



Wentworth Resources Plc. (AIM: WEN)

Share price: £0.17

Target: £0.40

Production returning to normality

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- Production in 2020 to November was 63.8 mmcf/d (marginally ahead of our numbers) and reflecting continued good production from September to November with November averaging 74.2 mmcf/d. December gross production to date is 80-85 mmcf/d.
- The company has reiterated the FY20 production guidance of 60-70 mmcf/d.
- Remedial repairs to the MB-2 flow line, as a result of a rupture, have been ongoing and are estimated to be completed by the end of the year. This had no impact on the company's ability to satisfy gas nominations as gross production without MB-2 online is ~90 mmcf/d.
- EBITDAX in 2020 to the end of October was US\$7.9 mm, in line with our expectations. Cash on hand of US\$17 mm as at the end of October appears to be close to our numbers (we carry US\$18 mm at YE20) with TPDC continuing to be fully current with payments.

Potential 25% growth from YE21 could lead to an increase in dividend

With gross gas sales returning to 80-85 mmcf/d, operations are back to normal. The extension of the Kinyerezi-1 power station with 20 30 mmcf/d of additional gross demand by YE21 could boost sales, revenue and cash flow by 25% in 2022. This would probably translate in an increase in shareholder distributions. Wentworth's Mnazi Bay field can already deliver 100 mmcf/d production without any additional capex.

Value, distribution and a focus on an Energy Transition fuel

The shares continue to trade at EV/DACF multiples of 2.3x in 2020 and 1.0x in 2021. Our NAV based on the company's 2P reserves stands at £0.27 per share. Growing sales to 110 mmcf/d would take our 2P NAV to £0.32 per share. Extending the Mnazi Bay licence would unlock the 3P case with an overall value of £0.57 per share for the entire company.

The shares also offer investors an exposure to a name focused on natural gas, the cleanest fossil fuel (and the preferred transition fuel to renewable energy).

During 2020, the company will pay US\$3.2 mm in dividends (US\$4.2 mm declared since September 2019) representing a yield of 8.3%. We believe that dividend distributions will grow with cashflow.

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Author

The research analyst who prepared this research report was Stephane Foucaud, a partner of Auctus.

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