

Calima Energy Limited (ASX:CE1)

November 01, 2021

Share price: A\$0.22

Target: A\$0.75

5,500 boe/d in 2022 and potential shareholder distributions

- 3Q21 production was very close to our forecasts. Net debt of A\$22 mm at the end of September was A\$3 mm higher than we anticipated due to capex of ~A\$10.8 mm (we carried only A\$8 mm).
- The higher capex reflects drilling delays and cost overruns at two Thorsby wells. Leo #1 and Leo #3 were drilled in 29 and 17 days respectively (11 days for Leo #2). The well deviation at Leo #1 and Leo #3 was too steep and some sections in the wells had to be redrilled. In one instance, the casing was stuck for a few days. Future wells will be drilled at lower deviation to avoid these issues going forward.
- As a consequence, the three new Thorsby wells are due to commence flowback mid-November, with peak production expected in January or February rather than in December/January as previously anticipated. The aggregate total contribution to production from these three wells (~1,500 boe/d) has been pushed back by 45 days and the FY21 production guidance has been reduced from 3,700 boe/d to 3,400 boe/d with a knock-on effect on cash flow. The 2021 exit rate target is unchanged at 4,500 boe/d.
- With higher contribution to production from the three Leo wells in 2022, the YE22 production guidance has been increased from 5,500 boe/d to 5,600 boe/d with an average FY21 production of 5,500 boe/d (higher than ~5,310 boe/d that we previously assumed)
- We do not view these operational delays as material to the overall story and we believe that Calima shares continue to offer a combination of value and cashflow and reserves growth.

Cashflow and net debt

- The YE21 net debt guidance has been increased from A\$14 mm to A\$18 mm with ~A\$2 mm associated with higher capex and the balance reflecting delayed cashflow. Higher commodity prices have mitigated the impact of the delay.
- Note that the net debt guidance incorporates the current account payables and the current receivables and is A\$5.7 mm higher (ie account payables > account receivables) than if based on cash and debt only.

Valuation and potential distribution

We have marginally increased our 2P NAV for Calima from A\$0.33 per share to A\$0.36 per share as higher oil prices in 2H21 and higher production in 2022 more than offset higher YE21 net debt. Our ReNAV is ~A\$0.75 per share. The shares trade at an EV/DACF multiple of ~1.9x in 2022 @US\$63/bbl for WTI. Based on current commodity price forecasts, Calima expects to be in a position to distribute up to 30% of free cash flow to shareholders from 2022. On our numbers, this suggests that Calima could distribute up to US\$6 mm in 2022 @US\$63/bbl for WTI.

Rating & target	Old	New	
Target	\$0.750	n.c.	
Yield		0%	
Implied total return		233%	
Share data	2020a	2021e	2022e
Shares dil., mm	2,346	544	544
Mkt cap, US\$mm	\$15	\$95	\$97
EV, US\$mm	\$15	\$110	\$92
Financial data	2020a	2021e	2022e
Gas, mmcf/d	0.0	3.9	8.2
Liquids, bbl/d	20	1,922	4,107
Total boe/d (6:1)	20	2,578	5,466
CFO, US\$mm	(\$0)	\$16	\$49
Net capex, US\$mm	\$0	\$49	\$26
Net debt, US\$mm	(\$1)	\$15	(\$5)
CFPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.11
EPS dil., US\$/shr	(\$0.00)	\$0.00	\$0.08
Valuation	2020a	2021e	2022e
Share price, A\$/shr	\$0.01	\$0.23	\$0.23
EV/DACF	-30.7x	6.9x	1.9x
EV per boe/d	n.a.	\$42,684	\$16,803
Net asset value			
CNAV, A\$/shr			\$0.359
RENAV, A\$/shr			\$0.765
Unrisked NAV, A\$/shr			\$1.980
P/CNAV			0.6x
P/RENAV			0.3x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information

Calima Energy Ltd (CE1)		Historical & Auctus Advisors Outlook					
Financial & Operating Information		2020a	2021e	2022e	2023e	2024e	2025e
Commodity Prices							
WTI	US\$/bbl	\$37.26	\$67.44	\$63.24	\$62.00	\$62.00	\$62.00
USD/CAD	US\$/C\$	0.752	0.751	0.750	0.749	0.747	0.747
USD/A\$	US\$/A\$	0.750	0.788	0.800	0.800	0.800	0.800
Production							
Oil and Liquids	bbl/d	20	1,922	4,107	4,630	4,552	4,520
Natural Gas	mmcf/d	0	4	8	9	9	9
Total (6 mcf = 1 boe)	boe/d	20	2,578	5,466	6,143	6,029	5,985
% Oil and Liquids	%	100%	75%	75%	75%	75%	76%
Netbacks							
Realized Price	US\$/boe	\$27.46	\$43.33	\$51.91	\$50.32	\$50.44	\$50.45
Royalties	US\$/boe	\$0.00	\$7.94	\$9.34	\$9.06	\$9.08	\$9.08
Production Costs	US\$/boe	\$194.42	\$10.17	\$9.30	\$9.29	\$9.68	\$10.03
Operating Netback	US\$/boe	(\$166.96)	\$20.07	\$32.43	\$31.98	\$31.68	\$31.34
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$4.49	\$5.32
Cash Flow Netback	US\$/boe	(\$518.19)	\$21.17	\$30.63	\$30.37	\$30.05	\$29.69
Government Take	%	0%	0%	0%	0%	9%	11%
Financials							
Cash Flow (CFO)	US\$m	(\$0)	\$16	\$49	\$54	\$53	\$52
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.11	\$0.13	\$0.12	\$0.12
EBITDAX	US\$m	(\$6)	\$22	\$49	\$54	\$53	\$52
E&D Capex	US\$m	\$0.35	\$15	\$26	\$24	\$22	\$23
A&D Capex, Net	US\$m	\$0	\$33	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$0	\$49	\$26	\$24	\$22	\$23
Total Net Capex/CFO	x	-0.7x	3.1x	0.5x	0.4x	0.4x	0.4x
Leverage							
Net Debt	US\$m	(\$1)	\$15	(\$5)	(\$33)	(\$53)	(\$71)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	\$0	n.a.	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	2192	514	514	514	514	514
Diluted Shares o/s @ YE	mm	2346	544	544	544	544	544
Market Capitalization	US\$m	\$15	\$95	\$97	\$97	\$97	\$97
Enterprise Value	US\$m	\$15	\$110	\$92	\$63	\$43	\$26
Dividends & Sustainability							
Dividends	US\$m	0	0	0	0	0	0
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$m	(\$1)	(\$33)	\$22	\$31	\$30	\$29
Cash Use/CFO	%	-70%	310%	54%	44%	42%	44%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	15549%	5403%	1785%	12%	-2%	-20%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	5283%	1918%	63%	44%	-14%
CFPS Growth (Y/Y) - dil.	%	n.a.	-400%	2627%	11%	-3%	-2%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	-223%	25865%	61%	43%	-15%
ROCE	%	-15%	19%	24%	24%	18%	18%
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	\$0.359					
RENAV (Atax) - diluted	A\$/shr	\$0.765					
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.980					
P/CNAV	x	0.6x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
Valuation							
Share Price, YE/Current	A\$/shr	\$0.009	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23
P/CF	x	-4.8x	42.4x	1.6x	1.4x	1.5x	1.5x
EV/DACF	x	-30.7x	6.9x	1.9x	1.2x	0.8x	0.5x
Target EV/DACF	x	-2660.3x	22.1x	6.7x	5.4x	5.2x	5.0x
EV per boe/d	US\$/boe/d	n.a.	\$42,684	\$16,803	\$10,322	\$7,163	\$4,319
EV per 2P boe	US\$/boe	\$1.16	\$4.44	\$4.44	\$4.44	\$4.44	\$4.44
EV per 2P boe, with FDC	US\$/boe	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-Oct-21

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmbœ)	CoS (%)	Unrisked (US\$m)	EMV (US\$m)	A\$/Share (Risked)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE21			-14	-14	-0.035	-0.035	-5%
G&A			-24	-24	-0.059	-0.059	-8%
Brooks 2P	12.6	100%	108	108	0.265	0.265	35%
Thorsby 2P	12.2	100%	77	77	0.188	0.188	25%
Total Core NAV			147	147	0.359	0.359	47%
Brooks upside							
Brooks 110 Unbooked Locations	17.1	45%	147	66	0.161	0.359	21%
Brooks increasing recovery factor by 10% - Booked locations	12.6	40%	108	43	0.106	0.265	14%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 62 Unbooked locations	15.5	45%	97	44	0.107	0.239	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.7	40%	31	13	0.031	0.077	4%
Montney Acreage							
Contingent resources	192.4	0%	96	0	0.000	0.236	0%
Prospective resources	364.1	0%	182	0	0.000	0.446	0%
Total Risked Exploration			662	166	0.406	1.621	53%
Total			809	312	0.765	1.980	100%
Unrisked NAV					1.98		
P/Core NAV				63%			
P/NAV				29%			
P/Unrisked NAV				11%			

Source: Auctus Advisors, Company Reports

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