



TENNYSON Morning news – i3 Energy – Q3 update showing a return to form

Tennyson Securities, Energy Research

8 Nov 2023

i3 Energy (I3E LN) issued its regular quarterly operational and financial update this morning, covering activities in Q3. The update shows a strong recovery following a challenging Q2, which saw production affected by wildfires and infrastructure maintenance programmes. Over the course of Q3 production averaged 21,156 boepd (c.44% oil and liquids), up 14% on the previous quarter. This, combined with rising pricing, led to net operating income of US\$25.97m, and sets the company on track to meet the full year guidance of US\$90-95m. This solid performance has allowed the Board to sign off on a US\$6m capital programme for Q4, including 3 new oil production wells. These wells are expected onstream before the end of the year, meaning the company should feel the full benefit by Q1 next year. i3 declared just over £3m in dividends during Q3, with the balance of operating cash flow to reduce the company's net debt, which fell almost 30% from US\$39m at the end of June to US\$28m at the end of September, and continues to fall sharply. As per our forecasts published last month (see attached), we expect the company to turn net cash positive during H1 next year.

With shares trading at just 12p/shr (at yesterday's close), i3 is currently trading at less than a third of our Core NAV (of 37p/shr). Furthermore, the company offers a running dividend yield of c.8.5%, covered 2.3x by free cash flow. As mentioned above, debt is in the process of being repaid sharply, which will free up capital for a new phase in production growth, either organic (the company currently has 376 booked development well locations) or inorganic, and could also allow for enhanced shareholder returns in the form of buybacks or increased dividends.

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