

SDX Energy

H217 growth programme starting up

Half year results

Oil & gas

25 August 2017

Price **44.25p**
Market cap **£83m**

Net cash (\$m) at 30 June 2017 27.6
 Shares in issue 186.9m
 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 oil and gas production in Egypt, and Moroccan gas production. A large gas discovery was recently made at South Disouq.

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In the half year results, SDX Energy reported H117 attributable production of 3,351boe/d. This drove Q217 revenues of \$9.9m (compared to \$8.1m in Q117) as the Moroccan assets were fully integrated. Cash flows increased markedly to \$8.1m after sizeable reduction in working capital in Q217; cash has increased by \$6.6m to \$27.6m. The company remains on track for significant operational improvements in H217, with 12 workovers planned at NW Gemsa, facility upgrade and workover programme at Meseda and preparations for development at South Disouq. In Morocco, five development/appraisal wells and two exploration wells are planned to enable future increases in sales to the gas-hungry market. We look forward to the plans the company has for South Disouq. Our core NAV is unchanged at 55p/share (RENAV 67p/share)

Year end	Revenue (\$m)	PBT (\$m)	Cash from operations (\$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	40.3	6.3	26.3	28.5	(11.5)
12/18e	67.1	31.8	49.7	57.3	(23.5)

Note: historical figures are as reported.

The results reveal a company that is ticking along, with production (on a pro forma basis) falling slightly in Q217 (3,812boe/d) vs Q117 (3,935boe/d). Given the material work programme that is planned in H217, this does not cause us any concern as the well workovers and waterflood programme has the potential to increase production in Egypt substantially. In particular, the Meseda upgrades are expected to see an increase in production in Q417. At South Disouq, discussions with the Egyptian government on the development are ongoing and it is hoped to move into production in Q118. The company will update the market with the development plans (and plans to add further resource) in due course.

SDX is in good financial health and is rare in the E&P sector in pursuing an aggressive and multi-pronged growth approach that should see revenues climb over the next 12 months, while investing material capital in unlocking valuable additional resource and value.

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