

SDX Energy

Gas discovery ONZ-7

Well spud

Oil & gas

SDX Energy has announced the discovery of gas at the ONZ-7 development well on the Sebou permit in Morocco. The ONZ-7 well was drilled to a total depth of 1,167m, with 5m of net conventional gas pay in the Hoot formation. Reservoir quality exceeded initial expectations with porosity in the pay section at 35.3% – a further update on well flow rates is expected in early February. SDX has made four discoveries from five wells drilled in the current nine well campaign – an 80% E&A success rate with all prospects drilled on high resolution 3D seismic discovering gas. Our last published valuation stands at 65p/share ([full NAV breakdown](#)), with Sebou making up c 17% or 10.9p/share of our group risked valuation. We intend to revise our valuation for recent Moroccan exploration success on our return from the company's analyst site visit to be held on 24 and 25 January 2018.

Year end	Revenue (\$m)	PBT* (\$m)	Operating cash flow (\$m)	Net (debt)/cash (\$m)	Capex (\$m)
12/15	11.4	11.1	(5.2)	8.2	(5.1)
12/16	12.9	(26.7)	(1.9)	4.7	(11.9)
12/17e	35.8	4.8	22.8	23.3	(22.7)
12/18e	54.9	20.2	34.5	16.1	(44.9)

Note: *PBT is normalised, excluding amortisation of acquired intangibles, share-based payments.

Confirmation of a gas discovery and incremental flow from ONZ-7 should provide the basis for a gas reserve upgrade and provides confidence in the company's ability to deliver on a forecast gas sales rate of 10-11mmscfd in 2018 (a material increase on our current forecasts based on current contracted volumes of 5.7mmscfd in 2018 and 8mmscfd in 2019). Three producers are individually capable of meeting current daily sales commitments of 6mmscfd (KSR-14 flow tested at 6.4mmscfd, KSR-15 at 7.52mmscfd and KSR-16 at 8.43mmscfd). Moroccan gas attracts an average sale price of c \$9.5/mcf with high net-backs.

23 January 2018

Price **50.35p**

Market cap **£103m**

US\$:£0.72

Estimated net cash (\$m) at December 2017 23.3

Shares in issue 204m

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.

Analysts

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