Afentra PLC (AET LN)

MARKET DATA

Bloomberg	ticker	AET LN
Share price	p/shr	40.00
Target	p/shr	80.00
TP upside	%	100%
Shares out	Million	226.2
Fd shares	Million	226.2
Mkt cap	US$m	116.7
EV	US$m	103.9

DESCRIPTION

Afentra is an African focused E&P seeking to build a portfolio of production assets through acquisition, taking advantage of divestment strategies by many larger companies seeking to exit the region.

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POSITIONED FOR GROWTH

Following January's trading statement and positive YE reserve report, we are updating our numbers on Afentra (AET LN) in the lead up to FY24 results scheduled for next month. Additional confidence around the growth trajectory and pace of capital spend leads us to upgrade group production volumes across the forecast period (FY25-27). Whereas before we were conservatively using a flat profile (~22 kboepd), we now see gross production growing 22-25-30 kbopd in FY25-26-27, more in-line with the business plan laid out in mid-2024, yielding group EBITDA of US$73-87-117m. Alongside its organic expansion plans, the company is well positioned for fresh acquisitions, with net cash expected to build from US$13m at YE24 to US$54m by YE27. Meantime, the M&A landscape remains supportive and AET's record of deal execution and financing makes it a good counterparty for vendors seeking a clean exit. We maintain our BUY recommendation with an 80p/shr target price.

Figure 1: Summary financial forecasts

		2025E [OLD]	2025E [NEW]	% CHG	2026E [OLD]	2026E [NEW]	% CHG
Production, WI	**kboepd**	**6.8**	**6.5**	**(4.1%)**	**6.5**	**7.4**	**14.5%**
Av. price	US$/boe	74.1	69.5	(6.2%)	71.6	66.8	(6.8%)
Revenue	US$m	153.4	138.9	(9.4%)	115.7	153.6	32.7%
EBITDA	**US$m**	**85.0**	**72.5**	**(14.7%)**	**49.4**	**87.1**	**76.5%**
Cash margin	*%*	55.4%	52.2%	(5.8%)	42.6%	56.7%	33.0%
FCF	**US$m**	**36.0**	**4.6**	**(87.1%)**	**17.3**	**11.6**	**(33.2%)**
EV/EBITDA	x	-	1.4x		-	1.2x	
Net debt/EBITDA	X	-	-		-	-	

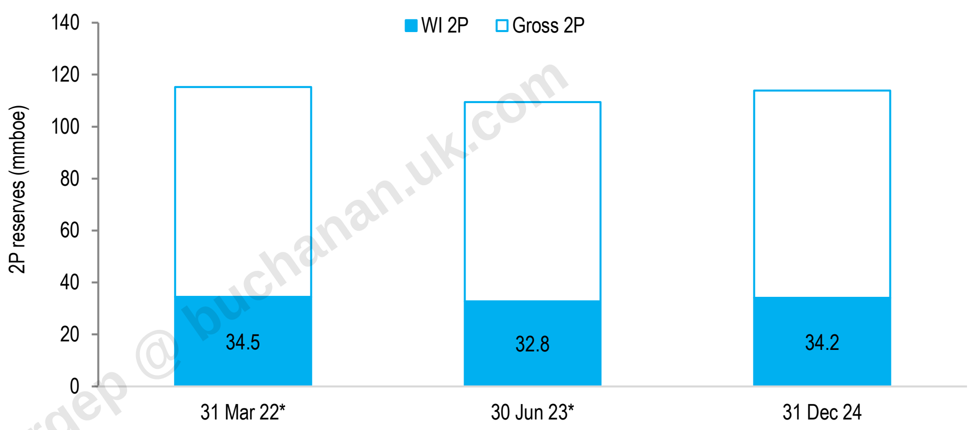
Source: Tennyson Securities.

Upgraded production profile drives higher profitability: despite downward pressure on oil prices, our headline profit forecasts are up on stronger production growth and a reassessment of cost pool estimations for Block 3/05 – effectively keeping the group in full cost recovery for the forecast period (meaning AET's entitlement share holds flat at 85% maximum, as opposed to declining). At Brent prices of US$70-67-66/bbl in FY25-26-27 (equivalent to forward curve), we now estimate FY25-26-27 EBITDA of US$73-87-117m (vs US$85-49-51m before) and net profit of US$43-57-83m (vs US$58-26-30m before). The main benefit comes through in FY26-27 as production begins to ramp up towards 25-30 kbopd. Under this scenario, we factor in higher capital spend (FY25-26-27 capex US$54-62-65m), in order to deliver the additional volumes, meaning FCF is dampened somewhat, with cumulative FY25-26-27 FCF now at US$54m (at group level) – down from US$71m previously. A full summary of our revised financial forecasts is shown in Figures 2 (above) and 6 (below).

Significant acquisition firepower, without equity dilution: a key consideration for AET management is balancing organic growth objectives against preserving financial flexibility to deliver value through M&A. This is reflected in our updated financial projections which show cash gradually accruing on the balance sheet. As it stands, AET's net cash is US$13m (YE24), inclusive of US$42m of debt and US$55m of cash. On top of this, the company's Angolan assets have refinancing potential in excess of current debt capacity. On a back of the envelope basis, assuming: i) US$50-100m of aggregate cash + debt refinancing liquidity, and ii) a hypothetical debt-equity ratio of 60:40, we estimate the group would have US$125-250m of gross firepower, without returning to equity markets. To put this figure in context, the aggregate upfront consideration for AET's three Angolan acquisitions struck to date is US$117m. In response to media speculation, Afentra confirmed last month that it is in talks with JV partners over the potential acquisition of Etu Energias's interests in Block 3/05 (10%) and 3/05A (13.5%), stating any transaction would be funded from existing cash resources.

Strong reserve replacement underpins long term value creation: Ahead of its YE24 results next month, AET has announced the results of an updated Competent Person's Report (CPR) by ERCE on Block 3/05. The report shows net 2P reserves of 34.2 mmbo (113.9 mmbo gross) at YE24, up from 32.8 mmbo* (109.5 mmbo gross) as of June 2023. Since the last CPR, gross production of 11 mmbo has been offset by an increase in gross reserves of 15.4 mmbo resulting in a reserve replacement ratio of 140% over the 18-month period. Contingent resources have also nudged up since the last CPR with net 2C resources of 13.8 mmbo (46 mmbo gross) on Block 3/05, up from 13.1 mmbo. The report shows a continuation of Afentra's track record of organic reserve replacement on Block 3/05, with the company able to more than replace production, even before any new rig activity in the field. Furthermore, casting an eye forward, with drilling set to start in 2026 and the planned development of Block 3/05A, there is plenty of scope to grow reserves and production over the longer term.

Figure 2: Block 3/05 2P reserves summary



Source: Afentra, ERCE. *WI 2P calculated pro-forma for Afentra's 30% stake in Block 3/05 for comparative purposes.

Establishing option value onshore Angola: in February, AET announced the formal approval and award of a 45% non-op interest in KON-15 (Sonangol operated) by Presidential Decree. This followed an earlier announcement confirming its selection as preferred bidder for both KON-15 and neighboring KON-19 (45% non-op interest, already awarded). The two exploration licences are located in the onshore Kwanza basin – an overlooked oil province with historic production (11 discoveries) which has seen little activity over the last 40 years (due to political instability and recent industry focus on offshore). AET sees an opportunity to apply modern technology to evaluate the exploration potential and a fast route to market for any new oil finds, leveraging off existing infrastructure (local oil refinery & roads). AET commenced an eFTG study over KON-19 in 2024 and plans to expand this over KON-15 in 2025, which will enable a geological review of the full licence area to determine next steps.

NAV upgrade driven by cost pool rightsizing: we have adjusted our DCF model to reflect updated oil prices, production, and spending profiles, and a reset of the cost pool on Block 3/05 for YE24 actuals. The net effect of these changes is a 44% & 31% upgrade in our Core & Total NAVs to 60p & 105p, respectively. The two main value drivers are lower oil prices across the forward curve, offset by a higher cost pool and greater entitlement share (as discussed above). AET shares have been dragged lower by oil price sentiment and now trade at roughly 40% of our Total NAV. Taken alongside current EV/EBITDA multiples of 1.4-1.2-0.8x FY25-26-27 and FCF yields of 4-10-33% FY25-26-27 (reflecting higher capital spend / more growth), we believe the shares look attractive on fundamentals – with the added potential for needle-moving M&A at an opportune point in the commodity cycle (when oil prices are low).

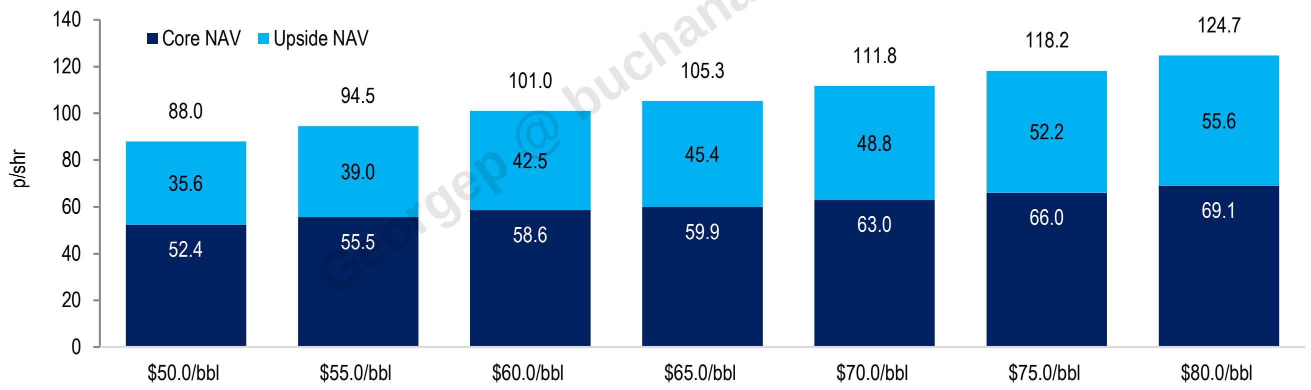
Figure 3: Valuation table

NET ASSET VALUE									
Asset	**Gross mmboe**	**%**	**Net mmboe**	**US$/boe**	**Unrisked US$m**	**p/share**	**CoS**	**Risked US$m**	**p/share**
Block 3/05 - 2P	114	30%	34	5.86	200	68.7	100%	200	68.7
Add: net debt - YE24					13	4.4		13	4.4
Add: corp overheads					(38)	(13.2)		(38)	(13.2)
Add: option proceeds					-	-		-	-
Core NAV	**114**		**34**		**175**	**59.9**		**175**	**59.9**
Block 3/05 – 3P	37	30%	11	5.86	65	22.3	75%	49	16.7
Block 3/05 – 2C base	19	30%	6	3.99	23	7.9	60%	14	4.8
Block 3/05 - 2C upside	45	30%	13	3.99	54	18.4	50%	27	9.2
Block 3/05A - 2C Punja	18	21%	4	11.37	44	15.0	60%	26	9.0
Block 3/05A - 2C Caco-Gaz	15	21%	3	8.82	28	9.7	60%	17	5.8
Total NAV	**248**		**72**		**388**	**133.1**		**307**	**105.3**

Valuation assumptions:
Brent: US$70-67-66-67-67-65/bbl FY25-26-27-28-29-LT
Discount rate 10%.
1.29 US dollar / sterling.
226.2m basic shares, plus zero dilutive options & warrants = 226.2m fully diluted.

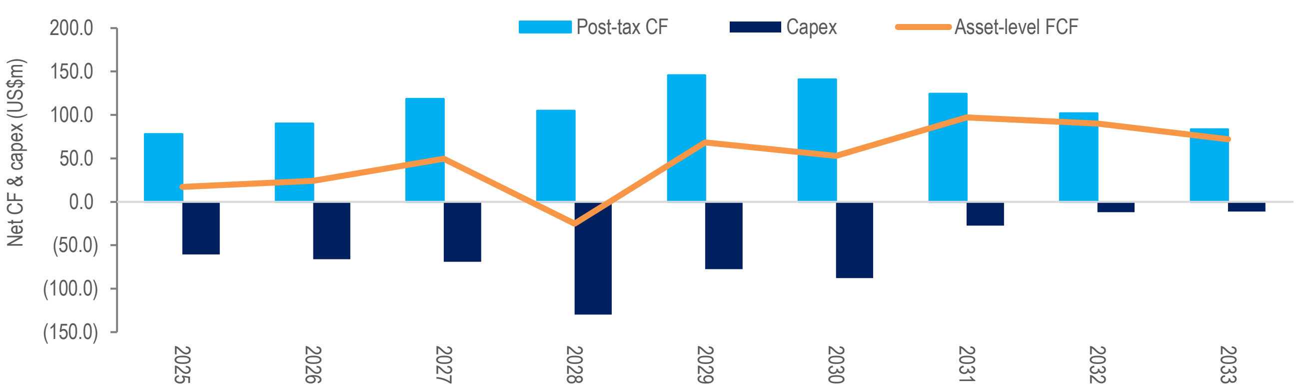
Source: Tennyson Securities.

Figure 4: Sensitivity table – Total NAV at various long term oil price assumptions (2029 onwards)



Source: Tennyson Securities.

Figure 5: Asset-level projections for 2P + 2C reserves on Blocks 3/05 & 3/05A



Source: Tennyson Securities.

Figure 6: Financial summary – P&L, cash flow and balance sheet

FYE 31ST DEC		2023	2024E	2025E	2026E	2027E
Gross field production	**kbopd**	20.2	21.1	22.0	25.0	30.0
AET's WI production	**kbopd**	**6.0**	**6.2**	**6.5**	**7.4**	**8.9**
Entitlement share	%	85.0%	85.0%	85.0%	85.0%	85.0%
Entitlement sales	mmboe	0.3	2.3	2.0	2.3	2.8
Average realised price	US$/bbl	88.0	82.2	69.5	66.8	66.4
Revenue	**US$m**	**26.4**	**186.6**	**138.9**	**153.6**	**183.6**
Operating costs	US$m	(9.7)	(52.3)	(53.7)	(53.7)	(53.7)
	US$/boe	*4.4*	*23.0*	*22.6*	*19.8*	*16.5*
G&A costs	US$m	(5.7)	(12.8)	(12.8)	(12.8)	(12.8)
	US$/boe	*2.6*	*5.6*	*5.4*	*4.7*	*3.9*
EBITDA	**US$m**	**11.0**	**121.5**	**72.5**	**87.1**	**117.1**
EBITDA margin	*US$/boe*	*41.7%*	*65.1%*	*52.2%*	*56.7%*	*63.8%*
DD&A	US$m	(2.9)	(12.5)	(13.1)	(14.9)	(17.9)
Other	US$m	(5.8)	(11.5)	-	-	-
Decommissioning provision	US$m	-	(2.0)	(2.0)	(2.0)	(2.0)
Finance expense, net	US$m	(3.3)	(5.7)	(5.5)	(4.1)	(2.7)
Profit before tax	**US$m**	**(0.9)**	**89.8**	**51.9**	**66.1**	**94.5**
Income tax	US$m	(1.8)	(12.5)	(8.9)	(9.7)	(11.4)
Net income	**US$m**	**(2.7)**	**77.2**	**42.9**	**56.5**	**83.1**
Adjusted EPS (fully diluted)	c/shr	*(1.20)*	*34.15*	*18.99*	*24.96*	*36.74*
Profit before tax	**US$m**	**(0.9)**	**89.8**	**51.9**	**66.1**	**94.5**
Cash flow reconciliation	US$m	7.1	22.2	20.6	21.0	22.6
Working capital movements	US$m	7.9	0.7	-	-	-
Interest paid, net	US$m	(2.3)	(5.1)	(4.9)	(3.5)	(2.1)
Tax paid	US$m	(1.8)	(12.5)	(8.9)	(9.7)	(11.4)
Net operating cash flow	**US$m**	**10.1**	**95.1**	**58.6**	**74.0**	**103.6**
Cash flow margin	*US$/boe*	*4.6*	*41.8*	*24.7*	*27.3*	*31.8*
Capex (including ABEX)	US$m	(3.4)	(34.0)	(54.0)	(62.4)	(65.4)
Free cash flow	**US$m**	**6.7**	**61.1**	**4.6**	**11.6**	**38.2**
Acquisitions	US$m	(48.1)	(33.0)	(6.6)	(3.5)	(3.5)
Debt movement, other	US$m	35.8	7.2	(10.5)	(10.5)	(10.5)
Share issuance	US$m	-	-	-	-	-
Net increase (decrease) in cash	**US$m**	**(5.6)**	**35.3**	**(12.4)**	**(2.4)**	**24.2**
Cash	US$m	19.6	54.8	42.4	39.9	64.1
Total assets	**US$m**	**210.8**	**299.8**	**334.9**	**383.5**	**458.7**
Debt	US$m	31.7	39.5	29.6	19.8	9.9
Other liabilities & decommissioning	US$m	131.0	133.0	135.0	137.0	139.0
Shareholder equity	US$m	48.1	127.4	170.3	226.8	309.8
Total equity & liabilities	**US$m**	**210.8**	**299.8**	**334.9**	**383.5**	**458.7**
Net cash (debt)	US$m	(15.2)	12.8	10.9	18.9	53.6
Adjusted P/E	x	-	*1.5x*	*2.7x*	*2.1x*	*1.4x*
EV/EBITDA	x	-	*1.1x*	*1.4x*	*1.2x*	*0.8x*
FCF yield	%	*5.7%*	*52.3%*	*4.0%*	*9.9%*	*32.7%*
Net debt / EBITDA trailing	x	*1.4x*	-	-	-	-

Source: Tennyson Securities.

COMPANY BACKGROUND/OVERVIEW:

Afentra PLC (AET LN) was formed in 2021 through a management and shareholder restructuring of Sterling Energy, an AIM listed cash shell. The company is led by CEO Paul McDade, previously CEO of Tullow Oil, with support from COO Ian Cloke and CFO Anastasia Deulina – both of whom worked at Tullow.

The company entered Angola in 2022 in back-to-back deals with Sonangol and INA, for an aggregate initial consideration to up to US$102.5m. A follow-on deal with Azule Energy occurred the following year. Through these transactions the group holds a 30% interest in Block 3/05 and 21.33% in adjacent Block 3/05A.

The company's strategy is to build on this platform to expand further in Angola and the wider region.

SWOT ANALYSIS:

Strengths
Free cash flow generating
Proven management, Africa experience
Existing infrastructure, low capital intensity
Low decline, long life assets
Significant OIP

Weaknesses
Dependence on single asset for CF
Non-operated interests

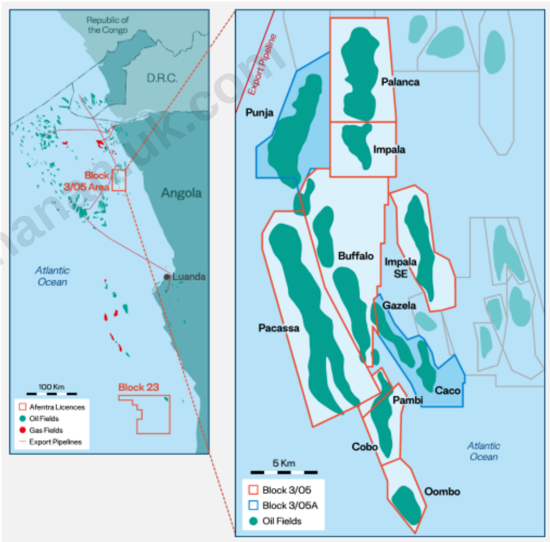
Opportunities
Further accretive acquisitions
Low cost, high return development
Potential to boost recovery factor
Build closer relationship with Sonangol
Emission reductions

Threats
Rising acquisition costs
Country / political risks

PRODUCTION & RESERVES:

AET's WI production:	6.2 kboepd
AET's WI audited 2P reserves:	34.2 mmboe
Reserve replacmnt ratio (YE24):	~140%

ANGOLA ASSET MAP:



SHAREHOLDERS:

Top shareholders:

Askar Alshinbayev	21.3%
Denis O'Brien	7.1%
Kite Lake	6.0%
Athos Capital	3.1%

Director interests:

Paul McDade	2.4%
Ian Cloke	1.7%
Gavin Wilson	1.4%
Anastasia Deulina	1.1%
Jeffrey MacDonald	0.03%

MANAGEMENT & BOARD:

Jeffrey MacDonald, Non-Exec. Chairman: Former MD at PE firm First Reserve, with a focus on oil & gas. Former CEO/founder of UK-focused E&P Caledonia O&G.

Paul McDade, CEO: Petroleum engineer with 35 years' experience inc. 19 years with Tullow as COO and then CEO. Left Tullow in 2019 and co-founded Afentra in 2021.

Ian Cloke, COO: Geoscientist with 25 years' oil industry experience, including 10 years at Exxon and 15 years at Tullow. Left Tullow in 2020 and co-founded Afentra in 2021.

Anastasia Deulina, CFO: Former energy investment banker and finance specialist. Previously Group Head of Strategy, Planning & M&A at Tullow.

Gavin Wilson, NED: Investment Director at Meridian Capital, a HK based investment firm. Founder and former manager of RAB Energy and RAB Octane funds.

Thierry Tanoh, NED: Former CEO of EcoBank, ex. Oil Minister of Cote d'Ivoire 2017-18 and previously senior IFC Executive.

Source: Tennyson Securities, Afentra, Bloomberg, ERCE.

DISCLAIMER

RECOMMENDATIONS HISTORY

Market index **: FTSE AIM ENERGY**

Date	Market Index level	Share Price (p)	Target Price (p)	Opinion
AET	**FTSE AIM ENERGY**			
30 Aug 2022	1496.99	33.0	40	BUY
18 Sept 2023	745.25	24.3	60	BUY
9 Nov 2023	654.40	30.2	75	BUY
17 June 2024	607.09	55.0	80	BUY
3 April 2025	595.07	40.0	80	BUY

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BUY: The stock is expected to generate absolute positive price performance of over 10% during the next 12 months.

HOLD: The stock is expected to generate absolute price performance of between negative 10% and positive 10% during the next 12 months.

SELL: The stock is expected to generate absolute negative price performance of over 10% during the next 12 months.

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