SDX Energy

SAH-2 gas discovery

Well result

Oil & gas

SDX Energy has announced results from the SAH-2 well on the Sebou permit in Morocco (SDX 75%). SAH-2 is the seventh well in the company's nine-well programme, and the fifth gas discovery. SAH-2 encountered 5.2 net meters across two pay zones, with average porosity of 33%. The well came in on prognosis but with a reservoir thickness above pre-drill expectations. This result will support the company's previously announced planned production increase in Morocco to 8-10mmscfd by the end of 2018. We recently published a detailed update on our view of Moroccan gas sales and group valuation, which stands at a core NAV 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.

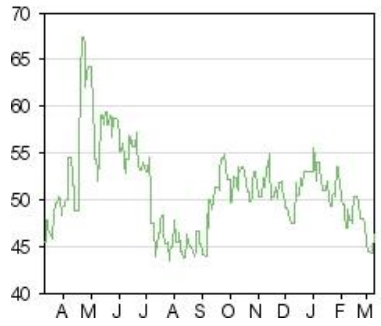
SAH-2 was the first well in the Gharb basin that was successfully drilled using downhole directional tools, which allowed SDX to penetrate the crest of two individual targets with a single well. This technique will also be used in the company's next well, LNB-1, on the Lalla Mimouna concession.

We estimate that SDX will need to add 11.9bcf of gas beyond the current nine-well drilling campaign to support risked market demand. This would require a further 10-11 wells to be drilled over the next 12-24 months. Our risked demand profile implies a 2018 exit rate of just over 10mmscfd, growing to 17.5mmscfd over the medium term. 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.

9 March 2018

Price	**46.25p**
Market cap	**£95m**
	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 E&P listed in Toronto and London. It has oil and gas production in Egypt and Moroccan gas production. The company's nine-well Moroccan programme has a 66% success rate to date.

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Edison profile page

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