

NG Energy International Corp. (GASX-V)

Significant Increase to Natural Gas Price on the Horizon

Following a recent string of positive news releases, GASX provided an update on its production and an expected contract for natural gas sales at its Maria Conchita Block in northern Colombia.

The biggest revelation was the expectation that the company will sign a new natural gas sales contract for the Maria Conchita Block in December 2023 that is to cover the ensuing 3-5 years. GASX expects pricing to be in the range of US\$7.50-US\$8.00 per mmbtu, which would be one of the highest contracted prices we have seen anywhere and compares to the current NYMEX price of approximately US\$3.00/mmbtu. Details of this pending deal are being fleshed out but would replace the LOI that GASX signed earlier this year for US\$5.08/mmbtu.

On the production side, the Aruchara-1 well at Maria Conchita has maintained its recent production levels at approximately 6-7 mmcf/d (gross). The Aruchara-3 well is currently being completed and tied-in and should be on-stream next month. At that time, production at Maria Conchita should increase to 15 mmcf/d and eventually to 20 mmcf/d (facility capacity). Those are gross figures; GASX has an 80% WI at Maria Conchita.

We have revised our forecasts to reflect updated volume projections from Maria Conchita along with the much higher pricing expected under the new contracts. The big impact is to our 2024 numbers with the result being a 28% increase to our 2024 FFO forecast to US\$40.3 million (US\$0.32/share FD). Note that we are modeling the lower end of the aforementioned range of pricing at Maria Conchita and have not included the price increase for the SINU-9 Block. As such, there may be significant upside to our forecasts if the realized price at Maria Conchita reaches US\$8.00/mmbtu and/or if GASX is able to sign contracts for the sale of SINU-9 gas in the similar range.

Conclusion & Recommendation: GASX appears to have several inflection points on the horizon as it ramps up production at Maria Conchita, adds initial production from SINU-9 and begins to receive much higher natural gas prices for its production. With first positive FFO expected this quarter, GASX's EV/DACF multiple falls from 24.0x in Q4/23 to 5.2x in Q1/24, to 2.2x for Q2+Q3/23, to only 1.8x based on our revised Q4/24 forecasts. We maintain our price target of \$1.80, which is derived from a combination of our Risked Exploration NAV and a 3.5x EV/DACF multiple of our 2024 forecasts. We maintain our Buy rating.

New Gas Sales Contract

Buy (unch) **\$1.80 (unch)**

Recent/Closing Price	\$0.90
12-month Target Price	\$1.80
Potential Return	100%
52 Week Price Range	\$0.54 - \$1.33

Estimates

YE: Dec 31	FY22A	FY23E	FY24E
Oil & Liquids (bbl/d)	0	4	10
Nat. Gas (mmcf/d)	<u>0.8</u>	<u>6.4</u>	<u>35.0</u>
Total (boe/d)	135	1,079	5,840
Revenue (US\$M)	\$1.8	\$12.8	\$81.1
EBITDA (US\$M)	(\$3.0)	\$2.3	\$44.8

Valuation

YE: Dec 31	FY23E	FY24E
EV/EBITDA	48.5x	2.1x
EV/BOEPD	\$137,591	\$21,697
P/E	neg	6.0x

Stock Data

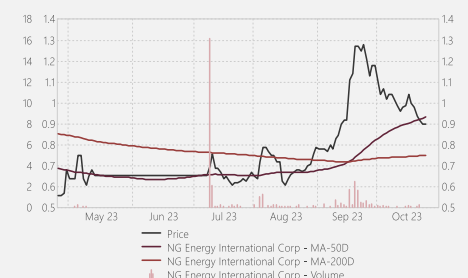
Shares Outstanding	
Basic	127.3
Fully Diluted (pro forma)	332.2
Market Cap (C\$M)	
Basic	\$114.6
Fully Diluted	\$298.9
Q2/23 Net Debt (C\$M)	\$16.0
Enterprise Value (C\$M)	\$130.6

About the Company

NG Energy is engaged in natural gas acquisition, exploration and production in Colombia. Head office is in Bogota, Colombia.

All prices in C\$ unless otherwise stated

Stock Performance



Operating & Financial Summary

NG ENERGY INTERNATIONAL CORP.
Recommendation: BUY
Target price: \$1.80

SHARE INFORMATION					VALUATION				
					2022A	2023E	2024E		
Price				\$0.90	EV/EBITDA			48.5x	2.1x
Shares O/S – basic (mm)				127.3	EV/DACF			-95.3x	2.2x
Shares O/S – float (mm)				75.0	P/CF (diluted)			-19.1x	2.9x
Shares O/S – f.d. (mm)				332.2	P/E			neg	7.9x
Market cap (C\$mm)				\$115	EV/production (\$/boe/d)			\$137,591	\$21,697
Enterprise value (C\$mm)				\$131	Price/ PDP NAV			146%	
52-week range				\$1.33 - \$0.54	Price/ 1P NAV			135%	
Total projected return				100%	Price/ 2P NAV			125%	
COMMODITY PRICES					NETBACKS (US\$/boe)				
	2021A	2022A	2023E	2024E		2021A	2022A	2023E	2024E
Brent (US\$/bbl)	\$70.84	\$98.94	\$83.62	\$93.50	Revenue (incl. hedging)	-	\$35.89	\$32.38	\$38.06
Colombia gas (US\$/mcf)	\$5.00	\$5.49	\$5.37	\$6.33	Royalties	-	(\$6.41)	(\$5.51)	(\$6.85)
Fx (C\$/US\$)	\$0.80	\$0.77	\$0.75	\$0.76	Operating & Trans	=	(\$10.39)	(\$7.39)	(\$7.51)
					Operating Netback	-	\$19.09	\$19.48	\$23.69
PRODUCTION					G&A				
	2021A	2022A	2023E	2024E		2021A	2022A	2023E	2024E
Oil & Liquids (bbl/d)	0	0	4	10	Interest	-	(\$37.69)	(\$16.18)	(\$1.66)
Natural Gas (mmcf/d)	0.0	0.8	6.4	35.0	Other	=	\$0.00	\$0.00	\$0.00
boe/d (6:1)	0	135	1,079	5,840	Cash Flow Netback	-	(\$98.57)	(\$10.30)	\$19.38
% Liquids	n.a.	0%	0%	100%	DD&A	-	(\$20.74)	(\$17.97)	(\$10.00)
					Stock based compensation	-	(\$37.81)	(\$0.25)	(\$0.09)
Production Growth	n.a.	n.a.	700%	441%	Other non-cash	-	(\$48.13)	(\$0.34)	(\$0.28)
Prod Growth Per Share	n.a.	n.a.	686%	434%	Deferred tax	=	\$12.18	\$1.53	\$1.71
					Earnings Netback	-	(\$202.54)	(\$32.15)	\$6.83
FINANCIAL (US\$mm)					RESERVES (mmboe)				
	2021A	2022A	2023E	2024E		2020A	2021A	2022A	
Revenue	0.0	1.8	12.8	81.1	PDP	-	-	-	1.0
Royalties	0.0	(0.3)	(2.2)	(14.6)	Proved (1P)		2.0	2.1	3.6
Operating & Trans	0.0	(0.5)	(2.9)	(16.0)	Proved + Probable (2P)		4.3	4.6	6.6
G&A	(3.8)	(3.9)	(5.4)	(5.7)					
EBITDA	(3.8)	(3.0)	2.3	44.8	PDP NAV BT (US\$/basic share)		\$0.55	\$0.29	\$0.62
Interest	(0.6)	(1.9)	(6.4)	(3.5)	1P NAV BT (US\$/basic share)		\$0.74	\$0.41	\$0.67
DD&A	(0.0)	(1.0)	(7.1)	(21.3)	2P NAV BT (US\$/basic share)		\$1.04	\$0.61	\$0.72
Taxes	0.0	0.6	0.6	(3.6)					
Other	(2.3)	(4.2)	(0.2)	(0.8)	CAPITAL EFFICIENCIES				
Net Income	(\$6.7)	(\$10.0)	(\$12.7)	\$14.6		2020A	2021A	2022A	3-yr WAvg
					PDP FD&A (US\$/boe)	n.a.	n.a.	\$30.66	\$40.68
FFO (mm)	(\$4.4)	(\$5.3)	(\$6.0)	\$40.3	PDP Op. Recycle Ratio	n.a.	n.a.	0.6x	0.6x
FFOPS (basic)	(\$0.04)	(\$0.04)	(\$0.05)	\$0.32	PDP CF Recycle Ratio	n.a.	n.a.	n.a.	n.a.
FFOPS (diluted)	(\$0.04)	(\$0.04)	(\$0.05)	\$0.32					
					2P FD&A (US\$/boe)	\$1.92	\$17.93	\$15.42	\$8.74
EPS Fully Diluted	(\$0.06)	(\$0.08)	(\$0.10)	\$0.11	2P Op. Recycle Ratio	n.a.	n.a.	1.2x	2.9x
					2P CF Recycle Ratio	n.a.	n.a.	n.a.	n.a.
Net Debt	(\$3.3)	\$1.8	\$25.8	\$8.9	2023 QUARTERLY FORECASTS				
D/CF - trailing	0.7x	NA	NA	0.2x		Q1A	Q2A	Q3E	Q4E
D/CF - forward	0.6x	0.0x	0.4x		Liquids (bbl/d)	0	5	5	7
Debt capacity (mm)					Natural Gas (mmcf/d)	4.5	5.7	5.8	9.8
					Total (boe/d)	752	950	965	1,640
CAPITAL PROGRAM									
	2021A	2022A	2023E	2024E	EBITDA (US\$MM)	-\$0.3	\$0.5	\$0.4	\$1.7
Total Capex (US\$mm)	\$5	\$31	\$18	\$24	FD FFO	-\$0.02	-\$0.01	-\$0.01	\$0.00
% of cash flow	-124%	-576%	-296%	60%	FD EPS	-\$0.03	-\$0.02	-\$0.02	-\$0.02

Source: Company reports, Beacon Securities Limited

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As of September 30, 2023	#Stocks	Distribution
BUY	73	77.7%
Speculative Buy	16	17.0%
Hold	1	1.1%
Sell	0	0.0%
Under Review	4	4.3%
Tender	0	0.0%
Total	94	100%

BUY Total 12-month return expected to be > 15%
 Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
 Hold Total 12-month return is expected to be between 0% and 15%
 Sell Total 12-month return is expected to be negative
 Under Review
 Tender Clients are advised to tender their shares to a takeover bid or similar offer

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