



ERIK PENSER BANK

Penser Access | Oil, Gas & Consumable Fuels | Sweden | 24 May 2023

Maha Energy

Completes the combination with DBO 2.0

Transaction brings in two new assets

Maha has announced that the business combination with DBO 2.0 (DBO) is completed. The company will pay 34.8mn new shares for DBO corresponding to a value of c. USD 29mn. DBO owns part of two assets in Brazil – Papa Terra and Peroá. The two assets produced 2.1 kboepd in April (Maha's share), which is largely in line with Maha Brazil at the time of the divestment. We expect to continue to see a ramp up of production in 2023 and onwards. Including a contingent payment of USD 21mn, net present value (NPV) for the two assets is estimated to USD 214mn compared to Maha's current market cap of USD 120mn.

Waiting for cash to be deployed

With USD 110mn in cash at the end of Q1 and the second instalment of the sales of Maha Brazil (USD 55mn) to be paid in August Maha has significant fire power to make further transactions. There is a shortage of equity financing for O&G assets in Latin America, which creates an opportunity for Maha to make attractive deals. Now that DBO is closed we would not be surprised to see further M&A in the coming couple of quarters.

Market continues to value the share in line with the cash position

Closure of the DBO transaction removes one of the uncertainties in the share. With the share price largely in line with the cash position at the end of Q1 the market does not seem to put much value to any of the assets. We would expect this to change as the numbers for Papa Terra and Peroá are reflected in Maha's accounts. Further test results in Mafrag in Oman should be announced in the coming 1-2 months after which a decision whether to continue towards commerciality of the asset will be made. The test results announced in conjunction with Q1-results provided optimism of a positive outcome.

Change in estimates				Forecast (US\$ m)				Value and risk	
	23e	24e	25e		2022	2023e	2024e	2025e	
Total revenue	0,0%	0,0%	0,0%	Total revenue	12	16	60	46	Share price
EBITDA, adj.	0,0%	0,0%	0,0%	Revenue growth	-82%	29%	>100%	-23%	SEK 13 - 20
EPS, adj.	0,0%	0,0%	0,0%	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

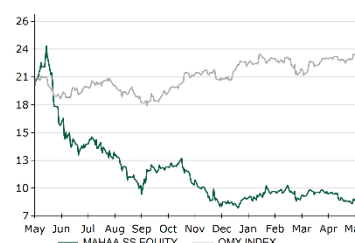
Company facts (US\$ m)

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

Analyst

Markus Almerud
markus.almerud@penser.se

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 Mafraq 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.

- Mafraq 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 12%. Our fair value is c. USD 260-320m, corresponding to SEK 13-16 per share.

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

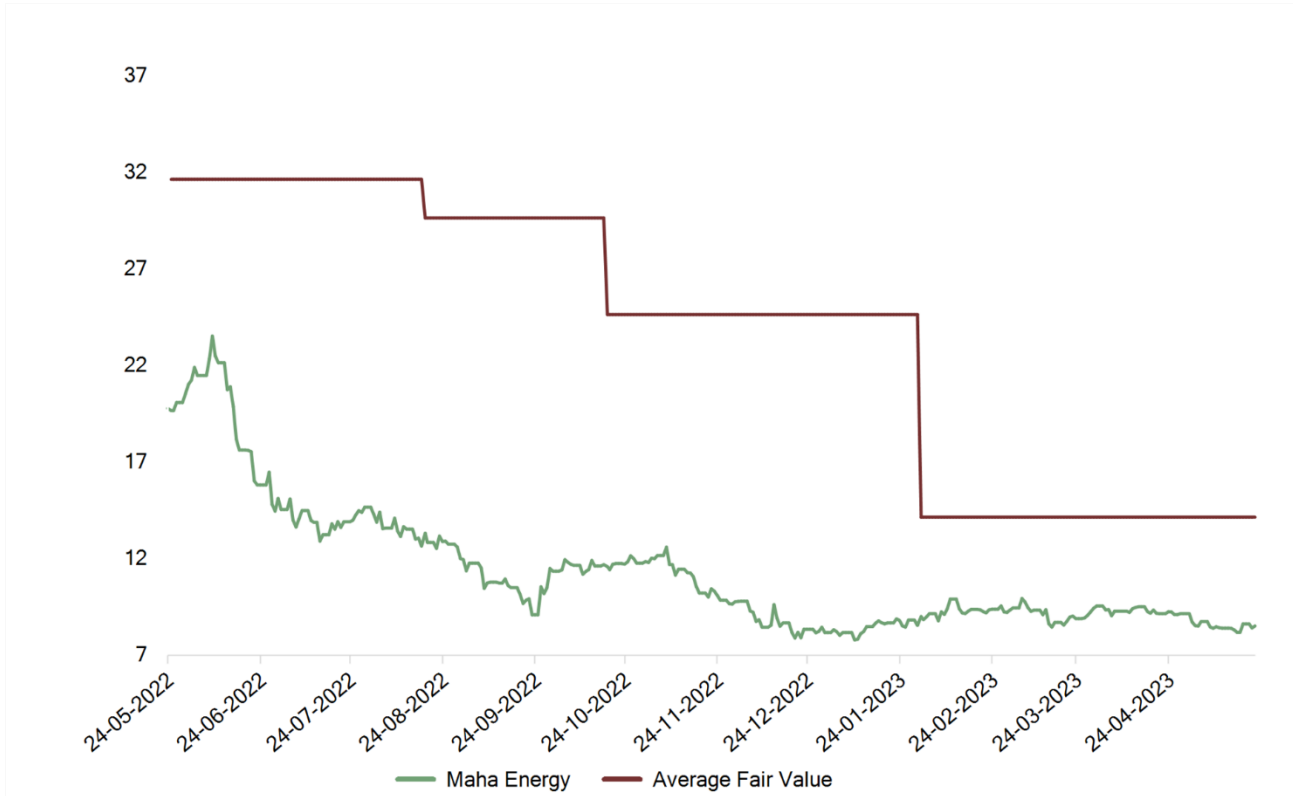
Valuation

	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

Disclosure

This publication ("the Publication") has been prepared by Erik Penser Bank AB ("the Bank") for information purposes and for general distribution, and is not intended to be advisory. The Bank is authorised to conduct banking and securities business and is regulated by Finansinspektionen (the Swedish Financial Supervisory Authority). The contents of the Publication were based on information from publicly available sources that the Bank believes to be reliable. The Bank can, however, never guarantee the accuracy or completeness of the information contained in the Publication or of any forecasts and recommendations provided.

As an aspect of preparing the Publication, the analysed company ("the Company") has verified the factual content of the Publication. The Company is, however, never able to influence the parts of the Publication that present conclusions or valuations.

Views provided in the Publication represent the analyst's own views at the time the Publication was prepared and these views may change. The Bank provides no assurance that future events will be consistent with the views expressed in the Publication. The information provided in the Publication should not be construed as advice or solicitation to execute transactions. Nor is the information directed at the individual recipient's knowledge about and experience with investments or the recipient's financial situation or investment objectives. The Publication thus does not constitute investment advice and should not be construed as such. This means that investment decisions based on the Publication are always made independently by the investor and the Bank thus disclaims any and all liability for any loss or direct or indirect injury arising from the use of this Publication. Investments in financial instruments are associated with financial risk, as they may both increase or decrease in value. Past performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects the value of the share on the date the research was published within a range of approximately 5-10%. The Bank uses several different valuation models to value financial instruments including but not limited to discounted cash flow models, multiple valuation and sum-of-the-parts estimates.

The valuation method and approach used to determine fair value are specified in the analysis and may vary from one company to the next. Material assumptions used in the valuation are based on market data available at any given time and upon a scenario for a company's future performance that we believe to be reasonable. The valuation method should be read together with the risk classification. Regarding risk classification: The share is classified according to a High/Medium/Low scale, based on several known metrics that are relevant to the Company. A general guideline for a "low risk" classification is that the Company has positive cash flow and that no individual factor affects revenues by more than 20%. A corresponding general description of "high risk" is that the Company has not achieved positive cash flow or that an individual factor affects revenues by more than 50%.

For more detailed information about valuation models, click [here](#).

General

The Publication shall not be duplicated or distributed without the Bank's consent. The Publication shall not be distributed or made available to any natural or legal person in the United States of America (except as provided in Rule 15a – 16, Securities Exchange Act of 1934), Canada or any other country in which distribution and availability of the contents of the Publication are restricted by law.

The Bank's Research Department is governed by organisational and administrative rules established to deter and prevent conflicts of interest and to assure the objectivity and independence of analysts. In order to deter conflicts of interest, the Bank has taken actions including preventing unauthorised spread of information, also known as "Chinese Walls". The Research Department is thus physically segregated from the Corporate Finance Department, which is also not allowed to participate in producing a publication or to express views regarding a publication. The Bank also has internal rules designed to manage any conflicts of interest among the analyst, the Company and the Bank.

It may, however, occur from time to time that the Bank performs services for a company that is mentioned in a Publication. The Bank may, for example, act as an adviser to or issuing institution for the Company or as a liquidity provider for a security issued by the Company. This is disclosed in the Publication if applicable. The Bank, its owners, directors, or employees may own shares in the analysed company. The Bank has, however, established internal restrictions concerning employee trading in financial instruments that are the subject of analysis and has designed internal rules for employees' personal transactions that apply to analysts. All employees of the Bank are required to report all holdings of securities and all transactions. The analyst that prepared the Publication and other contributors who have knowledge of the conclusions of the analysis are not allowed to trade on their own account in the relevant financial instrument or related financial instruments.

The Bank pays salary to the analyst which may also consist of a share in the Bank's profits but is never dependent upon the financial performance of another department.

The research presented in the Publication has been performed in accordance with the terms and conditions of the "Penser Access" service that the Bank provides to the Company. [Click here](#) for more information about the service.

Unless otherwise expressly stated in the Publication, the analysis will be updated quarterly and whenever the Bank's Research Department finds it necessary due to, for example, material changes in market conditions or events related to the analysed company or financial instrument.

The Bank is remunerated by the Company for the Penser Access service.

Erik Penser Bank (publ.)
Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM
Tel: +46 8 463 80 00 Fax: +46 8 678 80 33 www.penser.se