

# Calima Energy Limited (ASX:CE1)

August 01, 2023

Share price: A\$0.09

Target: A\$0.50

## Increasing dividend distribution to ~10% yield

- 2Q23 production was 4,152 boe/d, above the estimates provided previously (4,125 boe/d).
- The J2J waterflood programme has added 130 bbl/d production, which we view as very encouraging since rolling out the waterflood programme to the rest of the asset could have a positive impact on recovery factors and reserves.
- The Pisces #8 and #9 wells continue to outperform with production 15% above the type curve. As of the end of July, Pisces #8 and Pisces #9 were producing ~400 boe/d and ~200 boe/d respectively. This implies minimal declines compared to the peak rates achieved in April.
- Calima will distribute a dividend of A\$3 mm in September (in line with previous indications). The company will also distribute a further A\$2 mm in January. While the second distribution is in line with our forecast, we view this confirmation as a positive.
- The headline 2Q23 capex of A\$7.6 mm was higher than expected (A\$3 mm) but reflects a negative working capital movement that we had mostly already incorporated into our operating cashflow forecast (~A\$3 mm). No drilling or completion projects occurred in the quarter.
- We re-iterate our target price of A\$0.50/sh.

## Capital programme, production forecast and differentials

Calima plans to drill 3 new Brooks wells in 2H23. The campaign is expected to start in early September with first production in early November. Until the new wells come on stream, production is expected to be 3.8-4.0 mboe/d. We assume 3,890 boe/d in 3Q23. The company continues to forecast sustaining annualized capital expenditures of ~A\$25-35 mm and this in 2023 we carry a full year spend of ~A\$32 mm. We now assume ~4,080 boe/d production in 2023 (~4,200 boe/d previously). Our forecasts are broadly unchanged afterwards. The WTI-WCS differentials are currently ~US\$14/bbl, which is more favourable than we forecast (US\$16/bbl in 3Q23).

## Valuation

At current oil prices, we forecast overall FCF of >A\$40 mm from 2023 to 2025. This represents ~80% of the current market cap. Our Core Nav based on the company's 2P reserves only is A\$0.28 per share (~3.0x the current share price) while our ReNAV is ~A\$0.50/sh.

| Rating & target       | Old      | New      |         |
|-----------------------|----------|----------|---------|
| Target                | \$0.50   | n.c.     |         |
| Yield                 |          | 5%       |         |
| Implied total return  |          | 461%     |         |
| Share data            | 2022     | 2023e    | 2024e   |
| Shares dil., mm       | 659      | 659      | 659     |
| Mkt cap, US\$mm       | \$41     | \$41     | \$42    |
| EV, US\$mm            | \$49     | \$41     | \$32    |
| Financial data        | 2022     | 2023e    | 2024e   |
| Gas, mmcf/d           | 8.1      | 8.0      | 8.2     |
| Liquids, bbl/d        | 2,571    | 2,749    | 2,880   |
| Total boe/d (6:1)     | 3,921    | 4,079    | 4,240   |
| CFO, US\$mm           | \$34     | \$29     | \$42    |
| Net capex, US\$mm     | \$31     | \$20     | \$27    |
| Net debt, US\$mm      | \$7      | \$0      | (\$11)  |
| CFPS dil., US\$/shr   | \$0.06   | \$0.05   | \$0.07  |
| EPS dil., US\$/shr    | \$0.04   | \$0.05   | \$0.07  |
| Valuation             | 2022     | 2023e    | 2024e   |
| Share price, A\$/shr  | \$0.09   | \$0.09   | \$0.09  |
| EV/DACF               | 1.4x     | 1.4x     | 0.8x    |
| EV per boe/d          | \$12,376 | \$10,019 | \$7,444 |
| Net asset value       |          |          |         |
| CNAV, A\$/shr         |          |          | \$0.28  |
| RENAV, A\$/shr        |          |          | \$0.49  |
| Unrisked NAV, A\$/shr |          |          | \$1.45  |
| P/CNAV                |          |          | 0.3x    |
| 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   | 2027e    |
| <b>Commodity Prices</b>               |            |                                      |          |          |         |         |         |          |
| WTI                                   | US\$/bbl   | \$67.44                              | \$94.34  | \$81.75  | \$89.45 | \$70.71 | \$67.00 | \$67.00  |
| AECO                                  | US\$/mcf   | \$2.46                               | \$4.78   | \$1.50   | \$1.38  | \$2.50  | \$2.50  | \$2.50   |
| USD/CAD                               | US\$/C\$   | 0.788                                | 0.770    | 0.750    | 0.800   | 0.800   | 0.800   | 0.800    |
| USD/AD                                | US\$/A\$   | 0.789                                | 0.692    | 0.688    | 0.715   | 0.720   | 0.720   | 0.720    |
| <b>Production</b>                     |            |                                      |          |          |         |         |         |          |
| Oil and Liquids                       | bbl/d      | 1,680                                | 2,571    | 2,749    | 2,880   | 2,921   | 2,823   | 2,926    |
| Natural Gas                           | mmcf/d     | 4                                    | 8        | 8        | 8       | 9       | 8       | 9        |
| Total (6 mcf = 1 boe)                 | boe/d      | 2,362                                | 3,921    | 4,079    | 4,240   | 4,349   | 4,214   | 4,376    |
| % Oil and Liquids                     | %          | 71%                                  | 66%      | 67%      | 68%     | 67%     | 67%     | 67%      |
| <b>Netbacks</b>                       |            |                                      |          |          |         |         |         |          |
| Realized Price                        | US\$/boe   | \$45.12                              | \$58.18  | \$47.39  | \$54.36 | \$42.11 | \$41.27 | \$41.12  |
| Royalties                             | US\$/boe   | \$8.64                               | \$11.20  | \$9.57   | \$10.31 | \$7.97  | \$7.81  | \$7.78   |
| Production Costs                      | US\$/boe   | \$12.08                              | \$12.50  | \$14.65  | \$13.61 | \$14.40 | \$15.02 | \$15.29  |
| Operating Netback                     | US\$/boe   | \$18.36                              | \$28.26  | \$23.22  | \$30.44 | \$19.75 | \$18.44 | \$18.05  |
| Taxes                                 | US\$/boe   | \$0.00                               | \$0.00   | \$0.00   | \$0.00  | \$0.00  | \$0.00  | \$0.00   |
| Cash Flow Netback                     | US\$/boe   | \$15.72                              | \$23.58  | \$19.71  | \$27.14 | \$16.51 | \$15.10 | \$14.83  |
| Government Take                       | %          | 0%                                   | 0%       | 0%       | 0%      | 0%      | 0%      | 0%       |
| <b>Financials</b>                     |            |                                      |          |          |         |         |         |          |
| Cash Flow (CFO)                       | US\$mm     | \$10                                 | \$34     | \$29     | \$42    | \$26    | \$23    | \$24     |
| CFPS - diluted                        | US\$/shr   | \$0.00                               | \$0.06   | \$0.05   | \$0.07  | \$0.04  | \$0.04  | \$0.04   |
| EBITDAX                               | US\$mm     | (\$19)                               | \$36     | \$30     | \$43    | \$27    | \$24    | \$25     |
| E&D Capex                             | US\$mm     | \$17                                 | \$31     | \$20     | \$27    | \$23    | \$25    | \$28     |
| A&D Capex, Net                        | US\$mm     | \$26                                 | \$0      | \$0      | \$0     | \$0     | \$0     | \$0      |
| Total Net Capex                       | US\$mm     | \$43                                 | \$31     | \$20     | \$27    | \$23    | \$25    | \$28     |
| Total Net Capex/CFO                   | x          | 4.3x                                 | 0.9x     | 0.7x     | 0.7x    | 0.9x    | 1.1x    | 1.2x     |
| <b>Leverage</b>                       |            |                                      |          |          |         |         |         |          |
| Net Debt                              | US\$mm     | \$22                                 | \$7      | \$0      | (\$11)  | (\$10)  | (\$5)   | \$3      |
| 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.                                 | \$1      | \$0      | \$0     | n.a.    | n.a.    | n.a.     |
| <b>Capital Structure</b>              |            |                                      |          |          |         |         |         |          |
| Basic Shares o/s @ YE                 | mm         | 514                                  | 612      | 613      | 613     | 613     | 613     | 613      |
| Fully Diluted Shares o/s @ YE         | mm         | 545                                  | 659      | 659      | 659     | 659     | 659     | 659      |
| Market Capitalization                 | US\$mm     | \$90                                 | \$41     | \$41     | \$42    | \$43    | \$43    | \$43     |
| Enterprise Value                      | US\$mm     | \$112                                | \$49     | \$41     | \$32    | \$32    | \$38    | \$46     |
| <b>Dividends &amp; Sustainability</b> |            |                                      |          |          |         |         |         |          |
| Dividends                             | US\$mm     | 0                                    | 2        | 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%                                   | 4.5%     | 5.4%     | 9.1%    | 9.1%    | 9.1%    | 9.1%     |
| Free Cash Flow                        | US\$mm     | (\$33)                               | \$3      | \$9      | \$15    | \$3     | (\$2)   | (\$4)    |
| Cash Use/CFO                          | %          | 427%                                 | 92%      | 68%      | 65%     | 88%     | 109%    | 117%     |
| <b>Performance</b>                    |            |                                      |          |          |         |         |         |          |
| Prod. Per Shr Growth (Y/Y) - dil.     | %          | n.a.                                 | n.a.     | 1%       | 4%      | 3%      | -3%     | 4%       |
| PPS Growth (Y/Y) DDA - dil.           | %          | n.a.                                 | n.a.     | 20%      | 42%     | 1%      | -18%    | -14%     |
| CFPS Growth (Y/Y) - dil.              | %          | n.a.                                 | n.a.     | -15%     | 43%     | -38%    | -11%    | 2%       |
| CFPS Growth (Y/Y) DDA - dil.          | %          | n.a.                                 | n.a.     | -2%      | 96%     | -39%    | -25%    | -16%     |
| ROCE                                  | %          | n.a.                                 | n.a.     | 20%      | 27%     | 27%     | 27%     | 27%      |
| <b>Net Asset Value</b>                |            |                                      |          |          |         |         |         |          |
| CNAV (Atax) - diluted                 | A\$/shr    | \$0.281                              |          |          |         |         |         |          |
| RENAV (Atax) - diluted                | A\$/shr    | \$0.493                              |          |          |         |         |         |          |
| Unrisked NAV (Atax) - diluted         | A\$/shr    | \$1.448                              |          |          |         |         |         |          |
| P/CNAV                                | x          | 0.3x                                 |          |          |         |         |         |          |
| P/RENAV                               | x          | 0.2x                                 |          |          |         |         |         |          |
| P/Unrisked NAV                        | x          | 0.1x                                 |          |          |         |         |         |          |
| <b>Valuation</b>                      |            |                                      |          |          |         |         |         |          |
| Share Price, YE/Current               | A\$/shr    | \$0.21                               | \$0.09   | \$0.09   | \$0.09  | \$0.09  | \$0.09  | \$0.09   |
| P/CF                                  | x          | 74.0x                                | 1.1x     | 1.3x     | 1.0x    | 1.6x    | 1.8x    | 1.7x     |
| EV/DACF                               | x          | 10.5x                                | 1.4x     | 1.4x     | 0.8x    | 1.2x    | 1.6x    | 1.9x     |
| Target EV/DACF                        | x          | 25.3x                                | 7.0x     | 7.8x     | 5.4x    | 8.8x    | 10.1x   | 10.3x    |
| EV per boe/d                          | US\$/boe/d | \$47,437                             | \$12,376 | \$10,019 | \$7,444 | \$7,407 | \$8,990 | \$10,406 |
| EV per 2P boe                         | US\$/boe   | \$4.68                               | \$2.16   | \$1.94   | \$1.62  | \$1.80  | \$2.32  | \$3.09   |
| 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-23

**Figure 2. NAV Table**

| Asset Valuation   | WI Reserves and Resources (mmboe) | CoS (%) | Unrisked (US\$m) | EMV (US\$m) | A\$/Share (Risky) | A\$/Share (Unrisked) | % Total     |
|---|-----------------------------------|---------|------------------|-------------|-------------------|----------------------|-------------|
| Net Cash/Debt YE23  |                                   |         | -0               | -0          | 0.000             | 0.000                | 0%          |
| FY23 Dividend   |                                   |         | 2                | 2           | 0.005             | 0.005                | 1%          |
| G&A   |                                   |         | -29              | -29         | -0.064            | -0.064               | -13%        |
| Brooks 2P   | 11.6                              | 100%    | 86               | 86          | 0.190             | 0.190                | 39%         |
| Thorsby 2P  | 11.6                              | 100%    | 64               | 64          | 0.142             | 0.142                | 29%         |
| <b>Total Core NAV</b>   |                                   |         | <b>127</b>       | <b>127</b>  | <b>0.281</b>      | <b>0.281</b>         | <b>57%</b>  |
| <b>Brooks upside</b>  |                                   |         |                  |             |                   |                      |             |
| Brooks 108 Unbooked Locations                                   | 16.7                              | 30%     | 124              | 37          | 0.082             | 0.332                | 17%         |
| Brooks increasing recovery factor by 10% - Booked locations     | 11.6                              | 10%     | 86               | 9           | 0.019             | 0.230                | 4%          |
| Brooks new Sunburst pools                                       | 0.0                               | 0%      | 0                | 0           | 0.000             | 0.000                | 0%          |
| <b>Thorsby upside</b>   |                                   |         |                  |             |                   |                      |             |
| Thorsby 60 Unbooked locations                                   | 15.0                              | 30%     | 83               | 25          | 0.055             | 0.222                | 0%          |
| Thorsby - Better recovery performance (+30%) - Booked locations | 3.5                               | 10%     | 26               | 3           | 0.006             | 0.069                | 1%          |
| <b>Montney Acreage</b>  |                                   |         |                  |             |                   |                      |             |
| Contingent resources  | 158.7                             | 50%     | 45               | 23          | 0.050             | 0.120                | 0%          |
| Prospective resources   | 102.3                             | 0%      | 51               | 0           | 0.000             | 0.136                | 0%          |
| <b>Total Risked Exploration</b>                                 |                                   |         | <b>416</b>       | <b>96</b>   | <b>0.212</b>      | <b>1.109</b>         | <b>43%</b>  |
| <b>Total</b>  |                                   |         | <b>543</b>       | <b>223</b>  | <b>0.493</b>      | <b>1.448</b>         | <b>100%</b> |
| <b>Unrisked NAV</b>   |                                   |         |                  |             | <b>1.45</b>       |                      |             |
| <b>P/Core NAV</b>   |                                   |         |                  |             | <b>32%</b>        |                      |             |
| <b>P/NAV</b>  |                                   |         |                  |             | <b>18%</b>        |                      |             |
| <b>P/Unrisked NAV</b>   |                                   |         |                  |             | <b>6%</b>         |                      |             |

Source: Auctus Advisors, Company Reports

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