

Calima Energy Limited (ASX:CE1)

November 01, 2023

Share price: A\$0.09

Target: A\$0.45

High production in 4Q23 and 1Q24

- 3Q23 production was 3,683 boe/d, slightly below the company's guidance due to maintenance, turn-around operations at two of the production facilities and unscheduled downhole maintenance on pumping equipment on a few of the more productive wells. We forecasted 3,890 boe/d.
- This is more than offset by the high current production of ~4,100 boe/d following Pisces 10 and 11 being brought into production. Pisces 11 continues to clean up with Pisces 12 due to commence production in November. Calima forecasts 4Q23 production of 4,028 boe/d and we have increased our 4Q23 production forecast of 3,740 boe/d to 4,030 boe/d to be in line with Calima's guidance.
- 1Q24 production is expected to remain ~4.1 mboe/d, which is also above our previous forecast of 3.9 mboe/d.
- We re-iterate our target price of A\$0.45 per share, which represents >5x the current share price.

More on financials

The low 3Q23 production was offset by stronger realizations than we expected. Overall, the reported cash of A\$17.3 mm at the end of September was very close to our expectations (A\$18.4 mm). The FY23 capex will be ~A\$35 mm. While the WCS-WTI discount has increased, it appears to be narrowing beyond our anticipations (futures of US\$13-14/bbl) from December 2024 to March 2024. We currently carry US\$19/bbl for 4Q23 and US\$20/bbl in 1Q24. A smaller discount could have an important positive impact on our estimates. The Trans Mountain expansion continues to be expected to be on stream in 2Q24.

Valuation

At US\$86/bbl for WTI, we forecast overall FCF of ~>A\$60 mm from 2023 to 2025. This is ~10% above the current market cap and leaves ample financial resources to distribute a generous dividend. Our Core NAV based only on the company's 2P reserves is ~A\$0.32 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		14%	
Implied total return		414%	
Share data	2022	2023e	2024e
Shares dil., mm	659	658	658
Mkt cap, US\$mm	\$41	\$41	\$42
EV, US\$mm	\$49	\$25	\$14
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\$mm	\$34	\$29	\$40
Net capex, US\$mm	\$31	\$12	\$24
Net debt, US\$mm	\$7	(\$16)	(\$29)
CFPS dil., US\$/shr	\$0.06	\$0.05	\$0.06
EPS dil., US\$/shr	\$0.04	\$0.03	\$0.06
Valuation	2022	2023e	2024e
Share price, A\$/shr	\$0.09	\$0.09	\$0.09
EV/DACF	1.4x	0.8x	0.3x
EV per boe/d	\$12,376	\$6,100	\$3,396
Net asset value			
CNAV, A\$/shr			\$0.33
RENAV, A\$/shr			\$0.47
Unrisked NAV, A\$/shr			\$1.27
P/CNAV			0.3x
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		2021	2022	2023e	2024e	2025e	2026e	2027e
Commodity Prices								
WTI	US\$/bbl	\$67.44	\$94.34	\$79.23	\$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	2,765	2,907	2,683	2,762	2,690
Natural Gas	mmcf/d	4	8	8	8	8	8	8
Total (6 mcf = 1 boe)	boe/d	2,362	3,921	4,102	4,268	3,974	4,117	4,015
% Oil and Liquids	%	71%	66%	67%	68%	68%	67%	67%
Netbacks								
Realized Price	US\$/boe	\$45.12	\$58.18	\$45.54	\$53.45	\$41.72	\$41.40	\$41.29
Royalties	US\$/boe	\$8.64	\$11.20	\$9.25	\$10.14	\$7.90	\$7.83	\$7.81
Production Costs	US\$/boe	\$12.08	\$12.50	\$15.29	\$13.40	\$14.51	\$16.27	\$15.59
Operating Netback	US\$/boe	\$18.36	\$28.26	\$20.80	\$29.91	\$19.31	\$17.30	\$17.88
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	\$17.83	\$26.96	\$15.92	\$14.03	\$14.53
Government Take	%	0%	0%	0%	0%	0%	0%	0%
Financials								
Cash Flow (CFO)	US\$mm	\$10	\$34	\$27	\$42	\$23	\$21	\$21
CFPS - diluted	US\$/shr	\$0.00	\$0.06	\$0.04	\$0.07	\$0.04	\$0.03	\$0.03
EBITDAX	US\$mm	(\$19)	\$36	\$26	\$42	\$23	\$21	\$21
E&D Capex	US\$mm	\$17	\$31	\$24	\$24	\$22	\$24	\$22
A&D Capex, Net	US\$mm	\$26	\$0	(\$8)	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$43	\$31	\$16	\$24	\$22	\$24	\$22
Total Net Capex/CFO	x	4.3x	0.9x	0.6x	0.6x	0.9x	1.1x	1.0x
Leverage								
Net Debt	US\$mm	\$22	\$7	(\$10)	(\$24)	(\$22)	(\$15)	(\$11)
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	658	658	658	658	658
Market Capitalization	US\$mm	\$90	\$41	\$41	\$42	\$43	\$43	\$43
Enterprise Value	US\$mm	\$112	\$49	\$31	\$18	\$21	\$27	\$32
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%	4.5%	13.6%	10.0%	9.1%	9.1%	9.1%
Free Cash Flow	US\$mm	(\$33)	\$3	\$11	\$18	\$1	(\$3)	(\$1)
Cash Use/CFO	%	427%	92%	60%	57%	94%	114%	103%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	2%	4%	-7%	4%	-2%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	61%	90%	-18%	-23%	-16%
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	-22%	57%	-45%	-9%	1%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	19%	187%	-52%	-32%	-13%
ROCE	%	n.a.	n.a.	11%	29%	29%	29%	29%
Net Asset Value								
CNAV (Atax) - diluted	A\$/shr	\$0.323						
RENAV (Atax) - diluted	A\$/shr	\$0.471						
Unrisked NAV (Atax) - diluted	A\$/shr	\$1.296						
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	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
P/CF	x	74.0x	1.1x	1.5x	1.0x	1.8x	1.9x	1.9x
EV/DACF	x	10.5x	1.4x	1.1x	0.4x	0.9x	1.3x	1.5x
Target EV/DACF	x	23.0x	6.3x	7.4x	4.5x	8.4x	9.5x	9.6x
EV per boe/d	US\$/boe/d	\$47,437	\$12,376	\$7,590	\$4,334	\$5,254	\$6,674	\$7,918
EV per 2P boe	US\$/boe	\$4.68	\$2.16	\$1.48	\$0.95	\$1.16	\$1.67	\$2.12
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-Oct-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			10	10	0.021	0.021	5%
FY23 Dividend			5	5	0.011	0.011	2%
G&A			-31	-31	-0.069	-0.069	-15%
Brooks 2P	11.6	100%	92	92	0.204	0.204	43%
Thorsby 2P	11.6	100%	66	66	0.147	0.147	31%
Total Core NAV			146	146	0.323	0.323	69%
Brooks upside							
Brooks 108 Unbooked Locations	16.7	25%	133	33	0.074	0.356	16%
Brooks increasing recovery factor by 10% - Booked locations	11.6	10%	92	9	0.020	0.246	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%	28	3	0.006	0.074	1%
Total Risked Exploration			340	67	0.148	0.906	31%
Total			486	213	0.471	1.296	100%
Unrisked NAV					1.30		
P/Core NAV					28%		
P/NAV					19%		
P/Unrisked NAV					7%		

Source: Auctus Advisors, Company Reports

Copyright and Risk Warnings

Calima Energy Ltd ("Calima" or the "Company") is a corporate client of Auctus Advisors LLP ("Auctus").

Auctus receives, and has received in the past 12 months, compensation for providing corporate broking and/or investment banking services to the Company, including the publication and dissemination of marketing material from time to time.

MiFID II Disclosures

This document, being paid for by a corporate issuer, is believed by Auctus to be an 'acceptable minor non-monetary benefit' as set out in Article 12 (3) of the Commission Delegated Act C(2016) 2031 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. It is produced solely in support of our corporate broking and corporate finance business. Auctus does not offer a secondary execution service in the UK.

This note is a marketing communication and NOT independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is NOT subject to the prohibition on dealing ahead of the dissemination of investment research.

Author

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

Not an offer to buy or sell

Under no circumstances is this note to be construed to be an offer to buy or sell or deal in any security and/or derivative instruments. It is not an initiation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000.

Note prepared in good faith and in reliance on publicly available information

Comments made in this note have been arrived at in good faith and are based, at least in part, on current public information that Auctus considers reliable, but which it does not represent to be accurate or complete, and it should not be relied on as such. The information, opinions, forecasts and estimates contained in this document are current as of the date of this document and are subject to change without prior notification. No representation or warranty either actual or implied is made as to the accuracy, precision, completeness or correctness of the statements, opinions and judgements contained in this document.

Auctus' and related interests

The persons who produced this note may be partners, employees and/or associates of Auctus. Auctus and/or its employees and/or partners and associates may or may not hold shares, warrants, options, other derivative instruments or other financial interests in the Company and reserve the right to acquire, hold or dispose of such positions in the future and without prior notification to the Company or any other person.

Information purposes only

This document is intended to be for background information purposes only and should be treated as such. This note is furnished on the basis and understanding that Auctus is under no responsibility or liability whatsoever in respect thereof, whether to the Company or any other person.

Investment Risk Warning

The value of any potential investment made in relation to companies mentioned in this document may rise or fall and sums realised may be less than those originally invested. Any reference to past performance should not be construed as being a guide to future performance. Investment in small companies, and especially upstream oil & gas companies, carries a high degree of risk and investment in the companies or commodities mentioned in this document may be affected by related currency variations. Changes in the pricing of related currencies and or commodities mentioned in this document may have an adverse effect on the value, price or income of the investment.

Distribution

This document is directed at persons having professional experience in matters relating to investments to whom Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") applies, or high net worth organisations to whom Article 49 of the FPO applies. The investment or investment activity to which this communication relates is available only to such persons and other persons to whom this communication may lawfully be made ("relevant persons") and will be engaged in only with such persons. This Document must not be acted upon or relied upon by persons who are not relevant persons. Without limiting the foregoing, this note may not be distributed to any persons (or groups of persons), to whom such distribution would contravene the UK Financial Services and Markets Act 2000 or would constitute a contravention of the corresponding statute or statutory instrument in any other jurisdiction.

Disclaimer

This note has been forwarded to you solely for information purposes only and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto ("financial instruments"). This note is intended for use by professional and business investors only. This note may not be reproduced without the prior written consent of Auctus.

The information and opinions expressed in this note have been compiled from sources believed to be reliable but, neither Auctus, nor any of its partners, officers, or employees accept liability from any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this note. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Auctus is not agreeing to nor is it required to update the opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this note can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This note does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this note.

Auctus (or its partners, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of the Company or any related

or other company referred to herein, and may add to or dispose of any such position or may make a market or act as principle in any transaction in such securities or financial instruments. Partners of Auctus may also be directors of the Company or any other of the companies mentioned in this note. Auctus may, from time to time, provide or solicit investment banking or other financial services to, for or from the Company or any other company referred to herein. Auctus (or its partners, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published.

Further Disclosures for the United Kingdom

This note has been issued by Auctus Advisors LLP, which is authorised and regulated by the Financial Conduct Authority. This note is not intended for use by, or distribution to, US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

This publication is confidential and may not be reproduced in whole or in part or disclosed to another party, without the prior written consent of Auctus. Securities referred to in this note may not be eligible for sale in those jurisdictions where Auctus is not authorised or permitted by local law to do so. In particular, Auctus does not permit the distribution or redistribution of this note to non-professional investors or other persons to whom disclosure would contravene local securities laws. Auctus expressly disclaims and will not be held responsible in any way, for third parties who affect such redistribution.

© Auctus Advisors LLP All rights reserved 2023