expected to add production and reserves, the drilling of a gas prospect with MND, high impact well testing activities at the Welchau discovery in 4Q24 as well as the deepening of Welchau where in excess of 1,000 m of sediments remain untested.

Valuation

Our ReNAV is unchanged at A\$1.00 per share. Our unrisks NAV for Welchau is ~A\$1.55 per share. Our unrisks NAV for the 3P reserve case at Anshof is A\$0.36 per share (including A\$0.12 per share for the 2P case). Our unrisks NAV for LICHT is A\$0.05 per share.

Rating & target	Old	New	
Target	A\$ 1.000	n.c.	
Yield		0%	
Implied total return		733%	
Share data	2023	2024e	2025e
Shares dil., mm	502	502	502
Mkt cap, US\$mm	\$40	\$40	\$42
EV, US\$mm	\$36	\$37	\$40
Financial Data	2023	2024e	2025e
Gas, mmcf/d	0.2	0.1	0.1
Liquids, bbl/d	263	393	891
Total boe/d (6:1)	289	416	913
CFO, US\$mm	(\$2)	\$2	\$7
Net capex, US\$mn	(\$0)	\$3	\$8
Net debt, US\$mm	(\$4)	(\$3)	(\$2)
CFPS dil., US\$/shr	(\$0.00)	\$0.01	\$0.01
EPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.01
Valuation	2023	2024e	2025e
Share price, A\$/shr	A\$ 0.120	A\$ 0.120	A\$ 0.120
EV/DACF	n.a.	10.0x	3.7x
EV per boe/d (US\$)	\$125,211	\$89,157	\$43,403
Net asset value			
CNAV, A\$/shr			A\$ 0.118
RENAV, A\$/shr			A\$ 1.010
Unrisks NAV, A\$/shr			A\$ 5.208
P/CNAV			1.0x
P/RENAV			0.1x
P/ENAV			0.0x
<i>All figures in US\$ unless otherwise noted</i>			
A\$/US\$:			0.66

Contact details

Analyst:
Stephane Foucaud
 sf@auctusadvisors.co.uk
 +44 7854 891249

Figure 1. Financial & operating information

ADX Energy Ltd (ADX AU)								
Financial & Operating Information								
		2022	2023	2024e	2025e	2026e	2027e	2028e
Commodity Prices								
Brent	US\$/bbl	\$100.92	\$82.46	\$85.52	\$74.97	\$70.00	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$37.75	\$17.95	\$12.03	\$11.19	\$10.02	\$9.92	\$9.92
USD/CAD	US\$/C\$	\$0.75	\$0.74	\$0.72	\$0.75	\$0.75	\$0.75	\$0.75
A\$/US\$	A\$/US\$	\$0.69	\$0.67	\$0.66	\$0.70	\$0.72	\$0.72	\$0.72
Production								
Oil and Liquids	bbl/d	190	263	393	891	980	1,400	1,400
Natural Gas	mmcf/d	0.3	0.2	0.1	0.1	0.1	0.1	0.1
Total (6 mcf = 1 boe)	boe/d	238	289	416	913	1,003	1,421	1,421
% Oil and Liquids	%	80%	91%	95%	98%	98%	99%	99%
Netbacks								
Realized Price	US\$/boe	\$119.65	\$83.56	\$81.01	\$68.75	\$66.08	\$66.20	\$66.20
Royalties	US\$/boe	\$0.00	\$4.73	\$6.93	\$9.40	\$9.31	\$10.11	\$10.11
Production & Transport Costs	US\$/boe	\$85.69	\$81.04	\$61.32	\$40.13	\$37.60	\$34.89	\$34.89
Operating Netback	US\$/boe	\$29.10	(\$2.21)	\$12.77	\$19.22	\$19.16	\$21.20	\$21.20
Taxes	US\$/boe	\$3.22	-\$2.47	-\$0.70	\$2.01	\$1.65	\$3.51	\$4.03
Cash Flow Netback	US\$/boe	\$11.80	(\$8.94)	\$16.28	\$21.90	\$20.17	\$21.91	\$21.38
Government Take	%	3%	3%	8%	17%	17%	21%	21%
Financials								
Cash Flow (CFO)	US\$mm	\$3	(\$2)	\$2	\$7	\$7	\$11	\$11
CFPS - diluted	US\$/shr	\$0.00	(\$0.00)	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02
EBITDAX	US\$mm	\$2	\$1	\$2	\$8	\$8	\$13	\$13
E&D Capex	US\$mm	\$4	\$5	\$7	\$8	\$5	\$1	\$1
A&D Capex, Net	US\$mm	(\$1)	(\$5)	(\$4)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$3	(\$0)	\$3	\$8	\$5	\$1	\$1
Total Net Capex/CFO	x	1.3x	0.2x	1.5x	1.1x	0.8x	0.1x	0.1x
Leverage								
Net Debt	US\$mm	(\$2)	(\$4)	(\$3)	(\$2)	(\$4)	(\$14)	(\$23)
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	3513	428	428	428	428	428	428
Diluted Shares o/s @ YE	mm	3911	502	502	502	502	502	502
Market Capitalization	US\$mm	\$19	\$40	\$40	\$42	\$43	\$43	\$43
Enterprise Value	US\$mm	\$17	\$36	\$37	\$40	\$39	\$30	\$20
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)	(\$7)	(\$5)	(\$1)	\$2	\$10	\$9
Cash Use/CFO	%	133%	16%	152%	108%	75%	11%	11%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-32%	76%	664%	112%	10%	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil. ^b	%	-32%	79%	708%	119%	13%	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-243%	-177%	-211%	228%	-2%	57%	-2%
CFPS Growth (Y/Y) DDA - dil. ^b	%	-215%	-214%	-723%	227%	1%	n.a.	-100%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value								
CNAV (Atax) - diluted	A\$/shr	A\$ 0.118						
RENAV (Atax) - diluted	A\$/shr	A\$ 1.010						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 5.208						
P/CNAV	x	1.0x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	A\$/shr	A\$ 0.007	A\$ 0.120	A\$ 0.120	A\$ 0.120	A\$ 0.120	A\$ 0.120	A\$ 0.120
P/CF	x	18.4x	-220.0x	15.6x	5.6x	5.9x	3.8x	3.9x
EV/DACF	x	4.8x	n.a.	10.0x	3.7x	3.8x	1.9x	1.3x
Target EV/DACF	x	131.8x	-13.8x	5.5x	2.1x	2.1x	0.7x	0.1x
EV per boe/d	US\$/boe/d	\$72,605	\$125,211	\$89,157	\$43,403	\$39,105	\$20,772	\$14,133
Proved Plus Probable	mmboe	5	5	4	4	4	3	3
EV per 2P boe	US\$/boe	\$3.69	\$7.90	\$8.37	\$9.67	\$10.50	\$9.17	\$7.44
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 8-Apr-24

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 (YE24)		3	0.009		3	0.009	1%
G&A		-16	-0.048		-16	-0.048	-5%
Options Exercised		7	0.022		7	0.022	2%
Austria							
Zistersdorf 2P	2	7	0.021	100%	7	0.021	2%
Anshof 2P Reserves	3	40	0.120	95%	38	0.114	11%
Total Core NAV		41	0.124		39	0.118	12%
Austria							
Welchau Prospect	101	526	1.581	50%	263	0.791	78%
Anshof 3P Reserves upside	5.9	78	0.234	33%	26	0.077	8%
Oil prospect (farm-out)	2	28	0.083	45%	12		0%
LICHT Gas prospect (farm-out)	1	18	0.053	45%	8	0.024	2%
Remaining prospects	73	959	2.882	30%	288		0%
H2 30 MW CH4 Equivalent		12	0.035				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.125				0%
Romania							
Iecea Mare	2	7	0.021	60%	4		0%
Italy							
d363C.R.-AX gas resources	34	23	0.069	25%	6		0%
Total Risked Appraisal & Exploration		1,693	5.084		607	0.892	88%
Total NAV		1,733.78	5.208		646	1.010	100%
Unrisked NAV						5.208	
P/Core NAV					101.8%		
P/NAV					11.9%		
P/Unrisked NAV					2.3%		

Source: Auctus, Company Disclosures

Copyright and Risk Warnings

ADX Energy Ltd (“ADX” or the “Company”) is a corporate client of Auctus Advisors LLP (“Auctus”).

Auctus receives, and has received in the past 12 months, compensation for providing corporate broking and/or investment banking services to the Company, including the publication and dissemination of marketing material from time to time.

MiFID II Disclosures

This document, being paid for by a corporate issuer, is believed by Auctus to be an ‘acceptable minor non-monetary benefit’ as set out in Article 12 (3) of the Commission Delegated Act C(2016) 2031 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. It is produced solely in support of our corporate broking and corporate finance business. Auctus does not offer a secondary execution service in the UK.

This note is a marketing communication and NOT independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is NOT subject to the prohibition on dealing ahead of the dissemination of investment research.

Author

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

Not an offer to buy or sell

Under no circumstances is this note to be construed to be an offer to buy or sell or deal in any security and/or derivative instruments. It is not an invitation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000.

Note prepared in good faith and in reliance on publicly available information

Comments made in this note have been arrived at in good faith and are based, at least in part, on current public information that Auctus considers reliable, but which it does not represent to be accurate or complete, and it should not be relied on as such. The information, opinions, forecasts and estimates contained in this document are current as of the date of this document and are subject to change without prior notification. No representation or warranty either actual or implied is made as to the accuracy, precision, completeness or correctness of the statements, opinions and judgements contained in this document.

Auctus’ and related interests

The persons who produced this note may be partners, employees and/or associates of Auctus. Auctus and/or its employees and/or partners and associates may or may not hold shares, warrants, options, other derivative instruments or other financial interests in the Company and reserve the right to acquire, hold or dispose of such positions in the future and without prior notification to the Company or any other person.

Information purposes only

This document is intended to be for background information purposes only and should be treated as such. This note is furnished on the basis and understanding that Auctus is under no responsibility or liability whatsoever in respect thereof, whether to the Company or any other person.

Investment Risk Warning

The value of any potential investment made in relation to companies mentioned in this document may rise or fall and sums realised may be less than those originally invested. Any reference to past performance should not be construed as being a guide to future performance. Investment in small companies, and especially upstream oil & gas companies, carries a high degree of risk and investment in the companies or commodities mentioned in this document may be affected by related currency variations. Changes in the pricing of related currencies and or commodities mentioned in this document may have an adverse effect on the value, price or income of the investment.

Distribution

This document is directed at persons having professional experience in matters relating to investments to whom Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“FPO”) applies, or high net worth organisations to whom Article 49 of the FPO applies. The investment or investment activity to which this communication relates is available only to such persons and other persons to whom this communication may lawfully be made (“relevant persons”) and will be engaged in only with such persons. This Document must not be acted upon or relied upon by persons who are not relevant persons. Without limiting the foregoing, this note may not be distributed to any persons (or groups of persons), to whom such distribution would contravene the UK Financial Services and Markets Act 2000 or would constitute a contravention of the corresponding statute or statutory instrument in any other jurisdiction.

Disclaimer

This note has been forwarded to you solely for information purposes only and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto (“financial instruments”). This note is intended for use by professional and business investors only. This note may not be reproduced without the prior written consent of Auctus.

The information and opinions expressed in this note have been compiled from sources believed to be reliable but, neither Auctus, nor any of its partners, officers, or employees accept liability from any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this note. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Auctus is not agreeing to nor is it required to update the opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this note can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This note does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this note.

Auctus (or its partners, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of the Company or any related or other company referred to herein, and may add to or dispose of any such position or may make a market or act as principle

in any transaction in such securities or financial instruments. Partners of Auctus may also be directors of the Company or any other of the companies mentioned in this note. Auctus may, from time to time, provide or solicit investment banking or other financial services to, for or from the Company or any other company referred to herein. Auctus (or its partners, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published.

Further Disclosures for the United Kingdom

This note has been issued by Auctus Advisors LLP, which is authorised and regulated by the Financial Conduct Authority. This note is not for distribution to private customers. This note is not intended for use by, or distribution to, US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

This publication is confidential and may not be reproduced in whole or in part or disclosed to another party, without the prior written consent of Auctus. Securities referred to in this note may not be eligible for sale in those jurisdictions where Auctus is not authorised or permitted by local law to do so. In particular, Auctus does not permit the distribution or redistribution of this note to non-professional investors or other persons to whom disclosure would contravene local securities laws. Auctus expressly disclaims and will not be held responsible in any way, for third parties who affect such redistribution.

© Auctus Advisors LLP All rights reserved 2024