

20 November 2019

Buy

Ticker ECO:AIM

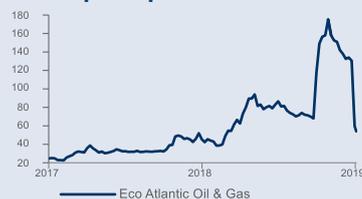
Energy
Shares in issue (m) 184.4
Next results FY May

Price 54.0p
Target price 98.0p
Upside 81%

Market cap £99.6m
Net debt/(cash) -£16.3m
Other EV adjustments £0.0m
Enterprise value £83.3m

What's changed?	From	To
Adjusted EPS	-2.4	n/c
Target price	196.0	98.0

Share price performance



%	1M	3M	12M
Actual	-60.9	-58.5	22.2

Company description

An E&P company with exploration assets in Guyana and Namibia.

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Eco Atlantic Oil & Gas

All still to play for

Last week's surprise revelation that ECO's two Tertiary aged discoveries in Guyana contain heavy sour oil sent the shares into a tailspin. These type of crudes are harder and more expensive to develop, but there are plenty of examples of economic projects out there. Critical to their viability is the scale of the resource, which shouldn't be a problem in Guyana, and the well deliverability. A well test on Jethro is expected next year, which will be crucial. Encouragement can be taken from ExxonMobil's successful well test on the Hammerhead Tertiary discovery, which is also thought to be heavy oil. The emphasis on ECO's Cretaceous play has increased as a result of this news, but then this was always the main prize, representing the bulk of its prospective resource in Guyana. A decision on which Cretaceous prospect to drill next year is expected in January. Before that, Repsol's Carapa well result on the neighbouring Kanuku block, expected in the next few weeks, will be a key catalyst. Remodelling ECO's Tertiary discoveries/prospects results in our risked-NAV and price target being cut from 196p to 98p/sh. However, we are still in the early stages of this story, and there remains much to play for in this prolific exploration province.

- **Heavy sour oil presents development challenges.** ECO's Jethro/Joe discoveries contain heavy sour crude, which presents major, yet not insurmountable, development challenges, including flow assurance, higher costs and lower realisations. The good news is that the reservoir is high-quality, over-pressured and at a high well head temperature, all of which will help with the mobility of the oil.
- **Carapa well a key catalyst.** ECO's Cretaceous prospects have taken on added importance as a result of this news, but then these were always the main prize, representing ~80% of the prospective resource identified so far on the Orinduik block. Repsol/Tullow's Carapa prospect, currently drilling on the Kanuku block, could materially de-risk the Cretaceous play. Results are expected in the next few weeks.
- **Price target cut sharply but Buy rating maintained.** We have adjusted our modelling of ECO's Tertiary discoveries to better represent the development challenges ahead, assuming a \$7/bbl discount to Brent alongside higher drilling/development costs and lower well productivity. This triple whammy results in a sharp reduction to the NPV and IRR of these projects. Overall, these changes lower our ECO risked-NAV and price target from 196p to 98p. But with the shares trading at around a 50% discount to this, we are maintaining our Buy rating.

Key estimates		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	C\$m	0.0	1.3	16.9	0.0	0.0
Adj EBITDA	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Adj EBIT	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Adj PBT	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Adj EPS	c	-2.5	-3.4	5.4	-2.4	-2.5
DPS	c	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2017A	2018A	2019A	2020E	2021E
EV/EBIT (adj)	x	-42.9	-24.4	15.3	-30.5	-29.8
P/E (adj)	x	-0.4	-0.3	0.2	-0.4	-0.4
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-3.7%	-3.3%	6.4%	-12.2%	-11.6%
Pre-tax ROCE	%	-40.0%	-35.6%	34.0%	-10.3%	-11.8%

All still to play for

Income statement		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Sales	C\$m	1.3	16.9	0.0	0.0
Gross profit	C\$m	-0.6	14.7	-1.7	-1.8
EBITDA (adjusted)	C\$m	-5.8	9.3	-4.7	-4.8
EBIT (adjusted)	C\$m	-5.8	9.3	-4.7	-4.8
Associates/other	C\$m				
Net interest	C\$m	0.0	0.0	0.0	0.0
PBT (adjusted)	C\$m	-5.8	9.3	-4.7	-4.8
Total adjustments	C\$m	-2.5	-5.1	-4.4	-4.4
PBT (stated)	C\$m	-8.4	4.2	-9.0	-9.2
Tax charge	C\$m	0.0	0.0	0.0	0.0
Minorities	C\$m	0.2	0.0	0.0	0.0
Reported earnings	C\$m	-8.2	4.2	-9.0	-9.2
Adjusted earnings	C\$m	-5.7	9.3	-4.7	-4.8
Shares in issue (year end)	m				
EPS (stated)	c	-6.2	2.6	-5.1	-5.0
EPS (adjusted, fully diluted)	c	-3.4	5.4	-2.4	-2.5
DPS	c	0.0	0.0	0.0	0.0

Cash flow		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
EBITDA	C\$m	-5.8	9.3	-4.7	-4.8
Net change in working capital	C\$m	0.2	1.6	0.0	0.0
Other operating items	C\$m				
Cash flow from op. activities	C\$m	-5.6	10.9	-4.7	-4.8
Cash interest	C\$m	0.0	0.0	0.0	0.0
Cash tax	C\$m	0.0	0.0	0.0	0.0
Capex	C\$m	-0.0	0.0	-16.1	-15.0
Free cash flow	C\$m	-5.7	10.9	-20.8	-19.8
Acquisitions / disposals	C\$m				
Dividends	C\$m				
Shares issued	C\$m	14.1	0.6	22.5	0.0
Other	C\$m	0.0	0.0	0.0	0.0
Net change in cash flow	C\$m	8.2	11.5	1.7	-19.8
Opening net cash (debt)	C\$m	6.1	14.3	25.8	27.5
Closing net cash (debt)	C\$m	14.3	25.8	27.5	7.7

Balance sheet		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	C\$m	0.0	0.0	0.0	0.0
Goodwill & other intangibles	C\$m	1.5	1.5	17.6	32.6
Other non current assets	C\$m	0.0	0.0	0.0	0.0
Net working capital	C\$m	0.5	0.8	0.8	0.8
Other assets	C\$m	0.1	0.1	0.1	0.1
Other liabilities	C\$m	0.0	0.0	0.0	0.0
Gross cash & cash equivs	C\$m	14.3	25.0	26.7	6.9
Capital employed	C\$m	16.4	27.4	45.2	40.4
Gross debt	C\$m	0.0	0.0	0.0	0.0
Net pension liability	C\$m	0.0	0.0	0.0	0.0
Shareholders equity	C\$m	16.4	27.4	45.2	40.4
Minorities	C\$m	0.0	0.0	0.0	0.0
Capital employed	C\$m	16.4	27.4	45.2	40.4

Growth analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	n/m	n/m	n/m	n/m
EBITDA growth	%	-76.3%	259.4%	-150.1%	-2.3%
EBIT growth	%	-76.2%	259.4%	-150.1%	-2.3%
PBT growth	%	-76.2%	259.4%	-150.1%	-2.3%
EPS growth	%	-33.6%	258.7%	-145.1%	-2.3%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	-44.6%	86.8%	n/m	n/m
EBITDA margin	%	-438.2%	55.0%	n/m	n/m
EBIT margin	%	-438.2%	55.0%	n/m	n/m
PBT margin	%	-438.2%	55.0%	n/m	n/m
Net margin	%	-425.2%	55.0%	n/m	n/m

Cash flow analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	n/m	116.8%	n/m	n/m
Cash conv'n (FCF / EBITDA)	%	96.7%	116.8%	445.2%	413.7%
U/lying FCF (capex = depn)	C\$m	-5.6	10.9	-4.7	-4.8
Cash quality (u/l FCF / adj earn)	%	99.2%	116.8%	100.0%	100.0%
Investment rate (capex / depn)	x	n/m	n/m	n/m	n/m
Interest cash cover	x	n/a	n/m	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	40.8%	4.8%	n/m	n/m
Net working capital / sales	days	149	18	n/m	n/m
Inventory (days)	days	0	0	n/m	n/m
Receivables (days)	days	234	2	n/m	n/m
Payables (days)	days	85	n/a	n/m	n/m

Leverage analysis		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	n/a	no debt	n/a	n/a
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	-34.5%	34.0%	-10.3%	-11.8%
RoCE (EBIT basis, pre-tax)	%	-35.6%	34.0%	-10.3%	-11.8%
RoCE (u/lying FCF basis)	%	-34.2%	39.7%	-10.3%	-11.8%
NAV per share	c				
NTA per share	c				

All still to play for

The bad news from last week is that the Jethro/Joe crude is heavy (~13-14 degree API) and relatively high sulphur (~4%), albeit with medium grade viscosity (125cP), although the final crude assay information is still awaited. This is certainly not helpful for the economics of any development of these fields, as the challenge will be two-fold – achieving sufficient flow rates per well and the additional costs, technical and environmental challenges associated with sour oil field developments (corrosion, additional processing unit requirements). Heavy oil wells also present additional challenges including flow assurance and water breakthrough when using water injection.

Heavy sour oils sell at a sizeable discount to light sweet grades such as Brent – Iraq's Basrah Heavy (23.7 API, 4.1% sulphur) sells at a \$2.4/bbl (4%) discount, Mexican Maya crude (22 API, 3.3% Sulphur) for delivery to the Far East sells at a \$4.0/bbl (6.5%) discount to Brent. This discount may also widen with the introduction of new marine bunker fuel specifications – International Maritime Organization (IMO) 2020 specifications will be introduced next year that require ships to reduce the level of sulphur in their engine emissions from 3.5% to 0.5% or less. However, supply of heavy oils has been strongly curtailed due to Venezuela production declines, which provides some offset.

The good news is that the reservoir is high quality (porosity and permeability), over-pressured and at a high well head temperature (90°C), all of which will help with the mobility of the oil. Water injection to 'sweep' the oil through the reservoir and artificial lift (electric submersible pumps) will likely be necessary to achieve economic flow rates for the production wells.

Jethro well test next year is critical

ECO is looking at numerous different development scenarios and has brought in a third-party consultant with heavy oil development expertise to help narrow down these options. It plans to go back to Jethro and drill an offset well to flow test the reservoir, probably around mid-2020, which will be critical in proving the economic viability of these discoveries. ExxonMobil's Hammerhead Lower Tertiary discovery on the Stabroek block, which extends onto ECO's acreage, is also thought to have similar oil to Jethro and Joe. Encouragingly, this well was successfully flow tested in Q3 2019 and is being considered as a potential development candidate.

ECO's first Cretaceous prospect to be drilled in 2020

ECO still does not know the source of this heavy oil, although possibly it emanates from Venezuela. The Jethro/Joe discoveries are both Tertiary in age and the partners are planning to drill their first Cretaceous prospect on the Orinduik block in 2020. ExxonMobil's outboard Cretaceous discoveries on the neighbouring Stabroek block are light oil with low sulphur (Liza – 32 API, 0.5% Sulphur), and ECO think its Cretaceous prospects are charged from the same source.

Cretaceous prospects make up the majority of the identified resource

ECO's updated Orinduik block CPR in March saw Best Gross Unrisked Prospective Resources rise 37% to ~4Bbbls across 15 leads on the block. Of these, six were Tertiary prospects, representing gross prospective resources of 805 mmbbls, while the remaining 3.2Bbbls (80%) is spread across nine Cretaceous prospects. A decision on which of these Cretaceous prospects to drill first is expected in January next year. Re-entry and testing on Jethro is also expected next year, with a side-track into the Jethro Channel extension that could further add to resource estimates for this complex.

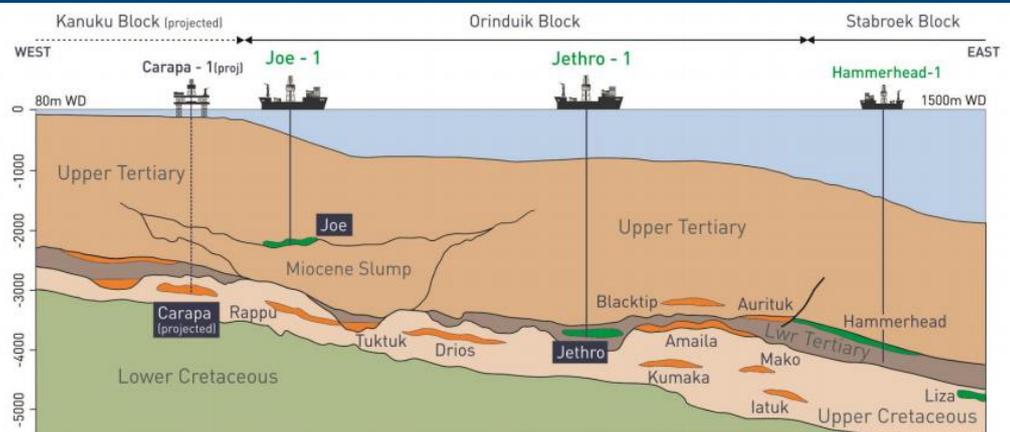
Figure 1: Orinduik block prospects/leads – March 2019 CPR

Prospect	Age	Gross Prospective Resource (mmbob)			Net Prospective Resource (mmbob)			Geological CoS
		Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
KB	Tertiary	167.6	349.5	689.1	25.1	52.4	103.4	28.0%
DJ	Upper Cretaceous	85.6	150.0	244.9	12.8	22.5	36.7	21.0%
KG	Upper Cretaceous	339.7	633.5	1,058.3	51.0	95.0	158.7	22.4%
Kumaka	Upper Cretaceous	335.0	667.5	1,236.7	50.3	100.1	185.5	22.4%
latuk-D	Upper Cretaceous	348.2	627.2	1,125.4	52.2	94.1	168.8	22.4%
KC	Upper Cretaceous	20.3	41.1	73.3	3.0	6.2	11.0	19.2%
Amatuk	Upper Cretaceous	100.6	228.3	428.2	15.1	34.2	64.2	19.2%
MJ-3	Upper Cretaceous	124.1	230.1	402.3	18.6	34.5	60.3	19.2%
Jimmy	Tertiary	12.6	35.5	81.0	1.9	5.3	12.2	19.2%
KC-A	Upper Cretaceous	35.5	63.5	109.5	5.3	9.5	16.4	16.8%
Jethro	Tertiary	114.9	214.5	372.0	17.2	32.2	55.8	43.2%
Hammerhead	Tertiary	6.2	11.0	19.0	0.9	1.7	2.9	81.0%
Joe	Tertiary	62.7	148.3	280.7	9.4	22.2	42.1	43.2%
Rappu	Upper Cretaceous	247.1	535.6	1,002.9	37.1	80.3	150.4	25.2%
Jethro Ext	Tertiary	15.6	46.1	91.7	2.3	6.9	13.8	43.2%
Total		2,015.8	3,981.9	7,215.0	302.4	597.3	1,082.3	25.0%

Source: Gustavson Associates

Carapa well a key catalyst

Repsol and Tullow are currently drilling the >200mmbbl Carapa prospect to the south of Orinduik on the Kanuku block. This is Cretaceous in age, so if successful and containing lighter oil would have a very positive read-across to ECO's Cretaceous prospects. A result from the Carapa well is expected in the next few weeks.

Figure 2: Guyana well location schematic

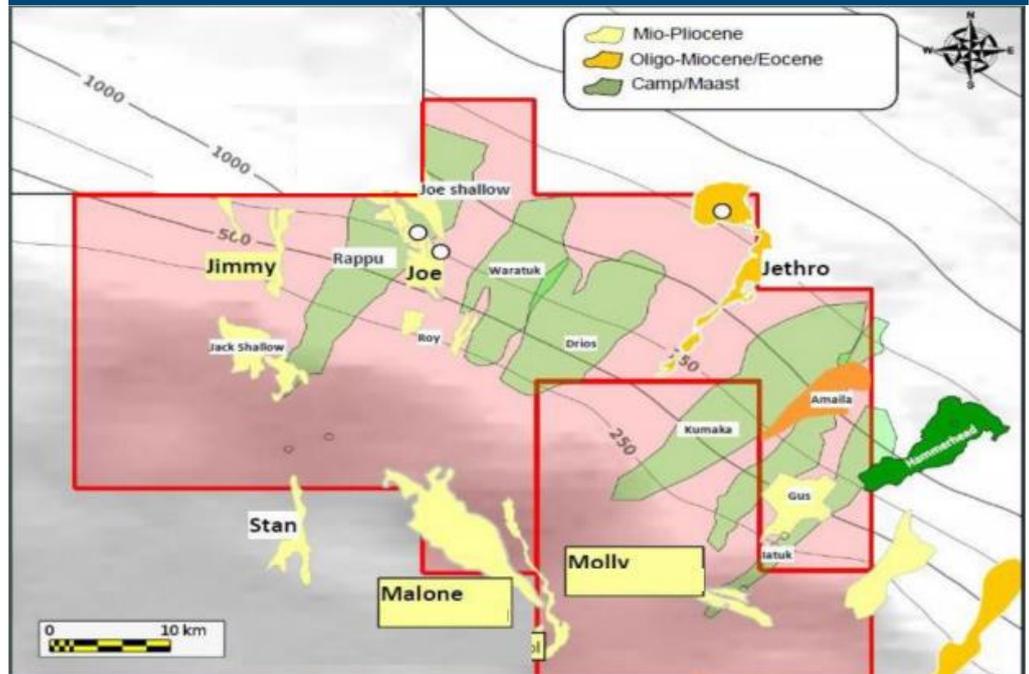
Source: Tullow

So where does this leave us? Certainly any development has become trickier, but there are plenty of heavy offshore oil field developments such as Mariner in the UK and Peregrino/Atlanta in Brazil. These fields have significant in-place volumes (multi-billion barrels), which spreads the higher topsides equipment costs across a large resource base, helping keep down unit development costs.

This could mean that ECO will need a number of Tertiary discoveries on the Orinduik block to provide the necessary critical mass for a development. However, the current best estimate for oil in place on Jethro is 622mmbbls, with an anticipated recovery factor of 20-30%. Add to this the resources from the Joe discovery (508 mmbbls oil in place pre-drill) and the potential from the Jethro Channel extension (158mmbbls oil in place estimate), which has a very high chance of success, and the Jimmy prospect (121mmbbls oil in place estimate, but this is expected to increase materially), and the prospective oil in place

could already be over 1.5Bbbls without considering additional prospects. An updated CPR detailing the additional Tertiary prospects is expected after the Carapa well results.

Figure 3: Orinduik block Tertiary* discoveries/prospects/leads



Source: Eco Atlantic

* Tertiary age prospects shown in orange/yellow

While there remain a lot of unknowns, we have adjusted our modelling of ECO's Tertiary discoveries and prospects that we include within our NAV – Jethro, Joe and Hammerhead – to better represent the development challenges highlighted above. The main changes to our assumptions include:

- ▶ A crude oil price discount of \$7/bbl (10%) to Brent.
- ▶ 25% higher development costs and \$5m per well additional completion costs for horizontal wells.
- ▶ Initial well production rates cut from 10,000 bopd to 6,000 bopd, increasing the number of wells required.

This triple whammy of lower realised prices, higher costs and more wells results in a sharp reduction to the NAV per barrel of these projects, from ~\$6.5/bbl to ~\$1.4/bbl. Project IRR's fall from 40% to just 15%. However, as highlighted earlier, spreading development costs across a larger resource base would help improve these economics. Overall, these changes lower our risk-NAV from 196p to 98p assuming a \$70/bbl long term Brent oil price. We have left our valuation of ECO's Cretaceous prospects unchanged, although it is worth highlighting that we only include three of the nine identified Cretaceous prospects within this valuation.

This is certainly a set-back for ECO, but with the shares trading at around a 50% discount to our heavily reduced NAV, there remains much to play for across what is still a prolific exploration region.

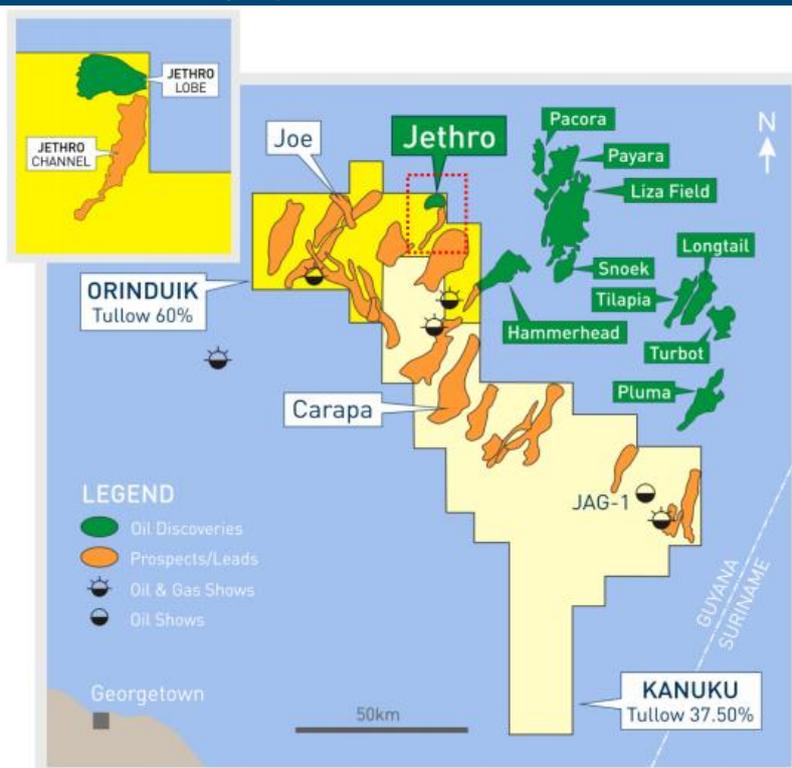
Figure 4: Eco Atlantic net asset value

Net Asset Valuation	Net Resource mmboe	NPV/bbl US\$/boe	Unrisked NPV US\$m	Unrisked NPV p/sh	Geological CoS	Commercial CoS	Risked NPV p/sh
G&A			-\$4.5	-2.0			-2.0
Options/Warrants			\$4.2	1.8			1.8
Net cash/(debt)			\$21.2	9.2			9.2
Core Value			\$20.9	9.1			9.1
Contingent resource:							
Guyana - Hammerhead	2	1.35	\$2	1.0	81%	100%	0.5
Core + contingent value	2	1.35	\$23.1	10.0	81%	100%	9.5
Visible Exploration:							
Guyana - Jethro	39	1.35	\$53	22.8	100%	67%	15.2
Guyana - Joe	22	1.35	\$30	13.0	100%	67%	8.7
Guyana - latuk-D	94	5.85	\$551	238.9	22%	67%	34.4
Guyana - Rappu	80	4.58	\$368	159.6	25%	67%	25.7
Guyana - DJ	23	4.28	\$96	41.8	21%	67%	4.6
Core + contingent + visible exploration value	260	3.09	\$1,121	486.2	45%	104%	98.3
Prospect potential:							
Namibia - Osprey	141	3.42	\$482	209.3	18%	25%	2.2
Guyana - Kumaka	95	4.00	\$380	164.9	22%	25%	8.0
Guyana - KD	100	3.74	\$374	162.4	22%	25%	7.8
Guyana - KC	6	3.49	\$22	9.3	19%	25%	0.0
Guyana - MJ-3	35	3.26	\$113	48.9	19%	25%	1.0
Guyana - Jimmy	5	3.05	\$16	7.0	19%	25%	0.0
Guyana - KC-A	10	2.85	\$27	11.8	17%	25%	0.0
Guyana - Amatuk	34	5.66	\$194	84.2	19%	25%	2.7
Guyana - KB	52	1.35	\$71	30.6	28%	25%	1.0
Prospective value	479	3.51	\$1,679	728.5	21%	25%	22.7
Total: Core + contingent + visible exploration + prospective value:			\$2,800	1,214.7			121.0

Source: finnCap, Company Reports

Key catalysts to watch out for will be Repsol/Tullow’s Carapa well result, expected in the next few weeks, which could help de-risk ECO’s Cretaceous prospects. ExxonMobil is also drilling the Mako prospect ~6 miles south of Liza-1.

Figure 5: Tullow discovery/exploration well locations



Source: Tullow

All still to play for

It is also worth remembering that ECO remains well funded for additional appraisal/exploration drilling, with \$21m of cash. A provisional ~\$10m (net to ECO) budget for two wells has been agreed for next year, which is expected to include a re-entry and well test on Jethro with a side-track into the Jethro Channel extension. An exploration well on the first Orinduik Cretaceous prospect is also planned. This likely targets a stacked prospect with three targets containing over 1Bbbls – Aurituk (250mmbbls), latuk Upper (429mmbbls) and latuk Lower (360mmbbls). More details on the 2020 drilling plans are expected in January.

All still to play for

Income statement		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Sales	C\$m	0.0	1.3	16.9	0.0	0.0
Cost of sales	C\$m	-1.2	-1.9	-2.2	-1.7	-1.8
Gross profit	C\$m	-1.1	-0.6	14.7	-1.7	-1.8
Operating expenses	C\$m	-2.2	-5.2	-5.4	-3.0	-3.0
EBITDA (adjusted)	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Depreciation	C\$m	-0.0	0.0	0.0	0.0	0.0
Amortisation	C\$m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Associates/other	C\$m					
Net interest	C\$m	0.0	0.0	0.0	0.0	0.0
PBT (adjusted)	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
<i>restructuring costs</i>	C\$m					
<i>share based payments</i>	C\$m	-0.7	-2.5	-4.4	-4.4	-4.4
<i>other adjustments</i>	C\$m	0.5	0.0	-0.8	0.0	0.0
Total adjustments	C\$m	-0.2	-2.5	-5.1	-4.4	-4.4
PBT (stated)	C\$m	-3.6	-8.4	4.2	-9.0	-9.2
Tax charge	C\$m	0.0	0.0	0.0	0.0	0.0
<i>tax rate</i>	%	<i>n/a</i>	<i>n/a</i>	<i>0.0</i>	<i>n/a</i>	<i>n/a</i>
Minorities	C\$m	0.0	0.2	0.0	0.0	0.0
Reported earnings	C\$m	-3.5	-8.2	4.2	-9.0	-9.2
Tax effect of adjustments / other	C\$m					
Adjusted earnings	C\$m	-3.3	-5.7	9.3	-4.7	-4.8
<i>shares in issue (year end)</i>	<i>m</i>					
<i>shares in issue (weighted average)</i>	<i>m</i>	87.9	132.5	159.9	176.0	184.4
<i>shares in issue (fully diluted)</i>	<i>m</i>	129.8	166.6	172.5	191.7	191.7
EPS (adjusted, fully diluted)	c	-2.5	-3.4	5.4	-2.4	-2.5
EPS (stated)	c	-4.0	-6.2	2.6	-5.1	-5.0
DPS	c	0.0	0.0	0.0	0.0	0.0

Growth analysis (adjusted basis where applicable)						
Sales growth	%	-97.2%	n/m	n/m	n/m	n/m
EBITDA growth	%	9.5%	-76.3%	259.4%	-150.1%	-2.3%
EBIT growth	%	9.7%	-76.2%	259.4%	-150.1%	-2.3%
PBT growth	%	9.7%	-76.2%	259.4%	-150.1%	-2.3%
EPS growth	%	34.6%	-33.6%	258.7%	-145.1%	-2.3%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	n/m	-44.6%	86.8%	n/m	n/m
EBITDA margin	%	n/m	-438.2%	55.0%	n/m	n/m
EBIT margin	%	n/m	-438.2%	55.0%	n/m	n/m
PBT margin	%	n/m	-438.2%	55.0%	n/m	n/m
Net margin	%	n/m	-425.2%	55.0%	n/m	n/m

All still to play for

Cash flow		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
EBITDA	C\$m	-3.3	-5.8	9.3	-4.7	-4.8
Net change in working capital	C\$m	-3.6	0.2	1.6	0.0	0.0
Share based payments	C\$m					
Profit/(loss) on sale of assets	C\$m					
Net pensions charge	C\$m					
Change in provision	C\$m					
Other items	C\$m	0.5	0.0	0.0	0.0	0.0
Cash flow from operating activities	C\$m	-6.4	-5.6	10.9	-4.7	-4.8
Cash interest	C\$m	0.0	0.0	0.0	0.0	0.0
Tax paid	C\$m	0.0	0.0	0.0	0.0	0.0
Capex	C\$m	0.1	-0.0	0.0	-16.1	-15.0
Free cash flow	C\$m	-6.3	-5.7	10.9	-20.8	-19.8
Disposals	C\$m					
Acquisitions	C\$m	0.0	-0.3	0.0	0.0	0.0
Dividends on ord shares	C\$m					
Other cashflow items	C\$m	2.6	0.0	0.0	0.0	0.0
Issue of share capital	C\$m	6.3	14.1	0.6	22.5	0.0
Net change in cash flow	C\$m	2.6	8.2	11.5	1.7	-19.8
Opening net cash (debt)	C\$m	3.5	6.1	14.3	25.8	27.5
Closing net cash (debt)	C\$m	6.1	14.3	25.8	27.5	7.7

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	n/m	n/m	116.8%	n/m	n/m
Cash conversion (free cash flow / EBITDA)	%	190.9%	96.7%	116.8%	445.2%	413.7%
Underlying free cash flow (capex = depreciation)	C\$m	-6.4	-5.6	10.9	-4.7	-4.8
Cash quality (underlying FCF / adjusted earnings)	%	192.8%	99.2%	116.8%	100.0%	100.0%
Investment rate (capex / depn)	x	n/a	n/m	n/m	n/m	n/m
Interest cash cover	x	n/a	n/a	n/m	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a	n/a

All still to play for

Balance sheet		2017A	2018A	2019A	2020E	2021E
Year end:		Mar	Mar	Mar	Mar	Mar
Tangible fixed assets	C\$m	0.0	0.0	0.0	0.0	0.0
Goodwill	C\$m	0.0	0.0	0.0	0.0	0.0
Other intangibles	C\$m	1.5	1.5	1.5	17.6	32.6
Other non current assets	C\$m	0.0	0.0	0.0	0.0	0.0
<i>inventories</i>	C\$m	0.0	0.0	0.0	0.0	0.0
<i>trade receivables</i>	C\$m	1.1	0.9	0.1	0.1	0.1
<i>trade payables</i>	C\$m	-0.5	-0.3	0.7	0.7	0.7
Net working capital	C\$m	0.7	0.5	0.8	0.8	0.8
Other assets	C\$m	0.0	0.1	0.1	0.1	0.1
Other liabilities	C\$m	0.0	0.0	0.0	0.0	0.0
Gross cash & cash equivalents	C\$m	6.1	14.3	25.0	26.7	6.9
Capital employed	C\$m	8.3	16.4	27.4	45.2	40.4
Gross debt	C\$m	0.0	0.0	0.0	0.0	0.0
Net pension liability	C\$m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	C\$m	8.3	16.4	27.4	45.2	40.4
Minorities	C\$m	0.0	0.0	0.0	0.0	0.0
Capital employed	C\$m	8.3	16.4	27.4	45.2	40.4
Leverage analysis						
Net debt / equity	%	no debt	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	n/a	n/a	no debt	n/a	n/a
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%	0.0%
Working capital analysis						
Net working capital / sales	%	n/m	40.8%	4.8%	n/m	n/m
Net working capital / sales	days	n/m	149	18	n/m	n/m
Inventory (days)	days	0	0	0	n/m	n/m
Receivables (days)	days	26,005	234	2	n/m	n/m
Payables (days)	days	10,634	85	n/a	n/m	n/m
Capital efficiency & intrinsic value						
Adjusted return on equity	%	-39.9%	-34.5%	34.0%	-10.3%	-11.8%
RoCE (EBIT basis, pre-tax)	%	-40.0%	-35.6%	34.0%	-10.3%	-11.8%
RoCE (underlying free cash flow basis)	%	-76.9%	-34.2%	39.7%	-10.3%	-11.8%
NAV per share	c					
NTA per share	c					

All still to play for

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