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Zacks Small-Cap Research

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Calima Energy (OCTQB-CLMEF)

CLMEF: Production surprises on the upside as company announces dividend.

CLMEF is an Australian company with energy assets in Canada that is traded OTC in the US. The company has a solid balance sheet and is increasing production, resulting in returning cash to shareholders.

OUTLOOK

Calima Energy provided its 1Q 2023 update and reported production that was better than expected and announced it will again pay a dividend.

The company continues to expand production and make smart investments that allows them to consistently exceed expectations, providing potential upside for investors.

Current Price (04/27/23)	$0.08
Valuation	**$0.50**

SUMMARY DATA

52-Week High	**$0.14**
52-Week Low	**$0.07**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**11,004**
Shares Outstanding (mil)	**615**
Market Capitalization ($mil)	**$49**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**AUD$0.01**
Dividend Yield (%)	**5%**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Medium**
Type of Stock	**N/A**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of AUD$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$1.0 A	$10.1 A	$17.8 A	$19.8 A	$47.7 A
2022	$31 A	$37 A	$31 A	$24 A	$123 A
2023	$25 A	$30 E	$35 E	$40 E	$130 E
2024	$42 E	$45 E	$45 E	$48 E	$180 E

Earnings per share (AUD$)

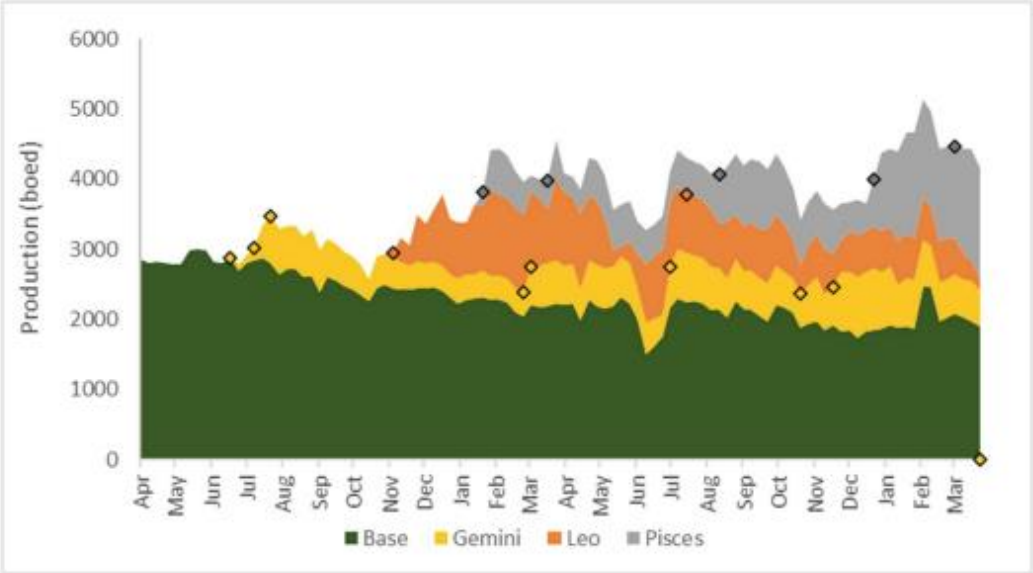
	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	N/A	N/A	N/A	N/A	-$0.08 A
2022	N/A	N/A	N/A	N/A	$0.04 A
2023	N/A	N/A	N/A	N/A	$0.16 E
2024	N/A	N/A	N/A	N/A	$0.19 E

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Update

Calima Energy provided investors with its 1Q 2023 Cash Flow and Production report, which reinforced our view that Calima is worth a hard look by investors and summarized in the chart below. The company announced that its daily production in 1Q averaged 4,532 boe/d. That number is a 22% increase over the production reported in the previous quarter and above what the company had forecasted. This rise in production helped Calima to report a solid A$25 million in revenue despite the softness in energy prices that we saw during the quarter.

Calima Production



Source: Calimaenergy.com, April 28, 2023

Additionally, the company announced that is reduced its operating costs from the previous quarter by $0.84/boe, reinforcing our belief in the management of Calima.

Importantly, the company also announced that it will distribute $3 million to shareholders in July 2023, while management also noted that they hope to increase the frequency of distributions to shareholders. The company also announced that it plans to provide an annual return of $5 million to shareholders.

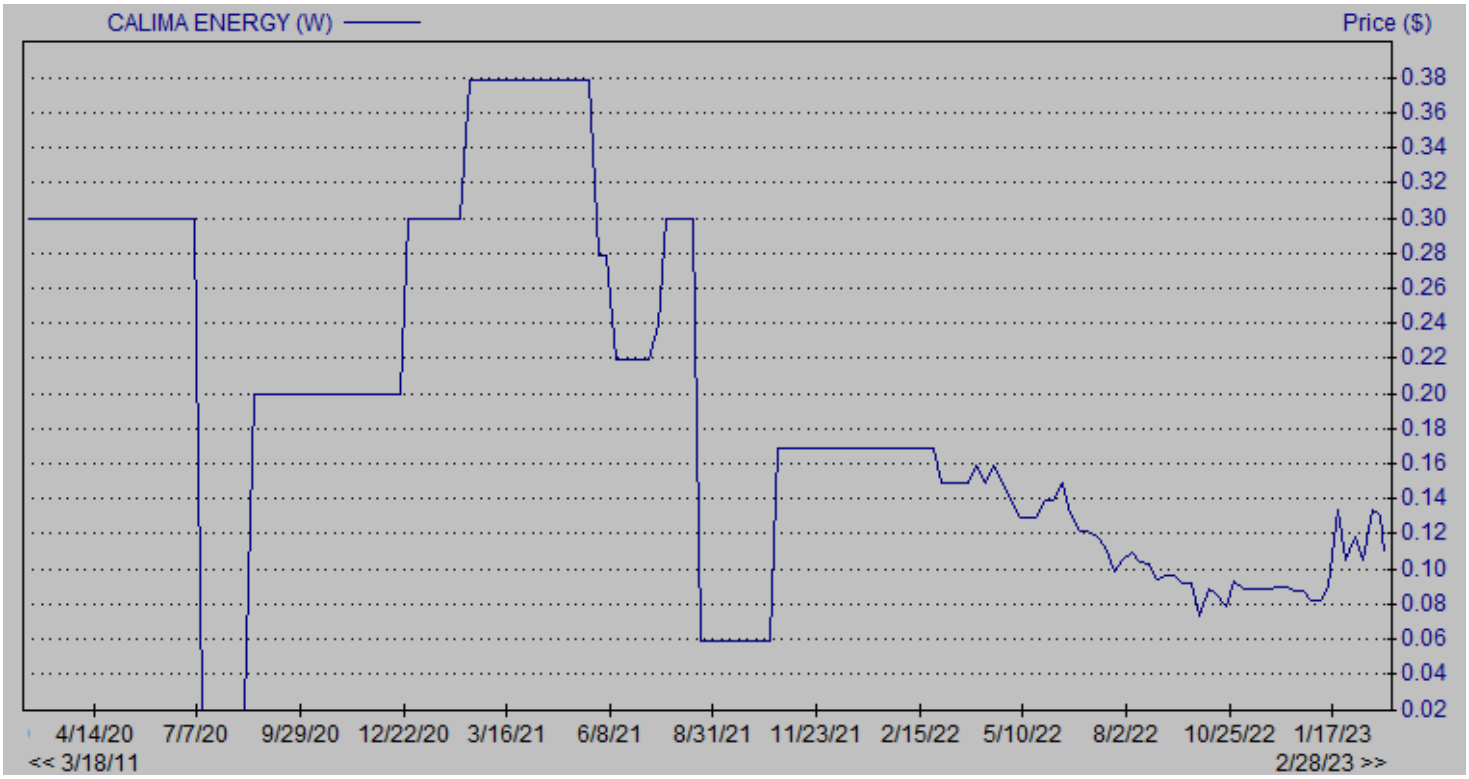
Finally, we want to remind investors that Calima reported positive improved results from its retesting of its Montney asset and that initial construction of the pipeline that connects the Calima well pad to the existing infrastructure has begun. We continue to believe that investors are far undervaluing the value of the Montney asset and the positive tests and infrastructure improvements reinforce that idea and we believe the asset will be monetized in the not-too-distant future.

Summary

Calima Energy continues to make decisions that, in our view, enhances the value of the company by increasing production at a reasonable cost—resulting in a low risk, high return potential for the company with the current plans. We are of the opinion that investors are undervaluing Calima for

two major reasons. First—investors aren't appropriately recognizing the production Calima is achieving and how the company continues to manage costs and increase production. Second—we don't think investors are giving any value to the Montney asset, which is one that we are very optimistic about. Once the testing is complete, and as initial tests have indicated, our belief is that results will be quite positive and lead to a financially beneficial arrangement for Calima. This leads to our thinking that these actions will enable the company to continue to return cash to shareholders, bolster the investment case, and solidifies our belief that CLMEF is undervalued at recent prices.

HISTORICAL STOCK PRICE


CALIMA ENERGY (W)
Price ($)
0.38
0.36
0.34
0.32
0.30
0.28
0.26
0.24
0.22
0.20
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
4/14/20
7/7/20
9/29/20
12/22/20
3/16/21
6/8/21
8/31/21
11/23/21
2/15/22
5/10/22
8/2/22
10/25/22
1/17/23
<< 3/18/11
2/28/23 >>

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