

22 January 2025

## Buy

Ticker AET:AIM

## Oil &amp; Gas

Shares in issue (m) 226.2  
Next results FY Dec

Price 52.4p

Target price 83.1p  
Upside 59%

Enterprise value £156.1m

Net cash/(debt) -£37.6m

Other EV adjustments £0.0m

Market cap £118.5m

What's changed? From To

Adjusted EPS 29.95 n/c

Target price 83.1 n/c

## Share price performance



%	1M	3M	12M
Actual	15.9	1.6	51.4

## Company description

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

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## Afentra

## Trading update

Afentra issued a routine trading update this morning, the key points being that Block 3/05 continues to impress, with production gains more than offsetting natural decline. The headline average gross production rate of just over 21kbo/d for the full year represents a 5% increase YoY, with the December average rate of c.24kbo/d more than 10% above the corresponding month in 2023. This was driven by some 40 light well interventions (LWIs) and a significant ramp up in the levels of water injection. A similar number of LWIs are planned for this year and water injection rates expected to be upped by over 25%. Official guidance has not yet been given; however, we continue to expect production gains to at least offset natural decline. The latest crude lifting in 4Q took asset-level net cash flow to US\$87m, ultimately lifting the company into a c.US\$13m net cash position, which is consistent with our numbers. We look forward to the publication of an updated CPR later this quarter, which should factor the positive reaction of the reservoir to ongoing maintenance operations and trigger an upgrade in 2P reserves. Today's update reaffirms our belief in the quality of the asset and we reiterate our target price of 83.1p/shr.

- **Production growth offsetting decline:** Well workovers and a ramp up in water injection rates helped production rise over 2024, exiting at rates close to 25 kbo/d (gross). The number of LWIs increased by 30% YoY, totalling 40 in 2024, and water injection rates have recently exceeded 80kbb/d, up from 40kbb/d in January. This year, another 40+ LWIs are planned, and water injection is expected to rise above 100 kbb/d. These should at least offset natural decline this year, with the next leg of growth starting in earnest in 2026. Programmes such as the installation of ESPs, heavy workovers and infill drilling (all of which require a rig) should push production above the 35kbo/d mark during 2028.
- **Strong cash generation:** Afentra swung from a net debt position of US\$14m at the start of the year, to a net cash position of US\$12.8m. This marks an important milestone for the company, which has predominantly financed the acquisition of its assets with debt since launching in 2021. The headline revenue figure of US\$187m and net asset-level cash flow (post capex and tax) of US\$87m highlights the levels of cashflow generated at prevailing oil prices and during cost recovery.
- **New CPR due later this quarter:** The key items to look for in the updated CPR will be reserve replacement, which Afentra expects to be "strong". Afentra's fields are large and mature, with 3.5bn bbls of oil originally in place and recovery factors (RFs) currently at 42%. Small increases in the ultimate RFs can trigger material increases in remaining recoverable reserves. The current CPR estimates 108mmbbls of remaining 2P reserves (equivalent to a c.45% ultimate RF). Analogues with 50% RFs are not uncommon, which could add up to another c.250mmbbls of gross 2P reserves.
- **Forecasts and valuation:** With the trading statement broadly in line with expectations, we are not formally updating our financial forecasts today. Our risked NAV-based target price of 83.1p/shr currently offers c.60% upside to the current share price. 2P additions on the back of the upcoming CPR will likely see our target price upgraded in the direction of our unrisked NAV of 148p/shr.

Key estimates		2021A	2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec	Dec
Revenue	\$m	0.0	0.0	26.4	170.5	145.6
Adj EBITDA	\$m	-4.7	-8.7	4.5	106.8	75.0
Adj EBIT	\$m	-5.0	-9.0	3.3	93.3	45.0
Adj PBT	\$m	-5.0	-9.1	0.1	82.5	36.4
Adj EPS	c	-2.27	-4.13	-0.72	29.95	11.19
DPS	c	0.00	0.00	0.00	0.00	0.00

Key valuation metrics		2021A	2022A	2023A	2024E	2025E
EV/sales	x	n/m	n/m	7.3	1.1	1.3
EV/EBIT (adj)	x	-38.5	-21.4	57.7	2.1	4.3
P/E (adj)	x	-28.4	-15.6	-90.0	2.2	5.8
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-3.2%	-4.7%	7.0%	41.9%	-3.5%

## Trading update

Income statement		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales	\$m	0.0	26.4	170.5	145.6
Gross profit	\$m	0.0	14.9	118.2	86.3
EBITDA (adjusted)	\$m	-8.7	4.5	106.8	75.0
<b>EBIT (adjusted)</b>	<b>\$m</b>	<b>-9.0</b>	<b>3.3</b>	<b>93.3</b>	<b>45.0</b>
Associates/other	\$m	0.0	0.0	0.0	0.0
Net interest	\$m	-0.1	-3.3	-10.8	-8.5
<b>PBT (adjusted)</b>	<b>\$m</b>	<b>-9.1</b>	<b>0.1</b>	<b>82.5</b>	<b>36.4</b>
Total adjustments	\$m	0.0	-1.0	-3.1	-0.5
PBT (reported)	\$m	-9.1	-0.9	79.4	35.9
Tax charge	\$m	0.0	-1.8	-7.9	-8.6
Minorities/Disc ops	\$m	0.0	0.0	0.0	0.0
Earnings (reported)	\$m	-9.1	-2.7	71.5	27.4
<b>Earnings (adjusted)</b>	<b>\$m</b>	<b>-9.1</b>	<b>-1.7</b>	<b>74.6</b>	<b>27.9</b>
EPS (basic)	c	-412.9	-122.9	3160.9	1210.6
<b>EPS (adjusted, fully diluted)</b>	<b>c</b>	<b>-4.13</b>	<b>-0.72</b>	<b>29.95</b>	<b>11.19</b>
DPS	c	0.00	0.00	0.00	0.00

Cash flow		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EBITDA (adjusted)	\$m	-8.7	4.5	106.8	75.0
Net change in working capital	\$m	2.0	3.1	0.0	0.0
Other operating items	\$m	0.0	4.7	-8.2	-8.6
<b>Cash flow from op. activities</b>	<b>\$m</b>	<b>-6.7</b>	<b>12.3</b>	<b>98.6</b>	<b>66.5</b>
Cash interest	\$m	0.0	-2.3	-5.0	-4.9
Cash tax	\$m	0.0	-1.8	-7.9	-8.6
Capex	\$m	-0.2	-3.4	-22.6	-57.3
Other items	\$m	0.0	5.4	-2.0	-0.8
<b>Free cash flow</b>	<b>\$m</b>	<b>-6.9</b>	<b>10.2</b>	<b>61.1</b>	<b>-5.1</b>
Acquisitions / disposals	\$m	0.0	-48.1	-34.4	-4.0
Dividends	\$m	0.0	0.0	0.0	0.0
Shares issued	\$m	0.0	0.0	0.0	0.0
Other	\$m	-10.5	30.4	8.2	-9.5
<b>Net change in cash flow</b>	<b>\$m</b>	<b>-17.3</b>	<b>-7.5</b>	<b>34.8</b>	<b>-18.6</b>
Opening net cash (debt)	\$m	37.7	20.4	-17.0	11.8
<b>Closing net cash (debt)</b>	<b>\$m</b>	<b>20.4</b>	<b>-17.0</b>	<b>11.8</b>	<b>7.5</b>

Balance sheet		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Tangible fixed assets	\$m	0.5	75.1	112.7	140.0
Goodwill & other intangibles	\$m	21.3	21.9	21.9	21.9
Other non current assets	\$m	0.0	77.0	77.0	77.0
Net working capital	\$m	-2.3	-10.2	-10.2	-10.2
Other assets	\$m	10.2	4.9	6.8	7.7
Other liabilities	\$m	-0.4	-103.6	-97.3	-93.3
Gross cash & cash equivs	\$m	20.4	14.7	53.7	40.8
<b>Capital employed</b>	<b>\$m</b>	<b>49.8</b>	<b>79.7</b>	<b>164.5</b>	<b>183.8</b>
Gross debt	\$m	0.0	31.7	42.0	33.3
Net pension liability	\$m	0.0	0.0	0.0	0.0
Shareholders equity	\$m	49.8	48.0	122.6	150.5
Minorities	\$m	0.0	0.0	0.0	0.0
<b>Capital employed</b>	<b>\$m</b>	<b>49.8</b>	<b>79.7</b>	<b>164.5</b>	<b>183.8</b>

Growth analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Sales growth	%	n/m	n/m	546.0%	-14.6%
EBITDA growth	%	-84.1%	151.0%	n/m	-29.7%
EBIT growth	%	-80.1%	137.1%	n/m	-51.8%
PBT growth	%	-82.0%	100.6%	n/m	-55.9%
EPS growth	%	-82.0%	82.7%	n/m	-62.6%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Gross margin	%	n/m	56.6%	69.3%	59.3%
EBITDA margin	%	n/m	16.9%	62.6%	51.5%
EBIT margin	%	n/m	12.6%	54.7%	30.9%
PBT margin	%	n/m	0.2%	48.4%	25.0%
Net margin	%	n/m	-6.6%	43.8%	19.1%

Valuation analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
EV/EBITDA (adjusted)	x	-22.0	43.1	1.8	2.6
EV/EBIT (adjusted)	x	-21.4	57.7	2.1	4.3
P/E (adjusted)	x	-15.6	-90.0	2.2	5.8

Cash flow analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Cash conv'n (op cash / adj EBITDA)	%	n/m	276.8%	92.4%	88.6%
Cash conv'n (FCF / adj EBITDA)	%	78.5%	230.2%	57.2%	-6.9%
U/lying FCF	\$m	-6.9	12.5	70.2	22.1
Cash quality (u/l FCF / adj earn)	%	76.4%	-717.4%	94.1%	79.3%
Investment rate (capex / depn)	x	0.7	3.0	1.7	1.9
Interest cash cover	x	n/a	5.4	19.6	13.6
Dividend cash cover	x	n/a	n/m	n/m	n/a

Working capital analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net working capital / sales	%	n/m	-38.7%	-6.0%	-7.0%
Net working capital / sales	days	n/m	-141	-22	-26
Inventory (days)	days	n/m	186	29	34
Receivables (days)	days	n/m	50	8	9
Payables (days)	days	n/m	378	58	68

Leverage analysis		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Net debt / equity	%	no debt	35.4%	net cash	net cash
Net debt / EBITDA	x	n/a	3.8	net cash	net cash
Liabilities / capital employed	%	0.0%	39.8%	25.5%	18.1%

Capital efficiency & intrinsic value		2022A	2023A	2024E	2025E
Year end:		Dec	Dec	Dec	Dec
Adjusted return on equity	%	-18.2%	-3.6%	60.9%	18.5%
RoCE (EBIT basis, pre-tax)	%	-18.0%	4.2%	56.7%	24.5%
RoCE (u/lying FCF basis)	%	-13.9%	15.7%	42.7%	12.0%
NAV per share	c	22.6	21.8	54.2	66.5
NTA per share	c	12.9	11.9	44.5	56.9

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Sell	0	0.0%	0	0.0%
Under Review	0	0.0%	0	0.0%
Corp	135	96.4%	146	86.9%

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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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