

Oil, Gas & Consumable Fuels | Sweden | 18 January 2024

Maha Energy

Acquires 5% of 3R Petroleum for USD 69m

Long-term investment in 3R in Brazil

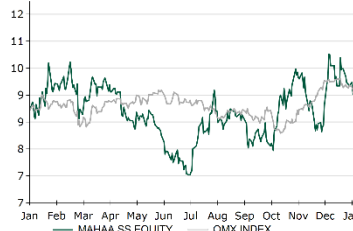
Maha has acquired 5% of 3R Petroleum in Brazil for a consideration of USD 69m. Management and the board of Maha have been involved in the founding and early growth of 3R. As part of the acquisition process, Maha sent an open letter to 3R's board detailing its objectives with the investment and outlining its enhancement proposal for 3R. In short, this is the initiation of a consolidation plan in the Brazilian onshore segment, followed by the separation of 3R's offshore assets.

Suggested carve-out of R3's offshore assets

In the letter to 3R's board, Maha proposed a carve-out of its onshore oil assets, which would then be combined with PetroRecôncavo, a separately listed company. Maha considers PetroRecôncavo a natural candidate for the deal, as the companies operate neighbouring fields in the states of Bahia and Rio Grande do Norte, offering significant synergies were they to share infrastructure. Under the proposal, 3R's offshore assets, Papa Terra and Peroá, would remain under 3R's corporate structure and 3R would remain listed, while its shareholders would receive shares in PetroRecôncavo.

Aiming for a combination with PetroRecôncavo before end-February

Together with 3R's board, Maha intends to present a business combination proposal to PetroRecôncavo no later than 28 February. Its aim then to finalize and execute definite agreements during Q2, with the ambition of closing the transaction during Q3. We value the share of the 3R Offshore and Illinois at a combined some USD 170m, the share of 3R purchased at around USD 70m, and the remaining cash position at USD 36m. This comes to a total of around USD 270m. For comparison, Maha's market cap is some USD 170m. We do not include the share of the acquired assets in Venezuela in the above, viewing this instead as optionality.

Change in estimates				Forecast (US\$m)				Value and risk														
	23e	24e	25e		2022	2023e	2024e	2025e	Fair value	SEK 16.0 - 17.0												
Total Revenues	0.0%	0.0%	0.0%	Total Revenues	12	6	4	4	Share price	SEK 9.6												
EBITDA, adj.	0.0%	0.0%	0.0%	Revenue growth	-82%	-54%	-36%	0%	Risk level	High												
EPS, adj.	0.0%	0.0%	0.0%	EBITDA, adj.	0	-1	20	23	<div>Price Performance 12 months</div> 													
Upcoming events				EBIT, adj.	-3	-6	18	21														
Q4 - report	26 February 2023			EPS, adj.	-0.1	0.0	0.1	0.1														
Q1 - report	28 May 2023			EPS growth, adj.	N.m.	N.m.	N.m.	13%														
Company facts (US\$m)				BV/share	1.2	0.9	1.0	1.1	<div>Conflicts of interest</div> <table><tr><th></th><th>Yes</th><th>No</th></tr><tr><td>Liquidity provider</td><td></td><td>✓</td></tr><tr><td>Certified adviser</td><td></td><td>✓</td></tr><tr><td>Transactions 12m</td><td></td><td>✓</td></tr></table>			Yes	No	Liquidity provider		✓	Certified adviser		✓	Transactions 12m		✓
	Yes	No																				
Liquidity provider		✓																				
Certified adviser		✓																				
Transactions 12m		✓																				
Number of shares	178m			EBIT margin	Neg.	Neg.	>100%	>100%														
Market capitalization	162			ROE, adj.	Neg.	Neg.	9.6%	9.8%														
Net debt	-105			ROCE, adj.	Neg.	Neg.	9.4%	9.6%														
EV	57			EV/Sales	11.7x	10.2x	15.8x	15.9x														
Free float	72%			EV/EBITDA	Neg.	-42.0x	2.8x	2.4x														
Daily trading volume, average	296k			EV/EBIT	Neg.	-10.1x	3.1x	2.7x														
Bloomberg Ticker	MAHAA SS EQUITY			P/E, adj.	-8.8x	-19.4x	9.9x	8.8x														
Analyst				P/BV	0.8x	1.0x	0.9x	0.8x														
Markus Almerud				FCF yield	-7%	-9%	-5%	-6%														
markus.almerud@carneegie.se				Net debt / EBITDA	-63.6x	40.1x	-2.2x	-1.6x														

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