Initiation of Coverage

AFENTRA PLC

Oil and Gas, Exploration and Production

Capital Markets
Canaccord Genuity

UK Equity Research
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Phil Hallam | Analyst | Canaccord Genuity Ltd (UK) | phallam@cgf.com | 44.20.7523.8373
Charlie Sharp | Analyst | Canaccord Genuity Ltd (UK) | csharp@cgf.com | 44.20.7523.4651

AFrican ENergy TRAnsition

Rating	Price Target
BUY	**80p**
AET-AIM	Price **47p**

Canaccord Genuity view

Afentra plc, a UK-based, AIM-listed oil & gas company, has built its current strong portfolio through three transactions since 2021, securing non-operated interests in Blocks 3/05 and 3/05A offshore Angola. These assets are supported by proven reserves, robust production capabilities, and favourable fiscal conditions in Angola. Looking forward, Afentra aims to optimise its offshore assets and explore new opportunities in Angola. In the near-medium term, we see Afentra aiming to increase net production through cost-efficient programs, targeting a return to historic production levels for Block 3/05. Currently, Block 3/05 produces c. 21,000 bopd (gross), however, management believes this can be increased to c. 30,000 bopd within the next couple of years from increasing water injection capabilities alone, much of the infrastructure for which is already present.

We estimate Afentra to achieve an average net production of 6,100 bopd in FY24E, rising to 7,500 bopd in FY26E, generating positive free cash flow and a net cash position throughout our forecast period. We initiate coverage on Afentra with a risked NPV12.5-based target price of 80p and a BUY rating. Even at our target price, Afentra looks cheap, representing an FY25E EV/EBITDA multiple of 2.2x, falling to 2x in FY26E.

Block 3/05 & 3/05A

Block 3/05 (30% WI) has eight operational oil fields. Net to Afentra, the Block has 2P reserves of 32.9 mmbbls, and 2C resources of 13.1 mmbbls, and was producing 6,800 bopd in May 2024. With a planned shutdown in September, we estimate average production for FY24 from 3/05 to be c. 6,100 bopd. **Block 3/05A** (21.33% WI) has 3 fields: Punja, Gazelam and Caco. Despite a substantial estimated oil in place of >300 mmbbls, the current development has been minimal, with 2P reserves of 0.5 mmbbls, and 2C resources of 7 mmbbls. If we were to see an improvement in recovery factor (to just 30%), we could see 3/05A 2C resources increase to 19.2 mmbbls (net to Afentra), signifying significant upside potential.

Production Optimisation

Afentra's strategic focus for Block 3/05 aims to achieve a >50% recovery factor by sustaining and growing production through waterfloods, which maintain reservoir pressure and optimise existing wells.

This cost-effective approach ensures well integrity and rapid capital returns. Afentra plans to focus capex in FY24 and FY25 to enhance production efficiency before new drilling. Estimated combined net operating and capital costs are $75m in FY24 and $115m in FY25, covered by revenues and cash flow. The company aims to inject at least 60,000 barrels of water daily by the end of FY24, with historical data pointing to a potential 350,000 barrels of water in time.

Onshore Angola Opportunities

After halting onshore hydrocarbon production due to civil war (1995-2002), Angola is reviving its capabilities. Afentra has been awarded an onshore exploration block, KON-19, in July 2024, and is preferential bidder on another, KON-15. These blocks, adjacent to legacy fields, offer lower-cost opportunities and significant potential.

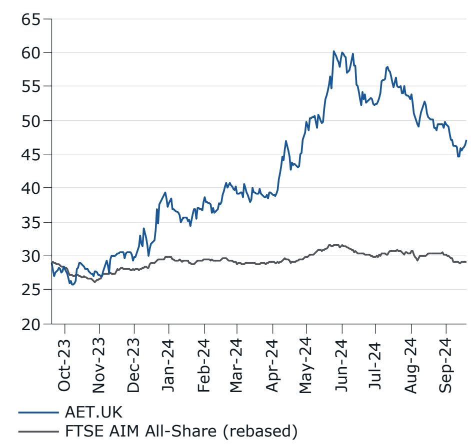
Valuation, target price, and rating

We determine our risked and un-risked valuation for Afentra on an NPV12.5 basis. On this basis, we initiate on Afentra with a target price of 80p (un-risked 250p) and a rating of BUY. Our target price represents a potential upside of 70% to yesterday's close. We note that there is considerable upside beyond our target price if the recovery rates for both Blocks 3/05 and 3/05A improve, moving barrels of oil in place into reserves and resources.

Market Data

52-Week Range (p) :	25 - 63
Avg Daily Vol (000s) :	861
Market Cap (£M) :	106.7
Shares Out. (M) :	226.2
Dividend /Shr (US$) :	0.00
Dividend Yield (%) :	0.0

FYE Dec	2023A	2024E	2025E	2026E
Production	3,329	6,143	6,589	7,518
Sales (US$M)	26.4	175.0	145.1	144.1
Net Income (US$M)	(2.8)	64.0	49.6	42.3
Operating Cash Flow (Post-Tax) (US$M)	17	93	70	64
Net Debt (Cash) (US$M)	12	(15)	(28)	(53)



Source: FactSet

Priced as of close of business 18 September 2024

Afentra plc (AET.L) is an AIM listed, London-based independent oil and gas company focused on redeveloping African oil fields to support the energy transition and economic development in Africa. The company currently hold licenses for both onshore and offshore Angola, and onshore Somaliland. Angola currently represents 100% of Afentra's production.

For important information, please see the Important Disclosures beginning on page 17 of this document.

Company Summary

Company Description

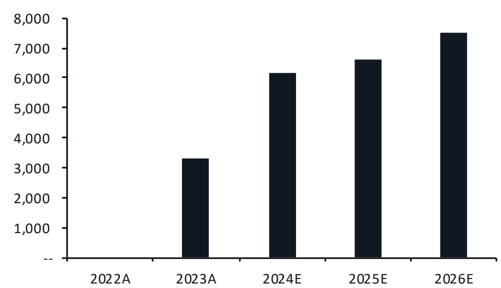
Afentra plc (AET.L) is a London-based independent oil and gas company focused on redeveloping African oil fields to support the energy transition and economic development in Africa. The company currently hold licenses for both onshore and offshore Angola, and onshore Somaliland. Angola currently represents 100% of Afentra's production.

Market Catalyst

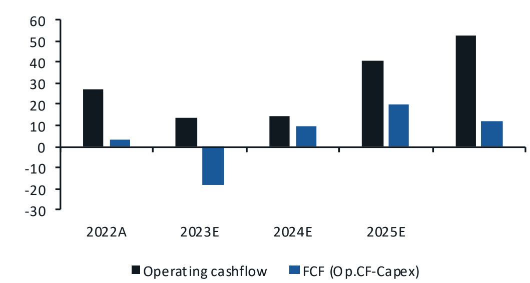
Q4 '24 - News of further Block 3/05 lifting

Ongoing - Award of KON-15 licence

Net Production (boepd)



Operating and Free Cash flow ($m)



Source: Company report, CG estimates

Operating data	2022A	2023A	2024E	2025E	2026E
Production (Gross)	--	20,179	20,476	21,964	25,060
Production (Net - Afentra WI)	--	3,329	6,143	6,589	7,518
Production (Net Entitlement)	--	2,830	5,221	5,601	6,390
Gas proportion	0%	0%	0%	0%	0%
Liquids proportion	100%	100%	100%	100%	100%

Summary Income Statement	2022A	2023A	2024E	2025E	2026E
Revenue	--	26.4	175.0	145.1	144.1
Operating profit	(9.0)	2.4	81.6	66.0	65.5
Profit before tax	(9.1)	(0.9)	73.5	58.6	59.7
Net Income	(9.1)	(2.8)	64.0	49.6	42.3
EPS (USc/sh)	(4.1)	(1.2)	26.4	19.9	16.9
DPS (USc/sh)	--	--	--	--	--

Summary Cash Flow Statement	2022A	2023A	2024E	2025E	2026E
Operating cashflow	(6.7)	17.0	93.3	70.4	64.5
Investment cashflow	(10.3)	(45.9)	(55.5)	(43.7)	(30.3)
Financing cashflow	(0.2)	28.0	(0.2)	(25.0)	(21.8)
FCF (Op.CF-Capex)	(6.9)	(37.0)	23.6	19.1	28.1

Summary Balance Sheet	2022A	2023A	2024E	2025E	2026E
Cash	20.4	14.7	56.9	58.6	71.0
Net debt/(cash)	(30.4)	12.3	(14.7)	(28.5)	(52.9)

Reserves & Resources (YE23 mmboe)	
2P	32.9
2C	20.1

Financial/Operating metrics	2022A	2023A	2024E	2025E	2026E
EV/EBITDA	(9.2)	23.7	1.1	1.2	1.0
EV/Op.CF	(12.0)	7.3	1.1	1.4	1.2
EV/mmboe	--	102.5	47.5	40.0	28.3

Valuation (NPV12.5)	Risked (US$m)	Risked (GBP£m)	Risked (p/sh)	Unrisked (p/sh)
Producing Assets NAV	206	161	71.3	71.3
Core Production NAV (Financials Adjusted)	141	110	48.6	48.6
Core NAV (Production + Development)	**183**	**143**	**63.3**	**78.0**
Central Case NAV	227	177	78.4	210.4
Full NAV	**235**	**184**	**81.3**	**251.8**

Summary

Executive Summary

Following on from three lucrative M&A deals over the past 3 years, Afentra now holds a meaningful interest in the offshore Angolan oil & gas space. The completion of the final deal in April 2024 means Afentra now holds a 30% non-operated interest in producing Block 3/05, and a 21.33% non-operated interest in adjacent development Block 3/05A.

This means Afentra now has materially proven reserves, robust production, and cash flow, as well as a strong balance sheet. The favourable Angolan fiscal terms (including a Block 3/05 licence extension to 2040) and confidence in Angola as an attractive investment environment underscores the long-term value of these assets.

We see significant future upside through the continued optimisation of existing well stock and further offshore development opportunities, with newly awarded onshore Angolan licenses presenting a positive diversification of assets.

We estimate Afentra will achieve an average net production of c. 6,100 boepd in FY24E, rising to c. 6,600 boepd in FY26E with the business generating a positive free cash flow by FY26E, and a net cash position. This supports our risked NPV12.5 valuation of 81.3p, and target price of 80p with a BUY rating.

Corporate History

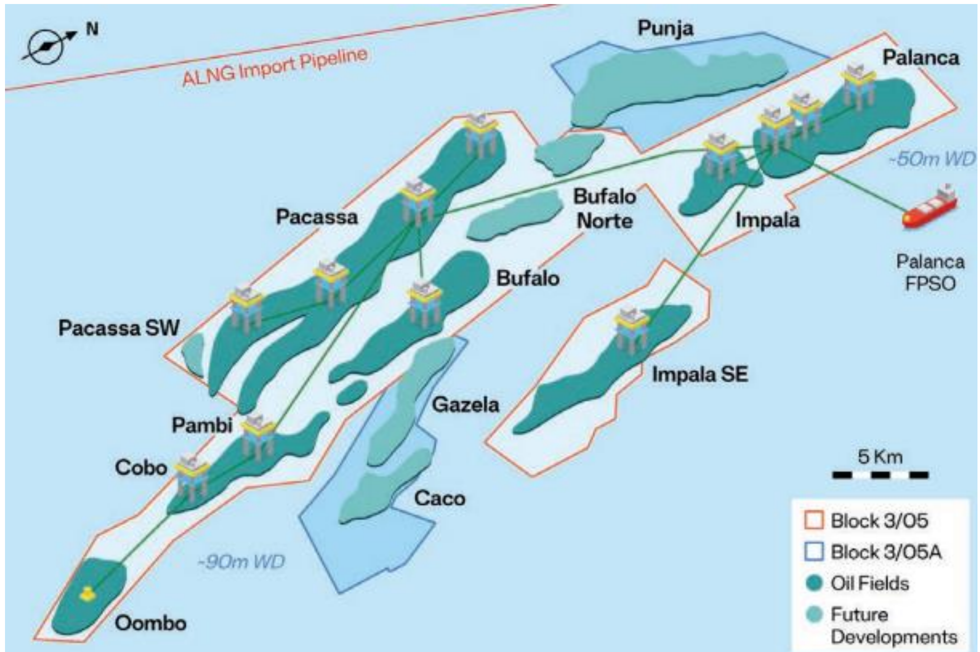
Founded in 1983 as Ribbonwell, the company has been through multiple variations, ending up as Afentra (AFrican ENergy TRAnsition) in 2021 following a name change from Sterling Energy.

In 2022, Afentra signed an SPA deal with the Angolan state-run Sonangol to acquire a 24% non-operating interest in the offshore Block 3/05, a 4% interest in the adjacent Block 3/05A, and a 40% interest in the offshore exploration Block 23.

In 2023, the acquisition of a non-operating interest of 14% in Block 3/05A, and 40% in Block 23 from Sonangol was approved by the Angolan government. During the year, Afentra also acquired an additional 4% WI in both Block 3/05 and 4% in 3/05A from INA. Following the government of Angola's process to terminate and redistribute the interests of China Sonangol International in 2023, Afentra received an additional 1.33% working interest in Block 3/05A.

Afentra then received approval for the acquisition of a 12% non-operating interest in Block 3/05 and a 16% non-operating interest in Block 3/05A from Azule Energy Angola, the deal completed in Q2 2024. Following the completed deals, Afentra now possesses a 30% working interest in Angola Block 3/05, and a 21.33% working interest in Block 3/05A.

Figure 1: O&G fields within Afentra's Block 3/05 & 3/05A licenses



Source: Company reports

Quick Asset Summary

- **Block 3/05** - (30% non-operating interest) Located off the coast of Angola and the DRC, the Block consists of multiple operational fields operated by the Angolan state-run Sonangol. In 2023, the Block produced c. 4,500 boepd net to Afentra, and has a net 2P reserve of 32.9 mmbbls, and 2C resources of 13.1 mmbbls. Production net to Afentra has increased to c. 6,800 bopd as of August 2024. Avg. production expected to be c. 6,100 bopd for FY24 due to planned shut down in H2.

- **Block 3/05A** - (21.33% non-operating interest) Located adjacent to the Block 3/05, 3/05A is an exploration block with one producing well undergoing a long-term production test, GAZ101, which in 2023 had an average production of 1,300 boepd. The well is situated in the Gazela field in Block 3/05A, and tied into infrastructure in the neighbouring 3/05. Long-term testing continues at c. 1,200 bopd, with the aim to establish potential lower-cost development options.

- **Block 23** - (40% non-operating interest) Located off the coast of Angola to the south of the 3/05 Block, Block 23 is a large area licence with one light oil discovery. An exploration well has been drilled which has historically been flow tested at 3-4,000 bbls/d. The discovery is estimated to have c. 150 mmbbls of oil in place.

- **Odewayne Block** - (34% carried non-operating interest) The Block lies in onshore in Somaliland and covers an area of 22,000 square kilometres enclosing a previously undeveloped Jurassic/Cretaceous rift basin. The Block underwent a 2D seismic survey in 2018, which identified multiple prospects. Exploration is currently underway, for which all Afentra's interest is carried by Genel Energy who are the operator.

- **KON19** – (45% non-operating interest) An exploration block which represents Afentra's first onshore Angolan block with the licence awarded in July 2024. KON19 is part of the Kwansa basin, which covers 25k sq. km.

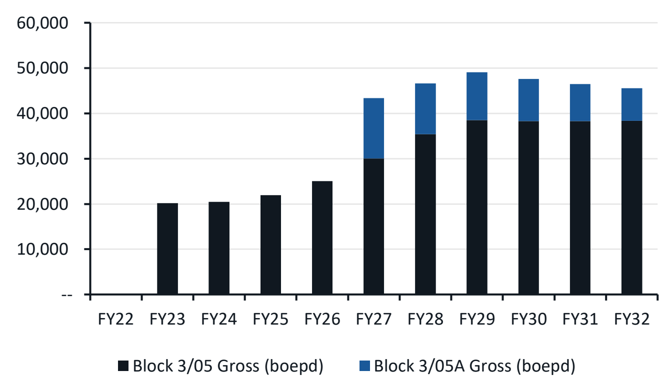
Figure 2: Afentra acquired their current 30% WI in Block 3/05, and 21.33% WI in Block 3/05A through 3 separate transactions starting in 2021

Transaction Timeline (Effective Date)	INA (Sep-21)	Sonangol (Apr-22)	Azule Energy (Oct-22)	Aggregate
Upfront Consideration	$12.0m	$56.5m	$48.5m	$117.0m
Adjustments[1]	$16.8m	-	($4.3m)	$12.5m
Asset Cashflow Contribution[2]	($1.8m)	($35.4m)	($15.8m)	($53.0m)
Net Completion Payment	$27.0m	$21.1m	$28.4m	$76.5m
Stock Entitlement (bbls)	207,868	158,691	480,000	846,559
Stock Value Inherited @ Completion[3]	~$18.3m	~$13.5m	~$40.2m	~$72.0m

Source: Company reports

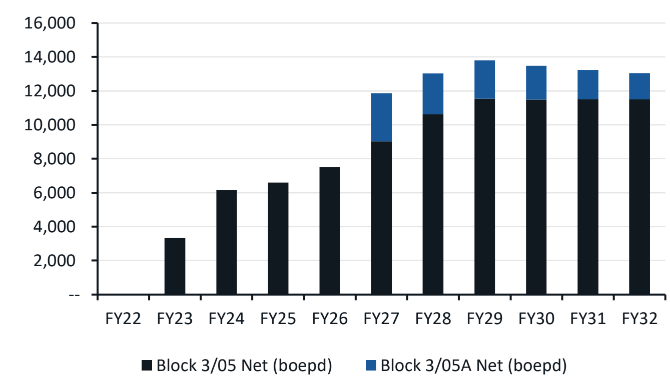
Afentra's current working interests in Blocks 3/05 and 3/05A were acquired through three transactions over the past three years. Initially, Afentra acquired a 4% interest in Block 3/05 and a 5.33% interest in Block 3/05A from INA in July 2022. The INA WI came along with existing oil inventories, which were lifted in 2023, and represented the entirety of Afentra's FY23 revenues of $26.4m. The inventories of both the Sonangol (completed December 2023) and Azule (completed May 2024) deals are expected to be lifted in FY24 and represent c. $50m of our FY24 revenue forecasts.

Figure 3: Afentra Gross Production from Blocks 3/05 & 3/05A



Source: Company reports, CG estimates

Figure 4: Afentra Net Production from Blocks 3/05 & 3/05A



Source: Company reports, CG estimates

The licenses operate under a Production Sharing Agreement (PSC), which entails an attractive 75% cost recovery limit and a 40% profit oil entitlement. This equates to a net Afentra entitlement production to be 85% of their working interest production. So, for our forecast period, we expect Afentra's net entitlement to be c. 5,200 bopd FY24, c. 5,600 bopd FY25, and c. 6,400 bopd in FY26.

Valuation

We determine our risked and un-risked valuation for Afentra on an NPV12.5 basis. The company has one cash flow producing asset (Block 3/05) and several assets in various stages of development to exploration.

Figure 5: Based on our risked NPV12.5 valuation of 81.3p, we initiate on Afentra with an 80p target price and Buy recommendation

	Gross	Working Interest		Valuation	CoS	Risked Valuation		Risked	Unrisked
	(mmboe)	(%)	(mmboe)	($/boe)	(%)	($m)	(£m)	(p/sh)	(p/sh)
Producing Assets									
Block 3/05 - 2P	109.7	30%	32.9	6.3	100%	206.5	161.3	71.3	71.3
Total Producing Assets	**109.7**		**32.9**			**206.5**	**161.3**	**71.3**	**71.3**
Financials									
G&A						-20.0	-15.6	-6.9	-6.9
YE23 Net Cash						-12.3	-9.6	-4.2	-4.2
INA Contingent 3/05					100%	-1.1	-0.9	-0.4	-0.4
INA Contingent 3/05A					100%	-4.5	-3.6	-1.6	-1.6
Sonongal Contingent					100%	-20.2	-15.7	-7.0	-7.0
Azule Contingent 3/05					100%	-0.8	-0.6	-0.3	-0.3
Azule Contingent 3/05A					100%	-6.8	-5.3	-2.4	-2.4
Total Financial Adjustments						**-65.7**	**-51.3**	**-22.7**	**-22.7**
Core NAV (Production)	**109.7**		**32.9**			**140.8**	**110.0**	**48.6**	**48.6**
Development									
Block 3/05 - 2C	43.7	30%	13.1	6.3	50%	41.1	32.1	14.2	28.4
Block 3/05A - 2P	2.4	21%	0.5	5.6	50%	1.4	1.1	0.5	1.0
Total Development			**13.6**			**42.6**	**33.3**	**14.7**	**29.4**
Core NAV (Production + Development)	**109.7**		**46.5**			**183.3**	**143.2**	**63.3**	**78.0**
Appraisal									
Block 3/05 - Management Upside	37.0	30%	11.1	6.3	40%	27.9	21.8	9.6	24.1
Block 3/05A - 2C	32.8	21%	7.0	5.6	40%	15.7	12.2	5.4	108.3
Total Appraisal	**69.8**		**11.1**			**43.5**	**34.0**	**15.0**	**132.3**
Central Case NAV	**179.5**		**57.6**			**226.9**	**177.3**	**78.4**	**210.4**
Exploration									
Block 23	50	40%	20	2.8	5%	2.8	2.2	1.0	19.3
Odewanye	20	34%	6.8	2	5%	0.7	0.5	0.2	4.7
KON15	20	45%	9	2.8	5%	1.3	1.0	0.4	8.7
KON19	20	45%	9	2.8	15%	3.8	3.0	1.3	8.7
Total for TP	**289.5**		**102.4**			**235.4**	**183.9**	**81.3**	**251.8**

Source: CG estimates

Target Price

Based on our risked NPV12.5 valuation, we give Afentra a target price of 80p and a rating of BUY. Our target price presents a 70% potential upside to the share price at yesterday's close of 46.6p.

Our valuation assumes an average Brent oil price of $75/bbl in 2025, holding steady in 2026, with a long-term price view of $72.50/bbl. We also use a realised gas price tracking Henry Hub, with a long-term price of $3.25/mcf.

Figure 6: Canaccord commodity & exchange rate assumptions

	FY24E	FY25E	FY26E	FY27E
Brent (US$/bbl)	85	75	75	72.5
Henry Hub (US$/mscf)	2.5	3.5	3.5	3.25
USD GBP	1.28	1.26	1.26	1.26

Source: CG estimates

While the three acquisitions to build Afentra's position in Angola are complete, we recognise there remain certain uncertainties revolving around development of the 3/05 and 3/05A blocks as well as future contingent liabilities. As such, we adjust our chances of success accordingly. We believe our assessment provides a reasonable initial view of the risked and un-risked value of these projects.

Figure 7: Canaccord forecast multiples at Yesterday's close and Target Price

At Current Price	2022A	2023A	2024E	2025E	2026E
Share Price (p)	46.6	46.6	46.6	46.6	46.6
No. of Shares Out	220.1	243.1	249.5	250.6	251.7
Market Cap (£m)	102.5	113.3	116.3	116.8	117.3
EV (£m)	78.8	122.9	104.8	94.5	76.0
EV/EBITDA (x)	(9.0)	23.3	1.0	1.2	0.9
EV/Op. Cash Flow (x)	(11.8)	7.2	1.1	1.3	1.2
EV/mmboe (x)	--	101.1	46.7	39.3	27.7

At Target Price	2022A	2023A	2024E	2025E	2026E
Share Price (p)	80	80	80	80	80
No. of Shares Out	220.1	243.1	249.5	250.6	251.7
Market Cap (£m)	176.0	194.5	199.6	200.5	201.3
EV (£m)	152.3	204.1	188.1	178.2	160.0
EV/EBITDA (x)	(17.4)	38.8	1.9	2.2	2.0
EV/Op. Cash Flow (x)	(22.8)	12.0	2.0	2.5	2.5
EV/mmboe (x)	--	167.9	83.9	74.1	58.3

Source: Company reports, CG estimates

At our target price (80p), Afentra trades at an FY25E EV/EBITDA multiple of 2.2x, falling to 2x in FY26E. In our view, this appears very cheap despite presenting a 70% upside to yesterday's close.

Risks to investment case

Commodity Price Exposure

The commodity price environment is a key uncertainty in our valuation. Currently, Afentra is primarily exposed to oil prices benchmarked against Brent. With further development of Block 3/05A, there is potential for Afentra to increase its exposure to gas in the future.

Fiscal Regime Exposure

Afentra is 100% exposed to the Angolan fiscal regime. Political/ economic/ taxation/ social changes may significantly impact Afentra's ability to carry out its plans and the value of its assets.

Execution Risk

Afentra is a non-operator in both Block 3/05 and 3/05A with Sonangol operating both licenses. While Afentra has a decent level of influence over the direction of development and capex spend, the decision ultimately lies outside its control.

Decommissioning

The company's strategy is based on adding production, extending field life, and postponing any decommissioning obligations. While there is still plenty of potential to go after, field production may be less than anticipated, and/or costs rise such that field life is shorter than currently projected, requiring earlier decommissioning than currently planned.

Offshore vs Onshore

Management has proven its ability to contribute to offshore projects following the acquisition of Afentra's interest in Angola, however following the awarding of the Angolan KON19 onshore exploration licence, expertise will need to be shown in both offshore and onshore environments, the latter of which is currently unproven.

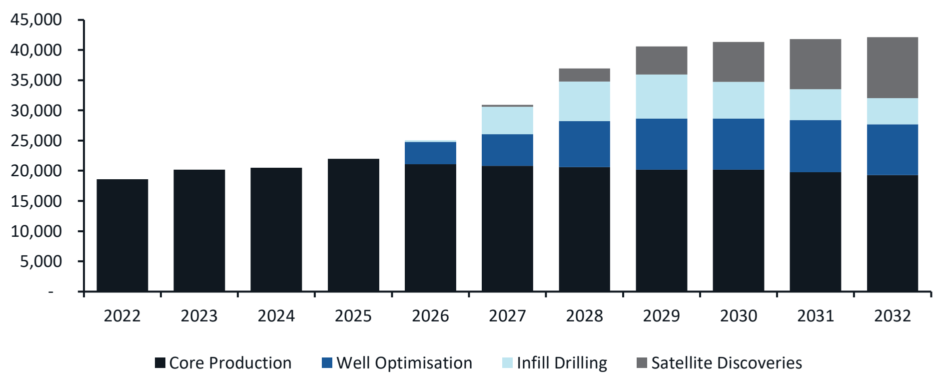
Assets

Angola Block 3/05

Block 3/05 consists of 8 operational oil fields in the Palance, Pacassa, Bufalo, Cobo, Pambi, Oombo, Impala, and Impala SE fields. These fields first started producing between 1985 and 1997 and currently have a production licence out to 2040. While this does not represent a long period of time remaining on the licence, an extension to the licence was a condition precedent to the completion of the initial Sonangol acquisition. The Block currently produces c. 6,800 bbls/d net to Afentra.

Net to Afentra (30% non-operating working interest), 2P reserves for Block 3/05 are 32.9 mmbbls and 2C resources of 13.1 mmbbls. This is calculated at a recovery factor of 42%. Moving forward, management hopes to increase Block 3/05's recovery factor to >50%, which should improve 2P reserves north of 75 mmbbls net to Afentra. This still represents only a small proportion of the inferred c. 3 billion barrels in place estimated by the Company.

Figure 8: Block 3/05 gross production profile, Company estimates have the block reaching 40,000+ boepd by 2029.



Source: Company reports

The principal strategic focus for Block 3/05, to reach its >50% recovery factor target, is on sustaining and growing current production levels through the reinstatement and maintenance of waterfloods, the process of pumping water into the reservoir to maintain pressure levels, alongside optimizing existing well stock. This is a prudent approach for this asset type, which not only ensures the integrity and longevity of wells but also maximizes the return on investment due to its cost-effectiveness, with management pointing to the rapid capital return potential of these projects.

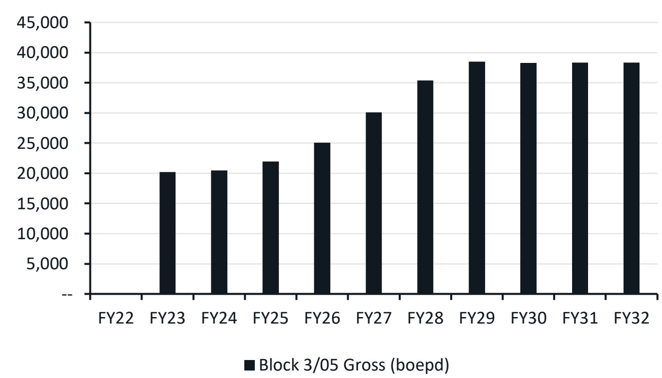
The company also see multiple routes to increasing production;

- Near term asset integrity renewal and infrastructure upgrades to promote the longevity and reliability of operations.
- Production optimisation and debottlenecking to improve the flow of oil and gas through existing infrastructure.
- Well stock optimisation, which involves workovers, tapping into previously inaccessible oil pools, and refining artificial lift techniques to increase output.
- Brownfield development, such as additional infill drilling in the Bufalo, Pacassa, and Oombo Fields, exploiting shallower reservoirs, and connecting undeveloped discoveries to existing infrastructure with the aim of realizing opportunities beyond the current resource estimates by ERCE (published in June 2023). There has been no infill drilling activity on 3/05 for more than 10 years; however, Afentra has identified over 20 potential new well locations in currently producing fields (initial drilling planned for 2026/27).

Management has pointed to the majority of Company capex spend over FY24, and FY25 being focused on achieving these core production efficiency gains before shifting focus to new drilling, such as infill drilling on currently producing fields or new development on satellite fields such as Bufalo Norte. We expect combined net operating and capital costs for 3/05 to be c. $90m in FY24, and c. $115m in FY25, with these costs comfortably covered by revenues and cash flow generated from the asset over the same time period.

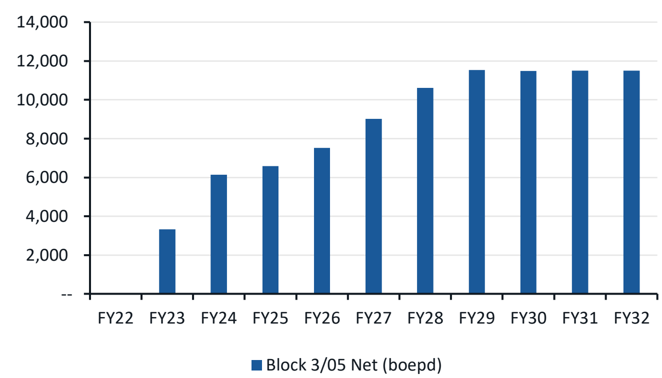
Afentra's strategic focus on water injection to enhance oil recovery in Block 3/05 is a testament to the evolving practices in the oil industry aimed at maximizing resource extraction. With historical data for Block 3/05 showing the capability of injecting up to c. 350,000 barrels of water daily, the company's goal to reach 60,000 barrels by the end of FY24 could significantly bolster production levels (currently injecting c. 40,000 barrels of water a day). The relation between water injection/waterflood and oil production is well-established as a secondary recovery method, and Afentra's targeted approach could lead to a sustainable increase in production, potentially reaching c. 30,000 boepd (gross) from water injection alone.

Figure 9: CG estimates 3/05 gross production



Source: Company reports, CG estimates

Figure 10: CG estimates 3/05 net production



Source: Company reports, CG estimates

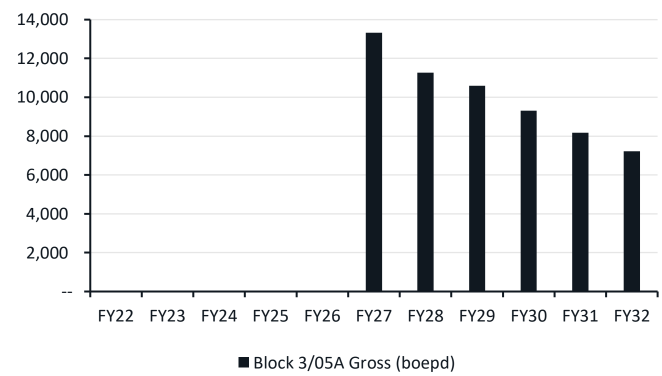
CG Block 3/05 production estimates

Assuming for a steady decline in core production following the near-term production enhancing actions covered above, we estimate a peak gross Block 3/05 production of 38,000+ boepd in FY29 following the development of satellite discoveries, predominantly in the Bufalo Norte field towards the North of the Block 3/05 acreage. This would represent a peak net production of 11,500+ boepd to Afentra on CG numbers by FY29.

Angola Block 3/05A

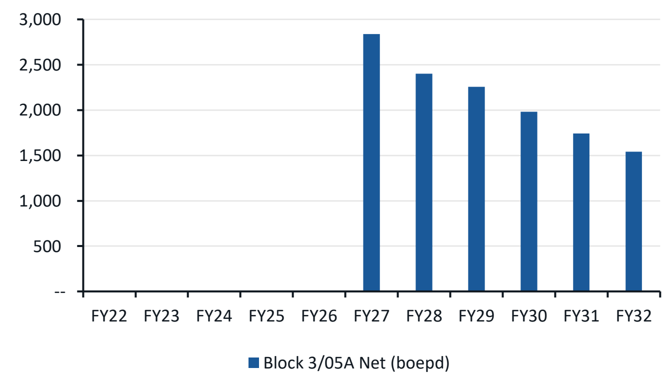
Block 3/05A, managed by Sonangol, is a significant addition to Block 3/05 with three appraised light oil discovery fields: Punja, Caco, and Gazela. The Stock Tank Oil Initially in Place (STOIIP) is reported to be over 300 mmbbls, yet only a fraction, approximately 2.4 mmbbls, has been extracted thus far, indicating a recovery factor of only 10%. Current 2P reserves net to Afentra are 0.51 mmbbls and 2C resources of 7 mmbbls post the Azule acquisition completion. The estimated reserves have been calculated using a very low recovery factor of just 10% (compared to 48% at 3/05), which leaves plenty of room for significant reserves and resources upside following future development of the fields in 3/05A. If the 3/05A recovery factor were to be improved to >30% (still below that achieved on 3/05), we could see gross 2C resources increase to c. 90 mmbbls, 19.2 mmbbls net to Afentra, significantly improving the potential economics of the licence.

Figure 11: Block 3/05A Gross Production profile



Source: Company reports, CG estimates

Figure 12: Block 3/05A Net Production profile



Source: Company reports, CG estimates

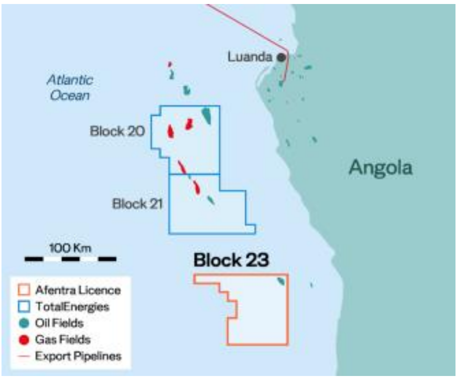
The close proximity of current infrastructure in Block 3/05, presents a promising avenue for production enhancement through tiebacks. Moving forward, the aim is to consider both Block 3/05A and Block 3/05 in unison for future development projects to fully utilise the synergies that can be obtained from adjacent Blocks with existing infrastructure. Recent developments indicate that there is potential for a sizable increase in production, with estimates suggesting a possible addition of around 10,000 boepd gross by 2027/28.

There is currently an ongoing, long-term production test taking place on 3/05A in the Gazela field via a well drilled from the 3/05 Bufalo platform. The test well is currently flowing at c. 1,300 boepd (gross), which is currently being lifted alongside the 3/05 production.

Beyond Gazela, the rest of the 3/05A acreage (specifically the Punja field) is expected to be significantly gassier than 3/05, and will require proper gas transport infrastructure to fully develop and exploit to avoid flaring. The proximity of the ANLG import pipeline to the north presents an interesting opportunity to connect the fields up with infrastructure for a lower cost. In our model, we have capex spend starting in FY27 representing drilling and development of the Punja and Caco Gazela fields. Net to Afentra, we estimate 3/05A development costs to amount to c. $50m in FY27, and c. $15m in FY28.

Angola Block 23

Figure 13: Block 23 in relation to existing oil & gas fields



Source: Company reports

Block 23, spanning 5,000 square kilometres, is an exploration and appraisal area situated in the Kwanza Basin with water depths ranging from 600 to 1,600 meters. The Block remains largely under-explored despite having undergone modern 3D and 2D seismic surveys throughout. The Block is notable for housing the Azul oil discovery, a significant deepwater find within the basin. Discovered within carbonate reservoirs, Azul is estimated to contain c. 150 mmbbls oil in place and has demonstrated promising test flow rates of light oil between 3,000 to 4,000 barrels per day.

Currently, there is little in the way of infrastructure near the Block, meaning significant production levels will be required to justify further development in the area. The Block is to be operated by a JV of Namcor, Sequa, and Petralog with a combined 40% WI, with Afentra and Sonangol holding a 40% and 20% WI, respectively.

Odewayne Block

Located in Somaliland (Somalia), the 34% working interest in the Odewayne Block was inherited from Sterling Energy. Genel Energy is responsible for covering Afentra's share of exploration costs during specified periods of the Production Sharing Agreement (PSA). The Block is currently in its 3rd exploration period which represents commitments for an additional 500km of 2D seismic before the first exploration well is to be drilled in the 4th period (alongside a further 1,000km of 2D seismic).

The Block represents a significant opportunity for Afentra and African oil exploration in general due to its large, under-explored onshore rift basin. Its proximity to the Berbera deepwater port also enhances its potential for transport cost savings. Spanning an area of c. 22k square kilometres, comparable to around 100 UK North Sea blocks in size.

The 3rd exploration period has been extended out to May 2025. The 3rd and 4th period commitments are those that are carried by Genel Energy, any of the optional periods thereafter will require contributions from Afentra. Due to the license's early stage and lack of visibility, we currently do not expect any production from Somaliland this decade, and as such do not ascribe it any value in our risked NPV12.5 valuation of Afentra.

Onshore Potential

Figure 14: Afentra's awarded KON-19 licence and KON-15 where Afentra is a preferential bidder

Source: Company reports

Following the cessation of Angolan onshore hydrocarbon production between 1995-2002 due to civil war, Angola is making great strides to revive its onshore production capabilities again. To this end, bid rounds have been conducted over the past few years for existing oil fields, and new exploration Blocks in the Lower Congo Basin and Kwanza Basin.

During 2023, Afentra was selected as a preferential bidder for two Angolan onshore Blocks. Both of which are anticipated to be non-operating interests for Afentra. Of these two Blocks, one has successfully seen light oil lifted to the surface, while the other has shown oil presence in both post and pre-salt reservoirs. As of July 2024, the KON19 licence has been formally awarded to Afentra. Despite the limited 2D seismic data available, the favourable location of these blocks adjacent to legacy oil fields, which are under appraisal for potential redevelopment following abandonment, and their proximity to existing infrastructure should limit future infrastructure development costs.

- KON15 - A 1,000 square kilometre Block located in the Kwanza onshore basin. Afentra is expected to acquire a 45% WI, with Sonangol being the operator.
- KON19 - Is a 900 square kilometre Block also in the Kawnza onshore basin. Afentra was awarded a 45% WI here in July 2024, with ACREP being the operating partner.

We have included a Q4 lifting in our assumptions for FY24 revenues representing c. $20m.

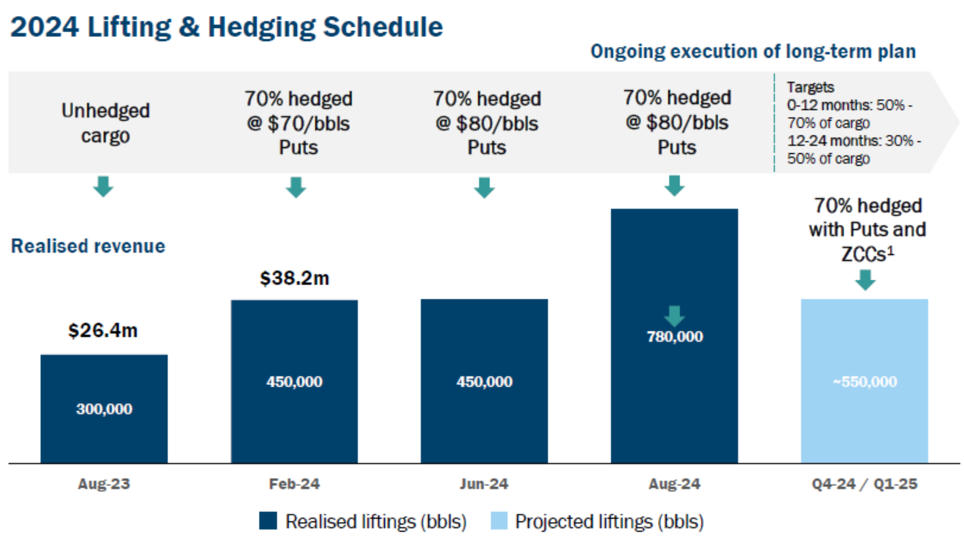
The acquisition of these licenses will mark a diversification of Afentra's Angolan assets away from being purely offshore production and exploration assets, increasing their exposure to lower cost onshore opportunities with significant potential upside.

Easing Lumpy Liftings

Due to lifting allocations being done based on working interest entitlement production, Afentra’s 3/05 realisations could present a lumpy revenue stream for the company as this entitles the company to only two liftings a year. There appears to be no definitive schedule for liftings, which may see quarters with several liftings and others with no liftings at all.

That being said, we are aware management is working with their Block 3/05 partners to increase the frequency of liftings by co-loading and potentially have them spread out more evenly over each financial year, which could reduce the risk of seeing a lifting slip into the following reporting year. Currently, management expects to have c. 2 mmbbls of entitlement oil stock available for sale annually and is targeting one lifting every quarter.

Figure 15: Afentra will have 4-5 liftings in FY24, however, the last could occur in FY25 instead.



Source: Company reports

Balance Sheet

Afentra currently has two debt facilities: an RBL, and a working capital facility that is primarily used to cover the company's expenses between liftings and when the lifting proceeds are received.

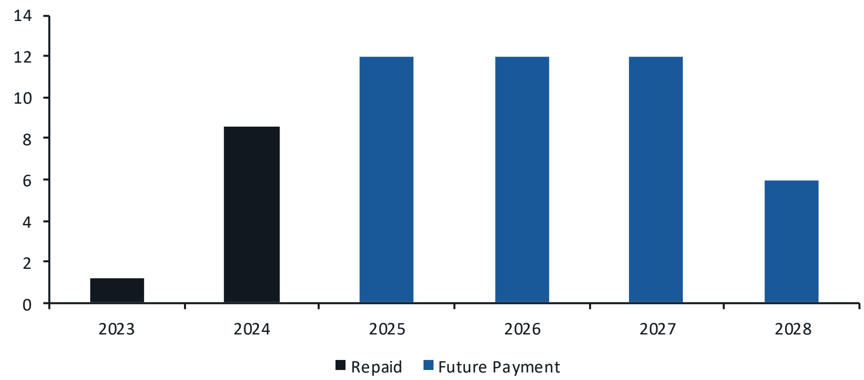
RBL

On our numbers, the amortisation and interest charges are more than covered by the company's operational cash flows.

The RBL, which was drawn to $47.3m in May 2024 has a semi-annual linear amortisation structure until its maturity date in May 2028, while accruing interest on a rate of SOFR (3-month) plus 8%. On CG estimates, this will equate to a semi-annual pay-down charge of $6m, assuming $8.6m will be paid down in FY24 as the below figure implies.

Figure 16: CG estimates put Afentra's RBL at $42m drawn by the end of FY24, with $6m semi-annual repayments until May FY28

Facility	Amount Drawn ($m)		Rate	Maturity
	Dec-23	Sep-24		
RBL	33.6	42.0	3m SOFR+8%	May-28



Source: Company reports, CG estimates

Working Capital Facility

The longest the pre-payment facility has been drawn for was between August and October 2023 for a sum of $13.2m.

The revolving credit facility can be drawn up to $30m, and has a 5-year maturity. Any draw down on the facility is subject to a 1m SOFR + 4.75%, payable with proceeds of liftings. Usually only drawn for a couple of months at a time, prior to liftings.

Proceeds from liftings are usually receivable 30-35 days after the lifting date.

Figure 17: Afentra's pre-payment facility is drawn down temporarily following a lifting and before a lifting payment, the balance is then paid off once lifting payment is received

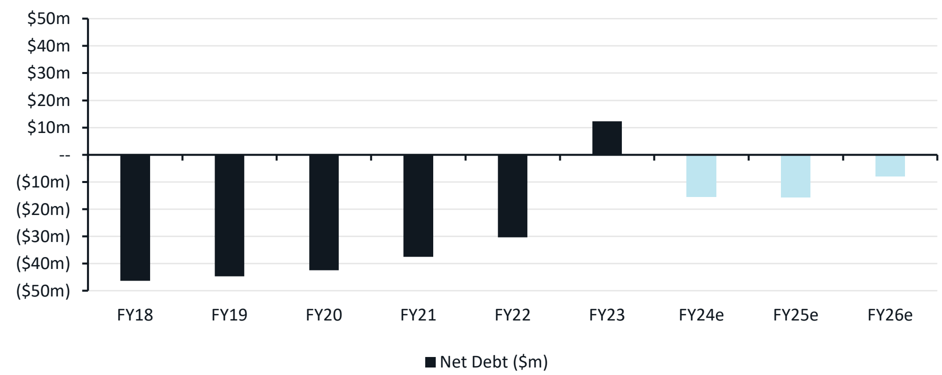
Drawndown	Amount	Repayment
May-Aug 23	$13.2m	Oct-23
Jan-Mar 24	$8.2m	Apr-24
May-Jun 24	$13.7m	Jul-24

Source: Company reports

Maintaining a strong balance sheet

Given the terms of each of Afentra's three acquisitions to build their Angolan presence, the upfront costs were relatively low at £76.5m, which will have all been paid by year-end 2024. The remaining contingent exposures (of a maximum c. $68m), should they trigger, will be comfortably covered by Afentra's cash flow generation over future years (based on financial levels at which the contingents will trigger). As such, we see the company's strong cash flows combined with one more lifting in FY24, feeding into a rapidly strengthening balance sheet sitting at a net debt of $47.2m at the end of H1 '24, which on CG estimates, returns to a moderate net cash position in FY24 of c. $15m, with a net cash position maintained throughout our forecast period.

Figure 18: We estimate Afentra will maintain a sub-0.5x leverage throughout our forecast period



Source: Company reports, CG estimates

Management

Non-Exec Chairman

Jeffery MacDonald

Jeffrey MacDonald, former managing director at First Reserve, specialized in oil & gas investments. He was a founder and CEO of Caledonia Oil & Gas Ltd., and a founding member and managing director of Highland Energy Ltd. Most recently, he served as Interim CEO and Non-Executive Director of Kris Energy.

CEO

Paul McDade

With 35 years in the Oil & Gas industry, Paul's diverse experiences range from operational challenges to leadership roles, including 19 years as COO and CEO of Tullow Oil. His focus on stakeholder value, shared prosperity, environmental performance, and strong governance, combined with his understanding of the energy transitions, positions him ideally to lead Afentra's growth strategy, a company with stakeholder objectives and ESG at its core.

CFO

Anastasia Deulina

Anastasia, with a multicultural background and over 20 years in the energy sector, has extensive experience in strategy development, deal origination, and business transformation. Her focus on sustainable growth and bottom-line impact, coupled with her board experience and strong global network, makes her an expert leader as Afentra's CFO.

COO

Ian Cloke

With over 25 years in international Oil & Gas, Ian has a proven track record of delivering results. His innovative approach has added significant value for stakeholders. As EVP at Tullow Oil, he led diverse teams across Africa and South America, managing risk and financial discipline. His experience in discovering and delivering commercial oil & gas in Uganda, Kenya, and Guyana, along with his extensive travel throughout Africa, makes him an ideal founding partner and COO of Afentra.

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Investment Recommendation

Date and time of first dissemination: September 19, 2024, 02:12 ET

Date and time of production: September 19, 2024, 02:12 ET

Target Price / Valuation Methodology:

AFENTRA PLC - AET

We determine our risked and un-risked valuation for Afentra on an NPV12.5 sum of the parts (SOTP) basis. The company has a mix of cashflow generating assets and development/exploration assets/projects offshore and onshore in Angola, alongside various financial considerations that contribute to our risked valuation. Contributions to this valuation are laid out in the Valuation section of the initiation note.

Risks to achieving Target Price / Valuation:

AFENTRA PLC - AET

Commodity Price Exposure - The commodity price environment is a key uncertainty in our valuation. Currently,

Afentra is primarily exposed to oil prices benchmarked against Brent. With further development of Block 3/05A, there is potential for Afentra to increase its exposure to gas in the future.

Fiscal Regime Exposure – Afentra is 100% exposed to the Angolan fiscal regime. Political/economic/taxation/social changes may significantly impact Afentra's ability to carry out its plans and the value of its assets.

Execution Risk - Afentra is a non-operator in both Block 3/05 and 3/05A with Sonangol operating both licenses. While Afentra has a decent level of influence over the direction of development and capex spend, the decision ultimately lies outside its control.

Decommissioning - The company's strategy is based on adding production, extending field life, and postponing any decommissioning obligations. While there is still plenty of potential to go after, field production may be less than anticipated, and/or costs rise such that field life is shorter than currently projected, requiring earlier decommissioning than currently planned.

Offshore vs Onshore - Management has proven its ability to contribute to offshore projects following the acquisition of Afentra's interest in Angola, however following the awarding of the Angolan KON19 onshore exploration licence, expertise will need to be shown in both offshore and onshore environments, the latter of which is currently unproven.

Distribution of Ratings:

Global Stock Ratings (as of 09/19/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	611	66.85%	23.08%
Hold	133	14.55%	11.28%
Sell	15	1.64%	6.67%
Speculative Buy	146	15.97%	48.63%
	914*	100.0%	

*Total includes stocks that are Under Review

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HOLD: The stock is expected to generate returns from -10% to 10% during the next 12 months.

SELL: The stock is expected to generate returns less than -10% during the next 12 months.

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

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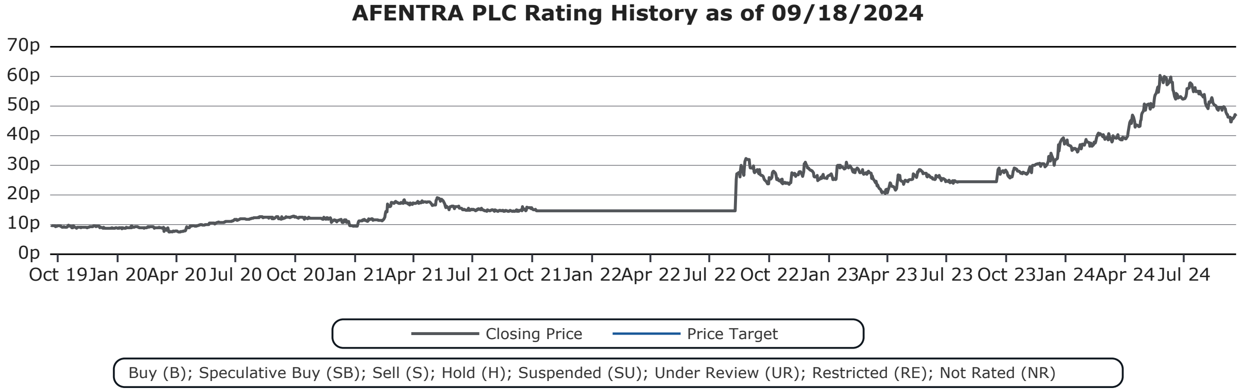
AFENTRA PLC Rating History as of 09/18/2024



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