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## Flash Note

15 March 2024

**BUY**

(Remains unchanged)

Target Price: 0.93p (unchanged)

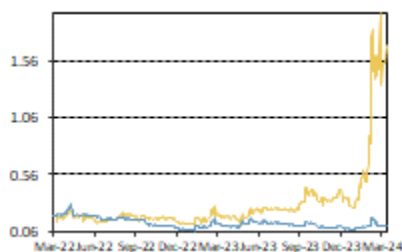
Share Price: 0.11p

(Price at close 13 March 2024)

### Key Data

Market Cap	£9m
Sector	Oil & Gas Producers
Stock Codes	SYNS.L / OEX LN
Last Published Research:	15 February 2024

### Absolute & Relative Performance



— Absolute  
— Relative to DS Oil & Gas

Source Datastream

### Analyst

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## Synergia Energy

### Interim Results

Synergia reported interim results yesterday, with revenues of A\$353k (1H23 A\$691k) and a narrowing of the net loss to A\$(2.07m) (1H23 A\$(3.67m)). Net cash of A\$680k at December. Production dipped in the period as the re-frac of the C77H well at Cambay had issues with liquid loading, although a resolution has been identified. December production averaged 0.1mmcf and 4bpd of condensate. We feel the results are largely irrelevant, following the recent given the post period end farm-out of a 50% WI in the Cambay field to Selan. This will see cash payments to Synergia in the near term, and a carry through a number of development wells and workovers over the next 18 months. This should see a marked increase in net production and the additional FCF will allow Synergia and partner Wintershall to move forward on the Camelot CCS project in the UK – this is one of the key CCS projects in the UK, and CCS is the only way that the UK has any chance of meeting current net zero targets. Activity in the coming year should provide newsflow that will provide opportunities to re-rate the shares. We have updated our forecasts to reflect interim results and we maintain our TP of 0.93p and reiterate our BUY recommendation.

- **Cambay performance remains constrained** with the issues around liquid loading following the jet pump installation. Production has stabilised around 141mcf and 4bpd of condensate, although there is still water ingress into the well. Management are looking at remedial measures to address this as it is believed that the legacy fracked zone is the area of ingress, with a bridge plug mooted as a solution. We believe that a near-term solution that reduced the ingress of water would materially improve flow rates and generate substantial revenues for the business.
- **Farm-out changes everything**, with development of the Cambay field to be accelerated. The farm-out (post period end) to Selan of a 50% WI in Cambay will see Synergia receive \$2.5m to cover back costs and receive a carry (for up to \$10m net) for three new wells and three workovers, with further contingent payment of up to \$9m on total production volumes. Regulatory approval is still outstanding, but we see this as being a mere formality.

Year End Date	Sales (\$m)	PBTA (\$m)	EPS (c)	DPS ord (c)	P/E (x)	EV/EBITDA (x)	Yield (%)
2023A	1.3	(5.4)	(0.1)	0.0	n/a	(2.4)	0.0
2024E	3.7	(6.1)	(0.1) from: 0.2	0.0	n/a	(6.9)	0.0
2025E	60.4	39.7	0.4 from: 0.3	0.0	0.4	0.3	0.0
2026E	107.8	58.9	0.6 from: 0.2	0.0	0.3	0.1	0.0

Source Company Data, Panmure Gordon

- ▶ **Strong partner secured** in Selan Exploration Technology Ltd. Selan is listed on the Bombay Stock Exchange and the National Stock Exchange of India with a market cap of c\$90m. However, it is currently merging with Antelopus Energy (a private Indian E&P company) which will create a materially larger independent E&P with a diverse portfolio of assets. We see this is a huge boost for Synergia as it now has a partner that can fund the development and management of the Cambay field.
- ▶ **Balance sheet bolstered** by the A\$3.1m raised in the period, with a further A\$236k raised post period end. This helps the company to progress activities until the payment from Selan is received.
- ▶ **We have updated forecasts** to reflect the interim results and recent refinancing of the convertible loan note. We see the significant newsflow over the coming months as offering a chance for the shares to be re-rated, and we would anticipate the current discount to unwind as development milestones are achieved. We have adjusted our production and revenue profiles to reflect a later start to the work programme than we had previously estimated, with no impact on the overall value of the development.
- ▶ **Outlook is bright** with the wider development of Cambay set to be accelerated following the farm-out to Selan. The near-term work programme should transform production levels and boost FCF materially. We are of the view that Cambay will soon be self-financing – in event of proposed work programme being successful – and that the FCF generated will permit Synergia to focus on advancing the Camlot CCS programme. While there is a need for additional financing to be secured for Camleot, there will be UK Government support provided – although the exact shape or form this remains to be determined. It is worth bearing in mind that the achievement of net zero targets is only achievable with wide scale deployment of CCS schemes. We see Synergia as having first mover advantage (relative to peers) and well positioned to benefit from this key part of the energy transition. With a development in India coupled with CCS in the UK, Synergia is set to unlock material upside for the future. We see substantial newsflow in the coming months that should allow for a re-rating of the shares. We reiterate our BUY recommendation and maintain TP of 0.93p.

*Panmure Gordon (UK) Limited is a market maker in this company, has in the previous 12 months made agreements with this company for investment banking services and will be compensated by the company for these services.*

## VALUATION

### Summary valuation

Country	Field	WI	CoS	Liquids	Gas	Resource	Risky NAV			Unrisky NAV		
		(%)	(%)	(mmbbls)	(bcf)	(mboe)	(\$m)	(\$/boe)	(p)	(\$m)	(\$/boe)	(p)
India	Cambay	50%	80%	1.0	32.5	6.4	23.3	3.6	0.19	29.2	4.5	0.23
<b>Developed Reserves</b>				<b>1.0</b>	<b>32.5</b>	<b>6.4</b>	<b>23.3</b>	<b>3.6</b>	<b>0.19</b>	<b>29.2</b>	<b>4.5</b>	<b>0.2</b>
Net (debt)/cash (Jun23 A)			100%				3.5		0.03	3.5		0.03
G&A (1 year)			100%				(3.0)		(0.02)	(3.0)		(0.02)
<b>Corporate</b>							<b>0.5</b>		<b>0.00</b>	<b>0.5</b>		<b>0.0</b>
<b>Core NAV</b>				<b>1.0</b>	<b>32.5</b>	<b>6.4</b>	<b>23.8</b>	<b>3.6</b>	<b>0.19</b>	<b>29.7</b>	<b>4.5</b>	<b>0.24</b>
UK	Medway CCS	50%	25%				77.8	-	0.62	311.1	-	2.47
India	Cambay phase 2	50%	50%	3.0	70.0	14.7	15.6	1.1	0.12	31.1	2.1	0.25
<b>Undeveloped resources</b>				<b>3.0</b>	<b>70.0</b>	<b>14.7</b>	<b>93.3</b>	<b>1.1</b>	<b>0.74</b>	<b>342.2</b>	<b>2.1</b>	<b>2.72</b>
<b>Tangible NAV (TNAV)</b>				<b>4.0</b>	<b>102.5</b>	<b>21.1</b>	<b>117.2</b>	<b>4.7</b>	<b>0.93</b>	<b>371.9</b>	<b>6.7</b>	<b>2.95</b>
<b>Defined Exploration</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Risky Exploration NAV (RENAV)</b>				<b>4.0</b>	<b>102.5</b>	<b>21.1</b>	<b>117.2</b>	<b>4.7</b>	<b>0.93</b>	<b>371.9</b>	<b>6.7</b>	<b>2.95</b>

Source Panmure Gordon estimates

## FINANCIAL STATEMENTS

### Income statement (AUD)

Year end June	2022A	2023AE	2024E	2025E	2026E
<b>Revenue</b>	0.1	1.3	3.7	60.4	107.8
Opex	(0.8)	(2.5)	(2.1)	(2.1)	(2.1)
\$/boe	15.7	17.4	14.6	8.2	6.2
DD&A	(0.0)	(0.0)	-	-	-
\$/boe	0.0	0.2	-	-	-
Cost of sales	(0.8)	(2.6)	(2.1)	(2.1)	(2.1)
<b>Gross profit</b>	(0.6)	(1.3)	1.6	58.3	105.7
Exploration write-off	(0.9)	(0.6)	-	-	-
Impairments	-	-	-	-	-
Other	2.5	(0.3)	-	-	-
G&A	(2.6)	(2.5)	(4.3)	(4.5)	(4.7)
<b>Operating profit</b>	(1.7)	(4.6)	(2.7)	53.8	101.0
Other	-	-	-	-	-
Exceptionals	-	-	-	-	-
Net interest	(0.4)	(0.8)	(3.3)	(14.1)	(42.1)
<b>Profit before tax</b>	-	-	-	-	-
Tax	(2.1)	(5.4)	(6.1)	39.7	58.9
Minority interests	-	-	-	-	-
<b>Net income</b>	-	-	-	-	-
EPS (f.dil, p)	(2.1)	(5.4)	(6.1)	39.7	58.9

Source Company data, Panmure Gordon

### Cash flow (AUD)

Year end June	2022A	2023AE	2024E	2025E	2026E
<b>Profit before tax</b>	(2.1)	(5.4)	(6.1)	39.7	58.9
Impairments	-	-	-	-	-
DD&A	0.0	0.0	-	-	-
Exploration write-off	-	0.6	-	-	-
Other non-cash	-	-	-	-	-
Working capital	(2.7)	(0.6)	-	-	-
Tax	-	-	-	-	-
<b>Cashflow from operations</b>	(4.8)	(5.4)	(6.1)	39.7	58.9
Capex	(2.8)	(0.0)	(16.5)	(53.6)	(99.0)
Acquisitions/divestments	-	-	5.8	0.8	1.7
Other	0.1	-	-	-	-
<b>Cashflow from investments</b>	(2.7)	(0.0)	(10.7)	(52.8)	(97.4)
Issue/(repurchase) of equity	7.2	0.5	8.3	16.5	41.3
Issue/(reduction) of debt	0.6	1.0	(0.4)	-	82.5
Dividends paid	-	-	-	-	-
Other	-	-	-	-	-
<b>Cashflow from financing</b>	7.8	1.5	7.8	16.5	123.8
FX	0.1	(0.1)	-	-	-
<b>Increase/(decrease) in cash</b>	0.5	(3.9)	(8.9)	3.4	85.3

Source Company data, Panmure Gordon

**Balance sheet (AUD)**

Year end June	2022A	2023AE	2024E	2025E	2026E
Intangibles	20.3	17.6	29.0	63.3	63.3
PP&E	0.0	0.0	43.8	100.7	307.1
Other	0.1	0.0	0.1	0.1	0.1
<b>Non-current assets</b>	20.4	17.6	72.8	164.1	370.5
Inventories	0.4	0.1	0.2	0.2	0.2
Receivables	0.1	0.2	0.4	0.4	0.4
	-	-	-	-	-
Cash and equivalents	4.8	0.9	(7.4)	(4.0)	81.3
Other	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	25.8	18.9	66.0	160.7	452.4
ST debt	0.5	0.8	0.5	-	-
Payables	1.7	0.5	0.8	0.8	0.8
Tax payable	-	-	-	-	-
Other	0.2	1.2	2.0	2.0	2.0
<b>Current liabilities</b>	2.4	2.5	3.3	2.8	2.8
LT debt	-	-	(0.4)	(0.4)	82.1
Deferred tax	-	-	-	-	-
Provisions	8.8	6.2	10.7	11.2	11.8
Other	-	-	-	-	-
<b>Total liabilities</b>	11.2	8.6	13.5	13.6	96.6
<b>Net assets</b>	14.6	10.3	52.5	147.1	355.8
Net debt/(cash)	(4.4)	(0.2)	7.5	3.5	0.7

*Source Company data, Panmure Gordon*

Distribution of investment ratings for equity research (as of 11 Jan 24)			Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)	
Overall Global Distribution (Banking Client*)			<b>Buy</b>	Total return of >10% in next 12 months
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Hold</b>	Total return >-10% and <+10% in next 12 months
79% (38%)	19% (4%)	2% (0%)	<b>Sell</b>	Total returns <-10% in next 12 months
* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients				

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