

SDX Energy

ONZ-7 - highest flow rate to date

SDX Energy has announced the completion of the ONZ-7 well on the Sebou permit in Morocco (SDX 75%) with the well delivering an average flow rate of 10mmscfd and maximum flow of 15.3mmscfd, the highest flow rate to date from the four successful wells drilled and in the basin historically. ONZ-7 provides confidence in gas deliverability and the resource base as SDX expands its customer base in Kenitra. Edison recently published a detailed [update](#) on our view of Moroccan gas sales and group valuation, which stands at core NAV of 58.3p/share and RENAV of 65.6p/share.

Year end	Revenue (\$m)	PBT* (\$m)	Operating cash flow (\$m)	Net 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	36.3	6.0	25.7	25.5	(23.5)
12/18e	65.2	31.2	49.8	26.1	(50.6)

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

SDX's 2017/18 Moroccan well campaign has an 80% exploration success rate to date with 100% success on all prospects drilled on high resolution 3D seismic. The remainder of the company's drilling campaign targets slightly higher risk prospectivity, with follow-on potential across the Sebou Centre and Lalla Mimouna exploration permits in a success case. Basin wide unrisks prospective resources stand at c 50bcf providing adequate resource potential on which to base future drilling campaigns.

As discussed in some detail in our last published update, we estimate that SDX will need to add 11.9bcf of gas beyond the current nine-well drilling campaign in order to support risked market demand. This would require a further 10 to 11 wells to be drilled over the next 12-24 months. We do not include this incremental value in our NAV at this point in time, with value expected to be unlocked as drilling is committed and gas contracts signed.

Well result

Oil & gas

6 February 2018

Price **48.50p**

Market cap **£99m**

US\$:£0.8

Net cash (\$m) at 30 June 2017 28

Shares in issue 205m

Free float 80%

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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