

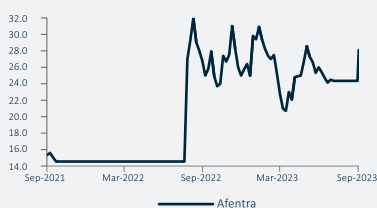
18 September 2023

Buy

Ticker	AET:AIM
Oil & Gas	
Shares in issue (m)	220.1
Next results	H1 Nov
Price	28.1p
Target price	37.0p
Upside	32%
Market Cap	£61.8m
Net debt/(cash)	-£16.4m
Other EV adjustments	£0.0m
Enterprise value	£45.4m

What's changed?	From	To
Adjusted EPS	5.3	n/c
Target price	37.0	n/c

Share price performance



%	1M	3M	12M
Actual	15.4	8.1	4.9

Company description

E&P company with a 'buy and build' strategy focused on Africa where management has extensive experience

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* denotes corporate client of Cavendish

AFENTRA

Admission Document published

Afentra has published an [Admission Document](#) for its two Angolan RTOs, allowing trading of its shares to recommence this morning. The Sonangol and Azule acquisitions in Angola will deliver Afentra a material non-operated shallow water portfolio containing significant production enhancement, development and exploration opportunities. The deals will add net 2P reserves of ~33 mmbbls and net 2C resources of ~20 mmbbls, alongside net production of ~5,700 bpd. They also offer significant upside potential through improved recovery and development of multiple fully appraised discoveries. The producing fields are highly free-cash-generative – we estimate they can generate over US\$20m p.a. of average FCF over the next five years at US\$70/bbl Brent. They provide a solid foundation for Afentra and an excellent springboard for its wider African growth ambitions. Both deals are still expected to complete by the end of 2023.

Figure 1: Afentra net asset value

Net Asset Valuation	W.I. reserves		NPV/bbl		Unrisked NPV		Geological CoS	Commercial CoS	Dry hole cost	Risky NPV	
	mmbbl	US\$/boe	US\$m	p/sh	US\$m	p/sh					
Net cash / (debt)			30.6	11.1						30.6	11.1
G&A costs (3 years)			-16.5	-6.0						-16.5	-6.0
Options			0.0	0.0						0.0	0.0
Angola acquisitions - initial consideration			-92.1	-33.5						-92.1	-33.5
NPV of contingent payments			-35.7	-13.0						-35.7	-13.0
Acquisitions CF completion adjustment			40.9	14.9						40.9	14.9
Angola Block 3/05 2P reserves	23.0	6.22	143.0	52.0	100%	100%				143.0	52.0
Core asset value:	23.0		70.1	25.5						70.1	25.5
Contingent resource:											
Angola Block 3/05 Impala South East infill	2.6	6.66	17.3	6.3	75%	100%		0.6		12.4	4.5
Angola Block 3/05 Impala infill	0.7	6.66	4.8	1.7	75%	100%		0.6		3.0	1.1
Angola Block 3/05 Palanca infill	1.1	6.66	7.0	2.6	75%	100%		0.6		4.7	1.7
Angola Block 3/05 Cobo workovers	0.3	6.66	1.8	0.6	75%	100%				1.3	0.5
Angola Block 3/05A 2C contingent resource	1.8	4.00	7.0	2.6	100%	75%				5.3	1.9
Angola Block 3/05 licence extension (2041 to 2045)	5.4	2.00	10.8	3.9	75%	75%				6.1	2.2
	11.8	4.13	48.7	17.7				1.8		32.7	11.9
Prospective resource:											
Angola Block 23 - Azul	12.0	5.00	60.0	21.8	50%	10%		5.0		0.0	0.0
	12.0		60.0	21.8				5.0		0.0	0.0
Total	46.8		178.8	65.0				6.8		102.8	37.4

Source: Cavendish

Discounted at 10% to 1 January 2023. Assumes long-term Brent oil price of US\$70/bbl

Key estimates		2020A	2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	\$m	0.0	0.0	0.0	49.0	86.5
Adj EBITDA	\$m	-2.0	-4.7	-8.7	20.9	34.4
Adj EBIT	\$m	-2.2	-5.0	-9.0	17.1	19.8
Adj PBT	\$m	-1.9	-5.0	-9.1	15.1	14.8
Adj EPS	c	-0.9	-2.3	-4.1	5.3	4.0
DPS	c	0.0	0.0	0.0	0.0	0.0

Key valuation metrics

EV/sales	x	n/m	n/m	n/m	1.1	0.7
EV/EBIT (adj)	x	-25.9	-11.3	-6.3	3.3	2.8
P/E (adj)	x	-40.2	-15.4	-8.4	6.5	8.7
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-2.9%	-6.1%	-8.9%	5.1%	-9.6%

Income statement		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Sales	\$m	0.0	0.0	49.0	86.5
Gross profit	\$m	0.0	0.0	26.4	39.9
EBITDA (adjusted)	\$m	-4.7	-8.7	20.9	34.4
EBIT (adjusted)	\$m	-5.0	-9.0	17.1	19.8
Associates/other	\$m	0.0	0.0	0.0	0.0
Net interest	\$m	-0.0	-0.1	-2.0	-5.0
PBT (adjusted)	\$m	-5.0	-9.1	15.1	14.8
Total adjustments	\$m	0.0	0.0	0.0	0.0
PBT (stated)	\$m	-5.0	-9.1	15.1	14.8
Tax charge	\$m	0.0	0.0	-3.4	-6.0
Minorities/Disc ops	\$m	0.0	0.0	0.0	0.0
Reported earnings	\$m	-5.0	-9.1	11.7	8.8
Adjusted earnings	\$m	-5.0	-9.1	11.7	8.8
Shares in issue (year end)	m	220.1	220.1	220.1	220.1
EPS (stated)	c	-2.3	-4.1	5.3	4.0
EPS (adjusted, fully diluted)	c	-2.3	-4.1	5.3	4.0
DPS	c	0.0	0.0	0.0	0.0

Cash flow		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
EBITDA	\$m	-4.7	-8.7	20.9	34.4
Net change in working capital	\$m	0.2	2.0	-1.1	-2.1
Other operating items	\$m				
Cash flow from op. activities	\$m	-4.5	-6.7	16.4	26.2
Cash interest	\$m	0.0	0.0	-2.5	-5.2
Cash tax	\$m	0.0	0.0	0.0	0.0
Capex	\$m	-0.2	-0.2	-10.0	-28.4
Other items	\$m	0.0	0.0	0.0	0.0
Free cash flow	\$m	-4.7	-6.9	3.9	-7.3
Acquisitions / disposals	\$m	0.0	0.0	-51.2	-7.0
Dividends	\$m	0.0	0.0	0.0	0.0
Shares issued	\$m	0.0	0.0	0.0	0.0
Other	\$m	-0.3	-10.3	40.3	2.0
Net change in cash flow	\$m	-5.0	-17.2	-7.0	-12.4
Opening net cash (debt)	\$m	42.7	37.7	20.4	-26.7
Closing net cash (debt)	\$m	37.7	20.4	-26.7	-41.1

Balance sheet		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	\$m	0.7	0.5	58.0	78.8
Goodwill & other intangibles	\$m	21.3	21.3	21.3	21.3
Other non current assets	\$m	0.0	0.0	0.0	0.0
Net working capital	\$m	-0.2	-2.3	-2.3	-2.3
Other assets	\$m	0.0	10.2	10.2	10.2
Other liabilities	\$m	-0.6	-0.4	-0.4	-0.4
Gross cash & cash equivs	\$m	37.7	20.4	13.3	0.9
Capital employed	\$m	58.9	49.8	100.2	108.6
Gross debt	\$m	0.0	0.0	40.0	42.0
Net pension liability	\$m	0.0	0.0	0.0	0.0
Shareholders equity	\$m	58.9	49.8	60.2	66.6
Minorities	\$m	0.0	0.0	0.0	0.0
Capital employed	\$m	58.9	49.8	100.2	108.6

Growth analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	n/m	n/m	n/m	76.6%
EBITDA growth	%	-139.4%	-84.1%	339.2%	64.6%
EBIT growth	%	-129.2%	-80.1%	291.0%	15.5%
PBT growth	%	-161.9%	-82.0%	266.3%	-2.0%
EPS growth	%	-161.9%	-82.0%	228.8%	-24.8%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	n/m	n/m	53.9%	46.2%
EBITDA margin	%	n/m	n/m	42.6%	39.7%
EBIT margin	%	n/m	n/m	35.0%	22.9%
PBT margin	%	n/m	n/m	30.8%	17.1%
Net margin	%	n/m	n/m	23.9%	10.2%

Valuation analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA	x	-11.9	-6.4	2.7	1.6
EV/EBIT	x	-11.3	-6.3	3.3	2.8
P/E	x	-15.4	-8.4	6.5	8.7

Cash flow analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / EBITDA)	%	n/m	n/m	78.6%	76.3%
Cash conv'n (FCF / EBITDA)	%	99.3%	78.5%	18.8%	-21.4%
U/lying FCF (capex = depn)	\$m	-4.7			
Cash quality (u/l FCF / adj earn)	%	95.0%			
Investment rate (capex / depn)	x	0.9	0.7	2.7	1.9
Interest cash cover	x	n/a	n/a	6.5	5.0
Dividend cash cover	x	n/a	n/a	n/m	n/a

Working capital analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	n/m	n/m	-4.6%	-2.6%
Net working capital / sales	days	n/m	n/m	-17	-10
Inventory (days)	days	n/m	n/m	0	0
Receivables (days)	days	n/m	n/m	3	2
Payables (days)	days	n/m	n/m	20	11

Leverage analysis		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	no debt	no debt	44.3%	61.6%
Net debt / EBITDA	x	n/a	n/a	1.3	1.2
Liabilities / capital employed	%	0.0%	0.0%	39.9%	38.7%

Capital efficiency & intrinsic value		2021A	2022A	2023E	2024E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	-8.5%	-18.2%	19.4%	13.2%
RoCE (EBIT basis, pre-tax)	%	-8.5%	-18.0%	17.1%	18.2%
RoCE (u/lying FCF basis)	%	-8.1%			
NAV per share	c	26.8	22.6	27.4	30.3
NTA per share	c	17.1	12.9	17.7	20.6

Admission Document published

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Definition of research recommendations

Expected absolute returns

BUY is an expected return greater than 10%

HOLD is an expected return -10% - +10%

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UNDER REVIEW: recommendation and/or forecasts are under review pending further clarity as to the company's financial and/or operational position

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Under Review	0	0.0%	0	0.0%
Corp	94	61.0%	101	58.4%

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Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
Afentra		5 May 23	Buy	25.0p	37.0p

Source: Cavendish

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