

# WENTWORTH RESOURCES PLC (AIM: WEN)

February 03, 2021

Share price: £0.23

Target: £0.40

## Looking beyond the 2P reserves: proved developed reserves up by ~50%

- The gross field YE20 2P reserves of 445.3 bcf at Mnazi Bay are unchanged compared to YE19 when adjusted for 2020 production.
- However, the field's gross proved developed reserves at YE20 of 191 bcf have increased ~50% year on year. Adding back 23 bcf of production in 2020 suggests 87 bcf has been converted from proved undeveloped reserves to the developed category. This derisking of proved reserves reflects the lower sands being put in production, as these reserves had been previously classified as "behind pipe".
- The after tax NPV10 of the 2P reserves net to Wentworth is broadly unchanged at ~US\$117 mm at YE20 while the firm has increased its cash position by US\$4.3 mm and distributed US\$3.2 mm in dividends in 2020.
- Gross FY21 production guidance of 65-75 mmcf/d has been re-iterated.

## Investment profile unchanged: Value and sustainability

The independent auditor's after tax NPV10-15 of US\$98-117 mm for Wentworth's interest in the field represent 2.5-3.0x the current EV of the company. The shares continue to trade at EV/DACF multiples of 2.9x in 2021 and 2.2x in 2022.

Growing sales to 110 mmcf/d would take our 2P NAV to £0.30 per share. Extending the Mnazi Bay licence would unlock the 3P case with an overall value of £0.56 per share for the company.

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

Rating & target	Old	New	
Target	n.a.	£0.40	
Yield		6%	
Implied total return		n.a.	
Share data	2019	2020e	2021e
Shares dil., mm	193	193	193
Mkt cap, US\$mm	\$60	\$57	\$59
EV, US\$mm	\$48	\$40	\$36
Financial data	2019	2020e	2021e
Gas, mmcf/d	22.2	21.2	22.3
Liquids, bbl/d	0	0	0
Total boe/d (6:1)	3,704	3,537	3,725
CFO, US\$mm	\$13	\$10	\$11
Net capex, US\$mm	\$0	\$0	\$1
Net debt, US\$mm	(\$12)	(\$17)	(\$23)
CFPS dil., US\$/shr	\$0.04	\$0.05	\$0.06
EPS dil., US\$/shr	\$0.01	\$0.02	\$0.00
Valuation	2019	2020e	2021e
Share price, £/shr	£0.23	£0.23	£0.23
EV/DACF	5.5x	3.8x	2.9x
EV per boe/d (US\$)	\$12,937	\$11,320	\$9,686
Net asset value			
CNAV, £/shr			£0.30
RENAV, £/shr			£0.38
Unrisked NAV, £/shr			£0.56
P/CNAV			0.8x
P/RENAV			0.6x
P/ENAV			0.4x

All figures in US\$ unless otherwise noted

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## Figure 1. Financial & operating information

Wentworth Resources Limited (WEN LN)

Financial & Operating Information		2019a	2020e	2021e	2022e	2023e	2024e
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$63.90	\$40.00	\$50.00	\$57.52	\$60.00	\$60.00
UK NBP	US\$/mcf	\$7.30	\$7.10	\$7.10	\$7.14	\$7.14	\$7.58
USD/CAD	US\$/C\$	\$0.76	\$0.77	\$0.78	\$0.80	\$0.81	\$0.81
USD / GBP	US\$/£	\$1.35	\$1.28	\$1.33	\$1.32	\$1.32	\$1.32
<b>Production</b>							
Oil and Liquids	bbl/d	0	0	0	0	0	0
Natural Gas	mmcf/d	22	21	22	26	26	35
Total (6 mcf = 1 boe)	boe/d	3,704	3,537	3,725	4,259	4,259	5,856
% Oil and Liquids	%	0%	0%	0%	0%	0%	0%
<b>Netbacks</b>							
Realized Price	US\$/boe	\$19.23	\$19.52	\$19.89	\$20.40	\$20.91	\$21.44
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$3.95	\$2.99	\$2.99	\$2.99	\$2.99	\$2.99
Operating Netback	US\$/boe	\$12.88	\$14.05	\$14.43	\$14.86	\$15.31	\$15.77
Taxes	US\$/boe	(\$7.27)	(\$6.76)	(\$6.52)	(\$6.48)	(\$6.54)	(\$5.71)
Cash Flow Netback	US\$/boe	\$5.61	\$7.28	\$7.91	\$8.38	\$8.77	\$10.06
Government Take	%	56.4%	48.2%	45.2%	43.6%	42.7%	36.2%
<b>Financials</b>							
Cash Flow (CFO)	US\$m	\$13	\$10	\$11	\$13	\$14	\$22
CFPS - diluted	US\$/shr	\$0.04	\$0.05	\$0.06	\$0.07	\$0.07	\$0.11
EBITDAX	US\$m	\$3	\$9	\$11	\$13	\$14	\$22
E&D Capex	US\$m	\$0	\$0	\$1	\$5	\$16	\$0
A&D Capex, Net	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$0	\$0	\$1	\$5	\$16	\$0
Total Net Capex/CFO	x	0.2x	0.0x	0.0x	0.1x	0.4x	1.2x
<b>Leverage</b>							
Net Debt	US\$m	(\$12)	(\$17)	(\$23)	(\$27)	(\$21)	(\$39)
Net debt/CFO (Trailing)	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Entry Net Debt/CFO	x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	186	186	186	186	186	186
Diluted Shares o/s @ YE	mm	193	193	193	193	193	193
Market Capitalization	US\$m	\$60	\$57	\$59	\$58	\$59	\$59
Enterprise Value	US\$m	\$48	\$40	\$36	\$31	\$38	\$20
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$m	\$1	\$3	\$4	\$4	\$4	\$4
Dividends	\$/shr	\$0.00	\$0.01	\$0.02	\$0.01	\$0.02	\$0.01
Dividend Yield	%	2.0%	6.2%	6.6%	6.5%	6.5%	6.5%
Free Cash Flow	US\$m	\$13	\$9	\$10	\$8	(\$2)	\$22
Cash Use/CFO	%	0%	2%	7%	40%	117%	0%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%	-17%	-3%	5%	14%	0%	38%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	27%	44%	-5%	90%
CFPS Growth (Y/Y) - dil.	%	-36%	26%	14%	21%	5%	58%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ROCE	%	n.a.	3%	5%	7%	8%	14%
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	£/shr	£0.30					
RENAV (Atax) - diluted	£/shr	£0.38					
Unrisked NAV (Atax) - diluted	£/shr	£0.56					
P/CNAV	x	0.8x					
P/RENAV	x	0.6x					
P/Unrisked NAV	x	0.4x					
<b>Valuation</b>							
Share Price, YE/Current	\$/shr						
P/CF	x	8.0x	6.0x	5.5x	4.5x	4.3x	2.7x
EV/DACF	x	5.5x	3.8x	2.9x	2.1x	2.4x	0.7x
Target EV/DACF	x	n.a.	n.a.	0.0x	n.a.	n.a.	n.a.
EV per boe/d	\$/boepd	\$12,937	\$11,320	\$9,686	\$7,391	\$8,913	\$3,457
EV per 2P boe	US\$/boe	\$6.13	\$6.77	\$5.74	\$5.06	\$6.08	\$3.10
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

<sup>a)</sup> EBITDAX = Pre-Int. & Pre-tax Cash Flow; <sup>b)</sup> DDA = Debt-and-Dividend-Adjusted

<sup>c)</sup> CNAV incl. 2P reserves, RENAV incl. 2P reserves + Risked LT inventory upside, ENAV incl. 2P reserves + Unrisked LT inventory upside

Source: Auctus Advisors, Company Disclosures

\*\*Futures strip as of 14-Jan-21

**Figure 2. NAV Table**

Asset Valuation	WI Reserves and Resources		EMV (US\$ mm)	Risky £/Share	Unrisky £/Share	% Total
	(m mboe)	(US\$ mm)				
Net Cash YE21		23	23	0.09	0.09	23%
FY21 Dividend		4	4	0.01	0.01	4%
G&A		-30	-30	-0.12	-0.12	-31%
Mnazi Bay (Msimbati Area) 2P - 85 mmcf/d plateau	19	68	68	0.26	0.26	69%
Incremental Mnazi Bay (Msimbati Area) 2P - 110 mmcf/d plateau from 2024	6	13	13	0.05	0.05	13%
<b>Total Core NAV</b>		<b>77</b>	<b>77</b>	<b>0.30</b>	<b>0.30</b>	<b>79%</b>
Mnazi Bay development upside - licence extension (3P)	33	70	21	0.08	0.27	21%
Exploration leads	100	0	0	0.00	0.00	0%
<b>Total Risked Exploration</b>		<b>70</b>	<b>21</b>	<b>0.08</b>	<b>0.27</b>	<b>21%</b>
<b>Total Risked NAV</b>		<b>147</b>	<b>98</b>	<b>0.38</b>	<b>0.56</b>	<b>100%</b>
<b>Unrisky NAV</b>		<b>147</b>		<b>0.56</b>		

Source: Auctus, Company Disclosures

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