



1 February 2024



VSA Morning Flow Test

This Morning's News

Prospex Energy (PXEN LN)[#]

Prospex Energy (PXEN LN), following a quarterly update from its ASX-listed operating partner **Po Valley Energy (PVE AU)**, has provided additional detail on the performance of its Italian operations. The recent operational update demonstrated the strong progress in the ramp up and testing phase which, post period end, is enabling production to be increased to 78,000-80,000scmd, against testing ranges in Q4 2023 of between 42,000-62,000scmd.

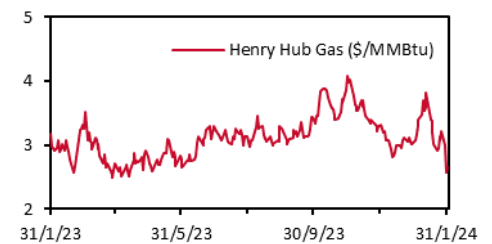
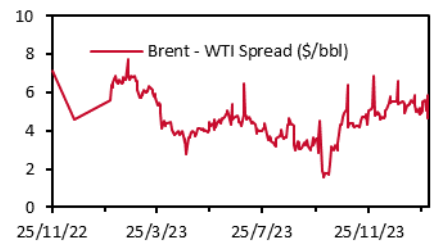
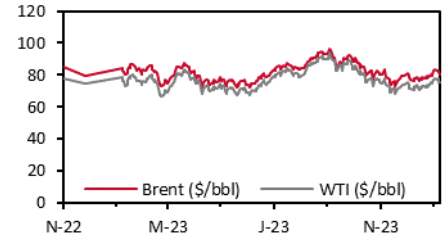
Gross production in the quarter was 4.1mmscmd, down 26% QoQ; volatility in production volumes in the early months is not unusual and we highlight that this testing phase now leads to a stable production level at a significantly higher run rate than achieved in the first two quarters of operations. Net production to PXEN was 1.5mmscmd. Furthermore, production was offset in part by higher prices during the period and revenue decreased just 9% QoQ on a gross basis to €1.8m (€0.7m net to PXEN). From PVE's quarterly update, they have published a net operating cashflow figure of €940k in the quarter implying gross operating cash flow of around €1.5m with the balance attributable to PXEN. Pricing averaged €0.4/scm having rallied in the early part of the quarter; the relatively mild winter combined with full storage means that prices have eased to €0.3/scm currently on a TTF basis. That said, the implied profitability in the last quarter indicates that with production set to increase, Selva is well positioned to generate further positive cashflow in the near term and benefit from future increases in pricing. The structural rationale for increasing domestic European production remains unchanged while assets such as Selva are able to perform profitably even without the extreme pricing precipitated by the invasion of Ukraine.

As previously indicated in recent updates, this cashflow can be utilised to further exploration within the licence area and the partners are progressing seismic reprocessing, assessing the benefits of further seismic acquisition to optimise drilling targeting as well as preparing the relevant permitting and land access agreements.

Given the strong early performance of the Selva asset, we look forward to further positive updates on both production and cashflow as well as organic exploration which may offer additional share price catalysts.

We reiterate our Buy recommendation and target price of 20.1p/sh..

One-Year Charts



NOTE: #Indicates VSA house stock.
SOURCE: FactSet, as of last close.

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Stock Information

Stock	BBG Ticker	Exchange	Currency	Market Cap (Curr m)	Last Close (Curr)	Rec	TP	Date of Recommendation
Prospex Energy Plc	PXEN.L	LSE AIM	£/p	20.8	6.250	BUY	0.20	06/09/2022

NOTE: #VSA house stock. **SOURCE:** Eikon data, VSA Capital estimates. Pricing as of last close.

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Equities breakdown: 01/02/24	BUY	SPEC BUY	HOLD	SELL
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