

Calima Energy Limited (ASX:CE1)

May 02, 2023

Share price: A\$0.12

Target: A\$0.50

Better than expected performance. A\$3 mm dividend distribution. High free cashflow expected in 2Q23.

- 1Q23 production was 4,532 boe/d slightly higher than previous indications (~4,500 boe/d) and our initial expectations (4,378 boe/d) given the strong performance of recent wells.
- The 1Q23 financials were in line with the latest guidance.
- 2Q23 production is expected to be ~4,200 boe/d. This is higher than we anticipated (3,935 boe/d) given the better-than-expected performance of the recently completed Pisces #8 and #9 wells. These wells were tied-in late in 1Q23 and were ~22% longer and had 15 additional fracs each, compared to the 12-23 well, resulting in anticipated higher production and reserves. The production from these two wells will primarily contribute to production levels in 2Q23.
- With minimum capex during the break-up period in 2Q23 (A\$3 mm), and much lower WCS/WTI price differentials (below US\$20/bbl so far in 2Q23 vs US\$24.77/bbl in 1Q23), we forecast free cash flow >A\$6 mm in 2Q23.
- We re-iterate our target price of A\$0.50/sh.

Second dividend distribution

Calima has announced a second dividend of A\$3 mm payable in July. This is higher than the first dividend (A\$2.5 mm). A third dividend could be announced in January 2024. The A\$3 mm dividend represents a yield of ~4.4%. The company expects to provide an annual return of A\$5 mm. This would equate to a dividend yield of 7.4%.

Valuation

We now forecast overall FCF of >A\$45 mm over 2023 and 2024. This represents >70% of the current market cap. Our Core Nav is A\$0.26 per share (2.3x the current share price) while our ReNAV is A\$0.49/sh.

Rating & target	Old	New	
Target	\$0.50	n.c.	
Yield		4%	
Implied total return		321%	
Share data	2022	2023e	2024e
Shares dil., mrr	659	659	659
Mkt cap, US\$m	\$55	\$54	\$57
EV, US\$m	\$62	\$55	\$37
Financial data	2022	2023e	2024e
Gas, mmcf/d	8.1	9.1	10.1
Liquids, bbl/d	2,571	3,062	3,405
Total boe/d (6:)	3,921	4,580	5,090
CFO, US\$m	\$34	\$40	\$48
Net capex, US\$	\$31	\$31	\$25
Net debt, US\$m	\$7	\$0	(\$19)
CFPS dil., US\$/:	\$0.06	\$0.06	\$0.08
EPS dil., US\$/st	\$0.04	\$0.07	\$0.08
Valuation	2022	2023e	2024e
Share price, A\$	\$0.12	\$0.12	\$0.12
EV/DACF	1.8x	1.4x	0.8x
EV per boe/d	\$15,866	\$11,945	\$7,310
Net asset value			
CNAV, A\$/shr			\$0.26
RENAV, A\$/shr			\$0.49
Unrisked NAV, A\$/shr			\$1.36
P/CNAV			0.5x
P/RENAV			0.2x
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		2021	2022	2023e	2024e	2025e	2026e
Commodity Prices							
WTI	US\$/bbl	\$67.44	\$94.34	\$87.82	\$89.45	\$70.71	\$67.00
AECO	US\$/mcf	\$2.46	\$4.78	\$1.50	\$1.38	\$2.50	\$2.50
USD/CAD	US\$/C\$	0.788	0.770	0.750	0.800	0.800	0.800
USD/AD	US\$/A\$	0.789	0.692	0.688	0.715	0.720	0.720
Production							
Oil and Liquids	bbl/d	1,680	2,571	3,062	3,405	3,395	3,430
Natural Gas	mmcf/d	4	8	9	10	10	10
Total (6 mcf = 1 boe)	boe/d	2,362	3,921	4,580	5,090	5,081	5,150
% Oil and Liquids	%	71%	66%	67%	67%	67%	67%
Netbacks							
Realized Price	US\$/boe	\$45.12	\$58.18	\$50.19	\$52.42	\$40.43	\$37.79
Royalties	US\$/boe	\$8.64	\$11.20	\$9.79	\$9.93	\$7.65	\$7.15
Production Costs	US\$/boe	\$12.08	\$12.50	\$13.08	\$13.69	\$14.09	\$14.49
Operating Netback	US\$/boe	\$18.36	\$28.26	\$27.46	\$28.79	\$18.69	\$16.16
Taxes	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Flow Netback	US\$/boe	\$15.72	\$23.58	\$24.18	\$25.85	\$15.73	\$13.23
Government Take	%	0%	0%	0%	0%	0%	0%
Financials							
Cash Flow (CFO)	US\$mm	\$10	\$34	\$40	\$48	\$29	\$25
CFPS - diluted	US\$/shr	\$0.00	\$0.06	\$0.06	\$0.08	\$0.05	\$0.04
EBITDAX	US\$mm	(\$19)	\$36	\$42	\$49	\$30	\$26
E&D Capex	US\$mm	\$17	\$31	\$31	\$25	\$29	\$26
A&D Capex, Net	US\$mm	\$26	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$43	\$31	\$31	\$25	\$29	\$26
Total Net Capex/CFO	x	4.3x	0.9x	0.8x	0.5x	1.0x	1.0x
Leverage							
Net Debt	US\$mm	\$22	\$7	\$0	(\$19)	(\$16)	(\$12)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	\$1	\$0	\$0	n.a.	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	514	612	612	612	612	612
Fully Diluted Shares o/s @ YE	mm	545	659	659	659	659	659
Market Capitalization	US\$mm	\$90	\$55	\$54	\$57	\$57	\$57
Enterprise Value	US\$mm	\$112	\$62	\$55	\$37	\$41	\$45
Dividends & Sustainability							
Dividends	US\$mm	0	2	2	4	4	4
Dividends	A\$/shr	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01
Dividend Yield	%	0%	3.4%	4.1%	6.8%	6.8%	6.8%
Free Cash Flow	US\$mm	(\$33)	\$3	\$9	\$23	\$0	(\$1)
Cash Use/CFO	%	427%	92%	77%	51%	100%	103%
Performance							
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	14%	11%	0%	1%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	29%	74%	-9%	-9%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	17%	19%	-39%	-15%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	30%	86%	-45%	-24%
ROCE	%	n.a.	n.a.	29%	29%	29%	29%
Net Asset Value							
CNAV (Atax) - diluted	A\$/shr	\$0.264					
RENAV (Atax) - diluted	A\$/shr	\$0.488					
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.357					
P/CNAV	x	0.5x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.1x					
Valuation							
Share Price, YE/Current	A\$/shr	\$0.21	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12
P/CF	x	74.0x	1.5x	1.3x	1.1x	1.9x	2.2x
EV/DACF	x	10.5x	1.8x	1.4x	0.8x	1.4x	1.8x
Target EV/DACF	x	25.3x	7.0x	5.7x	4.5x	7.7x	9.2x
EV per boe/d	US\$/boe/d	\$47,437	\$15,866	\$11,945	\$7,310	\$8,068	\$8,815
EV per 2P boe	US\$/boe	\$4.68	\$2.76	\$2.63	\$1.96	\$2.39	\$2.98
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-Apr-23

Figure 2. NAV Table

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	A\$/Share (Risky)	A\$/Share (Unrisked)	% Total
Net Cash/Debt YE23			-0	-0	-0.001	-0.001	0%
FY23 Dividend			2	2	0.005	0.005	1%
G&A			-31	-31	-0.068	-0.068	-14%
Brooks 2P	11.6	100%	72	72	0.160	0.160	33%
Thorsby 2P	11.6	100%	72	72	0.160	0.160	33%
Total Core NAV			118	118	0.264	0.264	54%
Brooks upside							
Brooks 108 Unbooked Locations	16.7	35%	103	36	0.081	0.279	17%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	72	7	0.016	0.193	3%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 60 Unbooked locations	15.0	35%	93	32	0.072	0.250	0%
Thorsby - Better recovery performance (+30%) - Booked loctions	3.5	10%	21	2	0.005	0.058	1%
Montney Acreage							
Contingent resources	158.7	50%	45	23	0.050	0.121	0%
Prospective resources	102.3	0%	51	0	0.000	0.138	0%
Total Risked Exploration			385	100	0.224	1.038	46%
Total			503	218	0.488	1.357	100%
Unrisked NAV					1.36		
P/Core NAV					46%		
P/NAV					25%		
P/Unrisked NAV					9%		

Source: Auctus Advisors, Company Reports

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

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