



ERIK PENSER BANK

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Maha Energy

Several upcoming catalysts

Waiting for the close of DBO

On February 28 the sale of the Brazilian entities for consideration of c. USD 159mn to be paid in two instalments (c. USD 96m at closing and c. USD 55mn in six months) closed. In February 2023 a business combination with DBO 2.0 (DBO) was signed and in March an EGM approved the acquisition. Now that Q1 is behind them we would expect closure – the company is not allowed to issue new shares in the month before the earnings are to be released.

Initial results from Oman are positive, expect further results in the coming 30-60 days

In conjunction with Q1 earnings the company released test results from Mafrak, which we found encouraging. Four wells have been tested and they produced a total of c. 1,350 boepd, which we find encouraging. We would expect results from the remaining four wells in the coming 1-2 months and based on the results seen so far we would expect the company to move on to the next phase in the project.

Deconsolidation of the Brazilian assets but significant upside in fair value

Maha has USD 110mn in cash with another USD 55mn on its way. Meanwhile market cap is close to USD 120mn – the market is obviously not assigning much value to other assets. Production in the DBO assets were at the same level as the divested Brazilian assets. We see several catalysts for the market's view to change: 1) the closure of DBO, 2) further test results from Mafrak in Oman and 3) we see the possibility for acquisitions in the near term. We deconsolidate the Brazilian assets which make us cut EBITDA by 73-92% but want to point out that DBO is not consolidated into the numbers – Q1 is a transition quarter. Due to a change in reserves and resources we change the upper limit of our fair value range, which is now at SEK 13-20 (SEK 13-16).

Change in estimates				Forecast (US\$ m)				Value and risk	
	23e	24e	25e		2022	2023e	2024e	2025e	
Total revenue	-87,2%	-65,6%	-69,9%	Total revenue	12	16	60	46	Share price
EBITDA, adj.	-91,7%	-72,9%	-76,2%	Revenue growth	-82%	29%	>100%	-23%	SEK 8,9
EPS, adj.	-115,8%	-61,4%	-72,8%	EBITDA, adj.	0	6	26	20	Risk level
				EBIT, adj.	-3	3	19	15	High
				EPS, adj.	-0,1	0,0	0,1	0,1	
				EPS growth, adj.	N.m.	N.m.	N.m.	-32%	
				BV/share	1,2	1,0	1,0	1,1	
				Dividend per share	0,0	0,0	0,0	0,0	
				EBIT margin	Neg.	16,2%	32,2%	32,2%	
				ROE, adj.	Neg.	Neg.	8,9%	5,6%	
				ROCE, adj.	Neg.	1,5%	11,4%	7,4%	
				EV/Sales	11,7x	7,5x	2,0x	2,6x	
				EV/EBITDA	-	20,4x	4,5x	5,9x	
				EV/EBIT	-	46,4x	6,2x	8,1x	
				P/E, adj.	-	-	9,4x	13,9x	
				P/BV	0,7x	0,9x	0,8x	0,8x	
				Net debt / EBITDA	-63,6x	-16,2x	-3,1x	-2,6x	

Upcoming events

Q2 - report	14 August 2023
Q3 - report	14 November 2023

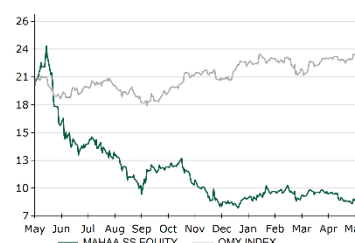
Company facts (US\$ m)

Number of shares	144m
Market capitalization	120
Net debt	-21
EV	120
Free float	72%
Daily trading volume, average	210k
Bloomberg Ticker	MAHAA SS EQUITY

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Price Performance 12 months



Conflicts of interest

	Yes	No
Liquidity provider		✓
Certified adviser		✓
Transactions 12m		✓

Investment case

Divestment of Maha Brazil puts cash position in line with the market cap...: Since the end of September 2022, when the Brazilian investment firm Starboard became the main owner of Maha, we have seen a transformation of the company. A key part of this has been the announced sale of Maha Brazil, which includes the Tie field and Tartaruga, for USD 138m plus potential earn-outs. Together with the cash at the end of Q3 and the proceeds from the capital raise in mid-December and minus the issued bank debt, Maha's cash position will be in line with its current market cap.

...which decreases the risk in the share: Maha has seen several problems in recent years, reducing the market's confidence, we believe. That the market cap will now largely equal the cash position decreases the risk, in our view. It is still uncertain what the proceeds from the divestment will be used for, but downside in the share should nevertheless be curbed.

The DBO transaction will bring in new assets at an attractive price: The combination of DBO and Maha, with DBO's assets being brought in at 0.2-0.4x NAV, imply a production profile that should offer lower risk than Tie and Tartaruga. The reserves and resources have been certified by renowned third parties and the assets are operated by 3R Offshore, a factor that decreases the execution risk, in our view.

After transforming the company, management intends to increase communication with the market: After announcing the DBO transaction and the sale of Maha Brazil, the new management team will, we believe, increase communication with the market, which could be a catalyst for a share.

Company profile

Maha Energy is a Swedish listed upstream Oil & Gas (O&G) producer. The company has started a transformation that includes the sale of Maha Brazil and the acquisition of DBO 2.0, bringing new assets in Brazil. After closing the ongoing transactions, it will have five assets in three countries: Peroá and Papa Terra in Brazil, LAK and Illinois in the US, and Mafrag in Oman.

- Peroá is a gas cluster located in the Espírito Santo basin, offshore Brazil in shallow waters. Approximately 72% gas has been recovered and the cluster has a 55 km hgas pipeline connection to the Cacimbas gas processing plant operated by Petrobras. The unmanned platform has opex of c. USD 5/boe.

- Papa Terra is a heavy oil field located in deep waters in the Campos Basin, approximately 100 km off the coast of Rio de Janeiro, Brazil. The asset has six years of operations and the offtaker is under negotiation. Around 2% of the oil has been recovered so far.

- Illinois Basin is a conventional light oil field that has so far produced around 4m boe, with an estimated 10m boe to be extracted in the known field in the Illinois basin.

- LAK Ranch is a heavy oil field that so far has produced around 150,000 boe. The field is currently not producing.

- Mafrag is a shallow, undeveloped heavy oil field in Block 70, which is in the oil-rich, oil-producing Ghaba basin in central Oman.

Valuation

Maha's assets are valued using external estimates for the assets that are not yet part of Maha. They are valued using NPV analysis with a WACC of 10%. Our fair value is c. USD 260-410m, corresponding to SEK 13-20 per share.

DBO brings USD 145m in NPV, which gives total asset value of SEK 13-20 per share

The business combination with DBO 2.0 (DBO) is for a consideration of 36.8m shares, which corresponds to an implicit value of slightly more than USD 30m.

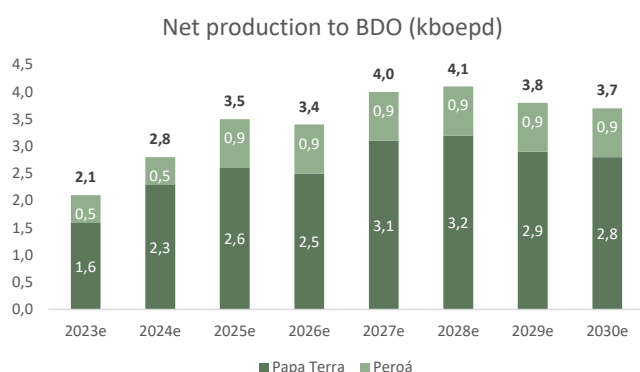
DBO owns 15% in 3R offshore, who owns and operates two offshore fields in Brazil – Papa Terra and Peroá. The remaining 85% is owned by 3R Petroleum, a Brazilian listed upstream O&G operator that Starboard founded. In other words, with the current management's backgrounds within Starboard they should know the Brazilian assets quite well.

The two fields produced c. 1.4 kboepd in Q1 2023 and almost 2.1 kboepd in April, which is the level we expect for 2023e (net DBO, Chart 1). As a comparison Maha produced 3.2 kboepd in 2022 and around 2.6 kboepd in Q4. Based on public reserve reports from De Golyer and MacNaughton and Gaffney Cline and using an oil price of USD 71/bbl for 2023e and USD 66/bbl thereafter the NPV10 of P1 reserves are USD 88m and NPV10 of P2 reserves is USD 148m (Chart 2).

Less DBO's share of 3R Offshore's contingent payment, USD 21m, the potential value of Maha Energy post all transactions is USD 409m or around SEK 20 per share (includes the shares to be issued to DBO, Chart 2-3). DBO's assets will account for more than half of the value of Maha (Chart 4).

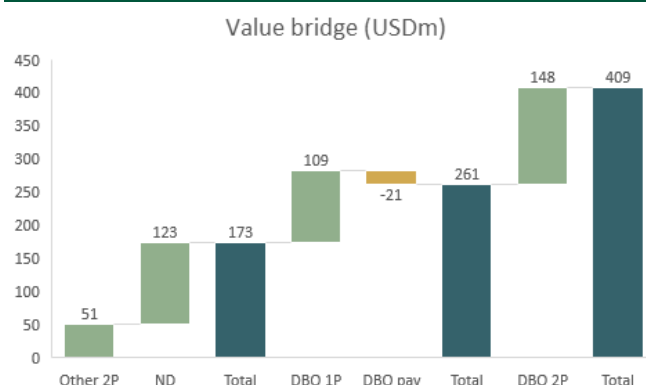
The transfer price of DBO using Maha's current share price and USD/SEK rate (SEK 8.9, USD/SEK 10.6) is P/NAV of c. 0.4x on P1 reserves and 0.2x using P2 reserves.

Chart 1: DBO's assets will give around 2,000 boepd in 2023...



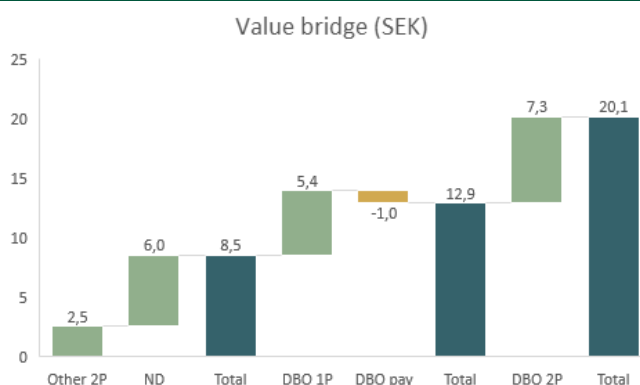
Source: Company, EPB

Chart 2: ...and will add USD 145m in NPV...



Source: Company, EPB

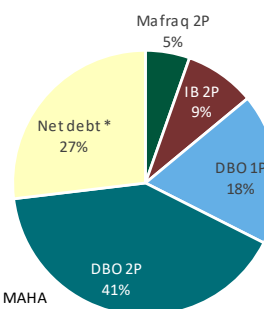
Chart 3: ...which give a total value of around SEK 20 per share



Source: Company, EPB

Chart 4: DBO's assets will account for a little more than half the value

Contribution of value after close of transactions



* After closing of sales of MAHA Brazil excl. earn-outs and net of DBO's contingent payment

Source: Company, EPB

Income statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net sales	15	38	56	39	68	12	16	60	46
Total revenue	15	38	56	39	68	12	16	60	46
Gross profit	15	38	56	39	68	12	16	60	46
Other Operating Expenses	-11	-16	-20	-21	-21	-13	-10	-33	-25
EBITDA	3	22	36	-3	48	0	6	26	20
Items affecting comparability	0	0	0	-21	0	0	0	0	0
EBITDA, adjusted	3	22	36	18	48	0	6	26	20
Depreciation	-2	-3	-7	-6	-9	-3	-3	-7	-6
EBITA, adjusted	1	20	29	12	39	-3	3	19	15
EBIT	1	20	29	-9	39	-3	3	19	15
EBIT, adjusted	1	20	29	12	39	-3	3	19	15
Net Financial Items	-4	-5	-4	-5	-10	-9	-7	-2	-3
Profit before tax	-3	15	25	-14	29	-13	-5	17	12
Profit before tax, adjusted	-3	15	25	7	29	-13	-5	17	12
Taxes	0	11	-5	3	-8	0	1	-5	-3
Net income	-3	26	20	-10	22	-13	-3	13	9
Net income, adjusted	-3	26	20	11	22	-13	-3	13	9
<i>Sales Growth</i>	-	>100%	46%	-30%	75%	-82%	29%	>100%	-23%
<i>Gross Margin</i>	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
<i>EBIT Margin, Adjusted</i>	6,9%	52,0%	52,5%	31,4%	57,4%	Neg.	16,2%	32,2%	32,2%
<i>EPS, Adjusted</i>	-0,03	0,25	0,18	0,10	0,19	-0,10	-0,02	0,09	0,06
<i>EPS Growth, Adjusted</i>	-	N.m.	-27%	-45%	89%	N.m.	N.m.	N.m.	-32%

Source: Maha Energy, EPB

Cash flow statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EBIT	1	20	29	-9	39	-3	3	19	15
Other Cash flow Items	-2	-1	0	28	-8	58	-11	2	0
Cash flow from operating activities	-1	18	29	19	31	55	-8	21	14
Investments in Fixed Assets	-2	-13	-28	-20	-44	-48	-21	-32	-45
Investments in intangible fixed assets	-1	-3	-1	0	-3	-15	0	0	0
Cash Flow From Investments	-3	-16	-28	-20	-47	-63	-21	-32	-45
Free cash flow	-4	3	0	-1	-16	-8	-29	-11	-31
Acquisitions & Divestments	-33	0	0	-15	0	0	151	0	0
New share issue / repurchase	18	0	0	0	9	19	0	0	0
Change in liabilities	33	0	0	0	19	-11	-27	12	31
Other items	-3	2	3	2	8	-1	0	-1	-1
Cash flow from financing	15	2	3	-13	36	6	124	11	31
Cash flow	11	4	3	-14	20	-2	95	0	0
Net debt	14	11	9	34	33	27	-95	-83	-52

Source: Maha Energy, EPB

Balance sheet

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ASSETS									
Tangible fixed assets	47	59	76	86	113	14	32	57	97
Other fixed assets	18	32	30	27	22	184	33	33	33
Total fixed assets	65	91	106	112	135	198	65	90	130
Accounts receivable	2	4	5	3	6	1	1	3	2
Other current assets	4	3	3	1	1	1	0	1	1
Cash and cash equivalents	19	20	22	7	26	20	115	115	115
Total current assets	25	28	30	12	33	21	116	119	117
TOTAL ASSETS	90	119	136	124	168	218	180	209	247
EQUITY AND LIABILITIES									
Equity	48	69	88	56	91	141	137	150	159
Total equity	48	69	88	56	91	141	137	150	159
Long-term interest-bearing liabilities	33	31	31	0	44	27	0	12	43
Long-term lease liabilities	0	0	0	3	2	0	0	0	0
Other long-term liabilities	2	10	10	7	3	22	22	22	22
Total long-term liabilities	35	41	41	11	50	48	22	33	65
Short-term interest-bearing liabilities	0	0	0	36	11	20	20	20	20
Accounts payable	4	4	5	11	10	4	1	3	2
Short-term lease liabilities	0	0	0	1	1	0	0	0	0
Other current liabilities	4	5	2	10	5	6	1	2	2
Total current liabilities	8	9	7	58	27	29	21	25	24
TOTAL EQUITY AND LIABILITIES	90	119	136	124	168	218	180	209	247

Source: Maha Energy, EPB

Growth and margins

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenue growth	-	>100%	46%	-30%	75%	-82%	29%	>100%	-23%
EBITDA growth, adjusted	-	>100%	60%	-50%	>100%	N.m.	N.m.	>100%	-23%
EBIT growth, adjusted	-	>100%	47%	-58%	>100%	N.m.	N.m.	>100%	-23%
EPS growth, adjusted	-	N.m.	-27%	-45%	89%	N.m.	N.m.	N.m.	-32%
Gross margin	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
EBITDA margin	22,0%	58,8%	64,5%	Neg.	69,9%	Neg.	36,8%	44,4%	44,4%
EBITDA margin, adjusted	22,0%	58,8%	64,5%	46,4%	69,9%	Neg.	36,8%	44,4%	44,4%
EBIT margin	6,9%	52,0%	52,5%	Neg.	57,4%	Neg.	16,2%	32,2%	32,2%
EBIT margin, adjusted	6,9%	52,0%	52,5%	31,4%	57,4%	Neg.	16,2%	32,2%	32,2%
Profit margin, adjusted	Neg.	67,3%	35,4%	27,5%	31,6%	Neg.	Neg.	21,4%	18,8%

Source: Maha Energy, EPB

Return

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	44%	25%	15%	29%	Neg.	Neg.	9%	6%
ROCE, adjusted	Neg.	23%	27%	11%	32%	Neg.	2%	11%	7%
ROIC, adjusted	Neg.	28%	33%	13%	37%	Neg.	2%	35%	17%

Source: Maha Energy, EPB

Capital efficiency

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Inventory / total revenue	2%	0%	1%	1%	0%	1%	-	-	-
Accounts receivable / total revenue	15%	11%	9%	8%	9%	5%	4%	5%	4%
Total short-term liabilities / total cost	68%	56%	36%	>100%	>100%	>100%	>100%	75%	93%
Working capital / total revenue	-9%	-2%	2%	-40%	-11%	-67%	-3%	-2%	-3%
Capital turnover rate	0,2x	0,4x	0,5x	0,4x	0,5x	0,1x	0,1x	0,3x	0,2x

Source: Maha Energy, EPB

Financial position

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net debt	14	11	9	34	33	27	-95	-83	-52
Equity ratio	53%	58%	65%	45%	54%	65%	76%	72%	64%
Net debt / equity	0,3x	0,2x	0,1x	0,6x	0,4x	0,2x	-0,7x	-0,6x	-0,3x
Net debt / EBITDA	4,3x	0,5x	0,2x	-11,8x	0,7x	-63,6x	-16,2x	-3,1x	-2,6x

Source: Maha Energy, EPB

Per share data

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EPS	-0,03	0,25	0,18	-0,10	0,19	-0,10	-0,02	0,09	0,06
EPS, adjusted	-0,03	0,25	0,18	0,10	0,19	-0,10	-0,02	0,09	0,06
FCF per share	-0,05	0,03	0,00	-0,01	-0,14	-0,07	-0,20	-0,08	-0,21
Dividend per share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share	0,56	0,68	0,81	0,52	0,81	1,16	0,95	1,04	1,10
Number of shares, m	86,6	102	108	106	113	121	144	144	144
Number of shares after dilution, average	86,6	102	108	106	113	121	144	144	144

Source: Maha Energy, EPB

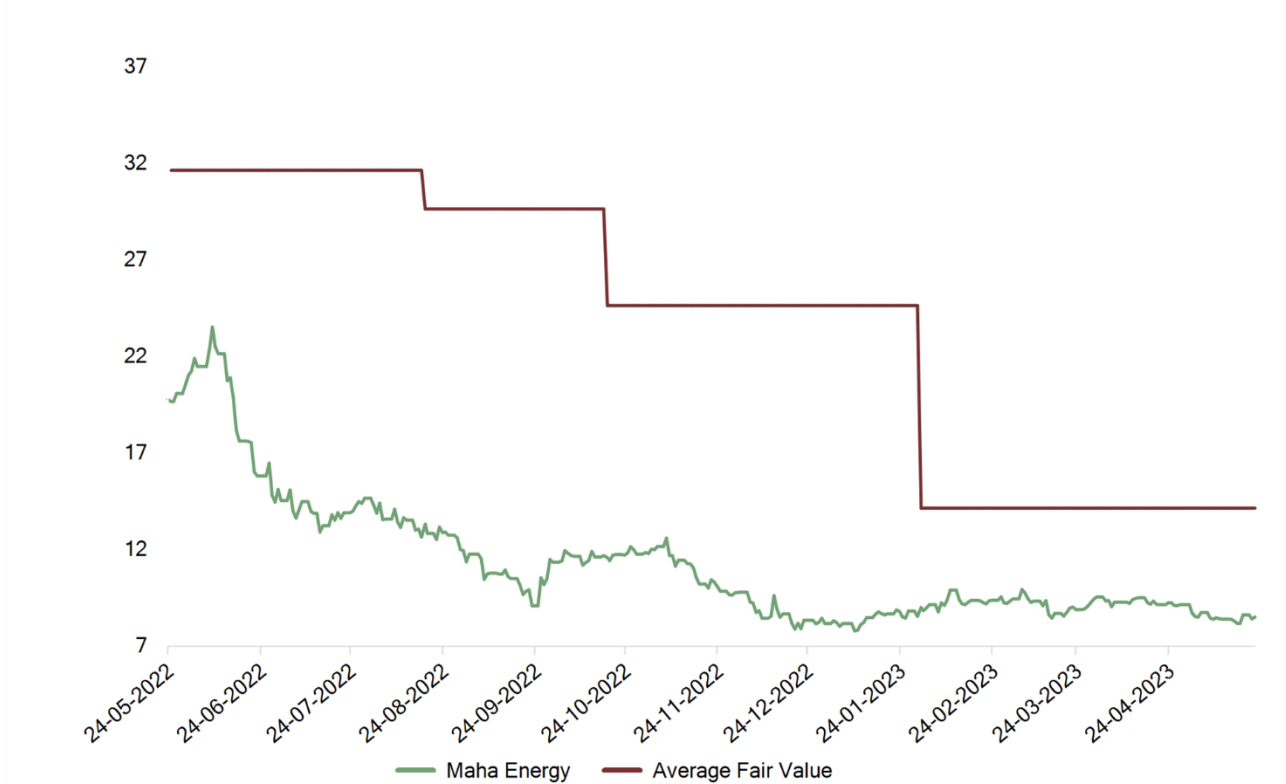
Valuation

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
P/E, adjusted	Neg.	5,8x	14,6x	18,0x	6,4x	Neg.	Neg.	9,4x	13,9x
P/BV	1,3x	2,2x	3,3x	3,5x	1,5x	0,7x	0,9x	0,8x	0,8x
P/FCF	Neg.	53,5x	583,7x	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
FCF-yield	Neg.	2%	0%	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	5,3x	4,0x	4,9x	5,6x	2,6x	11,7x	7,5x	2,0x	2,6x
EV/EBITDA, adjusted	24,1x	6,9x	7,6x	12,0x	3,8x	Neg.	20,4x	4,5x	5,9x
EV/EBIT, adjusted	76,7x	7,8x	9,3x	17,8x	4,6x	Neg.	46,4x	6,2x	8,1x
EV	77	154	272	218	180	144	120	120	120
Share price, year end	0,7	1,5	2,6	1,8	1,2	0,8	0,8	0,8	0,8

Source: Maha Energy, EPB

Share Price and Fair Value Chart

Maha Energy (MAHAA SS EQUITY)



Source: EPB, IDC

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