

Tethys Petroleum

\$48m financing puts Tethys in control

Financing

Oil & gas

2 July 2015

Tethys has announced a proposed \$47.7m equity raising from AGR Energy, a Kazakhstan-based investment fund. Subject to EGM, TSX and Kazakhstan approvals, the funds place Tethys on a stronger footing, allowing it to invest in its portfolio to generate free cash flows and enable possibly transformative exploration. We will review our valuation, but point investors to our [recent note](#) for details of our current 27p/share core NAV.

Year end	Revenue (\$m)	PBT* (\$m)	Operating cash flow (\$m)	Net (debt)/cash (\$m)	Capex (\$m)
12/14	27.4	(14.8)	(11.5)	(7.5)	26.1
12/15e	23.8	(21.4)	(5.9)	(23.8)	9.9
12/16e	54.4	(2.8)	(19.0)	(20.6)	15.9

Note: *PBT is as reported.

Tethys's equity raise of \$47.7m puts the company in a stronger financial position and introduces a new strategic partner in AGR Energy, which could help Tethys better exploit its Kazakhstan opportunities (given its in-country knowledge). The raising completely clears uncertainty over the company's funding following the collapse of the SinoHan deal, and should fund activities in 2016 and beyond.

The capital will be used to pay back existing loans, and then used to invest in the portfolio. The gas fields still have capacity for further development and exploration; the oil developments will benefit from gas utilisation works to further reduce opex and ready oil for export. Finally, the exploration within Tethys's portfolio is material. At 422mmboe unrisks, Klymene is a material target while ongoing activities in the Bokhtar PSC (Tajikistan) should progress the block through to a first well.

Existing substantial shareholders will be able to participate in the raising, which is subject to shareholder, TSX and Kazakh approvals, with a long-stop date in November. We therefore anticipate that the company will be able to fully employ the cash in the next twelve months. Until the approvals come through, AGR has provided a valuable bridge loan of up to \$5m.

Price **9.55p**

Market cap **£32m**

US\$1.53/£

Net debt (\$m) at March 2015 (excludes cash in Kazak sub) 11.4

Shares in issue (excludes placement announced 1 July) 337m

Free float 100%

Code TPL

Primary exchange TSE

Other exchanges AIM

Share price performance



Business description

Tethys Petroleum is an E&P with production and exploration assets in Kazakhstan. It also holds potentially significant interests in Tajikistan and Georgia.

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