

# Genie Energy

Oil & gas

29 August 2014

## Oil shale pioneer with global ambitions

Genie Energy has ambitious plans to unlock significant oil shale resources in Israel, Mongolia and Colorado, three of the world's largest oil shale deposits with tens of billions of oil in place potential. However, in the nearer term, Genie's focus is on conventional exploration, with its first well in Northern Israel set to spud in the autumn. Genie aims to produce hydrocarbons from oil shale using its early-stage proprietary technology, yet to be proven on a large scale. Successful oil shale pilots in Israel and Mongolia in the next one to three years could pave the way for commercial production by 2020.

### High exposure to oil assets in three countries

Genie Energy is comprised of two main business units: (1) IDT Energy (98% WI), a retail energy provider in the north-eastern US, which represents all of its revenues, and (2) Genie Oil and Gas, an upstream company with vast onshore licences in Israel (87% WI in Afek Oil & Gas, which holds conventional exploration licences in the Golan Heights in Northern Israel; and 88% WI in Israel Energy Initiatives, an oil shale project in the Shfela Basin), Mongolia (87% WI in an oil shale exploration project) and Colorado (45% WI in American Shale Oil, a JV with Total).

### Kicking off exploration in Northern Israel in H214

Genie received a permit to drill in Northern Israel in early August and is preparing to spud the first of 10 exploration wells in September/October. It is targeting conventional oil in relatively tight and shallow formations with good porosity, with potential for billions of barrels of oil in place. The 10-well plan should take circa three years.

### Pioneering oil shale in-situ technology

Genie is working on similar projects that XOM, RDS and TOT have studied for years without yet reaching commercial production. Its chief scientist Harold Vinegar worked on Shell's in-situ conversion process (ICP) technology for three decades before joining Genie in 2008. With its proprietary process, Genie aims to accelerate the maturation of kerogen by heating the oil shale in the ground over several years, transforming it into lighter hydrocarbons. Genie estimates all-in costs at c \$45/bbl.

### Valuation: Early-stage projects present option value

We intend to initiate coverage of Genie Energy in the near future. Genie has an EV of \$100m and cash equivalents of \$105m. Genie does not currently produce any oil and gas, and its oil exploration and shale projects are in early stages. Success at one or more of the pilots in 2015-17 could lead to first-phase commercial production from 2018. Genie can fund the pilots through IDT Energy's cash flows, but will have to raise capital (project, debt or equity financing) to start commercial production.

#### Historical financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/12	229.5	0.4	(0.17)	0.13	N/A	1.6
12/13	279.2	(2.6)	(0.36)	0.00	N/A	N/A

Source: Company data

Price **\$8.3**  
Market cap **\$205m**

#### Share price graph



#### Share details

Code	GNE
Listing	NYSE
Shares in issue	24.7m

#### Business description

Genie Energy is a US-listed energy company, composed of IDT Energy, a US retail energy provider; and Genie Oil and Gas. The latter holds exploration blocks in Colorado, Israel and Mongolia, where it is mostly focused on oil shale development projects as well as conventional oil and gas resources.

#### Bull

- Near-term drilling for conventional oil and gas in Northern Israel; first well will spud Q314.
- Huge oil shale acreage in Israel, Mongolia and Colorado with high working interests.
- Proprietary in-situ technology and experienced technical team.

#### Bear

- In-situ conversion technology not commercially proven on a large scale.
- Very early stage projects with significant risks (permitting, environmental, technical).
- Lack of financing for full-scale development.

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