

# SINTANA ENERGY INC (TSX:SEI.V)

May 01, 2024

Share price: C\$1.12

**Target: C\$1.60**

## Chevron farm-in rerates a new area in Namibia

- Chevron is acquiring an 80% WI in PEL82 in the Walvis Basin, offshore north Namibia. As a result of the transaction NAMCOR and Custos' 10% (each) residual interest will be carried. Sintana holds 49% of Custos.
- The Orange Basin's acreage is now in the hands of multiple large companies. As Chevron looks to expand its footprint in the country and explore other opportunities, the company could have been attracted by PEL82 because of the extensive G&G data available on the licence. PEL82 is the most "advanced opportunity" in the Walvis Basin. 70% of the block is covered by 3D seismic (some acquired as recently as in 2018) and two wells have been drilled in the past encountering good quality sands (Murombe-1) and recovering light oil to surface (Wingat-1).
- The block was previously held by ExxonMobil and Galp until 2021-2022 before the discoveries in the Orange basin.
- Assuming the carry is similar to PEL90, Custos and NAMCOR could be carried for one exploration well plus one appraisal well. Water depth at PEL82 is similar to PEL83. Assuming a work programme of US\$75-130 mm for 1-2 wells would lead to an implied value for the block of US\$19-33 mm (80% of the block bought for 20% of the cost of the programme). This leads to an implied value of US\$0.9-1.6 mm for Sintana's 4.9% interest. Adding the value of the carry (4.9% x the cost of the programme) leads to a total value of US\$5-8 mm (C\$0.02-0.03 per share) net to Sintana.
- We re-iterate our target price of C\$1.60 per share.

## Value build-up

The entry of Chevron as operator at PEL82 highlights the potential materiality of the block. Using an unrisks value for PEL82 in line with the other blocks with an experienced operator, our unrisks value of **each** of Sintana's 4.9% interest in PEL90, PEL83 and PEL 82 is C\$0.86/sh. The unrisks value of Sintana's 7.3% interest in PEL87 is C\$1.26/sh. Our valuation of PEL83 reflects only the 10 bn bbl of oil in place discovered so far. We value Sintana's interest in PEL79 at US\$3 mm for the time being. Overall our ReNAV for Sintana is C\$1.59/sh.

Rating & target		Old	New
Target		C\$1.60	n.c.
Yield			0%
Implied total return			51%
Share data	2022	2023e	2024e
Shares dil., mm	270	386	385
Mkt cap (FD), US\$mm	\$23	\$101	\$327
EV, US\$mm	\$17	\$97	\$303
Financial data	2022	2023e	2024e
CFO, US\$mm	(\$6)	(\$2)	(\$1)
Net capex, US\$mm	\$1	\$0	\$3
Net debt, US\$mm	(\$6)	(\$4)	(\$23)
CFPS dil., US\$/shr	(\$0.06)	(\$0.01)	(\$0.00)
EPS dil., US\$/shr	(\$0.01)	\$0.00	(\$0.00)
Valuation	2022	2023e	2024e
Share price, C\$/shr	\$0.11	\$0.35	\$1.06
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C\$/shr			\$0.85
RENAV, C\$/shr			\$1.59
Unrisked NAV, C\$/shr			\$4.24
P/CNAV			1.3x
P/RENAV			0.7x
P/Unrisked NAV			0.3x

*All figures in US\$ unless otherwise noted*

## Contact details

### Analyst:

**Stephane Foucaud**

sf@auctusadvisors.co.uk

+44 7854 891249

**Figure 1. Financial & operating information**

Sintana Energy Inc. (SEIV)		Historical & Auctus Advisors Outlook					
Financial & Operating Information		2022	2023e	2024e	2025e	2026e	2027e
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$99.60	\$82.10	\$85.52	\$74.97	\$70.00	\$70.00
Henry Hub	US\$/mcf	\$6.42	\$3.00	\$4.38	\$5.50	\$5.50	\$5.50
USD / CAD	US\$/C\$	0.770	0.748	0.800	0.800	0.800	0.800
<b>Production</b>							
Oil & Gas	boe/d	0	0	0	0	0	0
<b>Financials</b>							
Cash Flow (CFO)	US\$m	(\$6)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
CFPS - diluted	US\$/shr	(\$0.06)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
EBITDAX	US\$m	(\$5)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
E&D Capex	US\$m	\$0.00	\$0.29	\$0.00	\$0.00	\$0.00	\$0.00
A&D Capex, Net	US\$m	\$0.86	\$0.00	\$2.50	\$0.00	\$0.00	\$0.00
Total Net Capex	US\$m	\$0.86	\$0.29	\$2.50	\$0.00	\$0.00	\$0.00
Total Net Capex/CFO	x	-0.1x	-0.2x	-2.7x	0.0x	0.0x	0.0x
<b>Leverage</b>							
Net Debt	US\$m	(\$6)	(\$4)	(\$23)	(\$22)	(\$22)	(\$21)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	(\$0)	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	270	271	362	362	362	362
Diluted Shares o/s @ YE	mm	270	386	385	385	385	385
Market Capitalization (fully diluted)	US\$m	\$23	\$101	\$327	\$327	\$327	\$327
Enterprise Value	US\$m	\$17	\$97	\$303	\$304	\$305	\$306
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$m	0	0	0	0	0	0
Dividends	C\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0%	0%	0%	0%	0%	0%
Free Cash Flow	US\$m	(\$7)	(\$2)	(\$3)	(\$1)	(\$1)	(\$1)
Cash Use/CFO	%	-14%	-18%	-267%	0%	0%	0%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	52771%	-74%	-42%	-20%	0%	0%
CFPS Growth (Y/Y) DDA - dil.	%	13884%	-93%	-50%	-24%	0%	0%
ROCE	%	-2%	-18%	-6%	-6%	-5%	-5%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	C\$/shr	\$0.85					
RENAV (Atax) - diluted	C\$/shr	\$1.59					
Unrisked NAV (Atax) - diluted	C\$/shr	\$4.24					
P/CNAV	x	1.3x					
P/RENAV	x	0.7x					
P/Unrisked NAV	x	0.3x					
<b>Valuation</b>		2022.0x	2023e	2024e	2025e	2026e	2027e
Share Price, YE/Current	C\$/shr	\$0.11	\$0.35	\$1.06	\$1.06	\$1.06	\$1.06
P/CF	x	-1.4x	-46.2x	-318.5x	-415.4x	-415.4x	-415.4x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	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 30-Apr-24

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources (bcf)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	C\$/Share (Risked)	C\$/Share (Unrisked)	% Total
Net Cash/Debt YE24			17	17	0.06	0.06	4%
G&A			-2	-2	-0.01	-0.01	0%
Options and Warrants exercise			4	4	0.01	0.01	1%
PEL 83 (Namibia Offshore)	150.0	90%	250	225	0.78	0.86	49%
<b>Total Core NAV</b>			<b>269</b>	<b>244</b>	<b>0.85</b>	<b>0.07</b>	<b>53%</b>
PEL 90 (Namibia Offshore)	n.a.	33%	250	82	0.29	0.86	18%
PEL 87 (Namibia Offshore)	167.9	33%	364	76	0.26	1.26	17%
PEL 82 (Namibia Offshore)			250	5	0.02	0.86	1%
PEL 79 (Namibia Offshore)			2	2	0.01	0.00	0%
PEL 103 (Namibia Onshore)			0	0	0.00	0.00	0%
VMM 37 (Colombia)		50%	90	50	0.17	0.35	11%
<b>Total Risked Exploration</b>			<b>955</b>	<b>215</b>	<b>0.75</b>	<b>3.34</b>	<b>47%</b>
<b>Total</b>			<b>1,224</b>	<b>459</b>	<b>1.59</b>	<b>4.24</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>4.24</b>		
<b>P/Core NAV</b>				<b>125%</b>			
<b>P/NAV</b>				<b>67%</b>			
<b>P/Unrisked NAV</b>				<b>25%</b>			

Source: Auctus Advisors, Company Reports

## Copyright and Risk Warnings

**Sintana Energy Inc ("Sintana" 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 invitation 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 for distribution to private customers. 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 2024