

# SINTANA ENERGY INC (TSX:SEI.V)

January 10, 2024

Share price: C\$0.32

**Target: C\$1.15**

## Major discovery at PEL83

- Galp Energia has announced a major discovery of light oil in reservoir sands of high quality at the Mopane-1X exploration well on PEL83.
- Drilling is continuing to explore deeper targets.
- A DST is expected to be carried out in the coming weeks.
- On completion of operations, the rig will move to drill Mopane-2X.
- Pending the results of the well test, this could be very material to Sintana. The structure had been previously estimated to hold up to 10 bn bbl of oil in place. Assuming 30% recovery factor, this implies ~150 mmbbl net to Sintana's 4.9% interest in the block.
- This is the first well of a drilling campaign likely to include at least four very high impact wells with three different operators.
- We have increased our target price from C\$0.90 per share to C\$1.15 per share as (1) we have increased our chance of development at PEL83 to 40% and (2) we are now basing our unrisks valuation of each offshore block held by Sintana on the recent farm-out transaction by Impact Oil & Gas assets in Namibia to Total Energies.
- We note that Sintana will be carried to commercial production by Galp, resulting in no dilution associated with funding the development of PEL83.

Rating & target	Old	New	
Target	C\$0.90	C\$1.15	
Yield		0%	
Implied total return		259%	
Share data	2022	2023e	2024e
Shares dil., mm	270	386	386
Mkt cap (FD), US\$m	\$23	\$92	\$99
EV, US\$m	\$17	\$89	\$96
Financial data	2022	2023e	2024e
CFO, US\$m	(\$6)	(\$2)	(\$1)
Net capex, US\$m	\$1	\$0	\$0
Net debt, US\$m	(\$6)	(\$4)	(\$3)
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	\$0.32	\$0.32
EV/DACF	n.a.	n.a.	n.a.
Net asset value			
CNAV, C\$/shr			\$0.08
RENAV, C\$/shr			\$1.16
Unrisked NAV, C\$/shr			\$3.39
P/CNAV			4.2x
P/RENAV			0.3x
P/Unrisked NAV			0.1x

*All figures in US\$ unless otherwise noted*

## Impact farms out Namibian interests to Total

Impact is farming out ~10% in PEL56 in return for a full carry to commercial production. In addition, Impact will receive ~US\$99 mm in cash for past costs. Even if the carry will be rapid from after tax cashflow, this suggests that Total is valuing the 10% interest in PEL56 at at least US\$400 mm (assuming a US\$4 bn development) plus US\$99 mm. Assuming a similar unrisks value at the other blocks (assuming success) would lead to an unrisks values of Sintana's 4.9% interest in each of PEL90 and PEL83 at ~US\$250 mm (~half of US\$400 mm + US\$99 mm) or C\$0.86/sh and of Sintana's 7.3% interest in PEL87 at US\$365 mm or C\$1.26/sh (we previously assumed ~US\$195 mm for PEL 90 and PEL83 and ~US\$290 mm for PEL87 based on the publicly available terms of the latest financing of Impact Oil & Gas).

## Value build-up

We assume 33% chance of success for PEL90 and PEL87 and 40% at PEL 83. Our unrisks NAV for Sintana is C\$3.39/sh. We note that the shares of Galp increased by ~8% on the announcement. This represents ~EUR735 mm of incremental equity value. Correcting for the relative interests in the licence (Galp holds 80%/Sintana 4.9%) suggests a theoretical "like for like" increase of ~EUR45 mm/C\$65 mm (C\$0.24 per share) in the equity value of Sintana.

## Contact details

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**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	\$92.45	\$73.71	\$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\$mm	(\$6)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
CFPS - diluted	US\$/shr	(\$0.06)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
EBITDAX	US\$mm	(\$5)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
E&D Capex	US\$mm	\$0.00	\$0.29	\$0.00	\$0.00	\$0.00	\$0.00
A&D Capex, Net	US\$mm	\$0.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Capex	US\$mm	\$0.86	\$0.29	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Capex/CFO	x	-0.1x	-0.2x	0.0x	0.0x	0.0x	0.0x
<b>Leverage</b>							
Net Debt	US\$mm	(\$6)	(\$4)	(\$3)	(\$2)	(\$1)	(\$1)
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	271	271	271	271
Diluted Shares o/s @ YE	mm	270	386	386	386	386	386
Market Capitalization (fully diluted)	US\$mm	\$23	\$92	\$99	\$99	\$99	\$99
Enterprise Value	US\$mm	\$17	\$89	\$96	\$97	\$98	\$98
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$mm	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\$mm	(\$7)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)
Cash Use/CFO	%	-14%	-18%	0%	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.	%	14083%	-93%	-45%	-21%	-1%	-1%
ROCE	%	-2%	-18%	-7%	-7%	-6%	-6%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	C\$/shr	\$0.08					
RENAV (Atax) - diluted	C\$/shr	\$1.16					
Unrisked NAV (Atax) - diluted	C\$/shr	\$3.39					
P/CNAV	x	4.2x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
<b>Valuation</b>		2022.0x	2023e	2024e	2025e	2026e	2027e
Share Price, YE/Current	C\$/shr	\$0.11	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32
P/CF	x	-1.4x	-42.3x	-80.8x	-101.1x	-101.1x	-101.1x
EV/DACF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Target EV/DACF	x	74.8x	n.a.	n.a.	n.a.	1.7x	0.7x

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 10-Jan-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 YE23			3	3	0.01	0.01	1%
G&A			-2	-2	-0.01	-0.01	-1%
Options and Warrants exercise			22	22	0.07	0.07	6%
<b>Total Core NAV</b>			<b>22</b>	<b>22</b>	<b>0.08</b>	<b>0.08</b>	<b>7%</b>
PEL 90 (Namibia Offshore)	n.a.	33%	250	82	0.29	0.86	25%
PEL 83 (Namibia Offshore)	150.0	40%	250	100	0.35	0.86	30%
PEL 87 (Namibia Offshore)	167.9	33%	364	76	0.26	1.26	23%
PEL 82 (Namibia Offshore)			4	4	0.02	0.02	1%
PEL 103 (Namibia Onshore)			0	0	0.00	0.00	0%
VMM 37 (Colombia)		50%	90	50	0.17	0.35	15%
<b>Total Risked Exploration</b>			<b>958</b>	<b>313</b>	<b>1.08</b>	<b>3.35</b>	<b>93%</b>
<b>Total</b>			<b>980</b>	<b>335</b>	<b>1.16</b>	<b>3.39</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>3.39</b>		
<b>P/Core NAV</b>				<b>418%</b>			
<b>P/NAV</b>				<b>28%</b>			
<b>P/Unrisked NAV</b>				<b>9%</b>			

Source: Auctus Advisors, Company Reports

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