

ADX Energy Ltd (ASX: ADX)

January 23, 2025

Share price: A\$0.03

Target: A\$0.30

Permit award in Italy opens a new growth area

- ADX has been offered and accepted the “d 363 C.R.-AX” permit in the Sicily Channel, Offshore Italy, covering a maximum area of 346 km².
- ADX applied for the permit in 2018, but the moratorium on awarding new exploration blocks in Italy was only lifted last year. ADX will become a licensed operator in Italy as well as Austria and Romania.
- While the permit is estimated to contain oil contingent resources, ADX has chosen to focus on natural gas which is also proven in the block, with 369 bcf prospective resources across five high-graded prospects based on structural closures alone. The existing seismic indicates the likelihood of stacked pay and stratigraphic trapping which could provide much larger resource potential.
- The Nilde-2 oil well, drilled on the permit by ENI and Shell in the 1980s, encountered high-quality sweet gas in shallower horizons.
- The targeted gas reservoirs are high-quality sandstones at a vertical depth of only 700-1,300 m, plus a water depth of 100 m. An offshore gas well in the area could cost approximately EUR 15 mm.
- An analog and a tie in opportunity in the Sicily Channel is the recently developed ENI/Energiean Argo-Cassiopea offshore gas field (in c. 660 m of water), which started production in August 2024. The field's ~360 bcf gross reserves will be developed with four subsea wells (one already online) tied back to shore, with a peak rate of 150 mmcf/d.
- Fiscal terms in Italy are very attractive, with a 10% royalty and a 29% effective tax rate.
- Pending further visibility on the next steps at Welchau, following the suspension of testing activities (awaiting the State Administrative Court of Upper Austria clarification on the approval situation), ADX anticipates being able to monitor pressure build up on the well and potentially sample inflow from the Upper Reifling Formation
- We have not changed our target price of A\$0.30/sh. We are also expecting details on the 2025 activity programme, including drilling plans for low-risk shallow gas wells in Austria.

Next steps in Italy

The formal award of the Italian permit is expected within two months. ADX will then acquire and re-process the available high quality 2D seismic data before updating its mapping work on the block. This is expected to increase the inventory of prospects some of which may have wells where historic gas shows have been encountered. Further 3D seismic could then be acquired and a first well could be drilled as early as in 2026/2027.

Valuation

Our Core NAV for ADX is A\$0.07/sh and ReNAV is A\$0.28/sh.

Rating & target	Old	New	
Target	A\$ 0.300	n.c.	
Yield		0%	
Implied total return		1100%	
Share data	2023	2024e	2025e
Shares dil., mm	502	695	695
Mkt cap, US\$mm	\$8	\$12	\$12
EV, US\$mm	\$4	\$8	\$9
Financial Data	2023	2024e	2025e
Gas, mmcf/d	0.2	0.1	0.1
Liquids, bbl/d	263	208	365
Total boe/d (6:1)	289	229	389
CFO, US\$mm	(\$2)	(\$2)	\$1
Net capex, US\$mm	(\$0)	\$8	\$2
Net debt, US\$mm	(\$4)	(\$3)	(\$3)
CFPS dil., US\$/shr	(\$0.00)	(\$0.00)	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.01)	(\$0.01)
Valuation	2023	2024e	2025e
Share price,	A\$ 0.025	A\$ 0.025	A\$ 0.025
A\$/shr			
EV/DACF	n.a.	-3.6x	6.4x
EV per boe/d (US\$)	\$15,143	\$36,597	\$24,005
Net asset value			
CNAV, A\$/shr			A\$ 0.072
RENAV, A\$/shr			A\$ 0.275
Unrisked NAV, A\$/shr			A\$ 3.077
P/CNAV			0.3x
P/RENAV			0.1x
P/ENAV			0.0x
<i>All figures in US\$ unless otherwise noted</i>			
A\$/US\$:			0.67

Contact details

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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	\$80.48	\$73.74	\$70.00	\$70.00	\$70.00
Austria Gas price	US\$/mcf	\$37.75	\$17.95	\$11.67	\$10.69	\$10.01	\$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	\$0.67	\$0.68	\$0.72	\$0.72	\$0.72
Production								
Oil and Liquids	bbl/d	190	263	208	365	455	590	703
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	229	389	479	611	724
% Oil and Liquids	%	80%	91%	91%	94%	95%	97%	97%
Netbacks								
Realized Price	US\$/boe	\$119.65	\$83.56	\$78.21	\$68.69	\$65.69	\$65.87	\$65.97
Royalties	US\$/boe	\$0.00	\$4.73	\$2.71	\$6.30	\$7.14	\$8.23	\$8.81
Production & Transport Costs	US\$/boe	\$85.69	\$81.04	\$99.46	\$57.71	\$50.05	\$45.63	\$42.85
Operating Netback	US\$/boe	\$29.10	(\$2.21)	(\$23.96)	\$4.68	\$8.50	\$12.01	\$14.30
Taxes	US\$/boe	\$3.22	-\$2.47	-\$4.03	-\$3.05	-\$1.31	\$0.79	\$2.18
Cash Flow Netback	US\$/boe	\$11.80	(\$8.94)	(\$28.38)	\$7.03	\$7.34	\$11.09	\$13.23
Government Take	%	3%	3%	-2%	5%	9%	14%	17%
Financials								
Cash Flow (CFO)	US\$mm	\$3	(\$2)	(\$2)	\$1	\$1	\$2	\$3
CFPS - diluted	US\$/shr	\$0.00	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.01
EBITDAX	US\$mm	\$2	\$1	(\$2)	\$1	\$1	\$3	\$4
E&D Capex	US\$mm	\$4	\$5	\$17	\$2	\$5	\$3	\$3
A&D Capex, Net	US\$mm	(\$1)	(\$5)	(\$9)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$3	(\$0)	\$8	\$2	\$5	\$3	\$3
Total Net Capex/CFO	x	1.3x	0.2x	-5.2x	1.9x	3.7x	1.1x	0.8x
Leverage								
Net Debt	US\$mm	(\$2)	(\$4)	(\$3)	(\$3)	(\$1)	(\$1)	(\$1)
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	\$8	\$12	\$12	\$13	\$13	\$13
Enterprise Value	US\$mm	\$17	\$4	\$8	\$9	\$12	\$12	\$11
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)	(\$19)	(\$1)	(\$3)	(\$0)	\$1
Cash Use/CFO	%	133%	16%	-522%	189%	369%	110%	78%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	-32%	76%	260%	53%	23%	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil. ^b	%	-35%	92%	677%	14%	-16%	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	-243%	-177%	-18%	-155%	42%	97%	42%
CFPS Growth (Y/Y) DDA - dil. ^b	%	-211%	-222%	710%	-137%	-2%	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\$ 0.072						
RENAV (Atax) - diluted	A\$/shr	A\$ 0.275						
Unrisked NAV (Atax) - diluted	A\$/shr	A\$ 3.077						
P/CNAV	x	0.3x						
P/RENAV	x	0.1x						
P/Unrisked NAV	x	0.0x						
Valuation								
Share Price, YE/Current	A\$/shr	A\$ 0.007	A\$ 0.025	A\$ 0.025	A\$ 0.025	A\$ 0.025	A\$ 0.025	A\$ 0.025
P/CF	x	18.4x	-45.8x	-4.0x	10.8x	8.9x	4.6x	3.2x
EV/DACF	x	4.8x	n.a.	-3.6x	6.4x	6.6x	3.5x	2.3x
Target EV/DACF	x	131.8x	-13.8x	-8.2x	20.9x	19.3x	10.1x	7.0x
EV per boe/d	US\$/boe/d	\$72,605	\$15,143	\$36,597	\$24,005	\$24,560	\$19,642	\$15,516
Proved Plus Probable	mmboe	5	5	5	4	4	4	4
EV per 2P boe	US\$/boe	\$3.69	\$0.96	\$1.86	\$2.14	\$2.81	\$3.03	\$3.04
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 22-Jan-25

Figure 2. NAV Table

	WI Reserves / Resources (m mboe)	Unrisked NAV (US\$ mm)	Unrisked NAV/sh AS/Share	GCoS (%)	EMV (US\$ mm)	AS/Share	% Total
Net Cash (YE24)		3	0.007		3	0.007	3%
G&A		-15	-0.033		-15	-0.033	-12%
Options and Warrants Exercised		13	0.028		13	0.028	10%
Austria							
Zistersdorf 2P Reserves	2	7	0.015	100%	7	0.015	6%
Anshof 2P Reserves	3	27	0.058	95%	26	0.055	20%
Total Core NAV		35	0.075		33	0.072	26%
Austria							
Welchau Prospect - Steinalm formation	45	319	0.687	15%	48	0.103	38%
Welchau Prospect - Reifling formation	19	137	0.295	30%	41	0.088	32%
Anshof 3P Reserves upside	5.9	53	0.113	10%	5	0.011	4%
Oil prospect (farm-out)	2	19	0.040	45%	8		0%
Remaining prospects	72	636	1.369	30%	191		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	0.015	60%	4		0%
Italy							
d363C.R.-AX oil contingent resources	155	171	0.367	25%	43		0%
Total Risked Appraisal & Exploration		1,393	3.002		340	0.203	74%
Total NAV		1,428.22	3.077		373	0.275	100%
Unrisked NAV						3.077	
P/Core NAV					50.1%		
P/NAV					13.1%		
P/Unrisked NAV					1.2%		

Source: Auctus, Company Disclosures

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