

SDX Energy

South Disouq spuds

Well spud

Oil & gas

SDX Energy announced this morning that it has spudded the South Disouq (SD-1X) well in Egypt, targeting gas and oil across a number of intervals. This is a high impact event for SDX Energy, as current company 2P reserves of 12mmboe (post acquisition) would be dwarfed by success at South Disouq (we model a 65mmboe field of which SDX holds 55% WI), which could be developed quickly due to existing pipeline infrastructure passing through the block. Our valuation for South Disouq is 6.8p/share, although on success we would expect notable de-risking. Our core NAV is 42p with a full NAV (including South Disouq) of 57p/share. The well is due to take 30-45 days, so we would expect a result in mid late April.

Year end	Revenue (\$m)	PBT* (\$m)	Operating cash flow (\$m)	Net (debt)/cash (\$m)	Capex (\$m)
12/14	24.5	16.5	25.5	15.7	(13.6)
12/15	11.4	18.8	(5.2)	8.2	(1.2)
12/16e	10.1	(4.4)	2.2	7.2	(14.2)
12/17e	44.7	10.6	29.2	33.4	(12.5)

Note: *PBT is normalised, excluding amortisation of acquired intangibles, share-based payments. Excludes South Disouq revenues and capex which have a distortionary effect on current operations.

SDX also announced that the licence in which South Disouq sits has been extended by six months to mid-September 2017. This gives SDX and its partner (IPR) more time to evaluate the results of the well prior to any decision being made to enter into the second exploration period.

The \$3.5m well is almost fully carried by IPR and is mapped as a four-way dip closure covering 1,000 acres with positive AVO response. Importantly, although the initial target is gas, there are deeper plays (Abu Roash and AEB zones) that are prolific oil producers across the Western Desert. With main trunk lines just 11km from the well site, the company indicates that production could be started just months after an initial discovery.

20 March 2017

Price **46.12p**

Market cap **£86m**

US\$:£0.8

Estimated net cash (\$m) at December 2016 7.2

Shares in issue 187m

Free float 59%

Code SDX

Primary exchange AIM

Secondary exchange TSX Venture

Share price performance



Business description

SDX Energy is a North African onshore player listed in Toronto and London. It has plans to increase net production in Egypt (primarily through workovers and waterflood) while 2017 should see a carried exploration well. It has recently added high-value gas production in Morocco.

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