

Calima Energy Limited (ASX:CE1)

September 15, 2023

Share price: A\$0.09

Target: A\$0.45

Re-iterating production guidance

- Pisces#10, the first well of a 2H23 three well campaign, has reached TD. This is a follow up to the highly successful Pisces #6 and #7.
- The company will now drill Pisces#11, the second well of the programme.
- The wells continue to be expected to reach peak production in December (post fracture stimulation).
- Pisces #10 and #11 are on-lease tie-ins. Pisces #12 requires a 2.2 km pipeline and, once sufficient testing and fluid confirmation has occurred, will be shut-in to await pipeline and facility construction.
- On-stream dates continue to be anticipated in 4Q23 with peak production in December 2023
- Production in August was ~3,600 boe/d. While this is below the company's forecasts due to warmer than seasonal summer weather and maintenance of the water disposal system at the 2-26 battery, we maintain our production forecasts of 3,815 boe/d in 2H23. This could be too conservative given that Calima forecasts an average production rate of ~4,000 boe/d over 2H23.
- We re-iterate our target price of A\$0.45 per share, which represents ~5x the current share price.

Valuation

We have incorporated higher WTI-WCS differentials in 4Q23 (US\$19/bbl vs our assumption of US\$16/bbl) and 1Q24 (US\$20/bbl vs US\$16/bbl) in our forecasts. The differentials increase is partly due to the recently announced delay to the start date of the Trans Mountain expansion to 2Q24. A sustained higher oil price has a material impact on our cashflow forecasts. At current oil prices (~US\$90/bbl for WTI), we now forecast overall FCF of ~A\$65-70 mm from 2023 to 2025. This is ~30% above the current market cap. Our Core NAV based on the company's 2P reserves only is now A\$0.30 per share, which represents >3.5x the current share price. Our ReNAV is unchanged at ~A\$0.45/sh.

Rating & target	Old	New	
Target	\$0.45	n.c.	
Yield		15%	
Implied total return		478%	
Share data	2022	2023e	2024e
Shares dil., mm	659	659	659
Mkt cap, US\$m	\$36	\$36	\$38
EV, US\$m	\$44	\$33	\$23
Financial data	2022	2023e	2024e
Gas, mmmcf/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	\$28	\$38
Net capex, US\$m	\$31	\$12	\$24
Net debt, US\$m	\$7	(\$3)	(\$14)
CFPS dil., US\$/shr	\$0.06	\$0.04	\$0.06
EPS dil., US\$/shr	\$0.04	\$0.04	\$0.07
Valuation	2022	2023e	2024e
Share price, A\$/shr	\$0.08	\$0.08	\$0.08
EV/DACF	1.3x	1.2x	0.6x
EV per boe/d	\$11,213	\$8,054	\$5,741
Net asset value			
CNAV, A\$/shr			\$0.30
RENAV, A\$/shr			\$0.44
Unrisked NAV, A\$/shr			\$1.23
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
Commodity Prices								
WTI	US\$/bbl	\$67.44	\$94.34	\$80.49	\$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
Production								
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%
Netbacks								
Realized Price	US\$/boe	\$45.12	\$58.18	\$46.11	\$53.32	\$41.63	\$41.35	\$41.26
Royalties	US\$/boe	\$8.64	\$11.20	\$9.33	\$10.11	\$7.88	\$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	\$22.19	\$29.53	\$19.05	\$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	\$18.68	\$26.09	\$15.40	\$13.66	\$14.26
Government Take	%	0%	0%	0%	0%	0%	0%	0%
Financials								
Cash Flow (CFO)	US\$mm	\$10	\$34	\$28	\$38	\$22	\$20	\$21
CFPS - diluted	US\$/shr	\$0.00	\$0.06	\$0.04	\$0.06	\$0.03	\$0.03	\$0.03
EBITDAX	a US\$mm	(\$19)	\$36	\$29	\$40	\$23	\$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
Leverage								
Net Debt	US\$mm	\$22	\$7	(\$3)	(\$14)	(\$11)	(\$3)	\$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.
Capital Structure								
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	\$33	\$23	\$27	\$35	\$40
Dividends & Sustainability								
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	\$16	\$14	(\$0)	(\$4)	(\$1)
Cash Use/CFO	%	427%	92%	42%	62%	100%	119%	106%
Performance								
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	n.a.	1%	-1%	-5%	5%	-2%
PPS Growth (Y/Y) DDA - dil. b	%	n.a.	n.a.	36%	49%	-19%	-19%	-15%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	-20%	39%	-44%	-7%	3%
CFPS Growth (Y/Y) DDA - dil. b	%	n.a.	n.a.	6%	108%	-52%	-28%	-11%
ROCE	%	n.a.	n.a.	20%	27%	27%	27%	27%
Net Asset Value c								
CNAV (Atax) - diluted	A\$/shr	\$0.303						
RENAV (Atax) - diluted	A\$/shr	\$0.445						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.233						
P/CNAV	x	0.3x						
P/RENAV	x	0.2x						
P/Unrisked NAV	x	0.1x						
Valuation								
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	1.7x	1.8x	1.8x
EV/DACF	x	10.5x	1.3x	1.2x	0.6x	1.3x	1.7x	1.9x
Target EV/DACF	x	23.0x	6.3x	7.3x	5.2x	9.5x	10.6x	10.5x
EV per boe/d	US\$/boe/d	\$47,437	\$11,213	\$8,054	\$5,741	\$7,035	\$8,545	\$9,939
EV per 2P boe	US\$/boe	\$4.68	\$1.95	\$1.56	\$1.19	\$1.50	\$2.08	\$2.60
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 14-Sep-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			3	3	0.007	0.007	2%
FY23 Dividend			5	5	0.011	0.011	3%
G&A			-29	-29	-0.064	-0.064	-14%
Brooks 2P	11.6	100%	87	87	0.192	0.192	43%
Thorsby 2P	11.6	100%	66	66	0.147	0.147	33%
Total Core NAV			137	137	0.303	0.303	68%
Brooks upside							
Brooks 108 Unbooked Locations	16.7	25%	126	31	0.069	0.336	16%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	87	9	0.019	0.232	4%
Brooks new Sunburst pools	0.0	0%	0	0	0.000	0.000	0%
Thorsby upside							
Thorsby 60 Unbooked locations	15.0	25%	86	22	0.048	0.229	0%
Thorsby - Better recovery performance (+30%) - Booked locations	3.5	10%	26	3	0.006	0.070	1%
Total Risked Exploration			325	64	0.142	0.867	32%
Total			462	201	0.445	1.233	100%
Unrisked NAV					1.23		
P/Core NAV				26%			
P/NAV				18%			
P/Unrisked NAV				6%			

Source: Auctus Advisors, Company Reports

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