

Tenaz Energy Corp. (TNZ-T)

Measured Growth in 2025 From Existing Assets

Tenaz announced its 2025 guidance for its existing asset base in Canada and the Dutch North Sea (DNS) non-operated assets that is in-line with our previous expectations. The \$34 million capex program (that includes \$1.7 million for exploration of the CCS project in the DNS) is to deliver average 2025 production of approximately 3,000 boe/d. We model this to be essentially equal to the FFO generation from those assets next year.

3-well program at LWB. TNZ plans to spend approximately \$10 million at its Leduc-Woodbend (LWB) property to drill 3 wells targeting the Ellerslie formation on the southern end of its property. This program builds on the success TNZ had in 2024 from a couple of Ellerslie medium oil wells (26° API). Tenaz has a deep inventory of drilling prospects at LWB and we would expect an expansion of this drilling program if oil prices ratchet higher.

1st new well planned in DNS. The highlight of the DNS capex program for 2025 is the planned drilling of the non-operated L10 Malachite well. This is to be drilled from existing platform and will produce into existing infrastructure, so costs are minimized. TMD of 4,800 meters will target the Rotliegend sand at a depth of 3,500 meters. Potential for the L10 well is 25 mmcf/d gross (~5.4 mmcf/d net to TNZ). The company notes that it is possible this well gets pushed into 2026; in any event, production additions are to come in late-2025 or early-2026.

Senior management team enhanced. The company has added 2 VPs as it strengthens its management team for a larger entity once the NOBV acquisition is completed.

- Adam Iwanicki, VP of Marketing: 20+ years of experience, including design and execution of TTF hedging programs.
- Jamie Gagner, VP & General Counsel: 25+ years of public market securities.

Conclusion & Recommendation: As expected, Tenaz has a measured approach to its existing asset base as it works toward the closing of the game-changing NOBV acquisition, which is still expected around mid-2025. We maintain our price of \$16.25, which is based on a 3.0 EV/DACF multiple of our H2/25 forecasts. Our recommendation remains Buy.

2025 Guidance

Buy (unch) **\$16.25 (unch)**

Recent/Closing Price	\$14.10
12-month Target Price	\$16.25
Potential Return	15%
52 Week Price Range	\$3.40 - \$15.43

Estimates

YE: Dec 31	FY23A	FY24E	FY25E
Oil & Liquids (bbl/d)	981	1,069	1,366
Nat. Gas (mmcf/d)	<u>8.7</u>	<u>9.9</u>	<u>41.9</u>
Total (boe/d)	2,439	2,725	8,343
Revenue (\$M)	\$66	\$64	\$259
Funds Flow (\$M)	\$29	\$24	\$91

Valuation

YE: Dec 31	FY24E	FY25E
EV/DACF	16.6x	4.5x
EV/BOEPD	\$138,427	\$48,313
P/E	-247.8x	22.8x

Stock Data

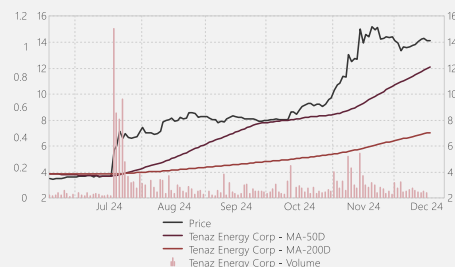
Shares Outstanding	
Basic	27.4
Fully Diluted	30.5
Market Cap (C\$M)	
Basic	\$386.7
Fully Diluted	\$430.4
Q3/24 Net Debt/(Surplus) (\$M)	(9.0)
Enterprise Value (\$M)	\$377.7

About the Company

Tenaz is focused on the acquisition and development of international oil & gas assets with a strong adherence to its ESG mandates.

All prices in C\$ unless otherwise stated

Stock Performance



Operating & Financial Summary

TENAZ ENERGY CORP. (TNZ-T)

Recommendation: BUY
Target price: \$16.25

SHARE INFORMATION

Price	\$14.10
Shares O/S – basic (MM)	27.4
Shares O/S – float (MM)	24.7
Shares O/S – f.d. (MM)	30.5
Market cap (\$MM)	\$387
Enterprise value (\$MM)	\$378
52-week range	\$15.43 - \$3.40
Total projected return	15%

VALUATION

	2023A	2024E	2025E
EV/DACF	16.6x	4.5x	
P/AFF (diluted)	17.7x	4.4x	
P/E	-247.8x	22.8x	
EV/production (\$/boe/d)	\$138,427	\$48,313	
Price/ PDP NAV	4.6x		
Price/ 1P NAV	3.5x		
Price/ 2P NAV	2.2x		

COMMODITY PRICES

	2022A	2023A	2024E	2025E
WTI (US\$/bbl)	\$94.29	\$77.54	\$75.72	\$76.28
AECO (C\$/mcf)	\$5.10	\$2.56	\$1.39	\$3.12
Fx (C\$/US\$)	\$0.77	\$0.74	\$0.73	\$0.74

PRODUCTION

	2022A	2023A	2024E	2025E
Oil & Liquids (bbl/d)	723	981	1,069	1,366
Natural Gas (mmcf/d)	3.0	8.7	9.9	41.9
boe/d (6:1)	1,218	2,439	2,725	8,343
% Liquids	59%	40%	39%	16%
Production Growth	20%	100%	12%	206%
PPS Growth	-50%	107%	13%	202%

FINANCIAL (\$mm)

	2022A	2023A	2024E	2025E
Revenue	32.3	65.2	64.3	258.8
Royalties	(5.9)	(4.9)	(5.3)	(16.6)
Midstream Income	0.0	4.4	4.7	4.8
Operating & Trans	(9.3)	(25.6)	(33.2)	(131.5)
G&A	(5.1)	(7.4)	(9.5)	(16.9)
EBITDA	11.9	31.7	21.0	98.7
Interest	(0.1)	1.0	1.6	0.2
DD&A	(6.7)	(20.0)	(21.8)	(67.0)
Taxes	(0.7)	5.5	8.0	(11.2)
Other	0.2	8.8	(9.7)	(3.2)
Net Income	\$5.2	\$26.5	(\$1.7)	\$17.5
FFO (mm)	\$8.6	\$28.9	\$23.8	\$90.6
FFOPS (basic)	\$0.30	\$1.05	\$0.88	\$3.30
FFOPS (diluted)	\$0.30	\$0.99	\$0.80	\$3.20
EPS Fully Diluted	\$0.18	\$0.91	(\$0.06)	\$0.62
Net Debt	(\$14.0)	(\$49.3)	(\$9.5)	\$16.4
D/CF - trailing	NA	NA	NA	0.2x
D/CF - forward	NA	NA	NA	
Bank Line (mm)	\$10.1	\$10.1	\$10.1	
Decommission Liability	\$30.4	\$43.0		

CAPITAL PROGRAM

	2022A	2023A	2024E	2025E
Net Capex (mm)	\$17	(\$12)	\$57	\$117
% of AFF	199%	-41%	241%	129%

Source: Company reports, Beacon Securities Limited

NETBACKS (\$/boe)

	2022A	2023A	2024E	2025E
Revenue	\$72.57	\$73.19	\$64.47	\$85.00
Royalties	(\$13.38)	(\$5.46)	(\$5.32)	(\$2.16)
Operating & Trans	(\$20.98)	(\$28.79)	(\$33.26)	(\$43.20)
Midstream Income	\$0.00	\$4.90	\$4.68	\$1.58
Operating Netback	\$38.21	\$43.86	\$30.57	\$41.23
G&A	(\$11.37)	(\$8.30)	(\$9.52)	(\$5.55)
Interest	(\$0.22)	\$1.13	\$1.65	\$0.08
Other	(\$7.24)	(\$3.85)	\$0.59	(\$2.73)
Funds Flow Netback	\$19.37	\$32.84	\$23.29	\$33.03
DD&A	(\$15.06)	(\$22.43)	(\$21.81)	(\$22.00)
Stock based comp	(\$2.85)	(\$2.09)	(\$2.29)	(\$0.39)
Other non-cash	\$9.26	\$15.48	(\$4.80)	(\$0.66)
Deferred tax	(\$0.29)	\$6.61	\$4.74	(\$0.94)
Earnings Netback	\$11.78	\$29.82	(\$1.70)	\$5.76

RESERVES (mmboe)

	2020A	2021A	2022A	2023A
PDP	1.4	1.7	3.0	3.7
Proved (1P)	5.7	6.8	8.8	9.3
Proved + Probable (2P)	10.6	11.3	13.6	14.6
PDP NAV (\$/FD Share)	\$0.75	\$0.99	\$2.21	\$3.07
1P NAV (\$/FD Share)	\$1.25	\$1.74	\$3.36	\$4.05
2P NAV (\$/FD Share)	\$2.29	\$2.92	\$5.04	\$6.37

CAPITAL EFFICIENCIES

	2021A	2022A	2023A	3-yr WAvG
PDP FD&A (\$/boe)	\$12.40	\$10.50	\$17.07	\$12.77
PDP Op. Recycle Ratio	1.6x	3.6x	2.6x	2.9x
PDP CF Recycle Ratio	0.5x	1.8x	1.9x	1.8x
2P FD&A (\$/boe)	\$20.72	\$8.47	\$15.05	\$12.93
2P Op. Recycle Ratio	1.0x	4.5x	2.9x	2.9x
2P CF Recycle Ratio	0.3x	2.3x	2.2x	1.8x

2024 QUARTERLY FORECASTS

	Q1A	Q2A	Q3A	Q4E
Liquids (bbl/d)	1,219	982	848	1,227
Natural Gas (mmcf/d)	4.3	4.5	4.2	4.0
Total (boe/d)	2,887	2,517	2,535	2,960

	2022A	2023A	2024E	2025E
EBITDA (\$MM)	\$7.1	\$2.1	\$4.5	\$7.3
FD CFPS	\$0.24	\$0.19	\$0.11	\$0.27
FD EPS	-\$0.02	\$0.04	-\$0.08	\$0.00

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As of November 30, 2024	#Stocks	Distribution
BUY	68	78.2%
Speculative Buy	15	17.2%
Hold	0	0.0%
Sell	0	0.0%
Under Review	4	4.6%
Tender	0	0.0%
Total	87	100%

BUY
Speculative Buy
Hold
Sell
Under Review
Tender

Total 12-month return expected to be > 15%
Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
Total 12-month return is expected to be between 0% and 15%
Total 12-month return is expected to be negative

Clients are advised to tender their shares to a takeover bid or similar offer

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