

Calima Energy Limited (ASX:CE1)

March 22, 2023

Share price: A\$0.12

Target: A\$0.50

Another strong production update

- The Pisces #8 and #9 wells have now been tied in.
- The aggregate initial flow rate of >500 boe/d is in line with expectations. The IP30 production for a Pisces type well is 230 boe/d.
- Production in 1Q23 to date is ~4,500 boe/d. With the contribution of the two new Pisces wells, our forecast of 4,325 boe/d in 1Q23 could prove to be too conservative.
- We continue to forecast that Calima will produce 4,450 boe/d in 2023.
- The WCS discount to WTI has also reduced to ~US\$15/bbl compared with US\$28/bbl in January. This is much lower than what we assume (US\$23/bbl in 2Q23 and US\$21/bbl in 3Q23), which could have positive impact on our cashflow forecasts.
- Pending further details on the drilling programme over the rest of 2023, we re-iterate our target price of A\$0.50/sh.

Valuation

We continue to carry US\$23 mm (A\$32 mm)/A\$0.12 per share for the Montney asset. Our 2P NAV for the business assuming US\$67/bbl LT for WTI is A\$0.29 per share; which represents ~140% upside. Assuming US\$67/bbl for WTI and the current WCS/WTI discount over 2023 and 2024 would imply ~US\$5-10 mm (A\$7-14 mm) free cashflow over the period. This also assumes a capex programme to grow production to ~5 mboe/d and to maintain it as this level. This level of free cashflow also allows the company to continue paying its dividends at current levels. Under our oil price scenario, we forecast overall FCF of ~A\$55 mm over 2023 and 2024. Our ReNAV is A\$0.52/sh.

Rating & target	Old	New	
Target	\$0.50	n.c.	
Yield		7%	
Implied total return		323%	
Share data	2021	2022e	2023e
Shares dil., mm	545	659	659
Mkt cap, US\$mm	\$90	\$55	\$57
EV, US\$mm	\$112	\$62	\$54
Financial data	2021	2022e	2023e
Gas, mmcf/d	4.1	8.1	8.8
Liquids, bbl/d	1,680	2,571	2,982
Total boe/d (6:1)	2,362	3,921	4,450
CFO, US\$mm	\$10	\$35	\$48
Net capex, US\$mm	\$43	\$31	\$36
Net debt, US\$mm	\$22	\$8	(\$2)
CFPS dil., US\$/shr	\$0.00	\$0.06	\$0.08
EPS dil., US\$/shr	(\$0.01)	\$0.05	\$0.09
Valuation	2021	2022e	2023e
Share price, A\$/shr	\$0.21	\$0.12	\$0.12
EV/DACF	10.5x	1.8x	1.1x
EV per boe/d	\$47,437	\$15,917	\$12,234
Net asset value			
CNAV, A\$/shr			\$0.30
RENAV, A\$/shr			\$0.52
Unrisked NAV, A\$/shr			\$1.31
P/CNAV			0.4x
P/RENAV			0.2x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

Contact details

Analyst:

Stephane Foucaud

sf@auctusadvisors.co.uk

+44 7854 891249

Figure 1. Financial & operating information

Calima Energy Ltd (CE1)		Historical & Auctus Advisors Outlook						
Financial & Operating Information		2020	2021	2022e	2023e	2024e	2025e	2026e
Commodity Prices								
WTI	US\$/bbl	\$37.26	\$67.44	\$94.34	\$93.30	\$89.45	\$70.71	\$67.00
AECO	US\$/mcf	\$2.43	\$2.46	\$4.78	\$2.00	\$4.38	\$4.50	\$4.50
USD/CAD	US\$/C\$	0.750	0.788	0.770	0.750	0.800	0.800	0.800
USD/AD	US\$/A\$	0.808	0.789	0.692	0.715	0.720	0.720	0.720
Production								
Oil and Liquids	bbl/d	20	1,680	2,571	2,982	3,362	3,371	3,417
Natural Gas	mmcf/d	0	4	8	9	10	10	10
Total (6 mcf = 1 boe)	boe/d	20	2,362	3,921	4,450	5,028	5,048	5,132
% Oil and Liquids	%	100%	71%	66%	67%	67%	67%	67%
Netbacks								
Realized Price	US\$/boe	\$27.46	\$45.12	\$58.21	\$56.91	\$56.46	\$44.39	\$41.79
Royalties	US\$/boe	\$0.00	\$8.64	\$11.20	\$10.78	\$10.67	\$8.38	\$7.88
Production Costs	US\$/boe	\$194.42	\$12.08	\$12.49	\$13.42	\$14.50	\$14.91	\$15.35
Operating Netback	US\$/boe	(\$166.96)	\$18.36	\$25.46	\$32.72	\$31.29	\$21.10	\$18.56
Taxes	US\$/boe	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.47
Cash Flow Netback	US\$/boe	(\$518.19)	\$15.72	\$24.00	\$29.93	\$28.94	\$18.75	\$14.77
Government Take	%	0%	0%	0%	0%	0%	0%	4%
Financials								
Cash Flow (CFO)	US\$mm	\$0	\$10	\$35	\$48	\$53	\$34	\$28
CFPS - diluted	US\$/shr	(\$0.00)	\$0.00	\$0.06	\$0.08	\$0.08	\$0.05	\$0.04
EBITDAX	US\$mm	(\$7)	(\$19)	\$33	\$49	\$53	\$35	\$30
E&D Capex	US\$mm	\$0.35	\$17	\$31	\$33	\$25	\$29	\$26
A&D Capex, Net	US\$mm	\$0	\$26	\$0	\$3	\$0	\$0	\$0
Total Net Capex	US\$mm	\$0	\$43	\$31	\$36	\$25	\$29	\$26
Total Net Capex/CFO	x	0.0x	4.3x	0.9x	0.7x	0.5x	0.8x	0.9x
Leverage								
Net Debt	US\$mm	(\$0)	\$22	\$8	(\$2)	(\$27)	(\$29)	(\$27)
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.	\$1	\$0	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	2192	514	612	612	612	612	612
Fully Diluted Shares o/s @ YE	mm	2264	545	659	659	659	659	659
Market Capitalization	US\$mm	\$16	\$90	\$55	\$57	\$57	\$57	\$57
Enterprise Value	US\$mm	\$16	\$112	\$62	\$54	\$30	\$28	\$30
Dividends & Sustainability								
Dividends	US\$mm	0	0	2	4	4	4	4
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01
Dividend Yield	%	0%	0%	3.4%	6.8%	6.8%	6.8%	6.8%
Free Cash Flow	US\$mm	(\$0)	(\$33)	\$3	\$13	\$28	\$5	\$2
Cash Use/CFO	%	n.a.	427%	90%	74%	47%	84%	93%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	n.a.	10%	13%	0%	2%
PPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	n.a.	n.a.	32%	114%	8%	-4%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	39%	9%	-35%	-20%
CFPS Growth (Y/Y) DDA - dil. ^b	%	n.a.	n.a.	n.a.	61%	107%	-30%	-25%
ROCE	%	n.a.	n.a.	n.a.	32%	31%	31%	31%
Net Asset Value ^c								
CNAV (Atax) - diluted	A\$/shr	\$0.297						
RENAV (Atax) - diluted	A\$/shr	\$0.524						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.311						
P/CNAV	x	0.4x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.1x						
Valuation								
Share Price, YE/Current	A\$/shr	\$0.009	\$0.21	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12
P/CF	x	-7.3x	74.0x	1.5x	1.1x	1.0x	1.6x	2.0x
EV/DACF	x	n.a.	10.5x	1.8x	1.1x	0.6x	0.8x	1.1x
Target EV/DACF	x	n.a.	25.3x	6.8x	4.8x	4.0x	6.1x	7.7x
EV per boe/d	US\$/boe/d	\$836,351	\$47,437	\$15,917	\$12,234	\$5,988	\$5,594	\$5,810
EV per 2P boe	US\$/boe	\$0.66	\$4.68	\$2.77	\$2.61	\$1.58	\$1.64	\$1.94
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 21-Mar-23

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	A\$/Share (Risked)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE23			2	2	0.004	0.004	1%
G&A			-34	-34	-0.072	-0.072	-14%
Brooks 2P	11.6	100%	83	83	0.174	0.174	33%
Thorsby 2P	12.1	100%	86	86	0.181	0.181	35%
Total Core NAV			141	141	0.297	0.297	57%
Brooks upside							
Brooks 100 Unbooked Locations	15.5	30%	110	33	0.070	0.281	13%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	83	8	0.017	0.210	3%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 78 Unbooked locations	19.5	30%	138	42	0.088	0.353	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.6	10%	26	3	0.005	0.066	1%
Montney Acreage							
Contingent resources	200.8	50%	45	23	0.047	0.115	0%
Prospective resources	158.7	0%	79	0	0.000	0.202	0%
Total Risked Exploration			481	108	0.227	1.226	43%
Total			622	249	0.524	1.311	100%
Unrisked NAV					1.31		
P/Core NAV					51%		
P/NAV					29%		
P/Unrisked NAV					11%		

Source: Auctus Advisors, Company Reports

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Author

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