

# LONGBOAT ENERGY PLC (AIM: LBE)

February 15, 2023

Share price: £0.15

Target: **£1.30**

## Timely entry into an attractive geography

- Longboat has been awarded a 36.75% WI in and operatorship of Block 2A, a large exploration block offshore Sarawak (Malaysia) with multi tcf gas resource potential. Petronas holds 40% WI. Kertang, the key prospect on the block is a large anticlinal structure with a closure of over 100 km<sup>2</sup> at multiple levels in stacked reservoirs. Seismic indicators for the presence of gas can be observed in the area and over the crest of the prospect.
- Block 2A is located north-west of the prolific Central Luconia hydrocarbon province, outboard of recent gas discoveries. The Block covers ~12,000 km<sup>2</sup> and is located in water depths of 100-1,400 m. The Bintulu LNG plant, is located onshore Sarawak. Longboat's work commitments in the first phase are minimal.
- Offshore Sarawak is one of the few areas around the world where super majors continue to drill exploration wells. In 2022, eight new oil and gas discoveries were made offshore Sarawak. The largest oil discovery was made by Petronas in Block SK306. Within Central Luconia, Shell had discoveries at the Inai-1 and Temu-1 wells in MLNG Block, while Mubadala Energy found more gas in Block SK320 at the Cengkih-1 well. In the emerging province of Western Luconia, ConocoPhillips drilled three exploration wells in Block WL4-00 and discovered gas at the Gagau-1 well while the Salam-3 and Benum-2 wells confirmed the extension of oil and gas accumulations in adjacent fault blocks. In the mature Baram province, PTTEP made another gas discovery in Block SK410B through the Paprika-1 well, where the giant Lang Lebah was also discovered in 2019. In Sabah ultra deep waters, TotalEnergies made an oil and gas discovery at the Tepat-2 well in Block N.
- There is a good match between the asset characteristics of offshore Sarawak and Longboat's expertise offshore Norway.
- We re-iterate our target price of £1.30/sh.

## Progress in Norway and upcoming high impact well

The divestment process of Kveikje/Lotus is attracting interest and the company plans to provide an update by the end of March. The Velocette prospect with 177 mmboe (35 mmboe net to Longboat) will spud in 3Q23.

## Valuation

Our Core NAV based on the value of Egyptian Vulture and Kveikje is ~£0.28 per share. Our ReNAV is now £1.33/sh. Our unrisks NAVs for Velocette and Lotus are respectively ~£1.50/sh and ~£0.45/sh.

Rating & target	Old	New	
Target	£1.30	n.c.	
Yield		0%	
Implied total return		767%	
Share data	2020	2021	2022e
Shares dil., mm	24	64	64
Mkt cap, US\$mm	\$5	\$13	\$12
EV, US\$mm	(\$4)	(\$23)	\$55
Financial data	2020	2021	2022e
Gas, mmmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	0	0
Total boe/d (6:1)	0	0	0
CFO, US\$mm	(\$3)	(\$4)	(\$18)
Net capex, US\$m	\$0	\$21	\$56
Net debt, US\$mm	(\$9)	(\$36)	\$43
CFPS dil., US\$/sh	(\$0.11)	(\$0.07)	(\$0.09)
EPS dil., US\$/shr	(\$0.13)	(\$0.09)	(\$0.56)
Valuation	2020	2021	2022e
Share price, £/sh	£0.15	£0.15	£0.15
EV/DACF	n.a.	n.a.	n.a.
EV per boe/d	n.a.	n.a.	n.a.
Net asset value			
CNAV, £/shr			£0.28
RENAV, £/shr			£1.33
Unrisks NAV, £/shr			£3.55
P/CNAV			0.5x
P/RENAV			0.1x
P/Unrisks NAV			0.0x

All figures in US\$ unless otherwise noted

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**Figure 1. Financial & operating information**

Longboat Energy plc (LBE)		Historical & Auctus Advisors Outlook					
Financial & Operating Information		2020	2021	2022e	2023e	2024e	2025e
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$41.26	\$71.13	\$102.62	\$100.00	\$92.45	\$73.71
UK NBP	US\$/mcf	\$5.41	\$14.01	\$18.48	\$14.00	\$8.00	\$8.00
USD/CAD	US\$/C\$	\$0.81	\$0.81	\$0.82	\$0.75	\$0.75	\$0.75
USD / GBP	US\$/£	1.282	1.368	1.227	1.100	1.300	1.300
<b>Production</b>							
Oil and Liquids	bbl/d	0	0	0	0	0	0
Natural Gas	mmcf/d	0	0	0	0	0	0
Total (6 mcf = 1 boe)	boe/d	0	0	0	0	0	0
% Oil and Liquids	%	0%	0%	0%	0%	0%	0%
<b>Netbacks</b>							
Realized Price	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Royalties	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Production Costs	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Operating Netback	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash Flow Netback	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government Take	%	0%	0%	0%	0%	0%	0%
<b>Financials</b>							
Cash Flow (CFO)	US\$mm	(\$3)	(\$4)	(\$18)	(\$7)	(\$8)	(\$8)
CFPS - diluted	US\$/shr	(\$0.11)	(\$0.07)	(\$0.09)	(\$0.12)	(\$0.12)	(\$0.12)
EBITDAX	a US\$mm	(\$3)	(\$15)	(\$6)	(\$7)	(\$8)	(\$8)
E&D Capex	US\$mm	\$0	\$21	\$56	\$17	\$0	\$0
A&D Capex, Net	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0
Cash exploration tax rebate	US\$mm	\$0	\$0	\$0	\$49	\$21	\$0
Total Net Capex	US\$mm	\$0	\$21	\$56	\$17	\$0	\$0
Total Net Capex/CFO	x	0.0x	-5.5x	-3.2x	-2.5x	0.0x	0.0x
<b>Leverage</b>							
Net Debt	US\$mm	(\$9)	(\$36)	\$43	\$15	\$5	\$13
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	\$2	\$2	(\$7)	(\$2)	(\$1)
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	10	57	57	57	57	57
Diluted Shares o/s @ YE	mm	24	64	64	64	64	64
Market Capitalization	US\$mm	\$5	\$13	\$12	\$11	\$13	\$13
Enterprise Value	US\$mm	(\$4)	(\$23)	\$55	\$25	\$17	\$26
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$mm	0	0	0	0	0	0
Dividends	£/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	(\$3)	(\$25)	(\$74)	(\$23)	(\$8)	(\$8)
Cash Use/CFO	%	0%	-554%	-319%	-250%	0%	0%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil	%	n.a.	-76%	-138%	-39%	5%	-8%
PPS Growth (Y/Y) DDA - dil. b	%	n.a.	0%	0%	0%	0%	0%
CFPS Growth (Y/Y) - dil.	%	n.a.	35%	367%	-63%	18%	0%
CFPS Growth (Y/Y) DDA - dil. b	%	n.a.	-68%	-277%	-77%	24%	-8%
ROCE	%	0%	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net Asset Value</b> c							
CNAV (Atax) - diluted	£/shr	£0.28					
RENAV (Atax) - diluted	£/shr	£1.33					
Unrisked NAV (Atax) - diluted	£/shr	£3.55					
P/CNAV	x	0.5x					
P/RENAV	x	0.1x					
P/Unrisked NAV	x	0.0x					
<b>Valuation</b>							
Share Price, YE/Current	£/shr	£0.15	£0.15	£0.15	£0.15	£0.15	£0.15
P/CF	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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.
EV per boe/d	\$/boepd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV per 2P boe	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV per 2P boe, with FDC	US\$/boe	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 15-Feb-23

**Figure 4. NAV Table**

Asset Valuation	WI Reserves and Resources (mmboe)	CoS (%)	Unrisked (US\$mm)	EMV (US\$mm)	£/Share (Risky)	£/Share (Unrisked)	% Total
Net Cash/Debt YE23			-15	-15	-0.21	-0.21	-16%
Residual Exploration Tax rebate YE23			19	19	0.26	0.26	19%
G&A (2 y)			-9	-9	-0.12	-0.12	-9%
Egyptian Vulture	6.2	50%	26	13	0.18	0.36	13%
Kveikje Main target	3.5	85%	15	13	0.17	0.20	13%
<b>Total Core NAV</b>			<b>36</b>	<b>21</b>	<b>0.28</b>	<b>0.49</b>	<b>21%</b>
Oswig	10.4	35%	45	16	0.21	0.60	16%
Lotus (Kveikje analog)	8.1	55%	35	19	0.26	0.47	20%
Egyptian Vulture Upside	6.2	10%	27	3	0.04	0.36	3%
Rodhette	2.0	10%	9	1	0.01	0.12	1%
Mugnetind	1.6	0%	0	0	0.00	0.00	0%
Velocette	26.0	35%	112	39	0.53	1.51	40%
<b>Total Risked Exploration</b>			<b>227</b>	<b>77</b>	<b>1.05</b>	<b>3.06</b>	<b>79%</b>
<b>Total</b>			<b>263</b>	<b>98</b>	<b>1.33</b>	<b>3.55</b>	<b>100%</b>
<b>Unrisked NAV</b>					<b>3.55</b>		
<b>P/Core NAV</b>				<b>54%</b>			
<b>P/NAV</b>				<b>11%</b>			
<b>P/Unrisked NAV</b>				<b>4%</b>			

Source: Auctus Advisors, Company Reports

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