

# Calima Energy Limited (ASX:CE1)

Share price: A\$0.08

Target: A\$0.45

August 28, 2023

## Selling the Montney assets. Increasing dividend distribution

- Calima has sold its Montney acreage and its Tommy Lakes facilities to Advantage Energy for A\$11.4 mm. Calima will also be returned an operating bond of A\$0.4 mm. The proceeds represent ~A\$0.02 per share.
- While this is less than what we carried for the asset (A\$0.04 per share), the transaction reflects (1) the continued low gas price in North-East British Columbia, (2) very weak equity markets and (3) the required minimum capital programme spend (C\$50-100 mm) to develop the Montney assets is significant.
- The disposal of the Montney Assets will also result in operating and holding savings of approximately A\$1 mm per year.
- With the September dividend increased from A\$2.5 mm to A\$7.5 mm, the total dividend yield for 2023 is >14%. By the end of September, the total dividend distribution over the previous 12 months will amount to A\$10 mm, which represents ~20% of the company's current market cap. The company will also distribute a further A\$2 mm in January.
- As we incorporate the proceeds for the disposition of the Montney assets in our valuation, we have trimmed our target price from A\$0.50 per share to A\$0.45 per share, which still represents >5x the current share price.

Rating & target	Old	New	
Target	\$0.50	\$0.45	
Yield		15%	
Implied total return		478%	
Share data	2022	2023e	2024e
Shares dil., mrr	659	659	659
Mkt cap, US\$m	\$36	\$36	\$38
EV, US\$m	\$44	\$31	\$20
Financial data	2022	2023e	2024e
Gas, mmcf/d	8.1	8.0	7.8
Liquids, bbl/d	2,571	2,749	2,762
Total boe/d (6:1)	3,921	4,079	4,059
CFO, US\$m	\$34	\$29	\$40
Net capex, US\$	\$31	\$12	\$24
Net debt, US\$m	\$7	(\$5)	(\$17)
CFPS dil., US\$/s	\$0.06	\$0.05	\$0.06
EPS dil., US\$/st	\$0.04	\$0.05	\$0.07
Valuation	2022	2023e	2024e
Share price, A\$	\$0.08	\$0.08	\$0.08
EV/DACF	1.3x	1.1x	0.5x
EV per boe/d	\$11,213	\$7,678	\$4,996
Net asset value			
CNAV, A\$/shr			\$0.31
RENAV, A\$/shr			\$0.45
Unrisked NAV, A\$/shr			\$1.25
P/CNAV			0.3x
P/RENAV			0.2x
P/Unrisked NAV			0.1x

All figures in US\$ unless otherwise noted

## More details on the 2H23 drilling programme

Calima has confirmed its plans to drill 3 new Brooks wells in 2H23. A programme of 3 Pisces wells will commence in mid-September. The wells are expected to reach peak production in December post fracture stimulation. The Pisces wells have the best economics and will be the initial focus of the company. Calima anticipates producing ~4,000 boe/d in 2023 (in line with our forecasts).

## Valuation

At current oil prices, we now forecast overall FCF of ~A\$50 mm from 2023 to 2025. This is similar to the current market cap. Our Core Nav based on the company's 2P reserves only is now A\$0.31 per share, up from A\$0.28 per share previously, which represents >3.5x the current share price. Our new ReNAV is ~A\$0.45/sh.

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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	2,762	2,603	2,719	2,666
Natural Gas	mmcf/d	4	8	8	8	8	8	8
Total (6 mcf = 1 boe)	boe/d	2,362	3,921	4,079	4,059	3,859	4,055	3,981
% Oil and Liquids	%	71%	66%	67%	68%	67%	67%	67%
<b>Netbacks</b>								
Realized Price	US\$/boe	\$45.12	\$58.18	\$47.39	\$54.51	\$42.30	\$41.35	\$41.26
Royalties	US\$/boe	\$8.64	\$11.20	\$9.57	\$10.34	\$8.01	\$7.82	\$7.80
Production Costs	US\$/boe	\$12.08	\$12.50	\$14.65	\$13.67	\$14.70	\$16.40	\$15.66
Operating Netback	US\$/boe	\$18.36	\$28.26	\$23.22	\$30.50	\$19.60	\$17.13	\$17.80
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	\$27.05	\$15.95	\$13.66	\$14.26
Government Take	%	0%	0%	0%	0%	0%	0%	0%
<b>Financials</b>								
Cash Flow (CFO)	US\$mm	\$10	\$34	\$29	\$40	\$22	\$20	\$21
CFPS - diluted	US\$/shr	\$0.00	\$0.06	\$0.05	\$0.06	\$0.04	\$0.03	\$0.03
EBITDAX	US\$mm	(\$19)	\$36	\$30	\$41	\$24	\$21	\$22
E&D Capex	US\$mm	\$17	\$31	\$20	\$24	\$22	\$24	\$22
A&D Capex, Net	US\$mm	\$26	\$0	(\$8)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$43	\$31	\$12	\$24	\$22	\$24	\$22
Total Net Capex/CFO	x	4.3x	0.9x	0.4x	0.6x	1.0x	1.2x	1.1x
<b>Leverage</b>								
Net Debt	US\$mm	\$22	\$7	(\$5)	(\$17)	(\$15)	(\$7)	(\$2)
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	n.a.	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	\$36	\$36	\$38	\$38	\$38	\$38
Enterprise Value	US\$mm	\$112	\$44	\$31	\$20	\$23	\$31	\$36
<b>Dividends &amp; Sustainability</b>								
Dividends	US\$mm	0	2	5	4	4	4	4
Dividends	A\$/shr	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Dividend Yield	%	0%	5.1%	15.3%	10.2%	10.2%	10.2%	10.2%
Free Cash Flow	US\$mm	(\$33)	\$3	\$17	\$16	\$1	(\$4)	(\$1)
Cash Use/CFO	%	427%	92%	40%	60%	97%	119%	106%
<b>Performance</b>								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	1%	-1%	-5%	5%	-2%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	44%	65%	-18%	-22%	-16%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	-15%	37%	-44%	-10%	3%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	17%	126%	-52%	-33%	-12%
ROCE	%	n.a.	n.a.	21%	28%	28%	28%	28%
<b>Net Asset Value</b>								
CNAV (Atax) - diluted	A\$/shr	\$0.310						
RENAV (Atax) - diluted	A\$/shr	\$0.454						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.254						
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	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
P/CF	x	74.0x	1.0x	1.2x	0.9x	1.6x	1.8x	1.8x
EV/DACF	x	10.5x	1.3x	1.1x	0.5x	1.0x	1.5x	1.7x
Target EV/DACF	x	23.0x	6.3x	6.8x	4.9x	9.0x	10.4x	10.4x
EV per boe/d	US\$/boe/d	\$47,437	\$11,213	\$7,678	\$4,996	\$6,047	\$7,604	\$8,981
EV per 2P boe	US\$/boe	\$4.68	\$1.95	\$1.49	\$1.04	\$1.29	\$1.85	\$2.35
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 25-Aug-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			5	5	0.011	0.011	2%
FY23 Dividend			5	5	0.011	0.011	3%
G&A			-29	-29	-0.064	-0.064	-14%
Brooks 2P	11.6	100%	89	89	0.196	0.196	43%
Thorsby 2P	11.6	100%	67	67	0.148	0.148	33%
<b>Total Core NAV</b>			<b>140</b>	<b>140</b>	<b>0.310</b>	<b>0.310</b>	<b>68%</b>
<b>Brooks upside</b>							
Brooks 108 Unbooked Locations	16.7	25%	128	32	0.071	0.341	16%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	89	9	0.020	0.236	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	25%	87	22	0.048	0.231	0%
Thorsby - Better recovery performance (+30%) - Booked locations	3.5	10%	27	3	0.006	0.071	1%
<b>Total Risked Exploration</b>			<b>330</b>	<b>65</b>	<b>0.144</b>	<b>0.879</b>	<b>32%</b>
<b>Total</b>			<b>470</b>	<b>206</b>	<b>0.454</b>	<b>1.254</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>1.25</b>		
<b>P/Core NAV</b>					<b>26%</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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