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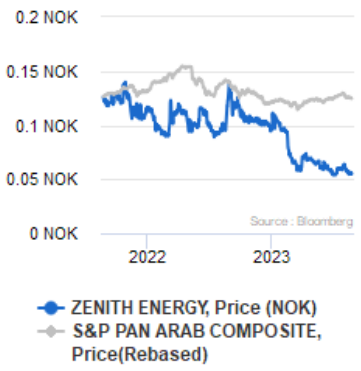
ZENITH ENERGY

When Zenith speaks African

Opinion	**Buy**
Upside (%)	247
Price (NOK)	0.05
Target Price (NOK)	0.19
Bloomberg Code	ZENA NO
Market Cap (NOKM)	77.3
Enterprise Value (C$M)	25.5

Momentum	UNFAVORABLE
Governance	7.8/10
Credit Risk	BB→

Research Analysts
Ranya GNABA
+216 31 366 360
contact@alphamena.net



KEY DATA	03/20A	03/21A	03/22E	03/23E	03/24E
Adjusted P/E (x)	**-1.65**	**-0.65**	**3.32**	**4.50**	**1.93**
Dividend yield (%)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
EV/EBITDA(R) (x)	-6.81	-6.13	5.75	6.31	3.37
Adjusted EPS (C$)	**-0.03**	**-0.02**	**0.00**	**0.00**	**0.00**
Growth in EPS (%)	*n/a*	*n/a*	*n/a*	*-42.5*	*27.6*
Dividend (NOK)	0.00	0.00	0.00	0.00	0.00
Sales (C$M)	0.74	0.60	19.9	16.8	19.0
Underlying operat. profit margin (%)	*ns*	*ns*	*36.8*	*29.2*	*31.0*
Attributable net profit (C$M)	-570	3.53	22.4	4.00	5.10
ROE (after tax) (%)	**-197**	**21.0**	**61.8**	**7.89**	**9.23**
Gearing (%)	*65.5*	*39.3*	*18.1*	*7.36*	*-2.48*

Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaMena	No
Client of AlphaMena Research	No

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Detailed financials at the end of this report

Key Ratios

		03/21A	03/22E	03/23E	03/24E
Adjusted P/E	x	-0.65	3.32	4.50	1.93
EV/EBITDA	x	-6.13	5.75	6.31	3.37
P/Book	x	0.56	0.48	0.34	0.17
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-116	8.70	29.0	53.8
ROE (after tax)	%	21.0	61.8	7.89	9.23
ROCE	%	-5.48	3.55	2.40	2.88
Net debt/EBITDA	x	-1.64	0.77	0.20	-0.54

Consolidated P&L

		03/21A	03/22E	03/23E	03/24E
Sales	C$M	0.60	19.9	16.8	19.0
EBITDA	C$M	-6.79	8.44	6.12	7.58
Underlying operating profit	C$M	-7.58	7.19	4.80	5.78
Operating profit (EBIT)	C$M	-32.6	7.19	4.80	5.78
Net financial expenses	C$M	-5.55	-1.26	-0.80	-0.67
Pre-tax profit before exceptional items	C$M	-38.2	5.93	4.00	5.11
Corporate tax	C$M	0.00	-0.02	0.00	0.00
Attributable net profit	C$M	3.53	22.4	4.00	5.10
Adjusted attributable net profit	C$M	-14.3	5.91	4.00	5.10

Cashflow Statement

		03/21A	03/22E	03/23E	03/24E
Total operating cash flows	C$M	-9.81	4.37	7.68	7.74
Capital expenditure	C$M	-0.05	-1.09	-1.66	-1.76
Total investment flows	C$M	-0.20	-1.09	-1.66	-1.76
Dividends (parent company)	C$M	0.00			
New shareholders' equity	C$M	7.62	2.56	0.00	0.00
Total financial flows	C$M	10.4	-2.94	-3.88	-1.72
Change in net debt position	C$M	-3.38	4.60	5.27	5.36
Free cash flow (pre div.)	C$M	-15.4	2.01	5.23	5.31

Balance Sheet

		03/21A	03/22E	03/23E	03/24E
Goodwill	C$M				
Total intangible	C$M	0.00	0.00	0.00	0.00
Tangible fixed assets	C$M	100	141	142	142
WCR	C$M	-3.72	0.68	-0.58	-0.46
Total assets (net of short term liabilities)	C$M	96.8	142	141	142
Ordinary shareholders' equity (group share)	C$M	23.8	48.7	52.7	57.8
Provisions for pensions	C$M	1.01	1.21	1.35	1.49
Net debt / (cash)	C$M	11.1	6.52	1.24	-4.12
Total liabilities and shareholders' equity	C$M	96.8	142	141	142
Gross Cash	C$M	1.63	1.97	4.11	8.37

Per Share Data

		03/21A	03/22E	03/23E	03/24E
Adjusted EPS (bfr gwill amort. & dil.)	**C$**	**-0.02**	**0.00**	**0.00**	**0.00**
Net dividend per share	**NOK**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	C$	-0.02	0.00	0.00	0.00
Book value per share	C$	0.02	0.03	0.04	0.04
Number of diluted shares (average)	**Mio**	**692**	**1,195**	**1,408**	**1,408**

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Businesses & Trends

Formerly known as Canoel International Energy, Zenith Energy Ltd. is a junior international oil and gas production company. Its upstream business is mainly focused on the development of marginal oil and gas fields, rather than exploration. However, thanks to its recent bold moves and agility, its portfolio has been expanding while targeting value. Zenith's strategy is to identify assets that are 'drill-ready' and with significant near-term production potential. After Argentina and Azerbaijan, Zenith started speaking African with Anglo African Oil & Gas Congo acquisition (since 2020). In the same year, the group strengthened its African footprint by multiple interests acquisitions in Tunisia. Now, Zenith is targeting a new presence in Nigeria with an exclusivity agreement for OML 141 RSC. Besides its oil activities in Africa, Zenith also operates in natural gas and electricity production in Italy, its longstanding market (since 2013).

In 2021, Zenith's oil production is around 450 bopd (without SIDI EL-KILANI, SLK concessions) and expected to reach nearly 750 bopd in 2022 thanks to the planned workover activities in the Tunisian assets. Operations in Congo have been suspended since July 2020 when the Tilapia license expired. It is worth noting that the Zenith Congo subsidiary has been selected as the successful bidder for the award of a new 25-year license to operate the Tilapia II oilfield and that an inquiry of public utility for technical and financial capabilities has been performed on January 2021. The drilling operations in Congo will recover after the granting of the pending license. Italy is now running at 600 mcf/d or 100 boe/d gross, highly skewed on electricity with more than 90% (vs. NGLs). Net of working interest production is around 46 boe/d. It is worth mentioning that Zenith holds the 100% of the electricity revenues while pays the non-standard gas production, to the joint venture partner, to a very low price.

Zenith is now targeting a well-balanced portfolio by producing more than 10,000 bopd thanks to its ongoing hunt for marginal fields. Workover activities and the drilling licenses would be very helpful to achieve this target. In fact, Tilapia II oilfield conceals a significant production capacity potential for the group as Zenith expects a target of 4,000 bopd. Tilapia 2P net reserves are estimated at 10.99 mmboe vs. 5.80 mmboe for Tunisia and 2.90 mmboe for Italy, based on Chapman Petroleum report as of 31 March 2021.

Over the past 10 years, Zenith's revenues tracked boom-and-bust cycles given the oil price pattern (euphoric 2011/2012 vs. depressed 2016 and 2020) and the group's portfolio restructuration as well (the ongoing divestment and acquisition operations). The group's top-line progressed by 16.5% CAGR over FY11/12-FY18/19, where Argentina and Azerbaijan markets were the main growth drivers. The last year marked the Tunisian operations production entry but at a low growth pace, which should accelerate starting from FY21/22. Italy is a rather stable business while following a slightly declining trend (-5.5% CAGR over FY13/14-FY19/20).

At present Zenith production already bigger than Azerbaijan one

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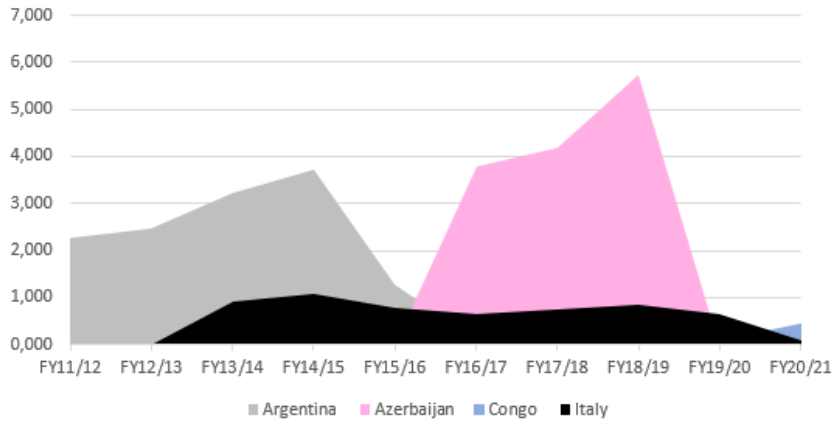

source: AlphaMena & Zenith annual reports

Note that 2020 was a very difficult year for the Italian operations given the fall in electricity and gas selling prices. However, prices have picked up sharply following the post-Covid-19 demand upturn. As a matter of fact, Zenith announced record profitability in its gas and electricity business for the period April-September 2021 and expects attractive outlooks for the remainder of the year. Given its successful model of electricity production at Torrente Cigno, Zenith intends to replicate it on a larger scale in certain African jurisdictions, following the identification of a suitable oil and gas production asset.

Thereafter, we provide all milestones of the group's portfolio restructuration throughout the past 10 years.

Initially, in 2010 the company acquired two oilfields in Argentina. The peak in revenues was reached in 2014 before starting a downward trend and the company decided to divest from it, in 2017.

Adding gas and electricity

As of June 2011, the group started its operations in Italy by establishing its Italian subsidiary, Canoel Italia S.r.l. The most important concession is Torrente Cigno gas (45% interest), which completed its upstream integration following the "gas-to-power" plant purchase in 2015 (100% interest). The generated electricity is sold directly to the national electrical grid in Italy. Zenith has two other producing gas onshore wells in Misano Adriatico (100% interest) and San Mauro (18%). Together, its three concessions are covering almost 9,500 acres and producing 700 mscf/d. The lion's share comes to Torrente Cigno with more than 65% of production. The Italian asset is bigger and displays important growth opportunities with the not-yet-developed exploration permit or the not-producing gas concessions. Opting for their development or disposal means an additional value for Zenith.

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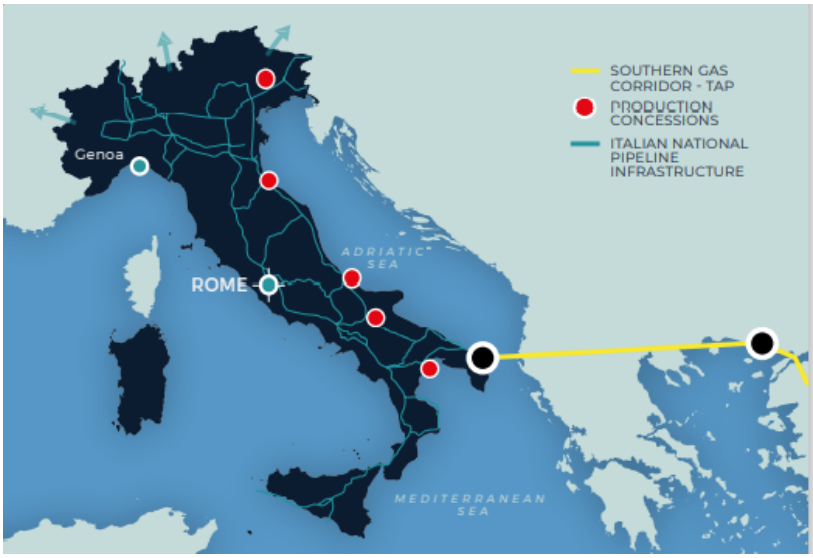

source: Zenith investor presentation Q3 2021

Marginal field investment proved to be disappointing in Azerbaijan

In January 2016, Zenith established a fully owned subsidiary to operate in Azerbaijan. Production started six months afterwards by the refurbishment and development of three onshore fields following the signing of the Rehabilitation, Exploration, Development, and Production Sharing Agreement ("REDPSA") with the State Oil Company. By March 2018, the gross oil production peaked with a daily 260 bopd, which resulted in 37% growth, yoy, in revenues – also taking into account the price effect with higher oil selling prices. However, reaching a goal of 2,000 bopd by 2020 proved to be a very tricky task for the group. Zenith explains that the challenging geology of the field, as well as the unreliability of well data and historical records from the Soviet-era which have rendered workovers in some of the wells extremely challenging. In March 2020, Zenith announced the abandonment of its activity in Azerbaijan and decided to no longer invest there.

Azerbaijan is the gloomy adventure of the group's investment decision in marginal fields but we believe that Zenith reacted at the opportune time. In fact, Zenith took profit from a low-price environment given the COVID-19 pandemic and the collapse in the oil price to displace into better opportunities of both, growth and value. In addition, the disposal of its Azerbaijan operations provided available financial and operative resources which should be rationally redirected to new assets. Next step, Zenith wagered on Africa's growth opportunities.

Why Africa?

Because it has a strategic position on the global map and because it is a continent rich in oil and natural resources. Africa is also, the world's fastest-growing region when it comes to foreign direct investment. Africa accounted for 9% of the total global output of crude oil, produced by 20 countries across the five regions of the continent. However, 5 countries dominate the production with almost 80% of Africa's total oil production. Algeria, Angola, Nigeria, Egypt, and Libya are the champions. The continent's opportunities also came from the

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net-zero emission targets which boost divestment from the fossil fuel industry. The major oil players' retreat following the shift to low carbon transition gives an increasing offer for marginal fields, a real opportunity for Zenith. Despite highly interesting opportunities, we should warn on the continent's challenging corruption, political instability, and insecurity issues.

A transformational Tilapia project on hold

In spring 2020, Zenith entered the oil market in the Republic of the Congo through the acquisition of AAOG Congo. The acquisition includes a significant US$5.7m receivable owed by the national oil company, Societe Nationale des Petroles du Congo (SNPC). This and the short shelf-life of the license justified a modest consideration of US$280,000. The exceptional circumstances linked to the COVID-19 pandemic, as well as the current low oil price environment were also helpful to negotiate a better price.

Positive outlook for Tunisian oil production

In the same year, Zenith acquired interests in four concessions in Tunisia. Together, these mature fields produced about 320 bopd net in 2021 (600 bopd with SLK concessions), planned to reach 750 bopd when applying a combination of enhanced recovery, infill drilling, and workovers.

- Zenith has a 45% interest in SIDI EL-KILANI (SLK) after two separate deals (for a total US$ 800,000 consideration) with an approximate net production of 260 bopd. As of the first half of September 2021, the deals are awaiting approval and thus not included in our model.
- The Ecumed Petroleum Zarzis Ltd (EPZ) acquisition holds a 45% interest in the Tunisian onshore Ezzaouia Concession (for US$150,000 and royalties). The latter's production capacity came in at 460 bopd and 1,000 bopd over the near term. This transaction should give Zenith a current monthly oil production revenue of approximately US$480,000 according to the management (after a combination of workover and drilling activities).
- The Ecumed Petroleum Tunisia Ltd (EPT) acquisition holds a 100% interest in the El Bibane and Robbana concessions for a nominal consideration US$100 and the assumption of US$200,000 debt. This license will expire in 2033 which should generate relatively steady and recurring revenues.

1. El Bibane has three active wells. The first is producing 80-100 barrels of condensate per day with 5.5-6 mmscf of natural gas. The second required new technologies to produce natural gas. The third suffered string damage and requires US$3.5m for restoration (500-bopd target).
2. Robbana concessions' current production is, 25 bopd – which is expected to attain 60-80 bopd as the group is presently performing a workover at US$550,000.

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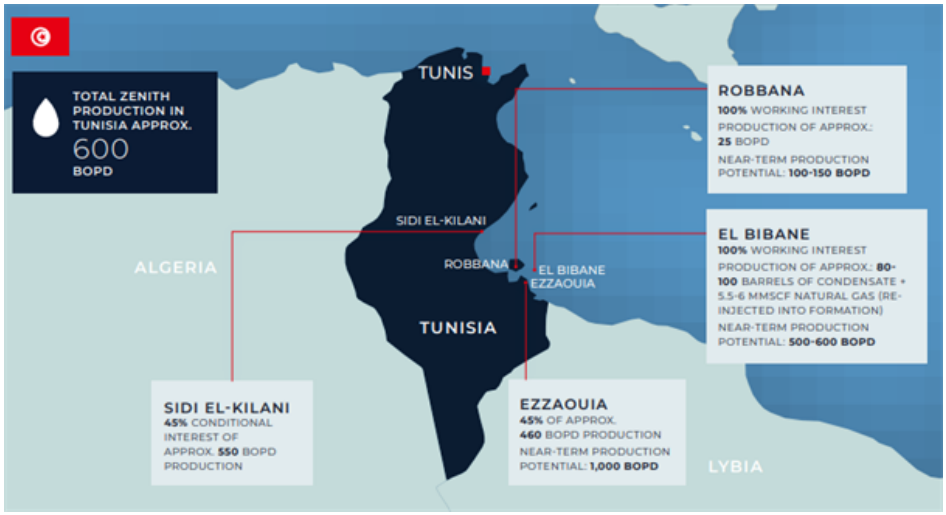

source: Zenith investor presentation Q3 2021

Landing recently in Nigeria

Zenith entered in an exclusivity agreement with a private Nigerian oil and gas company that holds 100% of the Risk Service Contract (RSC) for the development of the North-West Corner of OML 141. The latter contains two discovered fields and another prospective one with an estimated 232.7 million barrels (Degeconek 2019 CPR). Until the first half of September 2021, no terms for any possible transaction have been discussed but due diligence works have been ongoing so far. We quite understand the Nigeria choice as it is the most African oil-rich country but we confirm our cautious stance on the country's challenges: the spread of corruption, political instability and rising social tensions.

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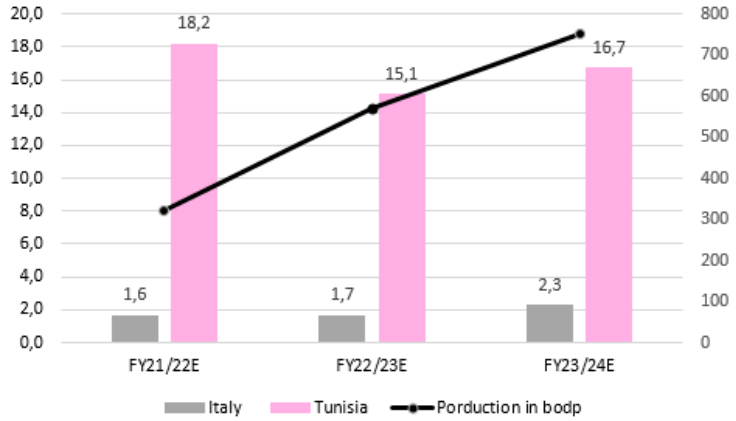
source: Zenith investor presentation Q3 2021

Tunisia drives an explosive growth

Our model looks for CAD18.600m revenue on average over the 2021-2023 period. Our model takes into account all the active fields in Tunisia (from July 2021) and the production of gas and electricity in Italy. We assume workover activities implementation in Tunisian concessions in 2021 and 2022 which should more than double the production capacity to 750 bopd. Our assumptions are based on oil prices between US$70/bl and US$55/bl. The Italian revenues are estimated at 30 MWh electricity production per day and 10 bmc of gas per day.

Expected sales growth in CADm



source: AlphaMena & Zenith management

Divisional Breakdown Of Revenues

	Sector	03/21A	03/22E	03/23E	03/24E	Change 21E/20 C$M	Change 21E/20 of % total	Change 22E/21E C$M	Change 22E/21E of % total
Total sales		**0.60**	**19.9**	**16.8**	**19.0**	**19**	**100%**	**-3**	**100%**
Tunisia	Explor. & Productn.	0.06	18.2	15.1	16.7	18	94%	-3	100%
Congo	Explor. & Productn.	0.46	0.00	0.00	0.00	0	-2%	0	0%
Azerbaijan	Explor. & Productn.	0.00	0.00	0.00	0.00	0	0%	0	0%
Argentina	Explor. & Productn.	0.00	0.00	0.00	0.00	0	0%	0	0%
Italy	Explor. & Productn.	0.09	1.65	1.71	2.27	2	8%	0	-2%
Other		0.00	0.00	0.00	0.00	0	0%	0	0%

Key Exposures

	Revenues	Costs	Equity
Dollar	100.0%	15.0%	100.0%
Emerging currencies	92.0%	20.0%	92.0%
Euro	8.0%	5.0%	8.0%
Long-term global warming	0.0%	0.0%	0.0%
Oil price (Brent $/bl)	90.0%	15.0%	90.0%
Power price (MWh in €)	10.0%	10.0%	10.0%

Sales By Geography

Africa	91.7%
Of which Tunisia	91.7%
Europe	8.3%
Of which Italy	8.3%

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We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

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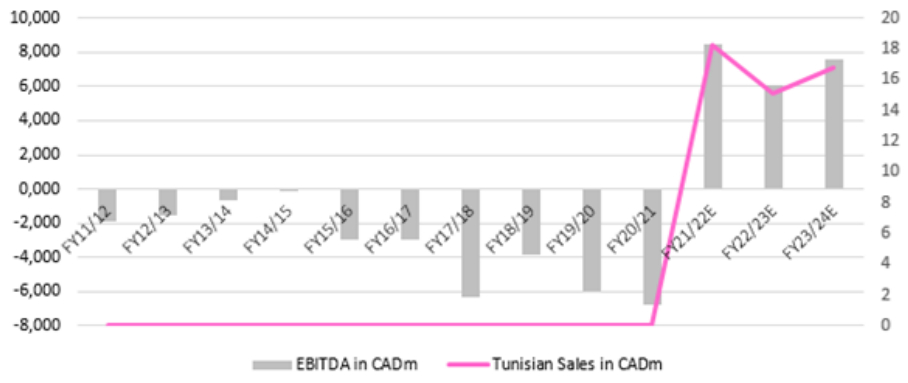
Money Making

Since 2011, Zenith's profit has been reflecting the group's portfolio restructuration and the oil price trends. Earnings have been highly impacted by acquisitions as well as divestments. Adjusted by these operations, the organic operations proved to be loss-making and 2020 came to widen its losses given the covid-19 crises and the oil price collapse. Zenith suffered from low volumes which were not enough to cover its operating expenses. Also, during the past two years, the group has been in an early development stage in its both markets, Tunisia and the Republic of the Congo.

Profitable Tunisia to lift the group's margins

The higher volume expected from the Tunisian assets should bring the estimated EBITDA into a positive ground in FY21/22, for the first time since the start of our coverage. Recall that our model is based on an oil price of US$70/bl in 2021, US$60/bl in 2022, and US$55/bl by 2023. Our assumptions took into account the positive outlook for 2021 sustained by improving oil demand due to the progress in COVID-19 vaccination as well as a recovering global economic activity. We also consider the output increase following the OPEC+ agreement. This should boost the supply and ease pressure on prices. Zenith energy is highly sensitive to prices since its portfolio is fully leveraged on prices through direct or indirect oil indexation and, to a lesser extent, on gas and electricity (90% vs. 10%). Prices drive revenues but also fix margins. A 10% change in oil price implies a 9% increase in EBITDA. It is worth mentioning that, as long as oil prices are higher than US$25, the Tunisian business will run with profit.



source: AlphaMena & Zenith management

Reserves inspire confidence

Succeeding in developing marginal fields depends on several factors – namely geological, financial, and regulatory. In low prices cycles, the largest reservoirs are the most appropriate to win the battles. Tunisia gives some comfort regarding its license life (until 2033) and important reserves (5.80 mm boe). Tilapia II should add 10.99mm boe, but it is still not included in our model. However, for the rather small marginal fields, economic and policy incentives and cost minimization strategies are required to add value. Zenith started its cost-saving strategy in 2020 focusing on efficient and less expensive

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production, administrative, and management structure. The group is always banking on local collaborators, loyal and less costly.

Tunisian challenges

It is clear that the Tunisian Petroleum fiscal regime requires some revisions and adjustments to run efficiently. According to experts, the government could harmonize fiscal terms across new projects to create equal opportunities and adjust the most competitive version of the production sharing contracts to make the regime more progressive. Tunisia's democratic transition has seen disruptions and delays in the legal and institutional restructuring of various sectors in the economy, including oil and gas. Tunisia after "25 July" appears more focused on political and economic issues and seems to further postpone its petroleum fiscal regime restructuration. Social unrest and local protests are also some of the government's responsibilities and risks for foreign investors. Despite a relatively well-managed healthcare crisis, COVID-19 remains a persistent risk until achieving herd immunity.

Zenith's competitive advantage

Zenith owns a workover rig at 375 HP and a drilling rig with 1,200 HP output, which is capable of 5,000m well depths. Owing key equipment offers to the group cost control, flexibility, and operational independence of third-party drillers and direct oversight on execution and development programmes. Zenith plans to redirect and transport its drilling equipment from Azerbaijan to Tunisia by taking profit from Tunisian import advantages to foreign private investors (lower tax rates).

Record profitability within sight

Our model is looking for a remarkable enhancement in margins in the wake of the cleaning-up transactions and the bold moves into Africa. The Tunisian operations would drive both growth and profitability. Italy would deliver positive results starting from FY21/22, boosted by the increasing electricity and gas prices. Congo would pull the group's earnings slightly down as the production is suspended while undergoing some operating expenses. We expect a 40% EBITDA margin on average over the forecast period vs. a negative margin over the historical period.

Divisional Underlying operat. profit

	03/21A	03/22E	03/23E	03/24E	Change 21E/20		Change 22E/21E	
					C$M	of % total	C$M	of % total
Total	**-7.58**	**7.31**	**4.91**	**5.88**	**15** ↑	**100%**	**-2** ↓	**100%**
Tunisia	-0.04	11.6	6.34	7.54	12 ↑	78%	-5 ↓	219%
Congo	-5.43	-0.35	-0.33	-0.32	5 ↑	34%	0 ↑	-1%
Azerbaijan	0.00	0.00	0.00	0.00	0 ↑	0%	0 ↑	0%
Argentina	0.00	0.00	0.00	0.00	0 ↑	0%	0 ↑	0%
Italy	-0.58	0.11	0.21	0.69	1 ↑	5%	0 ↑	-4%
Other/cancellations	-1.54	-4.04	-1.31	-2.02	-3 ↓	-17%	3 ↑	-114%

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Divisional Underlying operat. profit margin

	03/21A	03/22E	03/23E	03/24E
Total	**ns**	**36.8%**	**29.2%**	**31.0%**
Tunisia	-69.1%	63.7%	41.9%	45.1%
Congo	ns			
Azerbaijan				
Argentina				

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Valuation

Our valuation displays a significant upside sustained by the intrinsic methods over the short and long term. The DCF reflects Zenith's improving cash profile benefiting from increasing margins from the Tunisian operations. The expected enhancement in the debt profile boosted both our SOTP and DCF. The SOTP method is based on EV/sales by applying 3.5x to Oil operation divisions and 2x for electricity and gas activities. These multiples are slightly above the average sector for its European peers, reflecting Zenith's incoming growth stage after the recent acquisitions. Taking into account its fully leveraged portfolio on prices, the upturn in oil prices (and the positive outlook) is another call option for Zenith.

For the peers' method, we decided to choose 5 European players listed on European exchange markets; namely, Harbour Energy, Cain Energy, Tullow Oil, Enquest, and Hurricane Energy. We decided to apply a 50% premium to the peers' multiple as we believe that the current spot valuation is partially reflecting Zenith's growth opportunities outlook. We did not apply premium for the dividend yield as investment and portfolio development are Zenith's priorities at the expense of shareholders' remuneration.

As of September 2021, our model is not including the payment of Zenith's Congolese subsidiary US$5.7m receivable. The latter should fund the appraisal drilling at Tilapia II, once received. We also decided not to consider the allowance of Zenith's outstanding contractual claim against the French drilling company, SMP (worth at least US$3.1m).

Valuation Summary

Benchmarks		Values (NOK)	Upside	Weight
DCF		0.37	566%	35%
NAV/SOTP per share		0.23	321%	20%
EV/Ebitda	*Peers*	0.00	-100%	20%
P/E	*Peers*	0.11	100%	10%
Dividend Yield	*Peers*	0.00	-100%	10%
P/Book	*Peers*	0.11	100%	5%
Target Price		**0.19**	**247%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	14.2	1.25	0.55	0.21
ZENITH ENERGY's ratios	1.93	3.37	0.17	0.00
Premium	50.0%	50.0%	50.0%	0.00%
Default comparison based valuation (NOK)	**0.11**	**0.00**	**0.11**	**0.00**
Harbour Energy	6.13	0.74	2.45	10.2
Capricorn	26.9	-0.27	0.28	0.00
Tullow Oil	11.0	3.61	2.57	0.00
Enquest	1.45	1.05	0.39	3.14
Hurricane Energy	2.75	0.63	0.50	0.00

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DCF Valuation Per Share

WACC	%	7.55	Avg net debt (cash) at book value	C$M	3.88
PV of cashflow FY1-FY11	C$M	37.7	Provisions	C$M	18.9
FY11CF	C$M	5.37	Unrecognised actuarial losses (gains)	C$M	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	C$M	0.00
Sustainability "g"	%	2.45	Minorities interests (fair value)	C$M	0.00
Terminal value	C$M	105	Equity value	C$M	65.7
PV terminal value	C$M	50.8	Number of shares	Mio	1,408
PV terminal value in % of total value	*%*	*57.4*	**Implied equity value per share**	**NOK**	**0.37**
Total PV	C$M	88.5	Sustainability impact on DCF	%	6.68

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	550
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	9.00
Tax advantage of debt finance (normalised)	%	30.0	**Company beta (leveraged)**	**x**	**0.94**
Average debt maturity	Year	5	Company gearing at market value	%	66.1
Sector asset beta	x	0.69	Company market gearing	%	39.8
Debt beta	x	1.10	**Required return on geared equity**	**%**	**8.18**
Market capitalisation	C$M	9.87	Cost of debt	%	6.30
Net debt (cash) at book value	C$M	6.52	**Cost of ungeared equity**	**%**	**6.97**
Net debt (cash) at market value	C$M	4.95	WACC	%	7.55

DCF Calculation

		03/21A	03/22E	03/23E	03/24E	Growth	03/25E	03/32E
Sales	C$M	0.60	19.9	16.8	19.0	**5.00%**	19.9	28.1
EBITDA	C$M	-6.79	8.44	6.12	7.58	**1.00%**	7.65	8.21
EBITDA Margin	*%*	*-1,139*	*42.5*	*36.4*	*39.9*		*38.4*	*29.2*
Change in WCR	C$M	2.84	-4.40	1.26	-0.12	**1.00%**	-0.12	-0.12
Total operating cash flows (pre tax)	C$M	-9.81	4.39	7.69	7.75		7.54	8.08
Corporate tax	C$M	0.00	-0.02	0.00	0.00	**0.50%**	0.00	0.00
Net tax shield	**C$M**	**-1.66**	**-0.38**	**-0.24**	**-0.20**	**0.50%**	**-0.20**	**-0.21**
Capital expenditure	C$M	-0.05	-1.09	-1.66	-1.76	**5.00%**	-1.85	-2.61
Capex/Sales	*%*	*-8.72*	*-5.50*	*-9.87*	*-9.29*		*-9.29*	*-9.29*
Pre financing costs FCF (for DCF purposes)	C$M	-11.3	2.96	5.83	5.81		5.48	5.26
Various add backs (incl. R&D, etc.) for DCF purposes	C$M							
Free cash flow adjusted	**C$M**	**-11.3**	**2.96**	**5.83**	**5.81**		**5.48**	**5.26**
Discounted free cash flows	**C$M**	**-11.3**	**2.96**	**5.42**	**5.03**		**4.40**	**2.54**
Invested capital	C$	96.8	142	141	142		149	209

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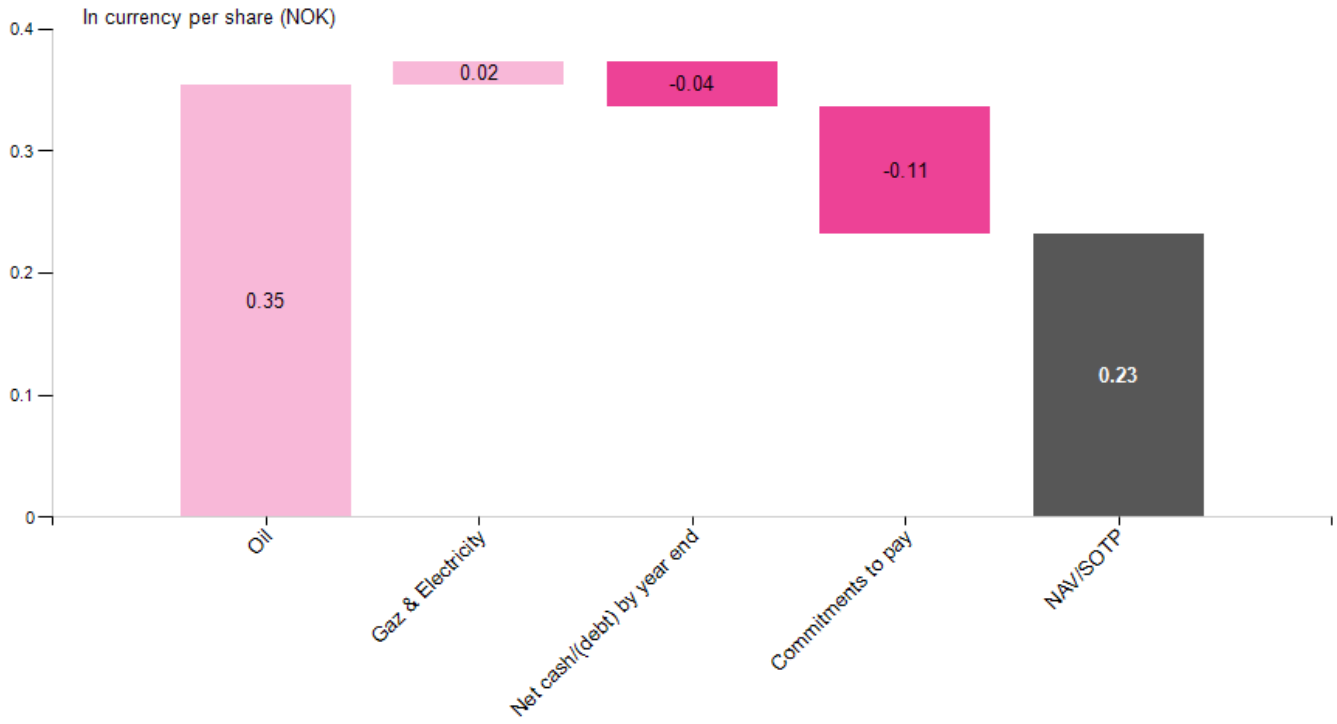
NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (C$M)	Stake valuation (C$M)	In currency per share (NOK)	% of gross assets
Oil	100%	EV/Sales	3.5	63.7	63.7	0.35	95.1%
Gaz & Electricity	100%	EV/Sales	2	3.29	3.29	0.02	4.91%
Other							
Total gross assets					**67.0**	**0.37**	**100%**
Net cash/(debt) by year end					-6.52	-0.04	-9.73%
Commitments to pay					-18.9	-0.11	-28.2%
Commitments received							
NAV/SOTP					41.6	0.23	62.1%
Number of shares net of treasury shares - year end (Mio)					**1,408**		
NAV/SOTP per share, in account currency (C$)					0.03		
NAV/SOTP per share, in quote currency (NOK)					**0.23**		
Current discount to NAV/SOTP (%)					**76.3**		



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Debt

Zenith's gearing stands out at 40% in FY20/21 and is expected to retreat below 20% over the forecast period. We assume a negative net debt by 2024 (year ended on March 31). Our scenario is sustained by the cash-generating Tunisian operations and the no-dividend strategy. It is clear that the recent divestments were helpful to deleverage its balance sheet and to follow healthier investments in Africa. Cash flow from operations is expected to cover investment and would give room to reduce debt. We estimate Capex at CAD1.500m on average over the forecast period, regarding mainly the workover activities in Tunisian fields.

In FY20/21, most of Zenith's borrowings are short-term debts and we expect a debt profile improving over the coming years. Meeting the planned oil production level in Tunisia is Zenith's biggest challenge and is the condition to improve its debt profile.

Zenith's credit rating is B- with a developing outlook from Rating-Agentur Expert RA and a positive outlook from BCRA Credit Rating Agency. Zenith's rating should improve following the expected enhancement in its balance sheet position thanks to a better cash generation capacity from the recent acquisitions.

Detailed financials at the end of this report

Funding - Liquidity

		03/21A	03/22E	03/23E	03/24E
EBITDA	C$M	-6.79	8.44	6.12	7.58
Funds from operations (FFO)	C$M	-13.6	7.53	5.67	7.24
Ordinary shareholders' equity	**C$M**	**23.8**	**48.7**	**52.7**	**57.8**
Gross debt	C$M	12.7	8.49	5.35	4.25
+ Gross Cash	C$M	1.63	1.97	4.11	8.37
= Net debt / (cash)	**C$M**	**11.1**	**6.52**	**1.24**	**-4.12**
Gearing (at book value)	%	39.3	18.1	7.36	-2.48
Equity/Total asset (%)	%	24.6	34.3	37.3	40.9
Adj. Net debt/EBITDA(R)	*x*	*-1.64*	*0.77*	*0.20*	*-0.54*
Adjusted Gross Debt/EBITDA(R)	*x*	*-4.42*	*3.24*	*4.04*	*3.17*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*55.7*	*36.0*	*31.9*	*29.3*
Ebit cover	*x*	*-1.37*	*5.82*	*6.38*	*9.33*
FFO/Gross Debt	*%*	*-45.5*	*27.5*	*23.0*	*30.1*
FFO/Net debt	*%*	*-123*	*115*	*456*	*-176*
FCF/Adj. gross debt (%)	*%*	*-51.4*	*7.35*	*21.2*	*22.1*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-1.48*	*0.70*	*8.39*	*9.05*
"Cash" FCF/ST debt	*x*	*-1.16*	*0.36*	*4.74*	*3.54*

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Worth Knowing

As of August 2021, Zenith's capital number of shares amounted to 1,407 million following a capital increase by issuing common shares of no-par value, options, or warrant exercise. On 11 January 2017, Zenith's common share capital was admitted to trading on the Main Market of the London Stock Exchange. On 8 November 2018, the common share capital was admitted to trading on the Euronext Growth Oslo (formerly known as Merkur Market of the Oslo Børs).

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Andrea Cattaneo	5.00%	5.00%	0.00%
Dean Antony Clark	3.66%	3.66%	0.00%
Milton Asset Management Ltd.	1.89%	1.89%	0.00%
Westoz Funds Management Pty Ltd.	1.52%	1.52%	0.00%
Apparent free float			**87.9%**

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Governance & Management

Zenith's board of directors has three committees, the Audit Committee, the Remuneration Committee, and the Corporate Governance Committee. The board of directors consists of five members, chaired by Mr. Jose Ramon Lopez-Portillo, since 24 September 2007. Mr. Cattaneo has been a director of the company since 9 December 2008 and has served as president and CEO of the Group since 2009.

The Audit Committee is chaired by Dario Sodero and meets at least four times a year and at such other times as required. It has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed. Its role includes monitoring the integrity of the financial statements of the company and reviewing the effectiveness of the company's internal control review function and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

The Remuneration Committee comprises José Ramón López-Portillo, Dario Sodero, and Sergey Borovskiy and is chaired by José Ramón López-Portillo. It is expected to meet not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining the company's policy on the remuneration packages of the company's chief executive, the chairman, the executive and non-executive directors, and other senior executives.

The Nomination Committee will determine the composition of the Company's Board of Directors and the appointment of senior management positions. It will develop succession plans as necessary and report to the executive directors of the Company. The Nomination Committee is comprised by Andrea Cattaneo, José Ramón López-Portillo and Luca Benedetto. The Committee is chaired by Luca Benedetto.

The composition of these committees may change with time and if there are changes in the composition of Zenith's Board of Directors.

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Governance score

Company (Sector)	Independent board
7.8 (5.3)	No

Parameters	Company	Sector	Score	Weight
Number of board members	5	9	10/10	5.0%
Board feminization (%)	0	9	1/10	5.0%
Board domestic density (%)	20	81	9/10	5.0%
Average age of board's members	N/A	60	0/10	5.0%
Type of company : Large cap, not controlled			10/10	25.0%
Independent directors rate	40	13	4/10	20.0%
One share, one vote			✓	5.0%
Chairman vs. Executive split			✓	5.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✓	5.0%
Disclosure of performance anchor for bonus trigger			✓	5.0%
Compensation committee reporting to board of directors			✓	5.0%
Straightforward, clean by-laws			✓	5.0%
Governance score			**7.8/10**	**100.0%**

Management

Name		Function	Birth date	Date in	Date out	Compensation, in kC$ (year) Cash	Equity linked
Andrea CATTANEO	M	CEO		2008		(2020)	57,984 (2020)
Luca BENEDETTO	M	CFO		2013		(2020)	(2020)

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in kC$ (year)	Value of holding, in kC$ (year)
Jose Ramon LOPEZ-PORTILLO	M	✓	President/Chairman of th...	2021		2007		(2021)	48.0 (2021)
Luca BENEDETTO	M	✗	Member	2023		2020		(2021)	(2021)
Sergey BOROWSKIY	M	✓	Member					(2021)	3,849 (2021)
Andrea CATTANEO	M	✗	Member	2022		2008		(2021)	63,439 (2021)
Dario Ezio SODERO	M	✗	Member	2021		2009		(2021)	77.5 (2021)

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Social score

Company (Sector)

4.0 (4.0)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	1/10	20%
Average wage trend	1/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	**1.0/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	10/10	35%
Pay	10/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
Qualitative score	**10.0/10**	**100%**

AlphaValue analysts tick boxes on essential components of the social/HR corporate life.
Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes ✔ / No ✘	Weight
Accidents at work		**25%**
Set targets for work safety on all group sites?	✔	10.0%
Are accidents at work declining?	✔	15.0%
Human resources development		**35%**
Are competences required to meet medium term targets identified?	✔	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✔	3.5%
Is there a training strategy tuned to the company objectives?	✔	3.5%
Are employees trained for tomorrow's objectives?	✔	3.5%
Can all employees have access to training?	✔	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✔	3.5%
Have key competences stayed?	✔	3.5%
Are managers given managerial objectives?	✔	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✔	3.5%
Is mobility encouraged between operating units of the group?	✔	3.5%
Pay		**20%**
Is there a compensation committee?	✔	6.0%
Is employees' performance combining group AND individual performance?	✔	14.0%
Job satisfaction		**10%**
Is there a measure of job satisfaction?	✔	3.3%
Can anyone participate ?	✔	3.4%
Are there action plans to prop up employees' morale?	✔	3.3%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✔	10.0%
Qualitative score	**10.0/10**	**100.0%**

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Staff & Pension matters

Following its several moves, Zenith has reduced its headcount to 59 in FY 20/21. They are full-time employees based in its offices in London in the UK, Pointe Noire in Congo, Tunis (Tunisia), and Genoa in Italy. EPT business combination in July 2021 would reinforce Zenith's employees.

Zenith has a stock options plan for its directors, employees, and consultants. The maximum number of shares available is limited to 10% of the issued and outstanding common shares at the time of granting options. In FY20/21, the share-based payment came in at CAD1.778m. In the same year, Zenith recognized the retirement provision for CAD1.005m.

Detailed financials at the end of this report

Summary Of Pension Risks		03/21A	03/22E	03/23E	03/24E
Pension ratio	**%**	**4.05**	**2.42**	**2.50**	**2.51**
Ordinary shareholders' equity	C$M	23.8	48.7	52.7	57.8
Total benefits provisions	**C$M**	**1.01**	**1.21**	**1.35**	**1.49**
of which funded pensions	*C$M*	*0.00*	*0.42*	*0.54*	*0.66*
of which unfunded pensions	*C$M*	*1.01*	*0.79*	*0.81*	*0.83*
of which benefits / health care	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
Unrecognised actuarial (gains)/losses	C$M	0.00	0.00	0.00	0.00

Geographic Breakdown Of Pension Liabilities		03/21A	03/22E	03/23E	03/24E
US exposure	%	0.00	0.00	0.00	0.00
UK exposure	%	0.00	0.00	0.00	0.00
Euro exposure	%	0.00	0.00	0.00	0.00
Nordic countries	%	0.00	0.00	0.00	0.00
Switzerland	%	0.00	0.00	0.00	0.00
Other	%	100	100	100	100
Total	%	100	100	100	100

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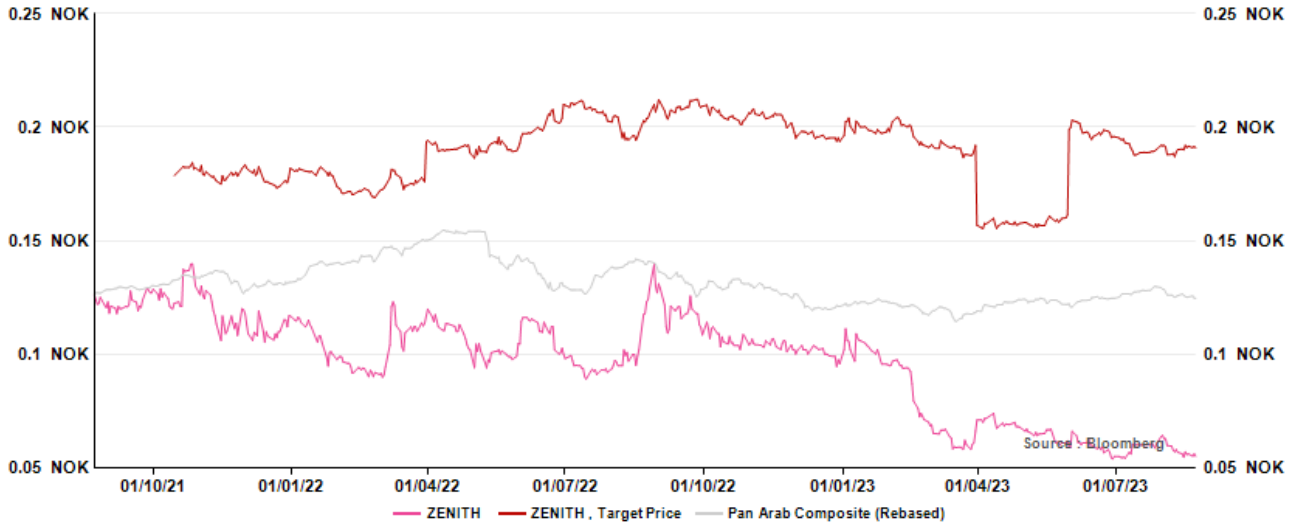
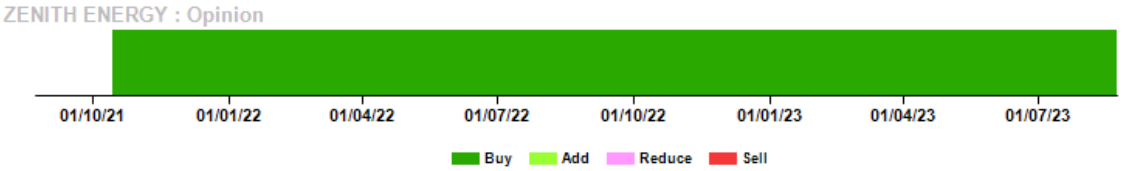
Stock Price and Target Price



Earnings Per Share & Opinion



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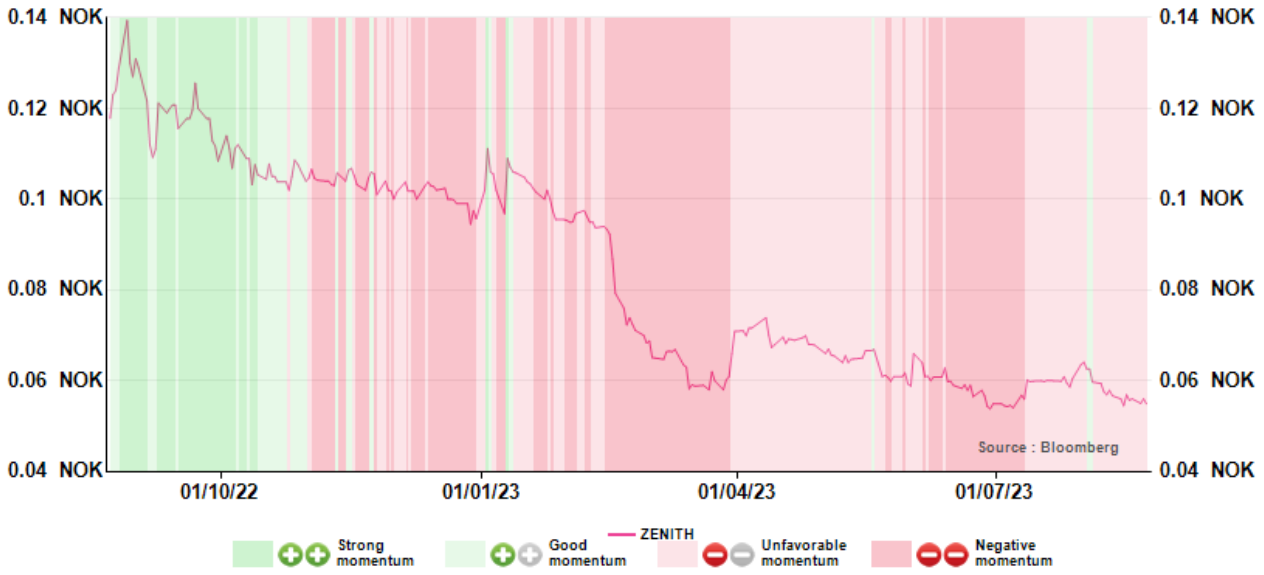
Momentum



Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.
The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.
For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

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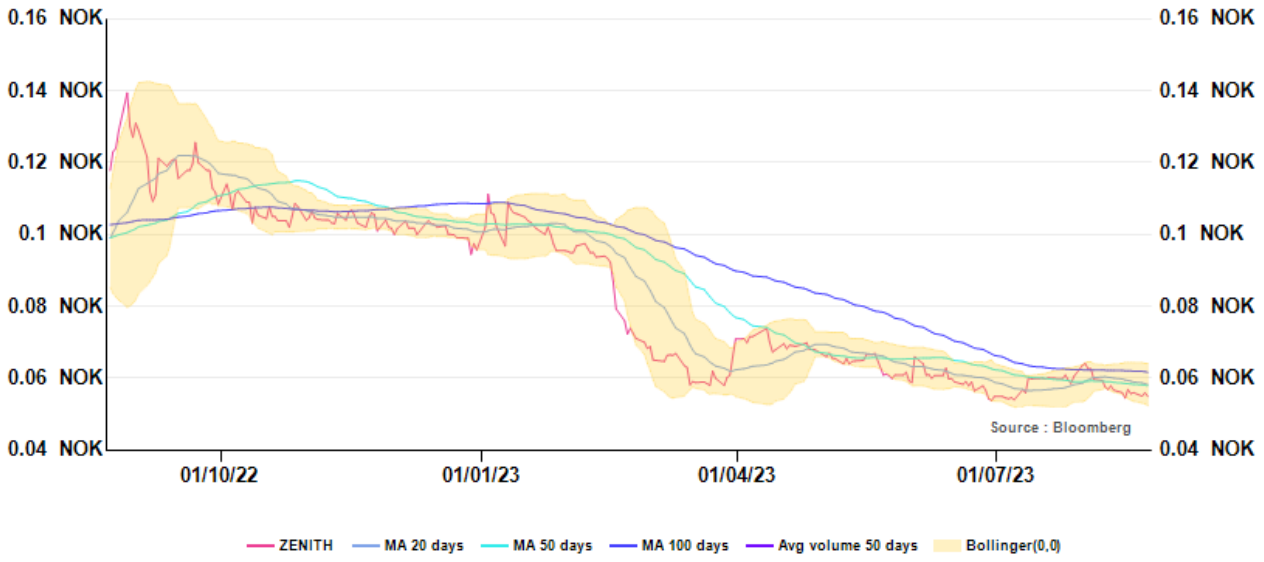
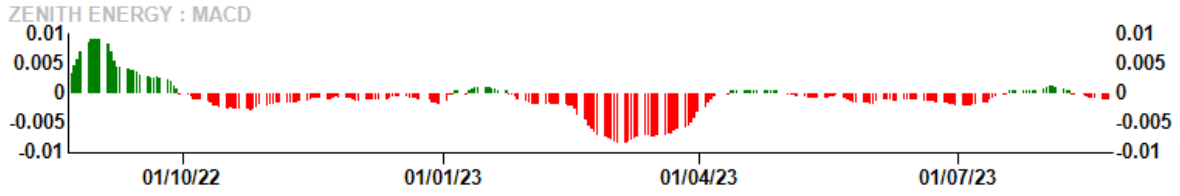
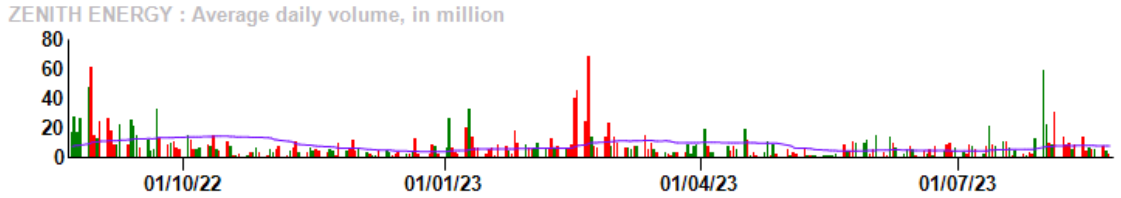
Moving Average MACD & Volume







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€/$ sensitivity

Euro sensitivity

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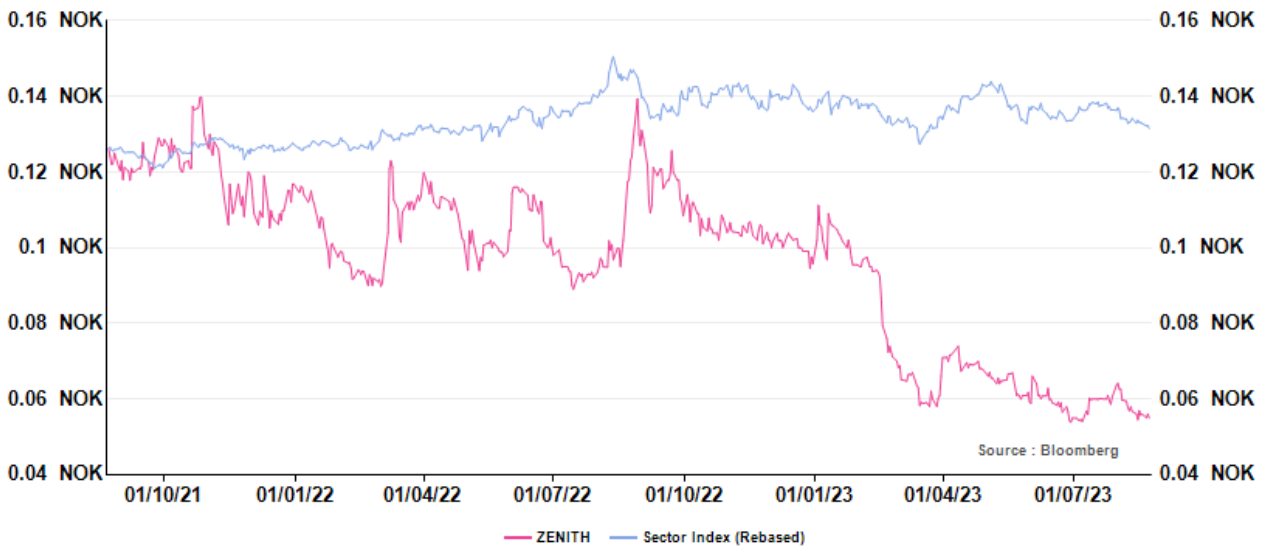
Brent $/bl sensitivity

Sector Oils



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Detailed Financials

Valuation Key Data

		03/21A	03/22E	03/23E	03/24E
Adjusted P/E	**x**	**-0.65**	**3.32**	**4.50**	**1.93**
Reported P/E	x	3.76	1.03	4.50	1.93
EV/EBITDA(R)	**x**	**-6.13**	**5.75**	**6.31**	**3.37**
EV/EBIT	x	-5.49	6.75	8.04	4.42
EV/Sales	x	69.8	2.44	2.30	1.34
P/Book	**x**	**0.56**	**0.48**	**0.34**	**0.17**
Dividend yield	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow yield	*%*	*-116*	*8.70*	*29.0*	*53.8*
Average stock price	NOK	0.09	0.11	0.10	0.05

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Consolidated P&L

		03/21A	03/22E	03/23E	03/24E
Sales	C$M	0.60	19.9	16.8	19.0
Sales growth	*%*	*-18.9*	*3,232*	*-15.3*	*13.0*
Sales per employee	*C$th*	*10.1*	*265*	*224*	*253*
Purchases and external costs (incl. IT)	C$M	-4.81	-8.61	-7.67	-8.32
Staff costs	C$M	-2.58	-2.81	-3.02	-3.10
Operating lease payments	C$M				
Cost of sales/COGS (indicative)	C$M	-7.38	-11.4	-10.7	-11.4
EBITDA	C$M	-6.79	8.44	6.12	7.58
EBITDA(R)	C$M	-6.79	8.44	6.12	7.58
EBITDA(R) margin	*%*	*ns*	*42.5*	*36.4*	*39.9*
EBITDA(R) per employee	*C$th*	*-115*	*113*	*81.6*	*101*
Depreciation	C$M	-0.79	-1.13	-1.21	-1.70
Depreciations/Sales	*%*	*133*	*5.68*	*7.17*	*8.93*
Amortisation	C$M	0.00	0.00	0.00	0.00
Additions to provisions	C$M		-0.12	-0.11	-0.10
Underlying operating profit	C$M	-7.58	7.19	4.80	5.78
Underlying operating margin	*%*	*ns*	*36.2*	*28.5*	*30.4*
Other income/expense (cash)	C$M	-6.37	0.00	0.00	0.00
Other inc./ exp. (non cash; incl. assets revaluation)	C$M	0.00	0.00	0.00	0.00
Impairment charges/goodwill amortisation	C$M	-18.7			
Operating profit (EBIT)	C$M	-32.6	7.19	4.80	5.78
Interest expenses	C$M	-1.45	-1.26	-0.80	-0.67
of which effectively paid cash interest expenses	*C$M*	*-0.98*	*0.00*	*0.00*	*0.00*
Financial income	C$M	0.00	0.00	0.00	0.00
Other financial income (expense)	C$M	-4.10	0.00	0.00	0.00
Net financial expenses	C$M	-5.55	-1.26	-0.80	-0.67
of which related to pensions	*C$M*		*-0.03*	*-0.04*	*-0.05*
Pre-tax profit before exceptional items	C$M	-38.2	5.93	4.00	5.11
Exceptional items and other (before taxes)	C$M	41.7 (1)	16.5 (1)	0.00	0.00
Current tax	C$M	0.00	-0.02	0.00	0.00
Deferred tax	C$M				
Corporate tax	C$M	0.00	-0.02	0.00	0.00
Tax rate	*%*	*-0.02*	*0.32*	*0.09*	*0.09*
Net margin	*%*	*ns*	*29.8*	*23.8*	*26.9*
Equity associates	C$M				
Actual dividends received from equity holdings	*C$M*				
Minority interests	C$M				
Income from discontinued operations	C$M	0.00	0.00	0.00	0.00
Attributable net profit	C$M	3.53	22.4	4.00	5.10
Impairment charges/goodwill amortisation	C$M	18.7	0.00	0.00	0.00
Other adjustments	C$M	-36.5	-16.5		
Adjusted attributable net profit	C$M	-14.3	5.91	4.00	5.10
Fully diluted adjusted attr. net profit	C$M	-14.3	5.91	4.00	5.10
NOPAT	C$M	-5.30	5.05	3.39	4.08

1. Including gain on business combination.

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Cashflow Statement

		03/21A	03/22E	03/23E	03/24E
EBITDA	C$M	-6.79	8.44	6.12	7.58
Change in WCR	C$M	2.84	-4.40	1.26	-0.12
of which (increases)/decr. in receivables	*C$M*	*0.06*	*-3.16*	*0.76*	*-0.55*
of which (increases)/decr. in inventories	*C$M*	*0.79*	*-3.79*	*-0.78*	*0.09*
of which increases/(decr.) in payables	*C$M*	*1.94*	*3.05*	*1.78*	*0.84*
of which increases/(decr.) in other curr. liab.	*C$M*	*0.05*	*-0.50*	*-0.50*	*-0.50*
Actual dividends received from equity holdings	C$M	0.00	0.00	0.00	0.00
Paid taxes	C$M		-0.02	0.00	0.00
Exceptional items	C$M				
Other operating cash flows	C$M	-5.87	0.34	0.31	0.29
Total operating cash flows	C$M	-9.81	4.37	7.68	7.74
Capital expenditure	C$M	-0.05	-1.09	-1.66	-1.76
Capex as a % of depreciation & amort.	*%*	*6.58*	*96.7*	*138*	*104*
Net investments in shares	C$M	-0.15	0.00	0.00	0.00
Other investment flows	C$M	0.00	0.00	0.00	0.00
Total investment flows	C$M	-0.20	-1.09	-1.66	-1.76
Net interest expense	C$M	-5.55	-1.26	-0.80	-0.67
of which cash interest expense	*C$M*	*-0.98*	*-1.24*	*-0.75*	*-0.62*
Dividends (parent company)	C$M	0.00			
Dividends to minorities interests	C$M	0.00	0.00	0.00	0.00
New shareholders' equity	C$M	7.62	2.56	0.00	0.00
of which (acquisition) release of treasury shares	*C$M*				
Change in gross debt	C$M	3.79	-4.26	-3.13	-1.10
Other financial flows	C$M	0.00			
Total financial flows	C$M	10.4	-2.94	-3.88	-1.72
Change in scope of consolidation, exchange rates & other	C$M	0.00			
Change in cash position	C$M	0.41	0.34	2.14	4.26
Change in net debt position	C$M	-3.38	4.60	5.27	5.36
Free cash flow (pre div.)	C$M	-15.4	2.01	5.23	5.31
Operating cash flow (clean)	C$M	-9.81	4.37	7.68	7.74
Reinvestment rate (capex/tangible fixed assets)	*%*	*0.05*	*0.77*	*1.17*	*1.24*

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Balance Sheet

		03/21A	03/22E	03/23E	03/24E
Goodwill	C$M				
Total intangible	C$M	0.00	0.00	0.00	0.00
Tangible fixed assets	C$M	100	141	142	142
Financial fixed assets (part of group strategy)	C$M	0.01	0.01	0.01	0.01
Other financial assets (investment purpose mainly)	C$M				
WCR	C$M	-3.72	0.68	-0.58	-0.46
of which trade & receivables (+)	*C$M*	*1.80*	*4.96*	*4.20*	*4.75*
of which inventories (+)	*C$M*	*2.67*	*6.46*	*7.24*	*7.15*
of which payables (+)	*C$M*	*15.1*	*18.2*	*20.0*	*20.8*
of which other current liabilities (+)	*C$M*	*-6.94*	*-7.44*	*-7.94*	*-8.44*
Other current assets	C$M	0.00	0.00	0.00	0.00
of which tax assets (+)	*C$M*				
Total assets (net of short term liabilities)	C$M	96.8	142	141	142
Ordinary shareholders' equity (group share)	C$M	23.8	48.7	52.7	57.8
Minority interests	C$M				
Provisions for pensions	C$M	1.01	1.21	1.35	1.49
Other provisions for risks and liabilities	C$M	16.2	17.7	18.0	18.3
Deferred tax liabilities	C$M	2.40	2.40	2.40	2.40
Other liabilities	C$M	42.2	65.7	65.7	65.7
Net debt / (cash)	C$M	11.1	6.52	1.24	-4.12
Total liabilities and shareholders' equity	C$M	96.8	142	141	142
Gross Cash	C$M	1.63	1.97	4.11	8.37
Average net debt / (cash)	C$M	9.36	8.82	3.88	-1.44

EV Calculations

		03/21A	03/22E	03/23E	03/24E
EV/EBITDA(R)	**x**	**-6.13**	**5.75**	**6.31**	**3.37**
EV/EBIT	**x**	**-5.49**	**6.75**	**8.04**	**4.42**
EV/Sales	**x**	**69.8**	**2.44**	**2.30**	**1.34**
EV/Invested capital	x	0.43	0.34	0.27	0.18
Market cap	C$M	13.2	23.1	18.0	9.87
+ Provisions (including pensions)	C$M	17.2	18.9	19.3	19.8
+ Unrecognised actuarial losses/(gains)	C$M	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	C$M	11.1	6.52	1.24	-4.12
+ Right-of-use (from 2019)/Leases debt equivalent	C$M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	C$M				
+ Minority interests (fair value)	C$M				
= Enterprise Value	**C$M**	**41.6**	**48.5**	**38.6**	**25.5**

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Per Share Data

		03/21A	03/22E	03/23E	03/24E
Adjusted EPS (bfr gwill amort. & dil.)	**C$**	**-0.02**	**0.00**	**0.00**	**0.00**
Growth in EPS	*%*	*n/a*	*n/a*	*-42.5*	*27.6*
Reported EPS	C$	0.00	0.02	0.00	0.00
Net dividend per share	**NOK**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	C$	-0.02	0.00	0.00	0.00
Operating cash flow per share	C$	-0.01	0.00	0.01	0.01
Book value per share	C$	0.02	0.03	0.04	0.04
Number of ordinary shares	**Mio**	**983**	**1,408**	**1,408**	**1,408**
Number of equivalent ordinary shares (year end)	Mio	983	1,408	1,408	1,408
Number of shares market cap.	Mio	1,164	1,408	1,408	1,408
Treasury stock (year end)	Mio				
Number of shares net of treasury stock (year end)	Mio	983	1,408	1,408	1,408
Number of common shares (average)	**Mio**	**692**	**1,195**	**1,408**	**1,408**
Conversion of debt instruments into equity	Mio	0.00	0.00	0.00	0.00
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Mio**	**692**	**1,195**	**1,408**	**1,408**
Goodwill per share (diluted)	C$	0.03	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	C$	-0.05	0.00	0.00	0.00
EPS before goodwill amortisation (non-diluted)	C$	0.01	0.02	0.00	0.00
Payout ratio	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Capital payout ratio (div +share buy back/net income)	**%**	**0.00**	**0.00**	**0.00**	

Funding - Liquidity

		03/21A	03/22E	03/23E	03/24E
EBITDA	C$M	-6.79	8.44	6.12	7.58
Funds from operations (FFO)	C$M	-13.6	7.53	5.67	7.24
Ordinary shareholders' equity	**C$M**	**23.8**	**48.7**	**52.7**	**57.8**
Gross debt	C$M	12.7	8.49	5.35	4.25
o/w Less than 1 year - Gross debt	C$M	9.33	5.71	1.11	1.51
o/w 1 to 5 year - Gross debt	C$M	3.42	2.77	4.24	2.74
+ Gross Cash	C$M	1.63	1.97	4.11	8.37
= Net debt / (cash)	**C$M**	**11.1**	**6.52**	**1.24**	**-4.12**
Other financing	C$M	12.7	8.49	5.35	4.25
Gearing (at book value)	%	39.3	18.1	7.36	-2.48
Equity/Total asset (%)	%	24.6	34.3	37.3	40.9
Adj. Net debt/EBITDA(R)	*x*	*-1.64*	*0.77*	*0.20*	*-0.54*
Adjusted Gross Debt/EBITDA(R)	*x*	*-4.42*	*3.24*	*4.04*	*3.17*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*55.7*	*36.0*	*31.9*	*29.3*
Ebit cover	*x*	*-1.37*	*5.82*	*6.38*	*9.33*
FFO/Gross Debt	*%*	*-45.5*	*27.5*	*23.0*	*30.1*
FFO/Net debt	*%*	*-123*	*115*	*456*	*-176*
FCF/Adj. gross debt (%)	*%*	*-51.4*	*7.35*	*21.2*	*22.1*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-1.48*	*0.70*	*8.39*	*9.05*
"Cash" FCF/ST debt	*x*	*-1.16*	*0.36*	*4.74*	*3.54*

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ROE Analysis (Dupont's Breakdown)

		03/21A	03/22E	03/23E	03/24E
Tax burden (Net income/pretax pre excp income)	x	-0.09	3.78	1.00	1.00
EBIT margin (EBIT/sales)	%	-5,471	36.2	28.5	30.4
Assets rotation (Sales/Avg assets)	%	0.93	16.6	11.9	13.4
Financial leverage (Avg assets /Avg equity)	x	3.80	3.30	2.80	2.56
ROE	**%**	**21.0**	**61.8**	**7.89**	**9.23**
ROA	%	-33.7	5.06	3.39	4.08

Shareholder's Equity Review (Group Share)

		03/21A	03/22E	03/23E	03/24E
Y-1 shareholders' equity	C$M	9.83	23.8	48.7	52.7
+ Net profit of year	C$M	3.53	22.4	4.00	5.10
- Dividends (parent cy)	C$M	0.00	0.00	0.00	0.00
+ Additions to equity	C$M	7.62	2.56	0.00	0.00
o/w reduction (addition) to treasury shares	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	C$M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	C$M	2.83	-0.06	0.01	0.02
= Year end shareholders' equity	**C$M**	**23.8**	**48.7**	**52.7**	**57.8**

Staffing Analytics

		03/21A	03/22E	03/23E	03/24E
Sales per staff	C$th	10.1	265	224	253
Staff costs per employee	C$th	-43.7	-37.4	-40.3	-41.4
Change in staff costs	*%*	*-2.02*	*8.90*	*7.74*	*2.67*
Change in unit cost of staff	*%*	*219*	*-14.3*	*7.74*	*2.67*
Staff costs/(EBITDA+Staff costs)	*%*	*-61.2*	*24.9*	*33.1*	*29.0*
Average workforce	**unit**	**59.0**	**75.0**	**75.0**	**75.0**
Europe	unit	0.00	0.00	0.00	0.00
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	59.0	75.0	75.0	75.0
Total staff costs	**C$M**	**-2.58**	**-2.81**	**-3.02**	**-3.10**
Wages and salaries	C$M	-2.58	-2.81	-3.02	-3.10
Pension related costs	C$M		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		03/21A	03/22E	03/23E	03/24E
Total sales	**C$M**	**0.60**	**19.9**	**16.8**	**19.0**
Tunisia	C$M	0.06	18.2	15.1	16.7
Congo	C$M	0.46	0.00	0.00	0.00
Azerbaijan	C$M	0.00	0.00	0.00	0.00
Argentina	C$M	0.00	0.00	0.00	0.00
Italy	C$M	0.09	1.65	1.71	2.27
Other	C$M	0.00	0.00	0.00	0.00

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Divisional Breakdown Of Earnings

		03/21A	03/22E	03/23E	03/24E
Underlying operat. profit Analysis					
Tunisia	C$M	-0.04	11.6	6.34	7.54
Congo	C$M	-5.43	-0.35	-0.33	-0.32
Azerbaijan	C$M	0.00	0.00	0.00	0.00
Argentina	C$M	0.00	0.00	0.00	0.00
Italy	C$M	-0.58	0.11	0.21	0.69
Other/cancellations	C$M	-1.54	-4.04	-1.31	-2.02
Total	**C$M**	**-7.58**	**7.31**	**4.91**	**5.88**
Underlying operat. profit margin	%	ns	36.8	29.2	31.0

Revenue Breakdown By Country

		03/21A	03/22E	03/23E	03/24E
Africa	%	85.7	91.7		
Of Which Tunisia	%	9.23	91.7		
Of Which Congo, Democratic Republic of the	%	76.5	0.00		
Europe	%	14.3	8.29		
Of Which Italy	%	14.3	8.29		
South America	%	0.00	0.00		
Of Which Argentina	%	0.00	0.00		
Asia	%	0.00	0.00		
Of Which Azerbaijan	%	0.00	0.00		
Other	%	0.00	0.00		

ROCE

		03/21A	03/22E	03/23E	03/24E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*-5.48*	*3.55*	*2.40*	*2.88*
CFROIC	*%*	*-15.9*	*1.42*	*3.70*	*3.75*
Goodwill	C$M	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
All intangible assets	C$M	0.00	0.00	0.00	0.00
Accumulated intangible amortisation	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
Financial hedges (LT derivatives)	C$M	0.00	0.00	0.00	0.00
Capitalised R&D	C$M	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	C$M	0.00	0.00	0.00	0.00
Other fixed assets	C$M	100	141	142	142
Accumulated depreciation	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	C$M	-3.72	0.68	-0.58	-0.46
Other assets	C$M	0.01	0.01	0.01	0.01
Unrecognised actuarial losses/(gains)	C$M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**C$M**	**96.8**	**142**	**141**	**142**
Capital employed before depreciation	C$M	96.8	142	141	142

Divisional Breakdown Of Capital Employed

		03/21A	03/22E	03/23E	03/24E
Tunisia	C$M				
Congo	C$M				
Azerbaijan	C$M				
Argentina	C$M				
Italy	C$M				
Other	C$M	96.8	142	141	142
Total capital employed	**C$M**	**96.8**	**142**	**141**	**142**

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Pension Risks

Summary Of Pension Risks

		03/21A	03/22E	03/23E	03/24E
Pension ratio	**%**	**4.05**	**2.42**	**2.50**	**2.51**
Ordinary shareholders' equity	C$M	23.8	48.7	52.7	57.8
Total benefits provisions	**C$M**	**1.01**	**1.21**	**1.35**	**1.49**
of which funded pensions	*C$M*	*0.00*	*0.42*	*0.54*	*0.66*
of which unfunded pensions	*C$M*	*1.01*	*0.79*	*0.81*	*0.83*
of which benefits / health care	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
Unrecognised actuarial (gains)/losses	C$M	0.00	0.00	0.00	0.00
Company discount rate	*%*		*0.00*	*0.00*	*0.00*
Normalised recomputed discount rate	%		2.50		
Company future salary increase	*%*		*0.00*	*0.00*	*0.00*
Normalised recomputed future salary increase	%		2.00		
Company expected rate of return on plan assets	*%*		*0.00*	*0.00*	*0.00*
Normalised recomputed expd rate of return on plan assets	%		0.00		
Funded : Impact of actuarial assumptions	**C$M**		**0.00**		
Unfunded : Impact of actuarial assumptions	**C$M**		**0.10**		

Geographic Breakdown Of Pension Liabilities

		03/21A	03/22E	03/23E	03/24E
US exposure	%	0.00	0.00	0.00	0.00
UK exposure	%	0.00	0.00	0.00	0.00
Euro exposure	%	0.00	0.00	0.00	0.00
Nordic countries	%	0.00	0.00	0.00	0.00
Switzerland	%	0.00	0.00	0.00	0.00
Other	%	100	100	100	100
Total	%	100	100	100	100

Balance Sheet Implications

		03/21A	03/22E	03/23E	03/24E
Funded status surplus / (deficit)	C$M	0.00	-0.60	-0.78	-0.94
Unfunded status surplus / (deficit)	C$M	-1.01	-1.13	-1.15	-1.18
Total surplus / (deficit)	C$M	-1.01	-1.73	-1.93	-2.13
Total unrecognised actuarial (gains)/losses	**C$M**	**0.00**	**0.00**	**0.00**	**0.00**
Provision (B/S) on funded pension	C$M	0.00	0.42	0.54	0.66
Provision (B/S) on unfunded pension	C$M	1.01	0.79	0.81	0.83
Other benefits (health care) provision	C$M	0.00	0.00	0.00	0.00
Total benefit provisions	**C$M**	**1.01**	**1.21**	**1.35**	**1.49**

P&L Implications

		03/21A	03/22E	03/23E	03/24E
Funded obligations periodic costs	C$M	0.00	0.00	-0.02	-0.02
Unfunded obligations periodic costs	C$M	0.00	-0.03	-0.03	-0.03
Total periodic costs	**C$M**	**0.00**	**-0.03**	**-0.04**	**-0.05**
of which incl. in labour costs	*C$M*	*0.00*	*0.00*	*0.00*	*0.00*
of which incl. in interest expenses	*C$M*	*0.00*	*-0.03*	*-0.04*	*-0.05*

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Funded Obligations

		03/21A	03/22E	03/23E	03/24E
Balance beginning of period	**C$M**	**0.00**	**0.00**	**0.60**	**0.82**
Current service cost	C$M		0.00	0.00	0.00
Interest expense	C$M		0.00	0.02	0.02
Employees' contributions	C$M				
Impact of change in actuarial assumptions	C$M		0.00	0.00	0.00
of which impact of change in discount rate	*C$M*		*0.00*		
of which impact of change in salary increase	*C$M*		*0.00*		
Changes to scope of consolidation	**C$M**				
Currency translation effects	C$M				
Pension payments	C$M				
Other	C$M		0.60	0.20	0.20
Year end obligation	**C$M**	**0.00**	**0.60**	**0.82**	**1.04**

Plan Assets

		03/21A	03/22E	03/23E	03/24E
Value at beginning	**C$M**		**0.00**	**0.00**	**0.04**
Company expected return on plan assets	C$M		0.00	0.00	0.00
Actuarial gain /(loss)	C$M		0.00	0.00	0.00
Employer's contribution	C$M		0.00	0.04	0.05
Employees' contributions	C$M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	C$M				
Currency translation effects	C$M				
Pension payments	C$M	0.00	0.00	0.00	0.00
Other	C$M				
Value end of period	**C$M**	**0.00**	**0.00**	**0.04**	**0.09**
Actual and normalised future return on plan assets	C$M	0.00	0.00	0.00	0.00

Unfunded Obligations

		03/21A	03/22E	03/23E	03/24E
Balance beginning of period	**C$M**	**0.00**	**1.01**	**1.13**	**1.15**
Current service cost	C$M		0.00	0.00	0.00
Interest expense	C$M		0.03	0.03	0.03
Employees' contributions	C$M				
Impact of change in actuarial assumptions	C$M		0.10	0.00	0.00
of which Impact of change in discount rate	*C$M*		*-0.39*		
of which Impact of change in salary increase	*C$M*		*0.49*		
Changes to scope of consolidation	C$M				
Currency translation effects	C$M				
Pension payments	C$M				
Other	C$M	1.01			
Year end obligation	**C$M**	**1.01**	**1.13**	**1.15**	**1.18**

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Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a **"value"** approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy	More than 15% upside	More than 20% upside	More than 30% upside
Add	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell	Below -10%	Below -10%	Below -10%

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaMena intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

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Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' instrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%

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