

ADX Energy Ltd (ASX: ADX)

August 01, 2024

Share price: A\$0.10

Target: A\$0.75

Reflections on Welchau

- Independent consultants have calculated that each of the three reservoirs encountered at Welchau (Reifling - 128 metres, Steinalm - 118 metres and the Guttenstein - 111 metres) are hydrocarbon bearing with uncertainty on the hydrocarbon type.
- Laboratory work on the Steinalm reservoir has confirmed the full properties of the 43° API light sweet oil that was recovered in an MDT sample run in the Steinalm Formation. The vertical extent of this light oil in the Steinalm or in the shallower Reifling and deeper Guttenstein is uncertain and there is no clear evidence of a hydrocarbon-water contact in any of the reservoir formations based on the open hole wireline log data.
- Multiple open fractures and resulting fracture networks have been identified. In addition, there are other features that have the flow characteristics of open permeable fractures but are not fractures.
- Welchau-1 is expected to be tested in 4Q24.
- Two additional exploration opportunities have been identified. (1) There remains over 1,000 m of exploration potential below the current Welchau-1 well TD and the well could be deepened. (2) A similar anticline structure to Welchau at similar shallow depths is located ~7 km Northwest of Welchau-1.
- We re-iterate our target price of A\$0.75 per share in line with our ReNAV. Our target price represents 7.5x the current share price.

Rating & target	Old	New	
Target	A\$ 0.750	n.c.	
Yield		0%	
Implied total return		650%	
Share data	2023	2024e	2025e
Shares dil., m	502	695	695
Mkt cap, US\$m	\$34	\$46	\$49
EV, US\$m	\$30	\$41	\$45
Financial Data	2023	2024e	2025e
Gas, mmcf/d	0.2	0.1	0.1
Liquids, bbl/d	263	224	832
Total boe/d (6:1)	289	245	855
CFO, US\$m	(\$2)	(\$0)	\$7
Net capex, US\$m	(\$0)	\$8	\$8
Net debt, US\$m	(\$4)	(\$5)	(\$4)
CFPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.01
EPS dil., US\$/shr	(\$0.00)	(\$0.01)	\$0.01
Valuation	2023	2024e	2025e
Share price, A\$/shr	A\$ 0.100	A\$ 0.100	A\$ 0.100
EV/DACF	n.a.	-99.1x	4.6x
EV per boe/d (US\$)	\$102,039	\$169,321	\$52,261
Net asset value			
CNAV, A\$/shr			A\$ 0.100
RENAV, A\$/shr			A\$ 0.738
Unrisked NAV, A\$/shr			A\$ 4.065
P/CNAV			1.0x
P/RENAV			0.1x
P/ENAV			0.0x

All figures in US\$ unless otherwise noted
A\$/US\$: 0.66

2Q24 production

2Q24 production was 231 boe/d. This includes 46 bbl/d for Anshof. At the end of 2Q24, Anshof-3 was producing at 116 bbl/d (70 bbl/d net). The well continues to show strong performance.

Valuation

The current share price reflects a discount to our valuation for the company based on its 2P reserves only (~A\$0.10 per share). Our ReNAV is A\$0.73 per share. The company will spud the Anshof-2 sidetrack well in September. This well could add reserves and production. In early October a gas exploration target will be drilled with MND.

Contact details

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Figure 1. Financial & operating information

ADX Energy Ltd (ADX AU)			2022	2023	2024e	2025e	2026e	2027e	2028e
Financial & Operating Information									
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	224	832	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	245	855	1,003	1,421	1,421
% Oil and Liquids	%		80%	91%	92%	97%	98%	99%	99%
Netbacks									
Realized Price	US\$/boe		\$119.65	\$83.56	\$79.64	\$68.25	\$66.07	\$66.20	\$66.20
Royalties	US\$/boe		\$0.00	\$4.73	\$3.07	\$9.10	\$9.31	\$10.11	\$10.11
Production & Transport Costs	US\$/boe		\$85.69	\$81.04	\$94.50	\$40.85	\$37.58	\$34.87	\$34.87
Operating Netback	US\$/boe		\$29.10	(\$2.21)	(\$17.92)	\$18.31	\$19.19	\$21.22	\$21.22
Taxes	US\$/boe		\$3.22	-\$2.47	-\$7.19	\$1.59	\$1.45	\$3.34	\$4.03
Cash Flow Netback	US\$/boe		\$11.80	(\$8.94)	(\$9.59)	\$21.07	\$20.40	\$22.09	\$21.40
Government Take	%		3%	3%	-5%	16%	16%	20%	21%
Financials									
Cash Flow (CFO)	US\$mm		\$3	(\$2)	(\$0)	\$7	\$7	\$11	\$11
CFPS - diluted	US\$/shr		\$0.00	(\$0.00)	(\$0.00)	\$0.01	\$0.01	\$0.02	\$0.02
EBITDAX	US\$mm		\$2	\$1	(\$1)	\$7	\$8	\$13	\$13
E&D Capex	US\$mm		\$4	\$5	\$15	\$8	\$5	\$1	\$1
A&D Capex, Net	US\$mm		(\$1)	(\$5)	(\$6)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm		\$3	(\$0)	\$8	\$8	\$5	\$1	\$1
Total Net Capex/CFO	x		1.3x	0.2x	-22.6x	1.2x	0.7x	0.1x	0.1x
Leverage									
Net Debt	US\$mm		(\$2)	(\$4)	(\$5)	(\$4)	(\$6)	(\$16)	(\$26)
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	567	567	567	567	567
Diluted Shares o/s @ YE	mm		3911	502	695	695	695	695	695
Market Capitalization	US\$mm		\$19	\$34	\$46	\$49	\$50	\$50	\$50
Enterprise Value	US\$mm		\$17	\$30	\$41	\$45	\$44	\$34	\$24
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)	(\$15)	(\$1)	\$2	\$10	\$10
Cash Use/CFO	%		133%	16%	-2260%	115%	71%	11%	11%
Performance									
Prod. Per Shr Growth (Y/Y) - dil.	%		-32%	76%	286%	214%	17%	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil.	%		-32%	80%	347%	198%	22%	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%		-243%	-177%	-81%	-1905%	11%	54%	-3%
CFPS Growth (Y/Y) DDA - dil.	%		-215%	-214%	0%	-1642%	15%	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\$ 0.100						
RENAV (Atax) - diluted	A\$/shr		A\$ 0.738						
Unrisked NAV (Atax) - diluted	A\$/shr		A\$ 4.065						
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\$ 0.100	A\$ 0.100	A\$ 0.100	A\$ 0.100	A\$ 0.100	A\$ 0.100
P/CF	x		18.4x	-183.3x	-43.6x	6.5x	6.1x	4.0x	4.1x
EV/DACF	x		4.8x	n.a.	-99.1x	4.6x	4.2x	2.1x	1.6x
Target EV/DACF	x		131.8x	-13.8x	-21.5x	3.1x	2.8x	1.2x	0.6x
EV per boe/d	US\$/boe/d		\$72,605	\$102,039	\$169,321	\$52,261	\$43,861	\$23,848	\$16,985
Proved Plus Probable	mmboe		5	5	4	4	4	3	3
EV per 2P boe	US\$/boe		\$3.69	\$6.44	\$9.22	\$10.67	\$11.52	\$10.27	\$8.68
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 31-Jul-24

Figure 2. NAV Table

	WI Reserves / Resources (mmbae)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh A\$/Share	GCoS (%)	EMV (US\$ mm)	A\$/Share	% Total
Net Cash (YE24)		5	0.010		5	0.010	1%
G&A		-16	-0.035		-16	-0.035	-5%
Options and Warrants Exercised		13	0.028		13	0.028	4%
Austria							
Zistersdorf 2P Reserves	2	7	0.015	100%	7	0.015	2%
Anshof 2P Reserves	3	40	0.086	95%	38	0.082	11%
Total Core NAV		48	0.104		46	0.100	13%
Austria							
Welchau Prospect	101	522	1.132	50%	261	0.566	77%
Anshof 3P Reserves upside	5.9	77	0.167	33%	25	0.055	7%
Oil prospect (farm-out)	2	27	0.059	45%	12		0%
LICHT Gas prospect (farm-out)	1	18	0.038	45%	8	0.017	2%
Remaining prospects	73	950	2.063	30%	285		0%
H2 30 MW CH4 Equivalent		12	0.025				0%
Additional value - H2 30 MW H2 Market (US\$4/kg)		42	0.090				0%
Romania							
Iecea Mare	2	7	0.016	60%	4		0%
Italy							
d363C.R.-AX oil contingent resources	155	171	0.370	25%	43		0%
Total Risked Appraisal & Exploration		1,825	3.961		638	0.638	87%
Total NAV		1,872.71	4.065		684	0.738	100%
Unrisked NAV					4.065		
P/Core NAV					100.5%		
P/NAV					13.6%		
P/Unrisked NAV					2.5%		

Source: Auctus, Company Disclosures

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