Tenaz Energy Corp.

TEN Bands

TNZ (TSX) C$15.71	STOCK RATING	TARGET	EST. TOTAL RETURN
	Outperform (Unchanged)	C$23.00 (Was C$21.00)	46.4%

NOBV Acquisition Closes

Tenaz announced it successfully completed the NOBV acquisition, acquiring 100% of the shares of NOBV as well as assuming operatorship. As part of the transaction, the company has renamed the subsidiary to Tenaz Energy Netherlands (or TEN) moving forward. Recall, the transaction provides the company with significant European natural gas production offshore Netherlands (in addition to midstream pipeline and processing infrastructure). Given the January 1, 2024 effective date, coupled with the various purchase price adjustments (PPA), and stronger volumes, Tenaz received ~EUR$15 million in cash at closing (versus our previous estimate of a $45 million cash payment).

Updated 2025 Guidance

The company provided updated 2025 guidance (while providing a snapshot of year to date operations). The updated guidance calls for annual corporate production guidance of 9.0-9.5 mboe/d, supported by capital spend of $86.7-96.7 million. This compares to our prior estimate of 8.5 mboe/d, supported by capex of $95 million. The acquired production has averaged ~11 mboe/d year to date, however Q2 volumes are expected to be impacted by a heavy planned maintenance window, leaving the full year to average ~10 mboe/d. Of note, Tenaz plans to invest $55-61 million in the acquired assets over the remainder of the year, with approximately 75% of the capital spend earmarked for drilling and workover activities (with the remainder to be spent on facilities projects and maintenance capital).

We expect no change to the scope of work in Canada over the balance of the year, in addition to the planned work at the non-op Netherlands assets (see our Q4/24 note for more detail).

We maintain our Outperform rating, but are increasing our target price to $23 (up from $21 as a result of stronger volumes and the impact to our cash flow estimates). *More within...*

STOCK DATA

52-Week High and Low ($)	17.12-3.41
Shares Outstanding (Mln)	27.6
Shares Outstanding - FD (Mln)	28.8
Market Capitalization ($Mln)	452.3
Enterprise Value ($Mln)	434.2

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2024A	2025E	2026E
Total Boe/d (6:1) boe/d	2,688	9,199	14,313
% Nat Gas	61	86	90
WTI ($/bbl)	75.83	66.50	67.50
AECO ($/mcf)	1.39	2.90	3.45
CF Netback ($/boe)	14.11	25.11	37.54
CFPS ($)	0.79	2.98	7.01
Cash Flow ($Mln)	25	86	202
Capex ($Mln)	(53)	(71)	(125)
Net Payout (%)	74	110	62
FCF Yield (%)	1.4	(1.9)	17.0
EV/DACF (x)	17.5	4.9	2.0
D/CF (x)	(0.4)	(0.2)	(0.3)

All figures in C$ unless otherwise noted

Source: Company Reports, NBF, LSEG

STOCK PERFORMANCE *(Source: FactSet)*



COMPANY PROFILE

Tenaz Energy is focused on the acquisition and development of international oil and gas assets that can generate free cash flow. Tenaz has domestic operations in Canada along with offshore gas assets in the Netherlands and produces both crude oil and natural gas from a number of formations within the Mannville Group at Leduc-Woodbend in central Alberta. The Netherlands gas assets are located in the Dutch sector of the North Sea. Tenaz also has an ownership interest in Noordgastransport B.V. which holds one of the largest gas gathering and processing networks in the Dutch North Sea.

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For required disclosures, please refer to the end of the document.

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Outlook and Forecast

We have made modest changes to our forecast in connection with the closing of NOBV acquisition and the updated guidance disclosed, as highlighted below in Exhibit 1. Altogether, these changes have led to revisions to our 2025e and 2026e cash flow forecasts, with 2025e and 2026e up by 5% and 1%, respectively. As a result of the revisions mentioned above, we are increasing our target price to $23 (from $21).

Exhibit 1: NBF Annual Estimate Changes

					2025E			2026E		
		2022A	2023A	2024A	Previous	Revised	% Chg	Previous	Revised	% Chg
Production Volumes										
Crude Oil & Liquids	*(bbl/d)*	725	981	1,056	1,248	**1,248**	0%	1,413	**1,413**	0%
Natural Gas	*(mmcf/d)*	3	9	10	43	**48**	10%	77	**77**	0%
Total Production	*(boe/d)*	1,222	2,439	2,688	8,481	**9,199**	8%	14,274	**14,313**	0%
% Natural Gas	*(%)*	*41%*	*60%*	*61%*	85%	**86%**	1%	90%	**90%**	0%
Financial Summary										
Cash Flow	*($mln)*	$9	$29	$25	$82	**$86**	5%	$200	**$202**	1%
CFPS (diluted)	*($/share)*	$0.30	$0.98	$0.79	$2.84	**$2.98**	5%	$6.95	**$7.01**	1%
Development Expenditures	*($mln)*	$17	$25	$18	$73	**$95**	30%	$125	**$125**	0%
Cash Dividends (net DRIP)	*($mln)*	$0	$0	$0	$0	**$0**	--	$0	**$0**	--
Dividends per Share	*($/share)*	$0.00	$0.00	$0.00	$0.00	**$0.00**	--	$0.00	**$0.00**	--
Free Cash Flow (net Div)	*($mln)*	-$8	$4	$6	$9	**-$9**	-194%	$75	**$77**	2%
FCFPS (net Div)	*($/share)*	-$0.29	$0.14	$0.20	$0.32	**-$0.30**	-194%	$2.61	**$2.66**	2%
Corporate PoR	*(%)*	199%	86%	74%	89%	**110%**	0%	62%	**62%**	-1%
Net Debt	*($mln)*	($14)	($49)	($10)	$38	**($18)**	-148%	$3	**($54)**	-1852%
D/CF	*(x)*	-1.6x	-1.7x	-0.4x	0.5x	**-0.2x**	-146%	0.0x	**-0.3x**	-1838%
Avg. Shares Outstanding	*(mln)*	29	29	31	29	**29**	0%	29	**29**	0%
Netbacks ($/BOE)										
Revenue	**($/boe)**	$76.39	$76.80	$68.49	$87.25	**$88.01**	1%	$83.29	**$83.30**	0%
Hedging Gains/(Loss)	*($/boe)*	$0.00	$1.19	$0.09	($5.80)	**($5.35)**	-8%	($2.25)	**($2.24)**	0%
Royalties	*($/boe)*	($13.33)	($5.46)	($5.36)	($1.87)	**($1.72)**	-8%	($1.27)	**($1.27)**	0%
% Revenue	*(%)*	17%	7%	8%	2%	**2%**	0%	2%	**2%**	0%
Operating	*($/boe)*	($18.62)	($25.23)	($32.26)	($46.00)	**($48.75)**	6%	($36.09)	**($36.10)**	0%
Transportation	*($/boe)*	($2.29)	($3.56)	($2.84)	($0.93)	**($0.91)**	-3%	($0.66)	**($0.66)**	0%
Operating Netback	*($/boe)*	$42.16	$43.74	$28.11	$32.65	**$31.28**	-4%	$43.02	**$43.03**	0%
G&A (Cash)	*($/boe)*	($11.33)	($8.30)	($9.73)	($3.62)	**($3.45)**	-5%	($2.50)	**($2.50)**	0%
Interest Expense	*($/boe)*	($0.22)	$1.13	($0.46)	($1.04)	**($0.80)**	-23%	($0.63)	**($0.41)**	-34%
Taxes & Other	*($/boe)*	($11.88)	($19.22)	($3.82)	($2.13)	**($1.93)**	-9%	($2.57)	**($2.58)**	0%
Cash Netback	**($/boe)**	$18.73	$17.36	$14.11	$25.87	**$25.11**	-3%	$37.32	**$37.54**	1%

Source: NBF, Company Reports

Valuation and Target Price

TNZ trades at a valuation of 2.0x 2026e EV/DACF, compared to its peer group at 2.9x. We maintain our Outperform rating but are increasing our target price to $23 (from $21), which remains based on an unchanged 2026e EV/DACF multiple of 3.0x.

Exhibit 2: TNZ vs. Peers Comparable Metrics

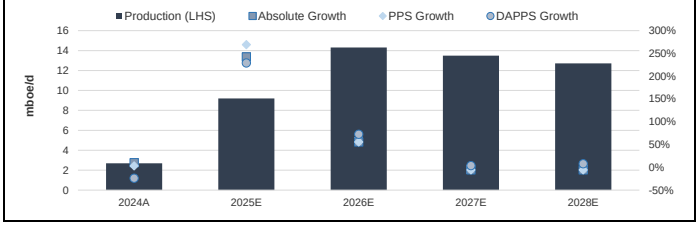
Ticker	Price	Market Cap	EV	Div. Yield	FCF Yield	EV/DACF		Production		Gas	PPS Growth		CF Netback		CF Margin		D/CF		FCF		Total Net Payo	
	Price	($mln)	($mln)	(%)	(%)	(x)		(mboe/d)		(%)	(%)		($/boe)		(%)		(x)		($mln)			
					2025E	2025E	2026E	2025E	2026E	2025E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
AAV	$9.79	$1,658	$2,177	0.0%	11.9%	4.3x	3.6x	81.5	84.0	85%	13%	6%	$16.21	$17.57	53%	55%	1.1x	0.8x	$197	$214	59%	60%
BIR	$5.63	$1,518	$1,875	7.1%	11.8%	3.6x	3.0x	77.5	82.0	82%	2%	6%	$17.36	$17.73	54%	56%	0.7x	0.3x	$179	$218	64%	59%
KEC	$14.51	$634	$777	0.0%	17.2%	1.8x	1.8x	32.5	37.0	53%	23%	14%	$34.67	$28.80	63%	57%	0.3x	0.2x	$109	$64	74%	84%
KEL	$5.59	$1,124	$1,210	0.0%	3.4%	3.3x	3.0x	46.0	50.0	63%	38%	9%	$21.84	$21.50	54%	50%	0.2x	0.1x	$39	$42	89%	89%
PEY	$17.26	$3,489	$4,738	7.6%	4.8%	4.8x	4.2x	136.1	142.6	88%	6%	5%	$18.00	$19.42	62%	65%	1.4x	1.1x	$168	$261	81%	74%
SDE	$2.70	$546	$696	0.0%	-17.5%	3.1x	1.9x	40.0	46.0	62%	-8%	14%	$14.85	$21.12	52%	58%	0.7x	0.5x	-$96	-$10	144%	103%
VET	$8.32	$1,225	$3,156	5.8%	21.5%	2.5x	2.5x	129.1	137.3	62%	66%	10%	$23.12	$21.18	42%	41%	1.8x	1.7x	$264	$213	76%	80%
Avg				2.9%	7.6%	3.3x	2.9x	77.5	82.7	71%	20%	9%	$20.87	$21.04	54%	55%	0.9x	0.7x	$123	$143	84%	78%
TNZ	**$15.71**	**$452**	**$434**	**0.0%**	**-1.9%**	**4.9x**	**2.0x**	**9.2**	**14.3**	**86%**	**269%**	**56%**	**$25.11**	**$37.54**	**35%**	**48%**	**-0.2x**	**-0.3x**	**-$12**	**$105**	**110%**	**62%**

Source: NBF, Company Reports, LSEG

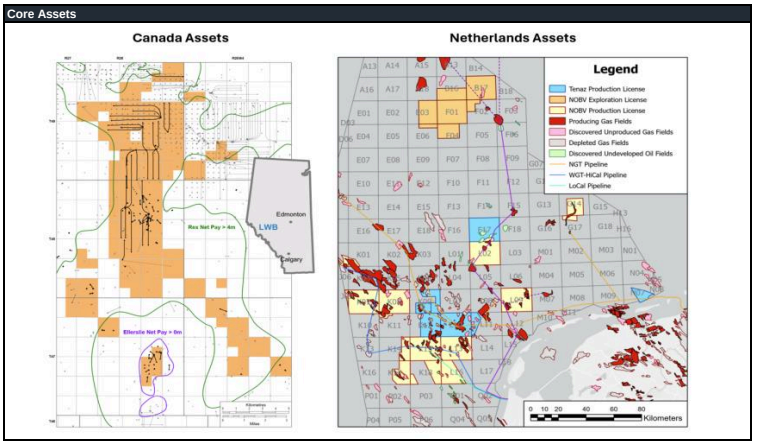
Stock Rating	**OP**	**Current Share Price**	**$15.71**
Target Price	**$23.00**	**52 Wk. High / Low**	**$17.12 / $3.41**
Yield	**0.0%**	**Market Cap ($mln)**	**$452**
Total Return	**46%**	**Enterprise Value ($mln)**	**$434**

Production Mix		**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
Oil & NGLs	bbl/d	981	1,056	1,248	1,413	1,487	1,543
Heavy	bbl/d	0	0	0	0	0	0
Natural Gas	mmcf/d	8.7	9.8	47.7	77.4	72.0	67.0
Total BOE/d (6:1)	**boe/d**	**2,439**	**2,688**	**9,199**	**14,313**	**13,488**	**12,711**
% Natural Gas	*%*	*60%*	*61%*	*86%*	*90%*	*89%*	*88%*
PPS		83.82	86.52	319.54	497.18	468.53	441.53
DAPPS		131.93	100.57	331.04	571.63	594.28	640.45
Growth							
Absolute	%		10%	242%	56%	-6%	-6%
PPS	%		3%	269%	56%	-6%	-6%
DAPPS	%		-24%	229%	73%	4%	8%

Production Growth

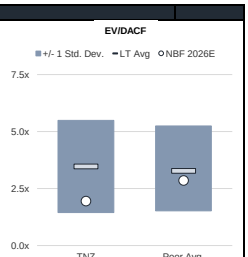


Core Assets



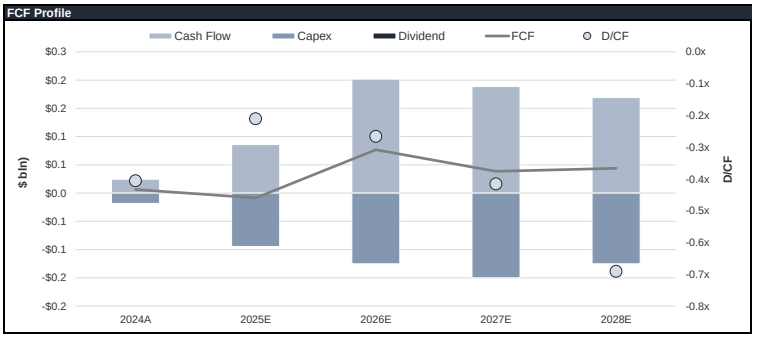
Netbacks		**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
Revenue	**$/boe**	**$76.80**	**$68.49**	**$88.01**	**$83.30**	**$80.58**	**$80.11**
Royalties		-$5.46	-$5.36	-$1.72	-$1.27	-$1.44	-$1.58
Hedging		$1.19	$0.09	-$5.35	-$2.24	-$0.10	$0.00
Op. Costs		-$25.23	-$32.26	-$48.75	-$36.10	-$35.73	-$35.85
Transportation		-$3.56	-$2.84	-$0.91	-$0.66	-$0.71	-$0.76
Operating Netback	**$/boe**	**$43.74**	**$28.11**	**$31.28**	**$43.03**	**$42.59**	**$41.91**
G&A		-$8.30	-$9.73	-$3.45	-$2.50	-$2.50	-$2.50
Interest		$1.13	-$0.46	-$0.80	-$0.41	-$0.32	-$0.20
Tax		-$0.38	$11.09	-$0.26	-$1.51	-$1.48	-$2.89
Other		-$18.84	-$14.91	-$1.67	-$1.07	-$1.14	-$1.20
Cash Flow Netback	**$/boe**	**$17.36**	**$14.11**	**$25.11**	**$37.54**	**$37.15**	**$35.12**
Cash Costs (Ex. Hedging)	$/boe	-$55.17	-$49.11	-$55.83	-$42.25	-$41.88	-$43.41
CF Margin (Ex. Hedging)	%	22%	20%	35%	48%	46%	44%

Comparative Metrics	**2025E**		**2026E**	
	TNZ	**Peer Avg.**	**TNZ**	**Peer Avg.**
EVDACF	4.9x	3.3x	2.0x	2.9x
EV/BOE/d	$47,198	$25,396	$27,851	$22,289
EV/2P	nmf	$5.49	nmf	$5.28
NAV				
P / NAV				
Dividend Yield	0%	2%	0%	2%
D/CF	-0.2x	0.9x	-0.3x	0.7x
Total Net Payout	110%	84%	62%	78%
PPS Growth	269%	20%	56%	9%
Cash Costs	-$57.55	-$17.18	-$43.52	-$18.06
Cash Flow Margin	35%	54%	48%	55%
Decline Rate	33%	24%	28%	25%
Capital Efficiency	n/a	$12,729	n/a	$14,314



Financial Summary		**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
Revenue	**$mln**	**$68**	**$67**	**$295**	**$435**	**$397**	**$372**
Cash Flow	**$mln**	**$29**	**$25**	**$86**	**$202**	**$189**	**$169**
CFPS (diluted)		**$0.98**	**$0.79**	**$2.98**	**$7.01**	**$6.55**	**$5.87**
DPS (basic)		**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Capital Expenditures	**$mln**	**-$25**	**-$18**	**-$95**	**-$125**	**-$150**	**-$125**
Acquisitions / (Dispositions)		$37	-$34	$23	$0	$0	$0
Total		**$12**	**-$53**	**-$71**	**-$125**	**-$150**	**-$125**
Dividends	**$mln**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
DRIP	**$mln**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
FREE CASH FLOW	**$mln**	**$4**	**$6**	**-$9**	**$77**	**$39**	**$44**
DRIP Participation	*%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Dividend Payout		0%	0%	0%	0%	0%	0%
Capex Payout		86%	74%	110%	62%	80%	74%
Total Payout		86%	74%	110%	62%	80%	74%
Total Net Payout		86%	74%	110%	62%	80%	74%
Net Debt	**$mln**	**-$49**	**-$10**	**-$18**	**-$54**	**-$78**	**-$117**
D/CF		-1.7x	-0.4x	-0.2x	-0.3x	-0.4x	-0.7x
Credit Facility	**$mln**	**$10**	**$110**	**$110**	**$110**	**$110**	**$110**
% Drawn		0%	126%	118%	86%	64%	29%

FCF Profile



Quarterly CFPS (diluted)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
Q1	$0.25	$0.24	$0.14	$2.11	$1.67	$1.51
Q2	$0.12	$0.19	$0.53	$1.64	$1.65	$1.47
Q3	$0.16	$0.11	$1.16	$1.64	$1.63	$1.45
Q4	$0.45	$0.26	$1.15	$1.61	$1.60	$1.43
Annual	$0.98	$0.79	$2.98	$7.01	$6.55	$5.87

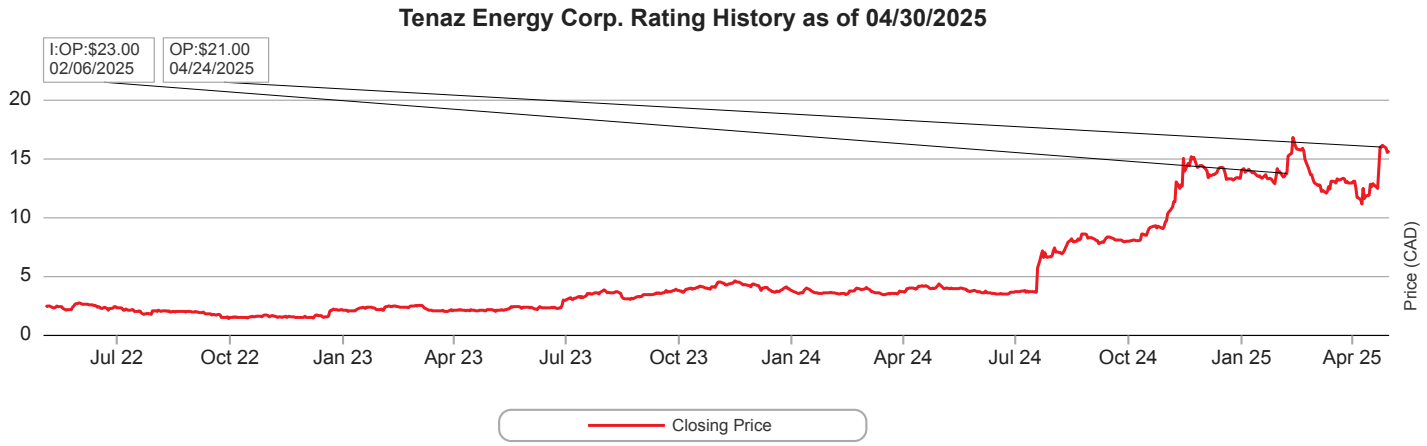
Quarterly Production (boe/d)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
Q1	2,337	2,887	2,981	14,872	14,030	13,234
Q2	1,903	2,517	7,956	14,447	13,616	12,832
Q3	2,372	2,535	12,941	14,039	13,220	12,447
Q4	3,135	2,814	12,769	13,906	13,099	12,338
Annual	2,439	2,688	9,199	14,313	13,488	12,711

Commodity Price Assumptions	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**
WTI Crude oil (US$/bbl)	$77.66	$75.83	$66.50	$67.50	$70.00	$70.00
Canadian Par (C$/bbl)	$100.23	$98.10	$87.25	$88.50	$91.75	$91.75
NBP (C$/mcf)	$17.04	$14.90	$17.90	$15.50	$15.00	$15.00
NYMEX gas (US$/mcf)	$2.67	$2.41	$3.95	$4.00	$4.00	$4.00
AECO Basis (US$/mcf)	$0.70	$1.40	$1.88	$1.49	$1.52	$1.52
AECO gas (C$/mcf)	$2.64	$1.39	$2.90	$3.45	$3.40	$3.40
Exchange Rate (US$/C$)	$0.74	$0.73	$0.71	$0.73	$0.73	$0.73

Reserves	**2021**		**2022**		**2023**	
Volume	**%**	**mmboe**	**%**	**mmboe**	**%**	**mmboe**
PDP	n/a	**n/a**	22%	**3**	n/a	**4**
Proved	n/a	**n/a**	64%	**9**	n/a	**0**
2P	n/a	**n/a**	100%	**14**	n/a	**0**
Growth						
PDP				nmf		22%
Proved				nmf		-100%
2P				0%		0%
RPS (2P)				0%		0%
DARPS (2P)				0%		0%
Replacement Costs						
FD&A Ex. FDC (PDP)				$9.80		nmf
FD&A Ex. FDC (Proven)				$11.40		$0.00
FD&A Ex. FDC (P+P)				$9.52		$0.00
Recycle Ratio Ex. FDC (PDP)				1.9x		nmf
Recycle Ratio Ex. FDC (Proven)				0.0x		0.0x
Recycle Ratio Ex. FDC (P+P)				0.0x		0.0x

Source: NBF, Company Reports, Bloomberg

PRICE, RATING AND TARGET HISTORY:I = Initiation, OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; T = Tender (Source: Factset, NBF)



RISKS:

Commodity Price Risk: Oil and gas prices are determined by global supply, demand and other factors. Fluctuations in these prices could have a material adverse impact on the operations, financial condition, proven and/or probable reserves and future development of undeveloped land. Declines in prices have a direct impact on revenue, cash flow and earnings.

Operational Risk: Oil and natural gas exploration involves a high degree of risk, which is managed through a combination of experience, knowledge and careful evaluation. There is no assurance that expenditures made on exploration will result in new discoveries or commercial quantities of oil and gas. As well, existing production and processing activities can be impacted by unforeseeable events that can negatively impact production and cash flow levels. These factors could be exacerbated by older vintage production and infrastructure associated with the maturity of its assets, as well as the nature of certain assets (in this case operating offshore in the Dutch North Sea).

Estimate Risk: The process of estimating oil and gas reserves is complex, requiring significant assumptions for each reservoir, including production/decline rates, capital expenditures and future commodity prices. As a result, such estimates are inherently imprecise. In addition, such reserves may be subject to downward or upward revisions based upon production history, results of ongoing exploration/development, prevailing oil and gas prices and other factors. We believe TNZ's Canadian assets are relatively well understood and de-risked given their relative maturity, while the Netherlands assets are well understood due to extensive seismic programs.

Regulatory Risk: Regulatory risk impacts Oil & Gas companies with respect to drilling licenses and various operating procedures, as well as the royalties and production taxes payable, and windfall taxes in Europe as was the recent case during the covid pandemic. Extensive controls and regulations may be imposed by all levels of government and amended from time to time, with these controls materially affecting the operations and/or financials of each company within our coverage universe.

Access to Market, Transportation & Egress: Similarly, regional dislocations in pricing can be caused by transportation and egress challenges, which may impede the ability of product to reach market on economic terms, again, with associated impact to shareholder value. For TNZ, this primarily relates to European market access and pricing but could be influenced by factors resonating throughout the global market for both crude and natural gas.

Industry Cost Inflation: Given the prevailing macro backdrop, the energy industry is experiencing inflationary pressures to inputs (set against its natural hedge), and we expect that access to labour, services and materials could present risk to capital efficiencies and shareholder returns. To a degree, the company is insulated from this as a result of its low spending requirements in association with its low relative decline (i.e., low payout is less exposed to inflationary forces) while acknowledging the potential for tariffs in Europe and in Canada and their potential impact on further inflationary pressures.

Financial Risk: All Oil & Gas companies have material exposure to financial risks, including interest rate fluctuations, changes in the Canadian/U.S. dollar exchange rate, as well as the CAD/Euro exchange rate and access to equity and debt markets. Also, financial risk includes credit risk pertaining to counterparties with which the company conducts its financial transactions (primarily marketing and hedging activities) and relating to joint ventures (i.e., working interest partners). Companies rely on a combination of cash flow and external capital to fund growth. Insufficient cash flow leads to further reliance on external sources, including debt financing and equity markets. The company's stated strategy indicates reducing volatility through hedging, and for which the liquidity of financial/ physical commodity markets will be required.

Key Employee Risk: A significant portion of shareholder value can be strongly attributed to a management team's experience and reputation. As such, the loss of a member of this team can have a considerable adverse impact on a company's valuation. The company's management team is not new to the public equity markets with significant experience in the industry and in the various markets in which they operate.

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