

# BAHAMAS PETROLEUM COMPANY PLC (AIM: BPC)

Share price: 2.20p

**Target: 6.70p**

January 08, 2021

## Delivering on targets. Bahamas drilling results due in 1Q21

- BPC achieved production of 500 bbl/d in Trinidad during the month of December in line with company guidance. This is the result of work-over activities and the perforation of new oil zones in existing wells.
- The company is reiterating its production target of 2.5 mbbbl/d by YE21.
- At Saffron#2 in Trinidad, construction work is expected to start in January ahead of drilling.
- Drilling in Suriname continues to be expected to begin in 1Q21.
- The entire 3D seismic reprocessing project of the South West Peninsula in Trinidad is expected to be completed by April 2021. The results of this project will allow the definition of targets for the upcoming exploration drilling programme.
- We estimate the unrisks value of the exploration/appraisal drilling programme in Trinidad and Suriname (assuming two exploration wells on the South West Peninsula) at over 3.00 p per share.

Rating & target	Old	New	
Target	7.20p	6.70p	
Yield		0%	
Implied total return		199%	
Share data	2019	2020e	2021e
Shares dil., mm	1,926	4,968	4,968
Mkt cap, US\$mm	\$56	\$145	\$146
EV, US\$mm	\$45	\$116	\$158
Financial Data	2019	2020e	2021e
Gas, mmmcf/d	0.0	0.0	0.0
Liquids, bbl/d	0	450	991
Total boe/d (6:1)	0	450	991
CFO, US\$mm	(\$3)	(\$2)	\$5
Net capex, US\$mm	\$1	\$8	(\$46)
Net debt, US\$mm	(\$11)	(\$28)	\$13
CFPS dil., US\$/shr	n.a.	n.a.	\$0.00
EPS dil., US\$/shr	(\$0.00)	(\$0.00)	(\$0.00)
Valuation	2019	2020e	2021e
Share price, p/shr	2.30p	2.24p	2.24p
EV/DACF	n.a.	n.a.	27.0x
EV per boe/d (US\$)	n.a.	n.a.	\$159,862
Net asset value			
CNAV, p/shr			2.03p
RENAV, p/shr			6.70p
Unrisks NAV, p/shr			19.99p
P/CNAV			1.1x
P/RENAV			0.3x
P/ENAV			0.1x

*All figures in US\$ unless otherwise noted*

## Bahamas drilling result expected in 1Q21

The court in Trinidad has not made any rulings that would affect BPC's current operations and the drilling of Perseverance #1 will continue. A hearing in relation to a substantive judicial review will be held either in mid-February 2021, or during March 2021, with a ruling thereafter. Results of the well are expected in 1Q21. Our unrisks NAV for Perseverance is >15p per share.

The Company has drawn-down the first £3 m of its fixed-conversion price senior secured convertible loan notes financing facility, under which up to £15 mm is available for draw-down. Drawdown of the first £3 mm was subject to spud of Perseverance #1 by 28 December 2020, with the drawdown of the balance in accordance with a timing schedule matched to the Perseverance #1 drilling program. BPC also has a put option to raise £3.75 mm of new equity at a fixed price from 6 January.

## Valuation update

Our Core NAV and ReNAV remain respectively 2.0-2.3p and 6.7-7.1p based on a NPV12.5-10%.

Our target price of 6.70p per share has been set in line with our new ReNAV.

## Contact details

### Analyst:

**Stephane Foucaud**

sf@auctusadvisors.co.uk

+44 7854 891249

### Corporate Broking:

Harry Baker

hb@auctusadvisors.co.uk

+44 7876 398002

Rupert Holdsworth Hunt

rhh@auctusadvisors.co.uk

+44 7803 752399

### Corporate Finance:

Jonathan Wright

jww@auctusadvisors.co.uk

+44 7711 627449

**Figure 1. Financial & operating information**
**Bahamas Petroleum Company plc (BPC LN)**

<b>Financial &amp; Operating Information</b>		<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
<b>Commodity Prices</b>							
Brent	US\$/bbl	\$71.65	\$41.23	\$47.52	\$57.52	\$60.00	\$60.00
UK NBP	US\$/mcf	\$4.56	\$5.41	\$5.92	\$6.04	\$6.08	\$6.09
USD/CAD	US\$/C\$	\$0.77	\$0.78	\$0.78	\$0.78	\$0.78	\$0.75
USD / GBP	US\$/£	\$1.28	\$1.30	\$1.31	\$1.32	\$1.32	\$1.33
<b>Production</b>							
Oil and Liquids	bbl/d	0	450	991	2,416	2,914	3,852
Natural Gas	mmcf/d	0.0	0.0	0.0	0.0	0.0	0.0
Total (6 mcf = 1 boe)	boe/d	0	450	991	2,416	2,914	3,852
% Oil and Liquids	%	0%	100%	100%	100%	100%	100%
<b>Netbacks</b>							
Realized Price	US\$/boe	\$0.00	\$32.99	\$42.66	\$52.47	\$54.90	\$55.14
Royalties	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production & Transport Costs	US\$/boe	\$0.00	\$22.48	\$18.32	\$18.57	\$19.25	\$19.22
Operating Netback	US\$/boe	\$0.00	\$10.51	\$24.35	\$33.89	\$35.65	\$35.92
Taxes	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Flow Netback	US\$/boe	n.a.	(\$13.84)	\$13.29	\$29.36	\$31.89	\$33.07
Government Take	%	n.a.	0%	0%	0%	0%	0%
<b>Financials</b>							
Cash Flow (CFO)	US\$m	(\$3)	(\$2)	\$5	\$26	\$34	\$47
CFPS - diluted	US\$/shr	n.a.	n.a.	\$0.00	\$0.01	\$0.01	\$0.01
EBITDAX	US\$m	(\$4)	(\$2)	\$5	\$26	\$34	\$47
E&D Capex	US\$m	\$1	\$8	\$46	\$9	\$9	\$6
A&D Capex, Net	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$m	\$1	\$8	(\$46)	(\$9)	(\$9)	(\$6)
Total Net Capex/CFO	x	-0.3x	-3.5x	-9.5x	-0.3x	-0.3x	-0.1x
<b>Leverage</b>							
Net Debt	US\$m	(\$11)	(\$28)	\$13	(\$3)	(\$28)	(\$68)
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.	0.5x	n.a.	n.a.
<b>Capital Structure</b>							
Basic Shares o/s @ YE	mm	1725	4503	4503	4503	4503	4503
Diluted Shares o/s @ YE	mm	1926	4968	4968	4968	4968	4968
Market Capitalization	US\$m	\$56	\$145	\$146	\$147	\$147	\$148
Enterprise Value	US\$m	\$45	\$116	\$158	\$143	\$120	\$79
<b>Dividends &amp; Sustainability</b>							
Dividends	US\$m	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash Flow	US\$m	(\$4)	(\$10)	(\$41)	\$17	\$25	\$41
Cash Use/CFO	%	-32%	-352%	-946%	-35%	-26%	-12%
<b>Performance</b>							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	52%	144%	25%	38%
PPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CFPS Growth (Y/Y) - dil.	%	n.a.	n.a.	n.a.	438%	36%	43%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	438%	42%	49%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net Asset Value</b>							
CNAV (Atax) - diluted	p/shr	2.03p					
RENAV (Atax) - diluted	p/shr	6.70p					
Unrisked NAV (Atax) - diluted	p/shr	19.99p					
P/CNAV	x	1.1x					
P/RENAV	x	0.3x					
P/Unrisked NAV	x	0.1x					
<b>Valuation</b>		<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Share Price, YE/Current	p/shr	2.24p	2.24p	2.24p	2.24p	2.24p	2.24p
P/CF	x	n.a.	n.a.	29.7x	5.5x	4.1x	2.9x
EV/DACF	x	n.a.	n.a.	27.0x	4.9x	3.1x	1.4x
Target EV/DACF	x	n.a.	n.a.	76.5x	14.9x	10.8x	7.1x
EV per boe/d	\$/boepd	n.a.	\$258,171	\$159,862	\$59,258	\$41,008	\$20,635
EV per 2P boe	US\$/boe	\$4.53	\$10.56	\$14.90	\$14.67	\$13.75	\$0.00
EV per 2P boe, with FDC	US\$/boe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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 7-Jan-21

**Figure 2. NAV Table**

Asset Valuation	2P/2C/P50 (mmboe)	CoS (%)	Unrisked (US\$ mm)	EMV (US\$ mm)	Risked p/Share	Unrisked p/Share	% Total
Net Cash (YE20)			28	28	0.45	0.45	7%
G&A			-27	-27	-0.42	-0.42	-6%
Trinidad Production - Goudron	2	100%	12	12	0.19	0.19	3%
Trinidad Production - Inniss Trinity	5	100%	29	29	0.46	0.46	7%
Trinidad Production - South Erin	1	100%	6	6	0.10	0.10	2%
Trinidad Production - Icacos, Cedros & Bonasse	1	100%	4	4	0.06	0.06	1%
Trinidad Saffron Appraisal	11	80%	64	51	0.81	1.02	12%
Suriname Weg Naar Zee Appraisal	3	75%	32	24	0.38	0.51	6%
<b>Total Core NAV</b>			<b>149</b>	<b>128</b>	<b>2.03</b>	<b>2.36</b>	<b>30%</b>
Trinidad Goudron upside	8	50%	47	23	0.37	0.74	6%
Trinidad 2xSWP Exploration prospect	20	30%	100	30	0.47	1.58	7%
The Bahamas Perseverance	770	25%	968	242	3.83	15.30	57%
<b>Total Risked Exploration</b>			<b>1114</b>	<b>295</b>	<b>4.67</b>	<b>17.62</b>	<b>70%</b>
<b>Total NAV</b>			<b>1264</b>	<b>424</b>	<b>6.70</b>	<b>19.99</b>	<b>100%</b>
<b>P/Core NAV</b>				<b>110%</b>			
<b>P/NAV</b>				<b>33%</b>			
<b>P/Unrisked NAV</b>				<b>11%</b>			

Source: Auctus Advisors, Company Disclosures

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### Author

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

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