

SDX Energy

Raising accelerates growth potential

SDX has announced a £10m equity raise targeting an accelerated exploration and development well programme (in addition to its existing aggressive work programme). Two wells in Egypt will target the largest prospects close to South Disouq and aim to de-risk up to 150bcf (P50) of the prospective resources, and enable SDX to right-size the production facilities for the most economic development. In Morocco, two further wells will target around 2bcf of gas that can be quickly developed and sold at high netback prices. As such, the £10m (65% underwritten by the largest shareholder) will go entirely to growth projects that have high IRRs/NPVs, and speed up the exploitation of its development resources. The company remains in strong financial health, but the additional capital will add further momentum to realising value from the portfolio. We will update our forecasts and valuation in coming days, which currently stand at 55p/share (core NAV) and 67p/share (RENAV).

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. These exclude the effect of the equity raise.

In Egypt, the discovery of South Disouq warrants more urgent follow-up. Two large prospects nearby (Bragg and Kelvin) are targeted and the results will determine the required facility and pipeline capacities for the development of the area. This is in addition to a planned development well campaign expanding on SD-1X which aims to prove up resources to the flanks of the initial discovery where the company believes the reservoir thickens and upside could be unlocked.

In Morocco, the addition of two wells to SDX's existing work programme of seven will further firm up volumes and reduce per-well costs making more efficient use of capital. Previous well programmes have had 80% success rates, giving us comfort that material resources could be unlocked. Gas demand in the market remains strong and any gas can be quickly monetised at an attractive return.

Equity raise

Oil & gas

6 September 2017

Price **43.75p**
Market cap **£82m**

Net cash (\$m) at 30 June 2017	27.6
Shares in issue (pre-raise)	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 gas production in Morocco. A large gas discovery was recently made at South Disouq.

Analyst

Will Forbes +44 (0)203 077 5749

oilandgas@edisongroup.com

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