EDISON

Hurricane Energy

CPR publication

West of Shetland resource update

Oil & gas

Hurricane has published this week an updated competent person's report (CPR) on its West of Shetland fields not previously included in the 2017 Lancaster CPR. The report by auditor RPS Energy covering the Halifax, Lincoln, Warwick, Whirlwind and Strathmore fields confirms over two billion barrels of oil equivalent contingent resources (Hurricane 100% interest) across these fields, with a further 935mmboe of unrisked prospective resources recognised for the (as yet undrilled) Warwick prospect.

Year end	Revenue (£m)	EBITDA (£m)	Operating cash flow (£m)	Capex (£m)	Net cash (£m)
12/15	0.0	(5.4)	(2.6)	(3.4)	9.9
12/16	0.0	(6.5)	(4.1)	(46.8)	82.2
12/17e	0.0	(7.2)	(5.6)	(71.2)	236.1
12/18e	0.0	(7.2)	(18.0)	(138.4)	79.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Resources potentially exceed expectation

While Hurricane had not previously released internal resources estimates, these numbers potentially exceed many investors' expectations. Edison had previously anticipated that the total pool of resources across the Greater Lancaster Area and Greater Warwick Area could "be well in excess of 1bnbbls recoverable". However, this number is now in excess of 2.5bnbbls of oil equivalent, without including the potential addition of Warwick that has still to be drilled.

Similarity with Lancaster

The CPR has indicated that Hurricane's wider Rona Ridge assets have similar properties to its flagship Lancaster field. The Lancaster early production system (EPS) that is due to start-up in H118 should therefore develop the understanding of all of Hurricane's Rona Ridge assets, and help with ongoing discussions with potential farm-out counterparties (although these are not likely to conclude until the EPS is in production).

Valuation: Market focus on EPS in the short term

Our valuation for Hurricane is dominated by Lancaster, and we see the Lancaster EPS and any further appraisal wells as the key drivers to de-risk this contingent/ prospective upside. Our base case valuation (of 79p) contains 15.6p for Lincoln/ Warwick and Halifax, based on each having recoverable volumes of 250mmboe. RPS now estimates Halifax 2C resources of 1,235mmboe (94% oil) while Lincoln 2C resources now stand at 604mmboe (excluding any contribution from Warwick as it has still to be drilled). We will update our valuation to reflect these resource increases in due course.

12 December 2017

Price	**27p**
Market cap	**£529m**
Net cash (£m) at 31 December 2017e including convertible debt	236m
Shares in issue (ex-convertible)	1,959m
Free float	53%
Code	HUR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(11.5)	(1.8)	(30.3)
Rel (local)	(9.9)	(2.3)	(35.5)
52-week high/low		67p	24p

Business description

Hurricane Energy is an E&P focused on UKCS fractured basement exploration and development. It owns 100% of the 523mmbbl (RPS 2P reserves plus 2C resources) Lancaster oil discovery, West of Shetland.

Next events

EPS installation	2018

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Edison profile page

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