

BAHAMAS PETROLEUM COMPANY PLC (AIM: BPC)

Share price: 0.48p

Target: 1.90p

March 25, 2021

Perseverance well and balance sheet update

- The overall final cost of the Perseverance #1 well in the Bahamas is expected to be ~US\$45 mm, US\$10 mm above initial budget. The higher cost reflects heightened Covid-19 procedures (~+US\$3 mm) and side-tracking operations related to mechanical debris in the well (~+US\$7 mm).
- As at the 1 March 2021, BPC held US\$13 mm in cash (down from US\$15 mm mid February) with the majority of the well cost having been paid. We continue to estimate that cash will drop to US\$6-7 mm when all the pending bills are paid. This is enough to fund the appraisal programme in Suriname and Trinidad, including the redrill of the 11 mmbbl Saffron appraisal well. Recall that this a very material well with an unrisks value of ~1p per share (=>200% of the current share price). Our unrisks NAV for Suriname is ~0.5p per share (=>100% of the current share price).

Cash and spending

The total spend over 2021 and 2022 is estimated at US\$25-40 mm. The programme remains mostly at the discretion of BPC and the exact level of spending will depend on the outcome of the Saffron #2 well and the results of the first well in Suriname. A success at Saffron #2 or in Suriname would probably open-up further debt funding and simplify ongoing discussions around a pre-pay facility. We note that Touchstone Exploration was able to secure a US\$20 mm debt funding from Republic Bank in May 2020 to fund the development of its assets in Trinidad. That facility commands a fixed interest rate of 7.85% per year.

We also note that BPC could have access to an additional US\$14 mm available under the Company's conditional convertible note facility.

Valuation unchanged

With our expected estimates of the expected residual cash post payment of the Bahamas bills unchanged, our Core NAV and ReNAV continue to be respectively ~1.5p and 1.9p per share representing 200% and almost 300% upside. On 2.4 mmbbl/d in 2022 (assuming drilling success at Saffron and in Suriname), the shares would trade at EV/DACF multiples of only 2.2x.

Rating & target	Old	New	
Target	1.90p	n.c.	
Yield		0%	
Implied total return		304%	
Share data	2019	2020e	2021e
Shares dil., mm	1,926	4,968	5,304
Mkt cap, US\$mm	\$56	\$30	\$33
EV, US\$mm	\$45	\$2	\$47
Financial Data	2019	2020e	2021e
Gas, mmcf/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)	\$3
Net capex, US\$mm	\$1	\$8	(\$49)
Net debt, US\$mm	(\$11)	(\$28)	\$14
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	0.47p	0.47p
EV/DACF	n.a.	n.a.	9.6x
EV per boe/d (US\$)	n.a.	n.a.	\$47,089
Net asset value			
CNAV, p/shr			1.53p
RENAV, p/shr			1.90p
Unrisks NAV, p/shr			2.59p
P/CNAV			0.3x
P/RENAV			0.2x
P/ENAV			0.2x

All figures in US\$ unless otherwise noted

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Figure 1. Financial & operating information

Bahamas Petroleum Company plc (BPC LN)

Financial & Operating Information		2019	2020e	2021e	2022e	2023e	2024e
Commodity Prices							
Brent	US\$/bbl	\$71.65	\$41.23	\$57.48	\$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
Production							
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%
Netbacks							
Realized Price	US\$/boe	\$0.00	\$32.99	\$48.83	\$52.47	\$54.90	\$55.14
Royalties	US\$/boe	\$0.00	\$0.00	\$11.46	\$11.00	\$11.00	\$10.90
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	\$19.05	\$22.89	\$24.65	\$25.02
Taxes	US\$/boe	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Flow Netback	US\$/boe	n.a.	(\$13.84)	\$8.00	\$18.35	\$20.89	\$22.17
Government Take	%	n.a.	0%	0%	0%	0%	0%
Financials							
Cash Flow (CFO)	US\$mm	(\$3)	(\$2)	\$3	\$16	\$22	\$31
CFPS - diluted	US\$/shr	n.a.	n.a.	\$0.00	\$0.00	\$0.00	\$0.01
EBITDAX	US\$mm	(\$4)	(\$2)	\$3	\$16	\$22	\$31
E&D Capex	US\$mm	\$1	\$8	\$49	\$9	\$9	\$6
A&D Capex, Net	US\$mm	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Capex	US\$mm	\$1	\$8	(\$49)	(\$9)	(\$9)	(\$6)
Total Net Capex/CFO	x	-0.3x	-3.5x	-16.8x	-0.6x	-0.4x	-0.2x
Leverage							
Net Debt	US\$mm	(\$11)	(\$28)	\$14	\$9	(\$2)	(\$25)
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.	0.9x	0.4x	n.a.
Capital Structure							
Basic Shares o/s @ YE	mm	1725	4503	4839	4839	4839	4839
Diluted Shares o/s @ YE	mm	1926	4968	5304	5304	5304	5304
Market Capitalization	US\$mm	\$56	\$30	\$33	\$33	\$33	\$33
Enterprise Value	US\$mm	\$45	\$2	\$47	\$42	\$31	\$8
Dividends & Sustainability							
Dividends	US\$mm	\$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\$mm	(\$4)	(\$10)	(\$46)	\$7	\$13	\$26
Cash Use/CFO	%	-32%	-352%	-1677%	-56%	-39%	-18%
Performance							
Prod. Per Shr Growth (Y/Y) - dil.	%	n.a.	n.a.	47%	136%	21%	32%
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.	441%	37%	40%
CFPS Growth (Y/Y) DDA - dil.	%	n.a.	n.a.	n.a.	421%	38%	41%
ROCE	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Asset Value							
CNAV (Atax) - diluted	p/shr	1.53p					
RENAV (Atax) - diluted	p/shr	1.90p					
Unrisked NAV (Atax) - diluted	p/shr	2.59p					
P/CNAV	x	0.3x					
P/RENAV	x	0.2x					
P/Unrisked NAV	x	0.2x					
Valuation							
Share Price, YE/Current	p/shr	0.47p	0.47p	0.47p	0.47p	0.47p	0.47p
P/CF	x	n.a.	n.a.	10.7x	2.0x	1.5x	1.0x
EV/DACF	x	n.a.	n.a.	9.6x	2.2x	1.2x	0.2x
Target EV/DACF	x	n.a.	n.a.	30.4x	7.6x	5.3x	3.2x
EV per boe/d	\$/boepd	n.a.	\$4,188	\$47,089	\$17,417	\$10,697	\$2,064
EV per 2P boe	US\$/boe	\$4.53	\$0.17	\$4.39	\$4.31	\$3.59	\$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 24-Mar-21

Figure 2. NAV Table

Asset Valuation	2P/2C/P50		Unrisked	EMV	Risked	Unrisked	% Total
	(mboe)	CoS (%)	(US\$ mm)	(US\$ mm)	p/Share	p/Share	
Net Cash at 30/06/2021			-4	-4	-0.06	-0.06	-3%
G&A			-27	-27	-0.39	-0.39	-21%
Trinidad Production - Goudron	2	100%	12	12	0.18	0.18	10%
Trinidad Production - Inniss Trinity	5	100%	31	31	0.46	0.46	24%
Trinidad Production - South Erin	1	100%	7	7	0.10	0.10	5%
Trinidad Production - Icacos, Cedros & Bonasse	1	100%	4	4	0.06	0.06	3%
Trinidad Saffron Appraisal	11	80%	68	55	0.81	1.01	43%
Suriname Weg Naar Zee Appraisal	3	75%	33	25	0.37	0.49	19%
Total Core NAV			125	103	1.53	1.85	81%
Trinidad Goudron upside	8	50%	50	25	0.37	0.74	19%
Trinidad 2xSWP Exploration prospect	20	30%	0	0	0.00	0.00	0%
Total Risked Exploration			50	25	0.37	0.74	19%
Total NAV			175	128	1.90	2.59	100%
P/Core NAV				31%			
P/NAV				25%			
P/Unrisked NAV				18%			

Source: Auctus Advisors, Company Disclosures

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