SERICA ENERGY PLC (AIM: SQZ)

Share price: £2.54

August 25, 2026 **Target: £3.45**

Gearing-up for a busy 2027-2028 programme

- We forecast production rising from 44.7 mboe/d in 1H26 to more than 60 mboe/d in 4Q26, driven by completion of the SNS acquisition. Crucially, this adds over 10 mboe/d of high-value UK natural gas at a time of seasonally stronger pricing.
- We expect a very active 2027–2028 drilling programme; we estimate capex of ~US$420 million in 2027 and ~US$500 mm in 2028.
- 2027 is a pivotal year. Serica plans to commence an infill campaign at Bruce, targeting 18.6 mmboe of undeveloped 2P reserves and adding >10 mboe/d across 2028–2029. Bruce also contains ~56 mmboe of 2C contingent resources (unrisked NAV: £0.56 per share).
- Also in 2027, Serica could take FID on Glendronach (West of Shetland), converting ~5 mmboe into 2P reserves and adding ~5 mboe/d in 2028, representing upside to our production forecasts. Our unrisked NAV for Glendronach is £0.11 per share.
- FID at Kyla is likewise expected in 2027, unlocking ~10 mmboe and ~7 mboe/d of incremental production in 2029.
- We have adjusted our production and cost assumptions and removed the final 2025 dividend that was paid in early 3Q26. Our new target price is £3.45 per share, in line with our updated ReNAV.

Rating & target		**Old**	**New**
Target		£3.60	£3.45
Yield			6%
Implied total return			48%
Share data	**2025**	**2026e**	**2027e**
Shares dil., mm	400	402	402
Mkt cap, US$mm	$921	$1,321	$1,321
EV, US$mm	$1,122	$1,285	$1,133
Financial Data	**2025**	**2026e**	**2027e**
Gas, mmcf/d	91.2	130.1	177.9
Liquids, bbl/d	11,852	20,587	19,433
Total boe/d (6:1)	27,577	43,011	50,109
CFO, US$mm	$224	$515	$668
Net capex, US$mm	$260	$180	$422
Net debt, US$mm*	$201	($36)	($188)
CFPS dil., US$/shr	$0.70	$1.59	$1.76
EPS dil., US$/shr	($0.13)	$0.43	$0.71
Valuation	**2025**	**2026e**	**2027e**
Share price, £/shr	£1.75	£2.49	£2.49
EV/DACF	4.5x	2.4x	1.6x
EV per boe/d (US$)	$40,680	$29,871	$22,612
Net asset value			
CNAV, £/shr			£3.21
RENAV, £/shr			£3.43
Unrisked NAV, £/shr			£4.85
P/CNAV			0.8x
P/RENAV			0.7x
P/ENAV			0.5x

All figures in US$ unless otherwise noted
** based on cash rather than working capital*

Good performance at Triton

Triton delivered very strong performance in 2Q26, with production averaging 20.3 mboe/d on the back of high facility uptime. Volumes have been stable on a single compressor, with the second unit providing operational redundancy. Importantly, Belinda has contributed very little, meaning current rates are being achieved without drawing on its estimated ~5 mbbl/d capacity. This implies that Triton's current production level can be sustained for longer, with further upside potential once Belinda is fully brought online.

Valuation

We now forecast production of ~50 mboe/d in 2027, ~54 mboe/d in 2028, and ~58 mboe/d in 2029. Our Core NAV stands at £3.21 per share, and our ReNAV at £3.43 per share. We continue to expect that Serica's cumulative free cash flow over 2027–2030 will be equal to its YE26 enterprise value.

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See final two pages for important disclosures

Figure 1. Financial & operating information

Serica Energy (SQZ LN)		Historical & Auctus Outlook						
Financial & Operating Information		**2024**	**2025**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Commodity Prices								
Brent	US$/bbl	$79.90	$69.47	$76.52	$71.23	$70.00	$70.00	$70.00
UK NBP	p/th	GBp84	GBp88	GBp116	GBp107	GBp89	GBp80	GBp80
UK NBP	US$/mcf	$10.55	$11.55	$15.36	$14.17	$11.70	$10.56	$10.56
USD / GBP	US$/£	$1.26	$1.32	$1.32	$1.32	$1.32	$1.32	$1.32
Production								
Oil and Liquids	bbl/d	15,394	11,852	20,587	19,433	19,796	23,216	23,704
Natural Gas	mmcf/d	111.4	91.2	130.1	177.9	188.4	200.1	177.1
Total (6 mcf = 1 boe)	boe/d	34,600	27,577	43,011	50,109	52,274	57,716	54,247
% Oil and Liquids	%	44%	43%	48%	39%	38%	40%	44%
Netbacks								
Revenue	US$/boe	$57.58	$59.75	$83.74	$74.58	$64.66	$60.66	$61.08
Royalties	US$/boe	$0.54	$0.80	$0.58	$0.44	$0.32	$0.29	$0.30
Production & Transport Costs	US$/boe	$24.54	$36.81	$31.68	$27.32	$26.19	$23.72	$24.98
Operating Netback	US$/boe	$34.98	$30.15	$41.59	$41.27	$38.15	$36.66	$35.80
Taxes	US$/boe	$1.10	-$6.29	$5.57	$0.00	$2.33	$6.63	$3.64
Cash Flow Netback	US$/boe	$22.30	$24.81	$34.30	$37.82	$34.51	$29.64	$29.00
Government Take	%	2%	-11%	7%	0%	4%	11%	6%
Financials								
Cash Flow from Ops. before tax and fin. Costs (CFO)	US$mm	$434	$186	$554	$721	$688	$732	$669
CFO less current tax	US$mm	$420	$185	$467	$721	$644	$593	$597
CFO less cash tax and fin. Costs	US$mm	$243	$224	$515	$668	$634	$600	$550
CFPS - diluted	US$/shr	$0.53	$0.70	$1.59	$1.76	$1.67	$1.59	$1.46
EBITDAX [a]	US$mm	$373	$277	$518	$721	$688	$732	$669
E&D Capex (incl. decom.)	US$mm	$251	$262	$210	$418	$496	$200	$131
A&D Capex, Net	US$mm	$3	($2)	($31)	$4	$0	$0	$0
Total Net Capex	US$mm	$254	$260	$180	$422	$496	$200	$131
Total Net Capex/CFO	x	1.0x	1.2x	0.3x	0.6x	0.8x	0.3x	0.2x
Leverage								
Net Debt	US$mm	$71	$201	($36)	($188)	($223)	($524)	($849)
Entry Net Debt/CFO	x	n.a.	0.3x	0.4x	n.a.	n.a.	n.a.	n.a.
Capital Structure								
Basic Shares o/s @ YE	mm	393	394	394	394	394	394	394
Diluted Shares o/s @ YE	mm	404	400	402	402	402	402	402
Market Capitalization	US$mm	$687	$921	$1,321	$1,321	$1,321	$1,321	$1,321
Enterprise Value	US$mm	$758	$1,122	$1,285	$1,133	$1,099	$797	$472
Dividends & Sustainability								
Dividends	US$mm	$113	$85	$83	$94	$104	$99	$94
Dividends	£/sh	£0.19	£0.16	£0.16	£0.18	£0.20	£0.19	£0.18
Dividend Yield	%	7.6%	6.4%	6.4%	7.3%	8.0%	7.6%	7.2%
Share Buybacks	US$mm	$19	$0	$0	$0	$0	$0	$0
Free Cash Flow	US$mm	($8)	($38)	$335	$250	$138	$400	$419
Cash returned to shareholders as % of CFO	%	54.5%	37.9%	16.1%	14.1%	16.4%	16.5%	17.0%
Cash invested/CFO	%	104%	116%	35%	63%	78%	33%	24%
Performance								
Prod. Per Shr Growth (Y/Y) - dil.	%	-27%	-21%	56%	17%	4%	10%	-6%
PPS Growth (Y/Y) DDA - dil. [b]	%	-32%	-31%	79%	34%	6%	44%	54%
CFPS Growth (Y/Y) - dil.	%	444%	32%	127%	11%	-5%	-5%	703%
CFPS Growth (Y/Y) DDA - dil. [b]	%	327%	14%	161%	28%	-3%	24%	51%
ROCE	%	13%	-8%	23%	39%	18%	50%	60%
Net Asset Value [c]								
CNAV (Atax) - diluted	£/shr	£3.21						
RENAV (Atax) - diluted	£/shr	£3.43						
Unrisked NAV (Atax) - diluted	£/shr	£4.85						
P/CNAV	x	0.8x						
P/RENAV	x	0.7x						
P/Unrisked NAV	x	0.5x						
Valuation		**2024**	**2025**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**
Share Price, YE/Current	£/shr	£1.35	£1.75	£2.49	£2.49	£2.49	£2.49	£2.49
P/CF	x	3.2x	3.3x	2.1x	1.9x	2.0x	2.1x	2.3x
EV/DACF	x	2.7x	4.5x	2.4x	1.6x	1.7x	1.3x	0.8x
Target EV/DACF	x	8.8x	7.3x	2.9x	2.4x	2.4x	2.1x	1.7x
EV per boe/d	$/boepd	$21,912	$40,680	$29,871	$22,612	$21,015	$13,811	$8,696
Proved Plus Probable		128	138	123	104	85	64	44
EV per 2P boe	US$/boe	$5.94	$8.11	$10.47	$10.85	$12.87	$12.40	$10.61

a) EBITDAX = Pre-Int. & Pre-Tax Cash Flow; b) DDA = Debt-and-Dividend-Adjusted

c) 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 24-Aug-26

Figure 2. NAV Table

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US$ mm)	EMV (US$ mm)	Risked £/Share	Unrisked £/Share	% Total
Net Cash (YE26)			36	36	0.07	0.07	2%
Dividend still due in 2026			31	31	0.06	0.06	2%
G&A			-102	-102	-0.19	-0.19	-6%
Unused tax losses (Parkmead)			54	54	0.10	0.10	3%
Bruce Hub (NNS)							
Production	43		246	246	0.46	0.46	13%
2027-2028 drilling programme	19		107	107	0.20	0.20	6%
Triton Hub 2P (CNS)							
Production	40		449	449	0.85	0.85	25%
Kyla	10		115	115	0.22	0.22	6%
Greater Laggan Area 2P (NNS)	4		**28**	**28**	**0.05**	**0.05**	**2%**
Southern North Sea Hub	14		**259**	**314**	**0.59**	**0.49**	**17%**
Other assets							
Orlando 2P (NNS)	1		-13	-13	-0.02	-0.02	-1%
Columbus 2P (CNS)	2		18	18	0.03	0.03	1%
Erskine 2P (CNS)	2		19	19	0.04	0.04	1%
Lancaster 2P (NNS)	1		-22	-22	-0.04	-0.04	-1%
Catcher and Golden Eagle Area 2P (CNS)	3		10	10	0.02	0.02	1%
Bruce Hub 2C Resources (NNS)							
Remaining BKR 2C resources	56	80%	304	243	0.46	0.57	13%
Triton Hub 2P Resources (CNS)							
Infill drilling 2C	11	75%	127	95	0.18	0.24	5%
Greater Laggan Area 2C Resources (NNS)							
Glendronach discovery	5	75%	60	45	0.09	0.11	2%
Total Core NAV			**1,763**	**1,702**	**3.21**	**3.32**	**93%**
Buchan area (OMF)							
Buchan main 2C	23	25%	104	26	0.05	0.20	1%
J2 2C	3	25%	14	3	0.01	0.03	0%
Verbier 2C	3	25%	15	4	0.01	0.03	0%
Southern North Sea Hub							
2C resources	3	35%	61	21	0.04	0.12	1%
Greater Laggan Area (NNS)							
Prospective Resources	475	0%	0	0	0.00	0.00	0%
Other assets							
Skerryvore Exploration Mey target (Shallow)	20	22%	92	20	0.04	0.17	1%
Skerryvore Exploration Tor target (Deep)	115	9%	527	45	0.08	0.99	2%
Total Risked Appraisal & Exploration			**812**	**119**	**0.22**	**1.53**	**7%**
Total NAV			**2576**	**1821**	**3.43**	**4.85**	**100%**
P/Core NAV				**78%**			
P/NAV				**73%**			
P/Unrisked NAV				**51%**			

Source: Auctus Advisors, Company Disclosures

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