



# Serica's Acquisition of Tailwind – Publication of Circular

9 January 2023



## Disclaimer

This document is personal to the recipient and has been issued by Serica Energy plc (the "Company"). This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares in the Company, nor shall any part of it nor the fact of its distribution form part of or be relied on in connection with any contract or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of the Company.

This document has not been verified, does not purport to contain all information that a prospective investor may require and is subject to updating, revision and amendment. The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice. In furnishing this document, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this document or to correct any inaccuracies in, or omissions from, this document that may become apparent.

No reliance may be placed for any purposes whatsoever on the information or opinions contained in this document or on its completeness. No representation or warranty, express or implied, is given by or on behalf of the Company, its directors, officers or employees or any other person as to the accuracy or completeness of the information or opinions contained in this document and no liability whatsoever is accepted by the Company or any of its members, directors, officers or employees nor any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

The release, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. To the fullest extent permitted by applicable law, the Company disclaims any responsibility or liability for the violation of such requirements by any person. This presentation may not be reproduced, redistributed or disclosed in whole or in part to any other person without the prior written consent of the Company.

Certain statements, beliefs and opinions in this document, are forward-looking, which reflect the Company's or, as appropriate, the Company's directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

Unless specified otherwise, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that earnings or earnings per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for the Company.

By attending the presentation to which this document relates or by accepting this document in any other way you agree to be bound by the foregoing provisions.



# A Review of the Transaction



## Compelling Strategic Rationale for the Acquisition of Tailwind Assets



### Diversifies portfolio

- Portfolio strengthened by adding new production hub in the Triton Area resulting in a balanced mix of gas and oil
- Introduces multiple short-cycle organic growth opportunities



### Production & reserves increased

- Serica becomes top 10 UK producer with net 2023 production increased by 50 – 80%
- Increases Serica net 2P reserves (as at 1 Jan 22) by 67% before full impact of successful 2022 programmes



### Accretive from year one for shareholders

- Forecast to be immediately accretive to earnings per share
- ~20% increase in reserves per share
- ~50% increase in 2023 – 2025 projected cash flow per share



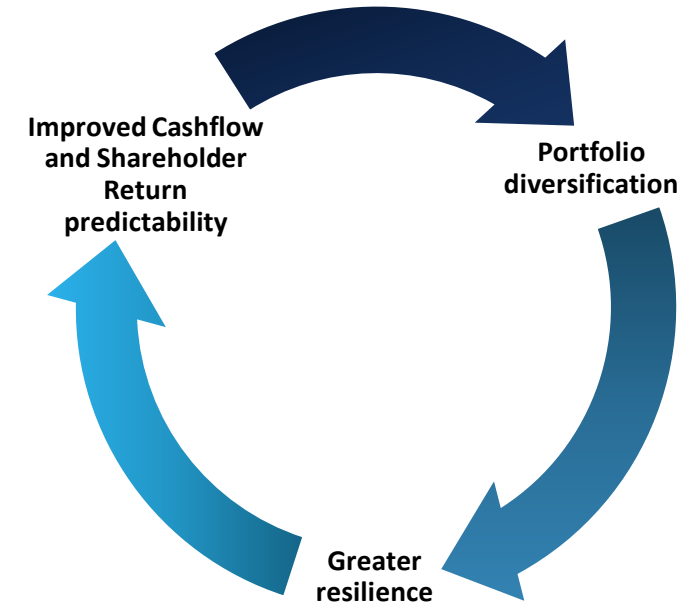
### Financial strength enhanced

- Significant net cash position of enlarged entity and strong ongoing cashflow creates significant fire power for M&A, organic investments and cash returns to shareholders
- Both asset portfolios characterised by low decommissioning obligations



### Committed strategic investor

- Introduces Mercuria as a strategic shareholder with a 25.2% interest bringing additional capabilities and commitment to further growth
- Experienced and valued risk management partner



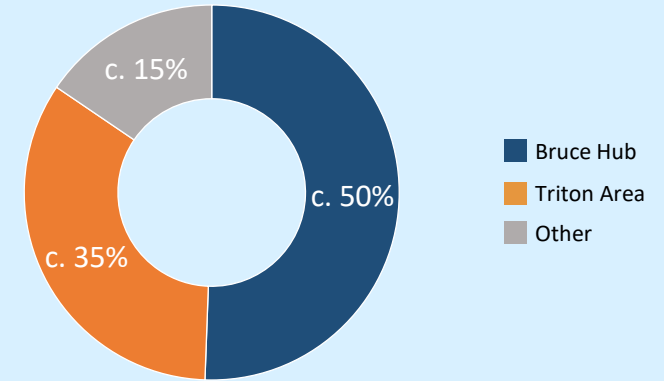
# Creating a Balanced, Growth Oriented Portfolio



- Number of producing fields will increase from 5 to 11
- Enlarged group will operate more than 80% of net production
- Range of growth projects enhanced with short-cycle opportunities in Triton Area
- Carbon intensity of combined portfolio remains below UKCS average

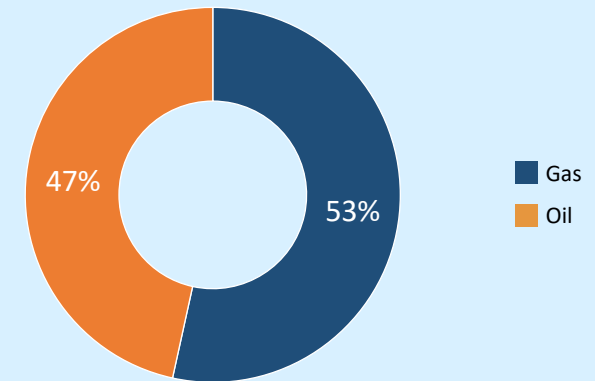
## Production Spread Across Two Main Hubs

Serica & Tailwind Production in 2023 (estimate)



## Balance Between Gas and Oil

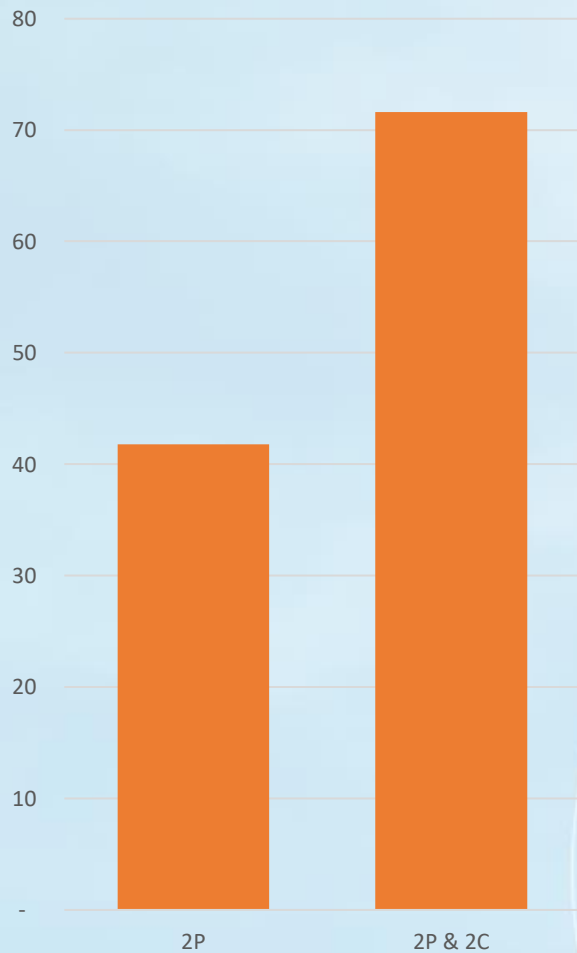
Serica & Tailwind 2P Reserves at 1 January 2022



# Increased Production and Reserves with Competitive Operating Costs

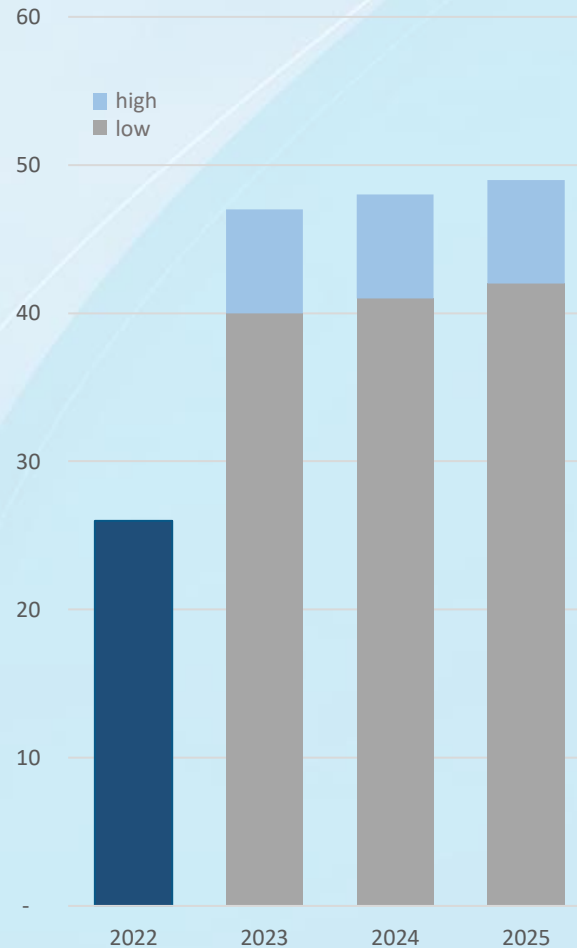
**Strong visibility on reserves growth through sanctioned and near-term projects**

Tailwind reserves and resources at 1 Jan 22 (million boe)



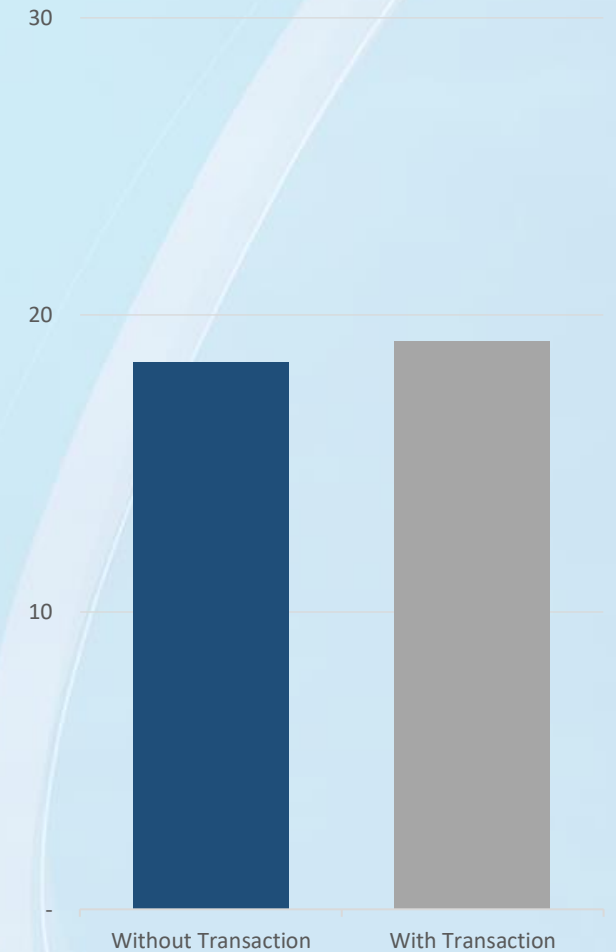
**50 - 80% increase in production with sustained level above 40,000 boe/d forecast**

Combined portfolio net production ('000 boe/d)



**Maintains competitive operating cost levels**

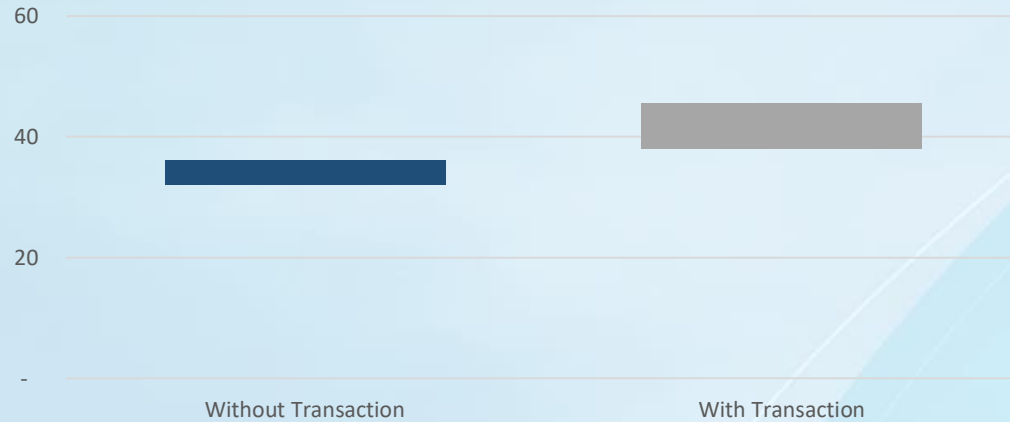
2023 operating costs (US\$/boe)



# Acquisition is Immediately Accretive across Key Operational and Financial Metrics

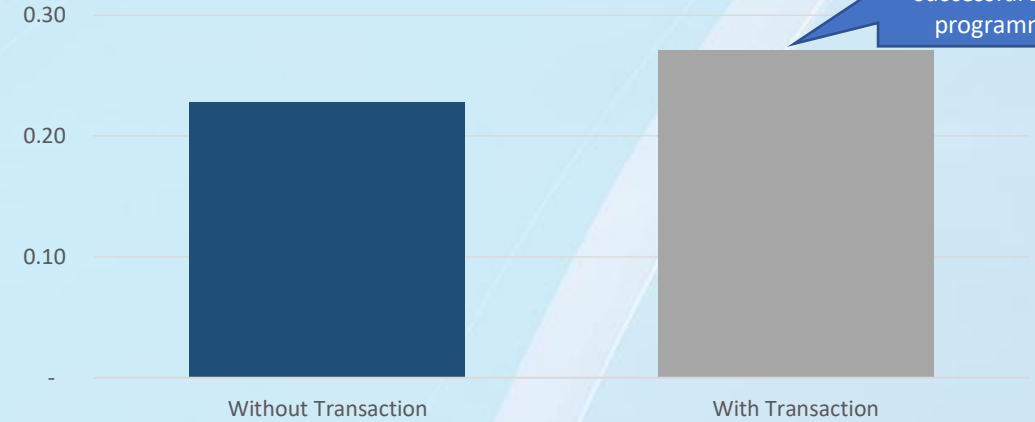
## Increase in production per share

2023 net production per thousand shares (boe/'000sh)



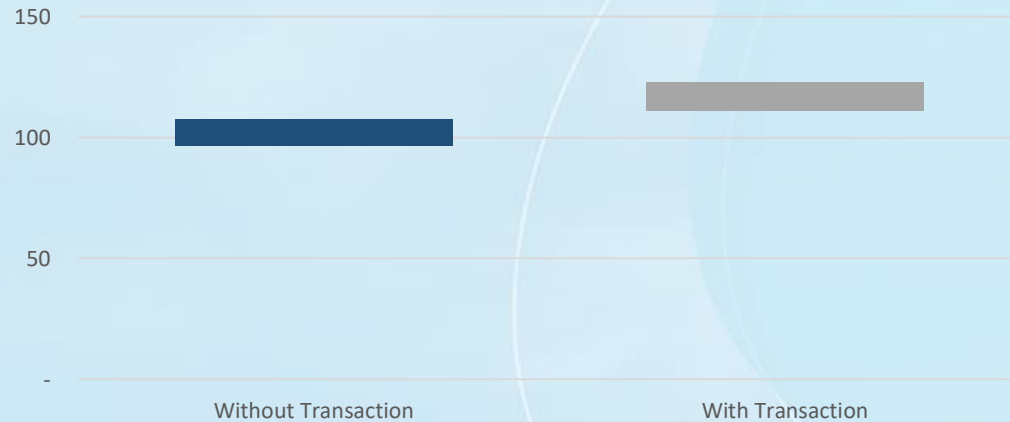
## c.20% accretion in 2P reserves per share

2P reserves (1 Jan 22) per share (boe/sh)



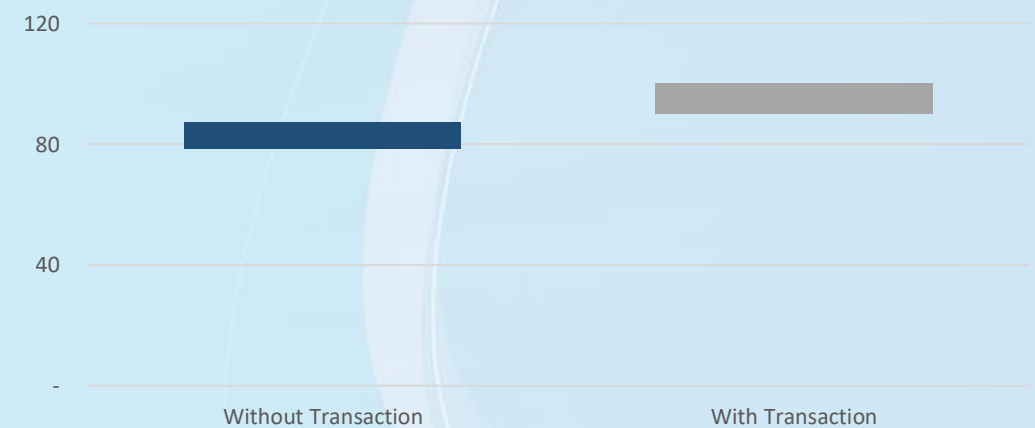
## Cash flow per share accretive

2023 operating cash flow/sh (p/sh)



## Immediately earnings accretive

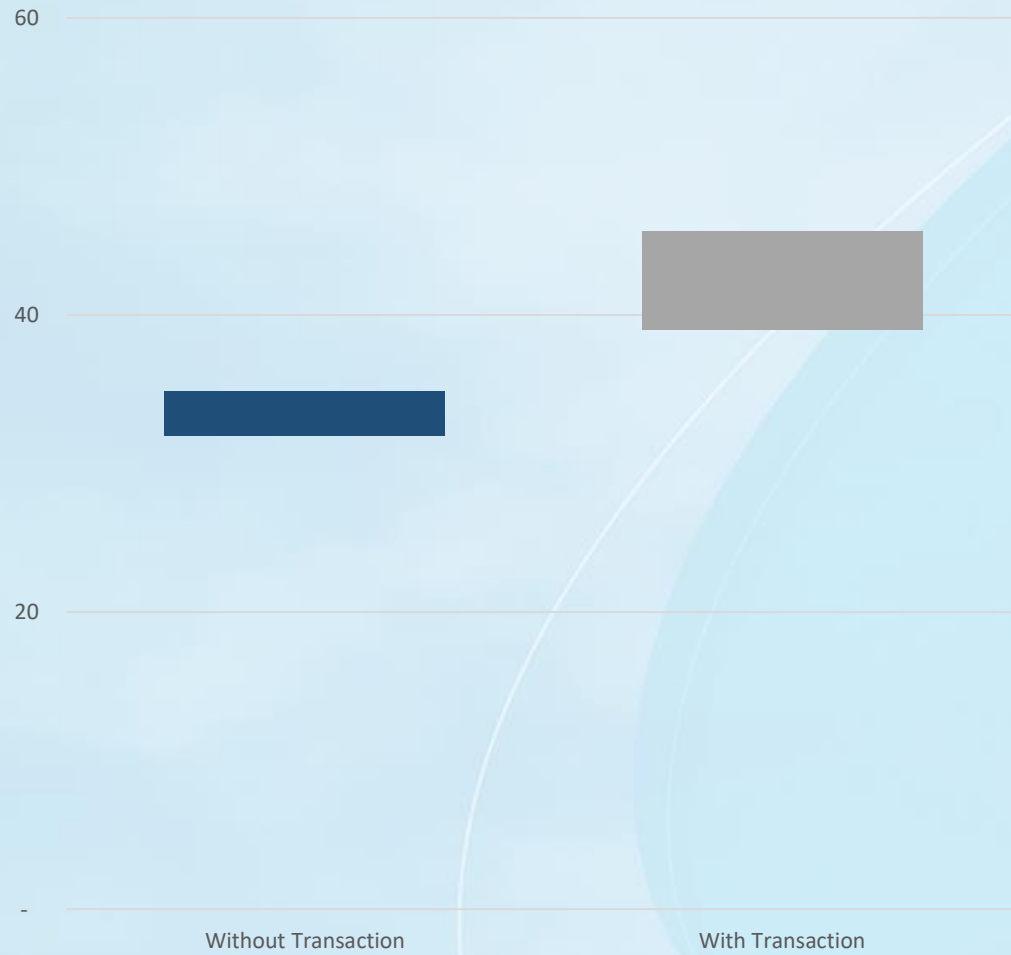
2023 forecast earnings per share (p/sh)



# Per Share Operating and Financial Metric Accretion Strengthens Over Time

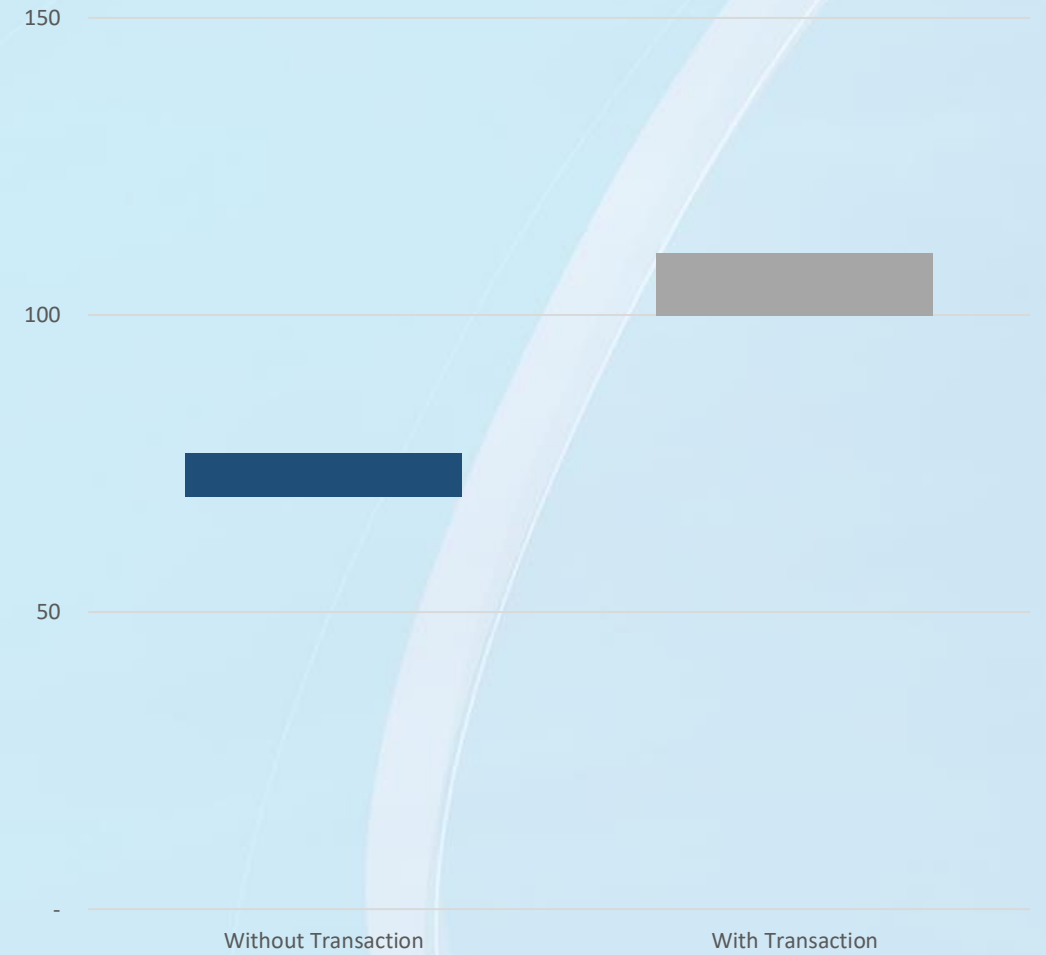
## Increase in production per share

2023-25 average annual net production per share (boe/'000sh)



## c.50% cash flow per share accretion

2023-25 average annual operating cash flow/sh (p/sh)





# Creates Enhanced Scale with Financial Strength

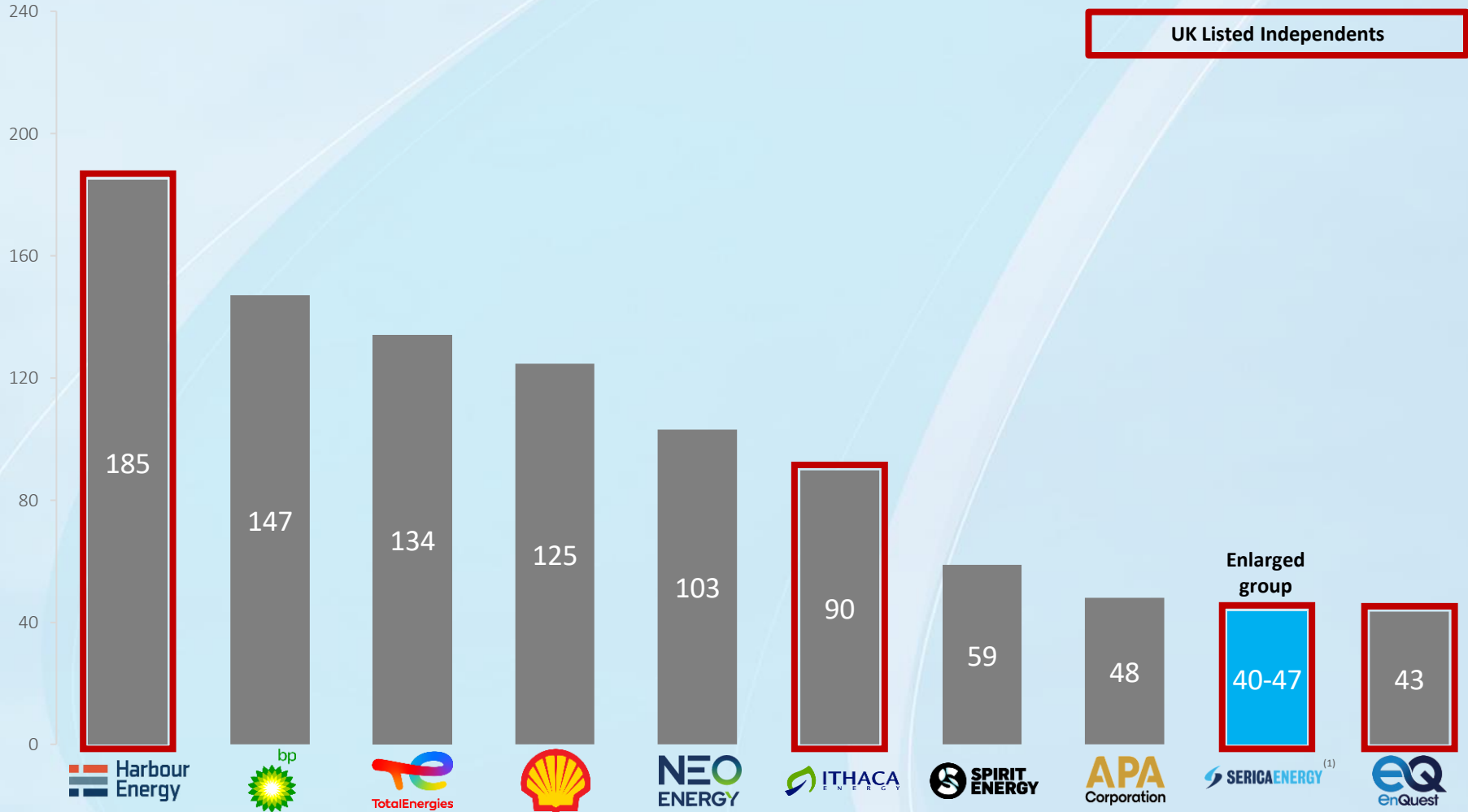
**Top 10 UKCS Producer**

**3<sup>rd</sup> Largest UK Listed Independent**

**Significant Net Cash**

**Low Decommissioning Liabilities**

2023 UKCS Net Production Peers (kboe/d)<sup>(1)</sup>



# Overview of Transaction and Strategic Relationship with Mercuria

## Transaction Structure

- Serica acquiring 100% of Tailwind Energy Investments Ltd
- Consideration comprises:
  - Issue of up to 111.05 million new Consideration Shares, representing approximately 28.9% of Serica's enlarged issued share capital following completion
  - A cash payment on Completion of £58.7 million
- Equivalent to £367 million based on Serica's closing price on 19 December 2022 of 278 pence per share
- Serica will be assuming Tailwind's net debt, which as at 30 November 2022 was c. £277 million

## Key Valuation Parameters

- Based on each company's producing fields only, balance sheets and tax positions
- Included impact of Energy Profits Levy 2
- No synergies assumed (e.g. tax, overheads, G&A)

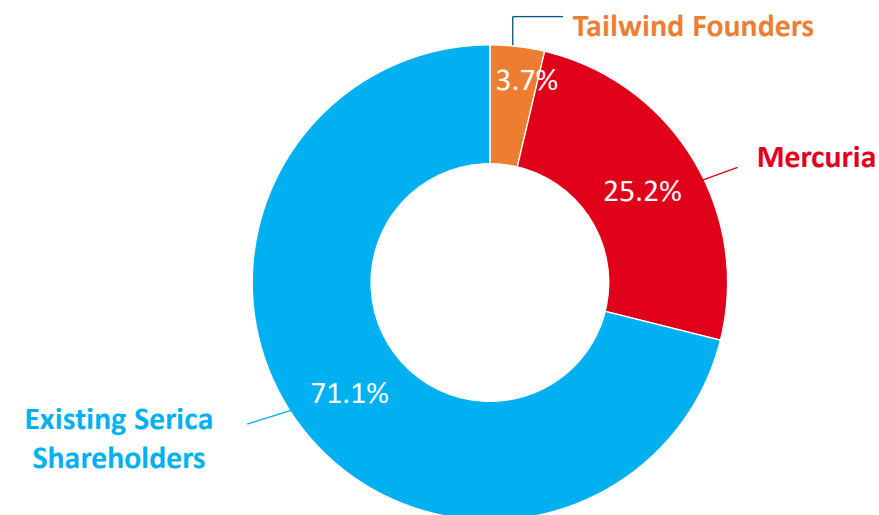
## Completion Conditions

- Customary regulatory approvals for UK upstream corporate transaction
- Shareholder approval for allotment of shares
- Roll-over of RBL facility (subject to lender consent)
- OFAC License renewal

## New Strategic Investor with Deep Energy Experience

- Mercuria will become a strategic investor in Serica with a 25.2% holding
- Aligned to make Serica a platform for growth through M&A
- Relationship Agreement effective on Completion:
  - Mercuria have nominated two non-executive directors to the Serica Board
  - Lock-up and standstill restrictions of 6 and 18 months respectively
- Serica and Mercuria looking to extend existing marketing and hedging arrangements in respect of the Tailwind acquired assets

### Post-Transaction Ownership Structure



## Strategic Investor with wide Geographical and Energy Sector Reach

- Committed strategic investor in Serica following the transaction
- Mercuria will be the largest single Serica shareholder with 25.2% on completion
- Relationship Agreement between Mercuria and Serica including lock-up and standstill arrangements
- Mercuria have nominated two non Executive directors onto Serica Board
- Existing Mercuria marketing and hedging support to Tailwind continuing post-transaction with aim to extend further for assets acquired from Tailwind



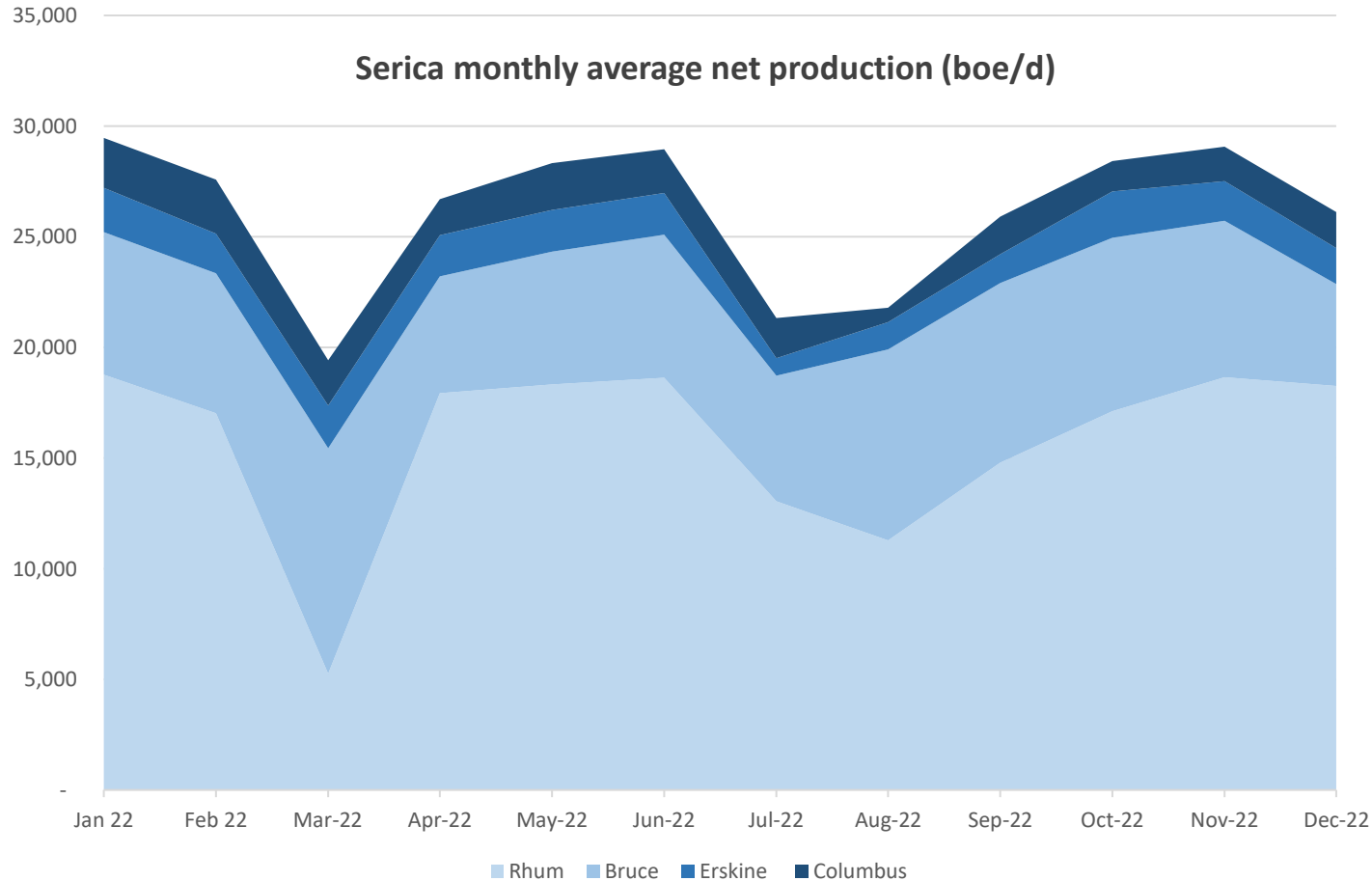
	<b>Focus</b>	<b>Commodity Complex</b>
	<b>Headcount</b>	<b>1,100+</b>
	<b>Offices</b>	<b>25+</b>
	<b>2021 Turnover</b>	<b>US\$130 billion</b>
	<b>2021 Gross Profit</b>	<b>US\$2.8 billion</b>
	<b>Book Equity<sup>(1)</sup></b>	<b>c.US\$4.4 billion</b>
	<b>Assets</b>	<b>Producing assets, infrastructure &amp; logistics</b>



# 2022 Operational Performance



## Strong Production Levels Maintained by Serica in 2022

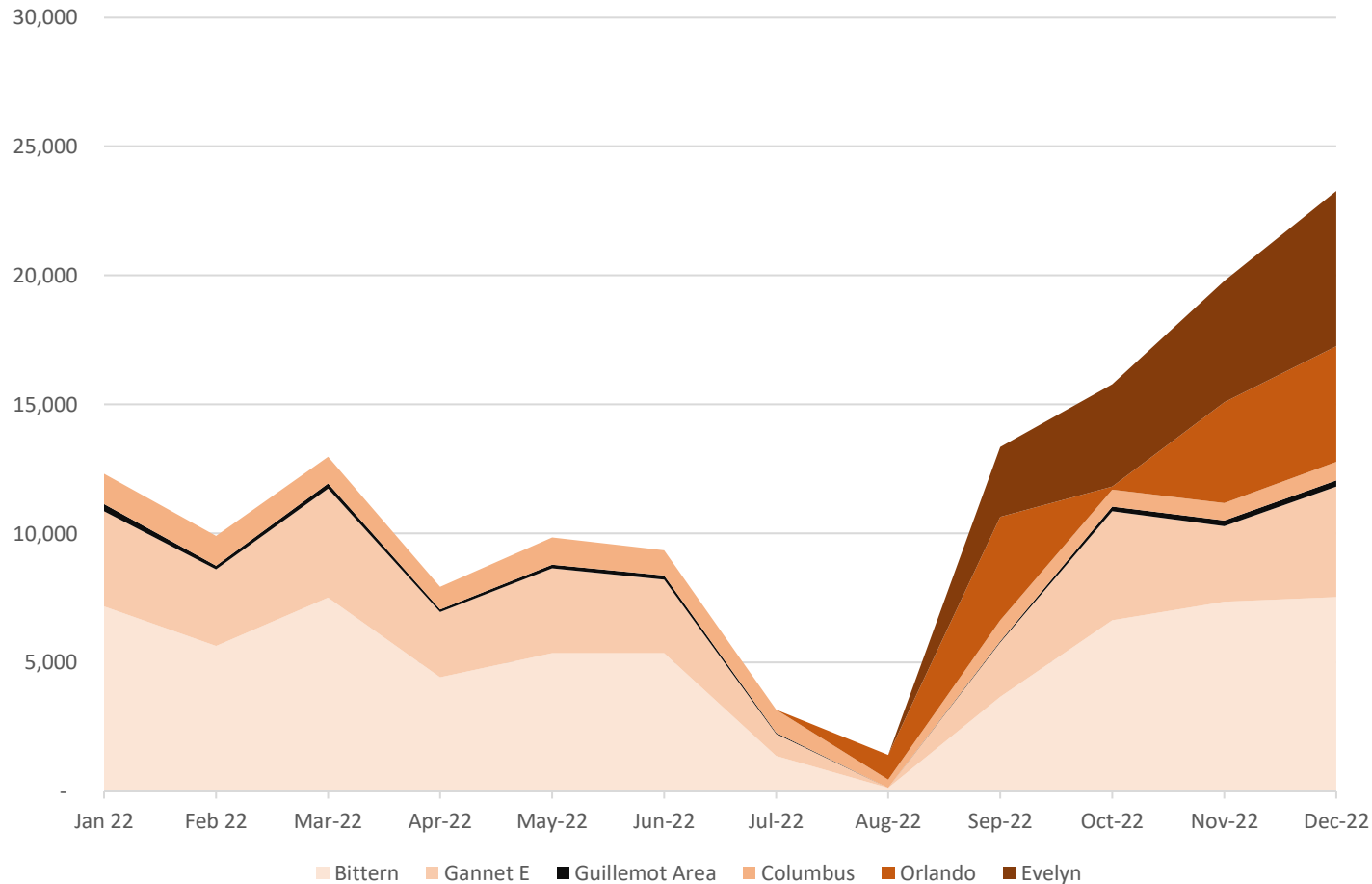


- 2022 production levels have remained strong although impacted by a short Rhum outage in March and planned BKR maintenance shut down in July / August

**2022 Net Production:  
>26,000 boe/d**

## Tailwind Production Increased Significantly through 2022

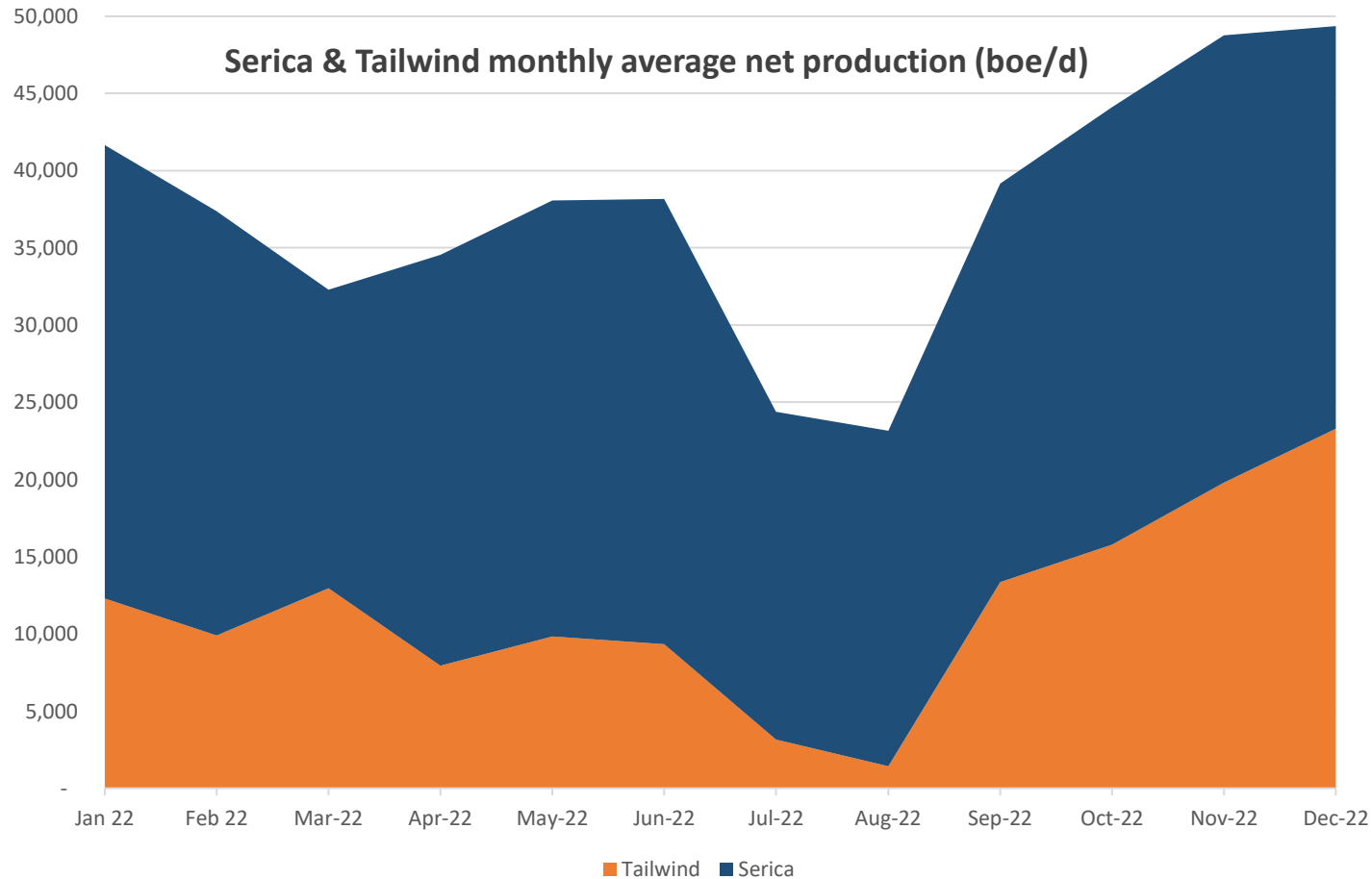
Tailwind monthly average net production (boe/d)



- Production increased significantly during 2022 due to the commissioning of the Evelyn tie-back and the restart of the Orlando field
- Annual average production impacted by extended planned Triton summer maintenance campaign during which the Evelyn field was successfully tied in
- Peak daily production has reached 24,500 boe/d during December

**Q4 Net Production:  
>19,500 boe/d**

## Combined Portfolio Producing over 45,000 boe/d at YE 2022



- Impact of capital investment programme for Tailwind portfolio has seen significant production increase throughout the year

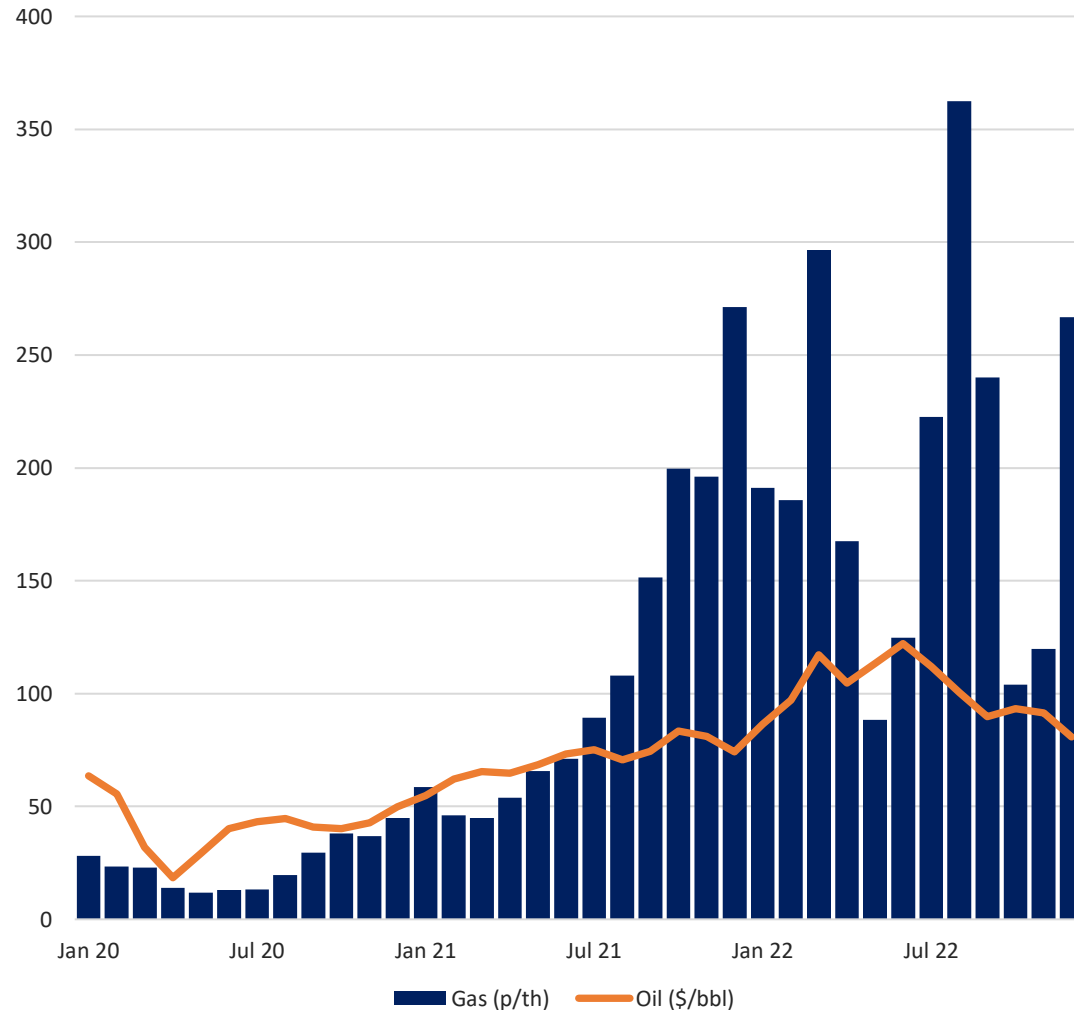
**Q4 Net Production:  
>47,000 boe/d**

## Intense Commodity Price Volatility in Recent Years

### Commodity Prices

Heren NBP Day Ahead Gas Price (p/th)

Brent Oil Price (US\$/bbl)



- There has been unprecedented volatility in commodity prices, particularly gas, in recent years
- Although prices have remained strong, recent trends have demonstrated little correlation between oil and gas prices
- Expanded portfolio mitigates exposure to gas price volatility

**2022 Averages**  
**Oil: US\$101/bbl**  
**Gas: 198p/th**

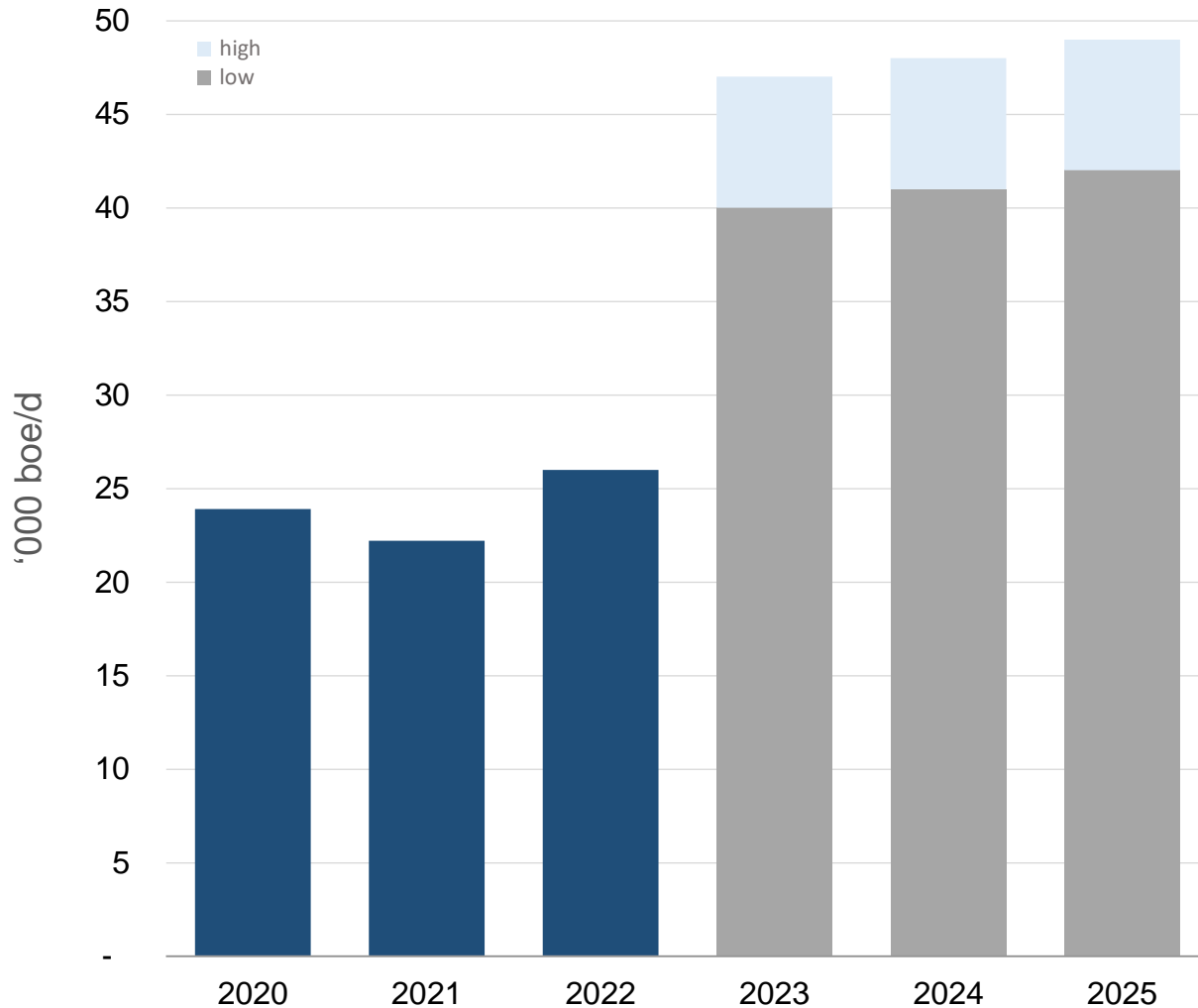




# Outlook



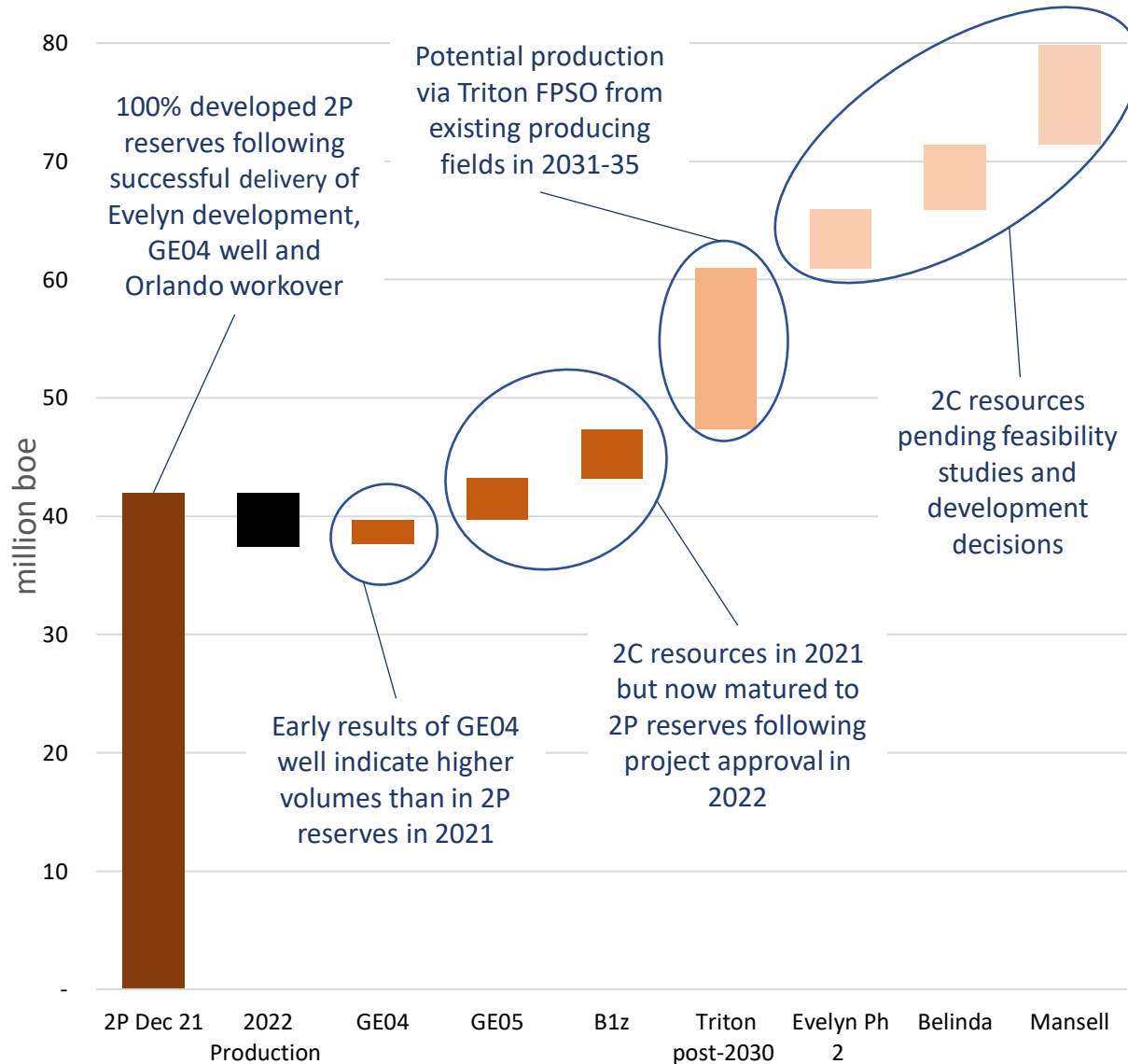
## Portfolio with Sustained Production above 40,000 boe/d



- Serica’s production has been in a 22,000 – 26,000 boe/d range for the past few years
- Post acquisition net production per share will increase by between 10% and 30%
- Recently drilled GE-04 is due to be put into production in Q1 2023 – initial indications are that the well will add significantly higher production levels than previously modelled

**Net production expected  
to remain above  
40,000 boe/d**

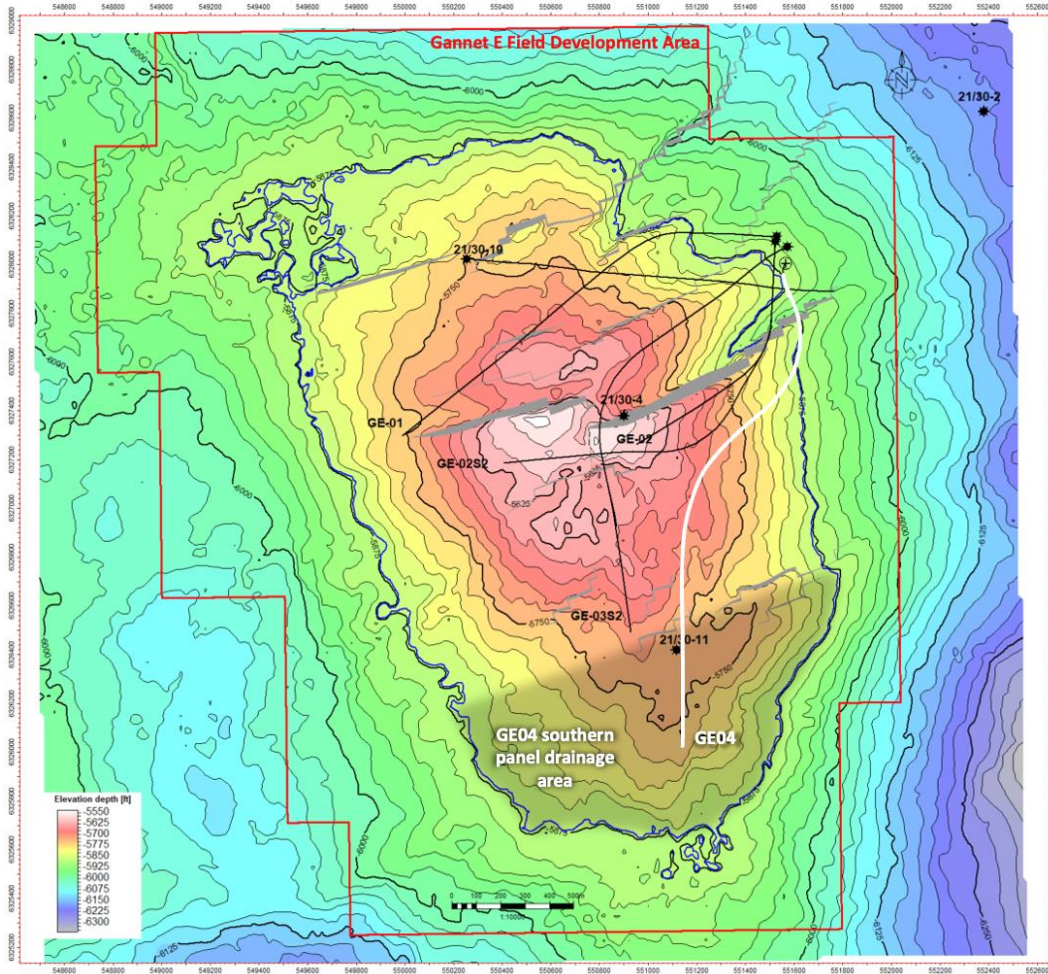
## 'Hopper' of Potential Reserves Additions from Tailwind Portfolio



- The Tailwind portfolio has a number of capital investment projects designed to boost production, extend field life and add reserves
- A number of these projects were successfully completed or sanctioned in 2022

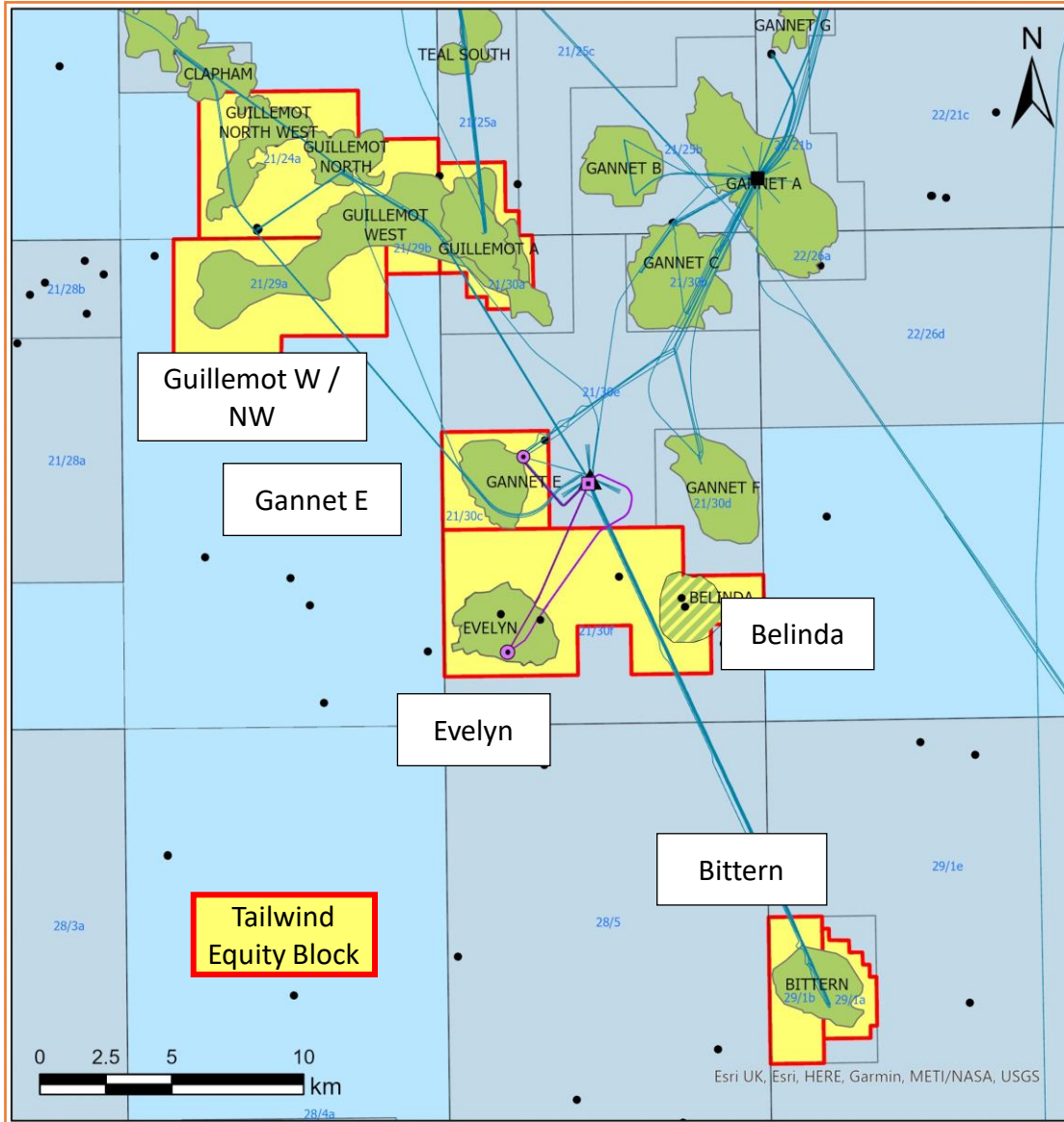
**Projects identified with the potential to add over 30 million boe**

# Outstanding Gannet GE-04 Well Result



- Operations to drill and complete the 100% Tailwind owned Gannet GE-04 well have just concluded
- GE-04 was designed to provide an additional producing well in the un-swept southern area of the field
- Well results are considerably better than pre-drill estimates
  - High quality reservoir encountered
  - 23% increase in STOIP in southern panel
  - Initial oil production rates in excess of 8,000 bbl/day now modelled, compared with 5,000 bbl/day pre-drill estimate
- The well will be suspended and the rig demobilised
- A subsea tie-in to the Gannet E manifold is expected in February 2023 and first production anticipated in Q1

## Rising Production from Triton Area

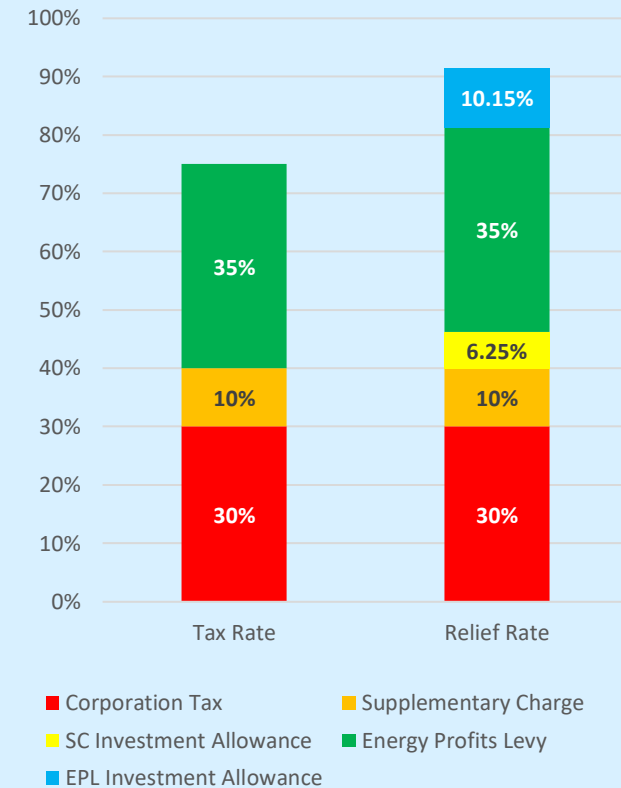


- Triton Area comprises 8 producing fields tied in to the Triton FPSO
- Tailwind has interests in 5 fields with working interests between 10% and 100% and operates 2 fields (Gannet E and Evelyn)
- Recent life extension studies verified integrity of FPSO for production to at least 2030 with no off-stationing required
- Facilities upgrade and maintenance programmes executed in 2022 via flotel enabled Walk to Work campaign with further campaign planned in 2023
- Triton FPSO uptime more than 95% in Q4 2022
- Ongoing investment programme
  - Evelyn developed
  - Bittern A2 well intervention and Gannet E 4<sup>th</sup> well successfully carried out in 2022
  - Rig hired for Bittern B1z sidetrack and Gannet E 5<sup>th</sup> well in 2024
- Possible FID of Tailwind 100% owned and operated Belinda field and Evelyn phase 2

## Material Mitigation of Tax Derived from Tailwind Losses

- Tailwind retains significant tax losses at **end 2022** currently estimated at:
  - Ring Fence Corporation Tax: \$1.4 billion
  - Supplementary Charge: \$1.2 billion
  - Energy Profits Levy: \$0.1 billion
- Losses available for utilisation against future taxable profits – potential tax offset in the region of £470 million based on current tax rates
- No tax synergies have been assumed. Utilisation of the above losses is expected in the next three years. This timing will depend upon performance of producing assets, sales prices and capital investment programmes

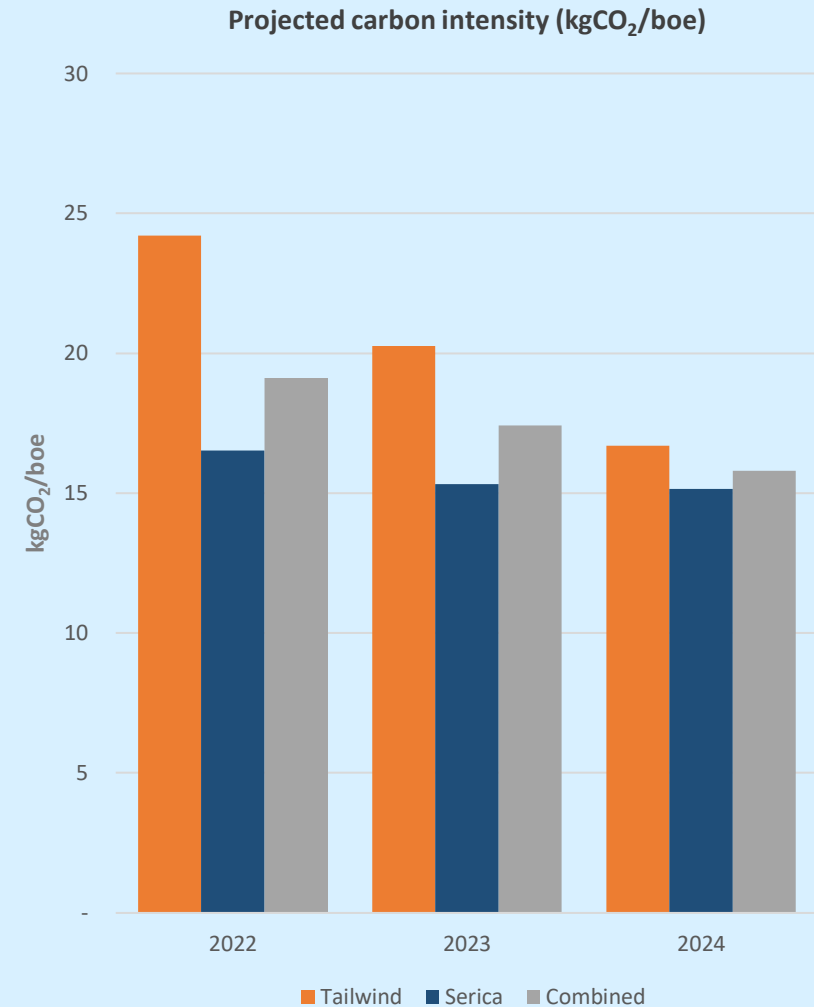
- There are three elements to UK Oil & Gas taxation
  - Corporation Tax (30%)
  - Supplementary Charge (10%)
  - Energy Profits Levy (35%)



- Maximum level of tax payable is 75%
- Increased Investment Allowances mean that up to 91.4% relief can be available for qualifying expenditure

## Improving Emissions Performance

- The carbon intensity (kgCO<sub>2</sub>/boe) of both the Tailwind and Serica portfolios are decreasing
- The carbon intensity of the combined portfolio is expected to be lower than the UKCS average
- Serica will work with the Triton operator to execute the already defined programme of Greenhouse Gas (“GHG”) reduction opportunities
- Serica is committed to North Sea Transition Deal (“NSTD”) and has adopted the NSTD GHG reduction targets including a basin-wide reduction target of 50% by 2030
- Serica as owner and operator of the Bruce Asset already has a GHG Emissions Reduction Action Plan



## A New Growth Phase for Serica

### Enhanced Organic Growth Opportunities

- Creates a diverse and resilient production portfolio with multiple organic investment opportunities such as Bruce and Triton infill wells
- Combination of teams with impressive track records of deals (BKR & Triton) and projects (R3 & Evelyn)

### Increased Firepower for Inorganic Growth

- The transaction materially increases reserves and production whilst maintaining balance sheet strength and significant net cash position
- Relationship with Mercuria creates platform for a range of growth options

### Acquisition offers enhanced platform for shareholder returns

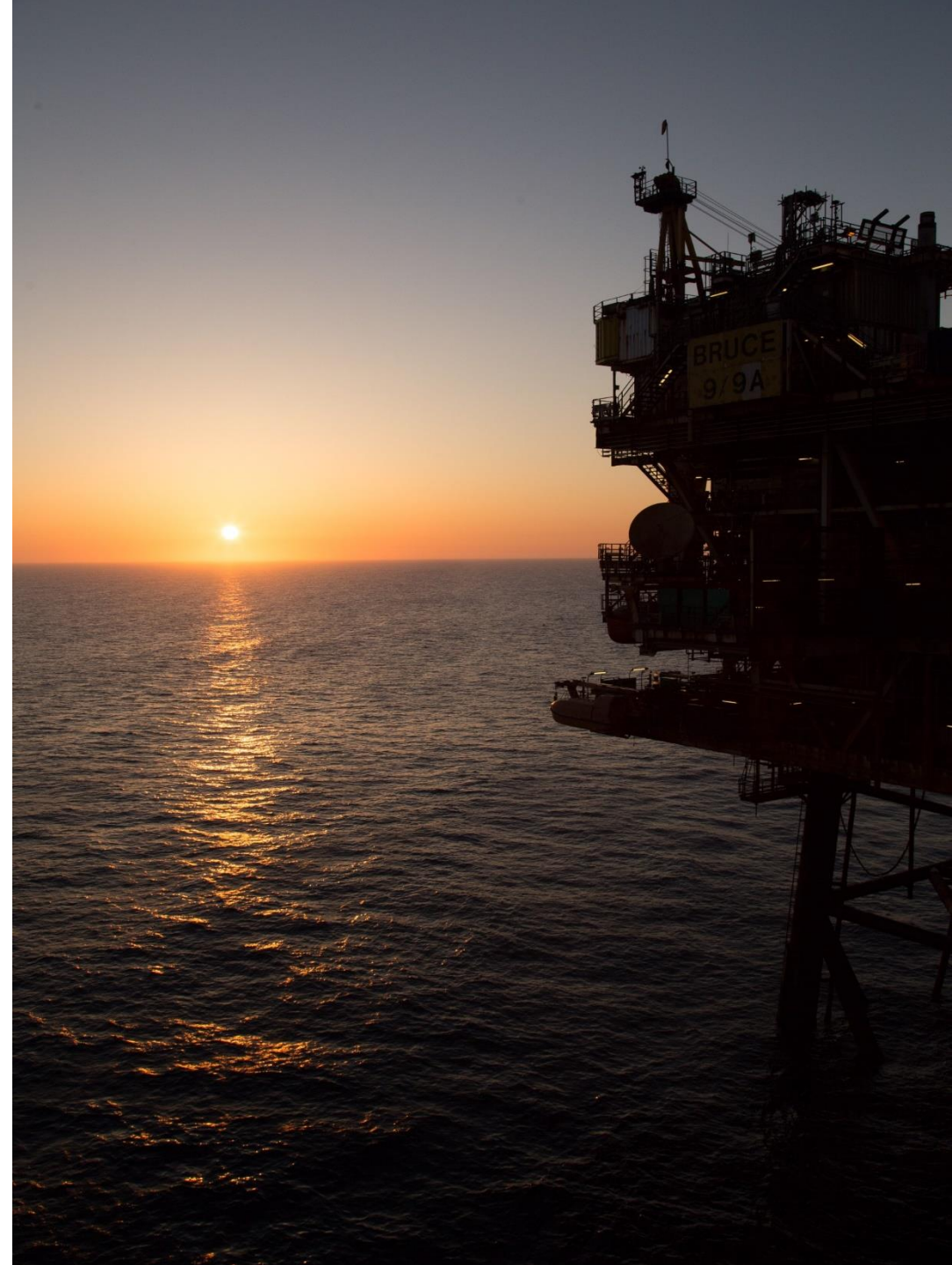
- Expected to be accretive per share at reserves, production, cashflow and earnings levels
- Strong basis from which to sustain and keep growing the return to shareholders





## Anticipated Timeline

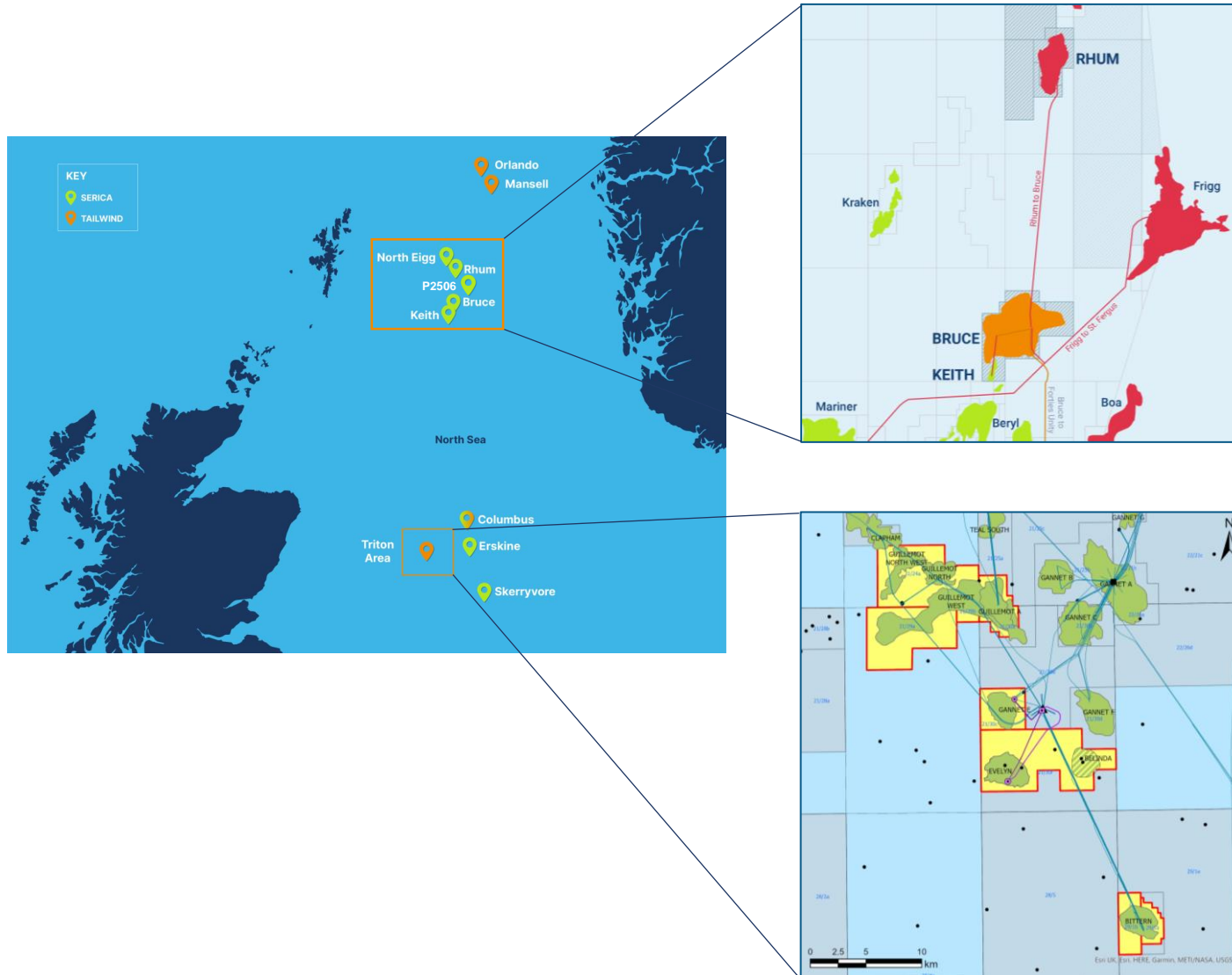
- **Announcement**  
(20 December 2022)
- **Circular Published to Shareholders**  
(9 January 2023)
- **General Meeting to Approve Allotment of Consideration Shares**  
(27 January 2023)
- **Fulfil Conditions Precedent**  
(January – March 2023)
- **Completion Upon Consideration Shares Being Admitted to Trading**  
(March 2023)



# Appendix



# Combined Portfolio Brings Scale and Diversity



Asset	Working Interest	Operator	Status
Bruce	98%	Serica	Producing
Keith	100%	Serica	Producing
Rhum	50%	Serica	Producing
P2501 (North Eigg)	100%	Serica	Exploration
P2506	100%	Serica	Exploration
Triton FPSO	46.4%	Dana Pet.	Host infrastructure
Bittern	64.6%	Dana Pet.	Producing
Evelyn	100.0%	Serica <sup>1</sup>	Producing
Gannet E	100.0%	Serica <sup>1</sup>	Producing
Guillemot W/NW	10.0%	Dana Pet.	Producing
Belinda	100.0%	Serica <sup>1</sup>	Feasibility studies
Columbus	75%	Serica	Producing
Erskine	18%	Ithaca	Producing
Orlando	100.0%	Serica <sup>1</sup>	Producing
Mansell	100.0%	Serica <sup>1</sup>	Feasibility studies
P2400 (Skerryvore)	20%	Parkmead	Exploration

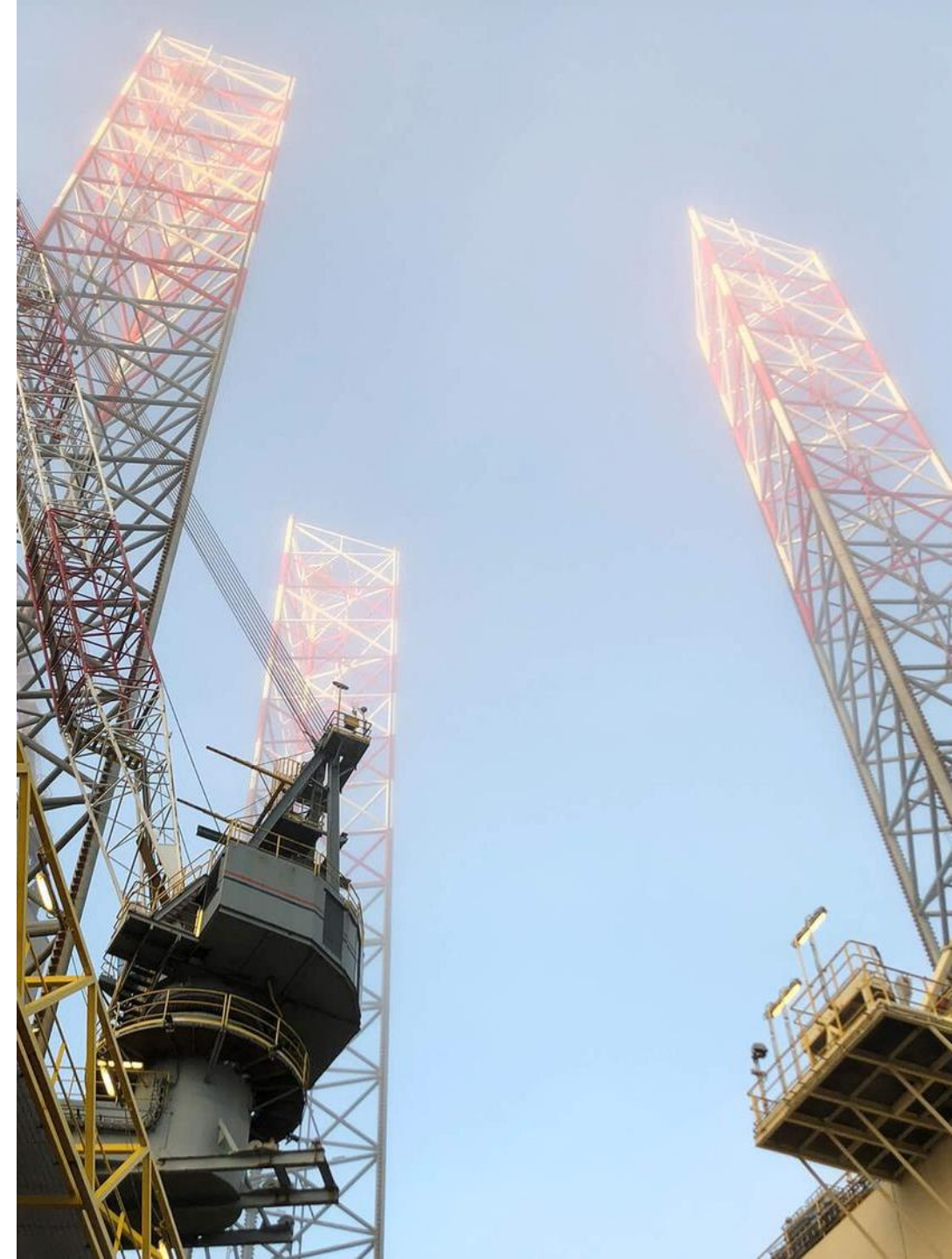
Note: (1) Legacy Tailwind operated

## Tailwind Reserves

- The most recent Competent Person's Report ("CPR") for the Tailwind Portfolio has an effective date of 31 December 2021
- At that time, 2P Reserves were assessed as 41.8 million boe and 2C Contingent Resources were assessed as a further 29.8 million boe, giving a combined 2P & 2C of 71.6 million boe

Reserves (million boe)			Contingent Resources (million boe)		
1P	2P	3P	1C	2C	3C
27.6	41.8	55.2	14.5	29.8	53.1

- During 2022, Tailwind has executed a successful capital investment programme
  - Evelyn first oil and Orlando restarted
  - Gannet E second flowline installed ahead of future wells
  - Better than expected results from the GE-04 well, expected online in Q1 23
  - Gannet E 5<sup>th</sup> well sanctioned following GE-04 results
  - Bittern B1z sidetrack sanctioned
  - Maturing feasibility studies on Belinda/Evelyn Phase 2 and Mansell



## Financial Strength & Tailwind's Reserves Based Lending ("RBL") Facility

**Continued strength of balance sheet post-transaction with significant net cash position on completion and limited decommissioning liabilities**

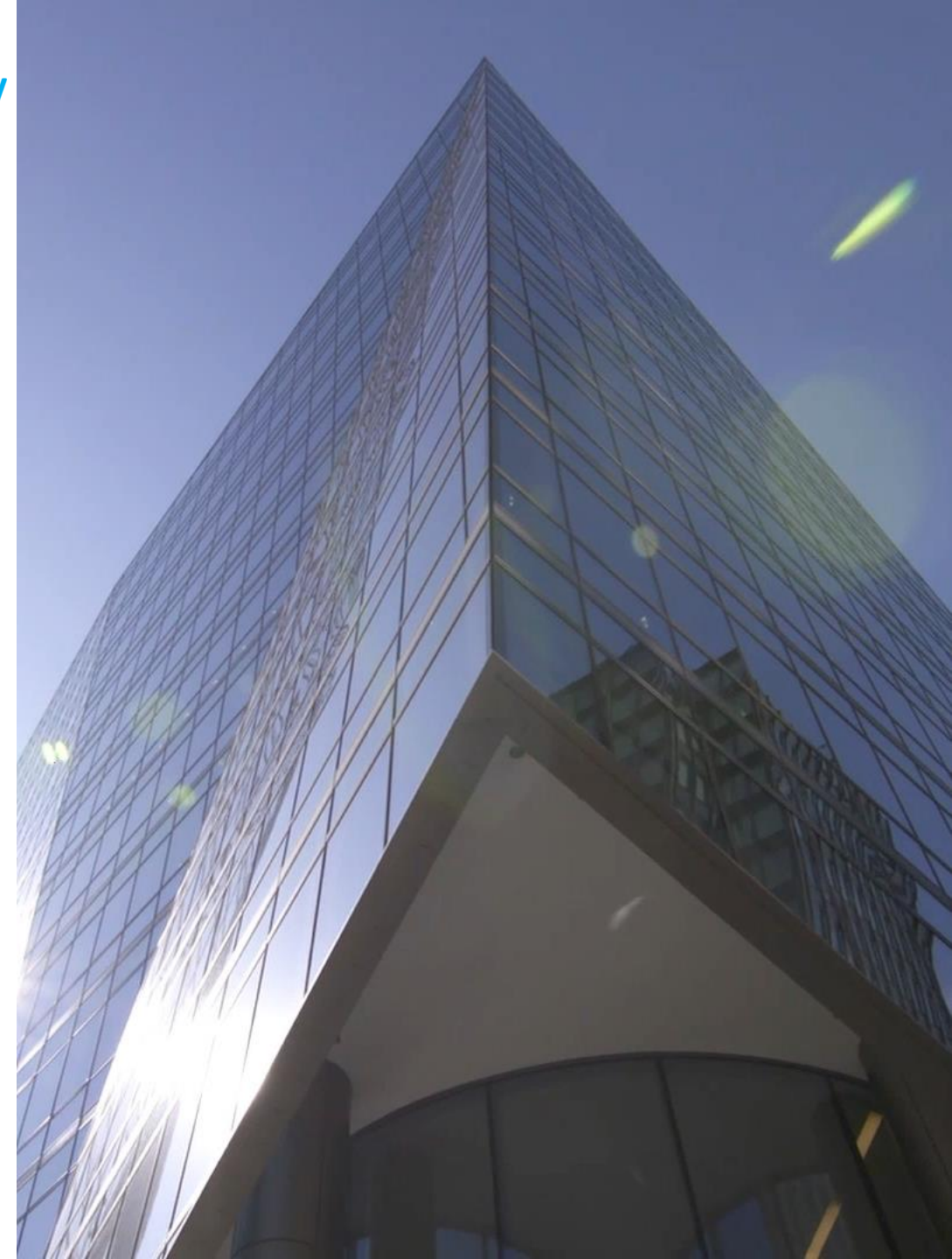
**Tailwind has a US\$425 million RBL Facility of which US\$370 million drawn at 31 December 2022**

- Facility matures in 2027 with normal market terms
- Mid-year redetermination identified significant borrowing base headroom
- Benefit's of Tailwind's successful 2022 investment programme expected to be reflected in next redetermination

**Confirmation that the Transaction will not require the repayment of Tailwind's existing RBL is a condition precedent for completion of the Transaction**

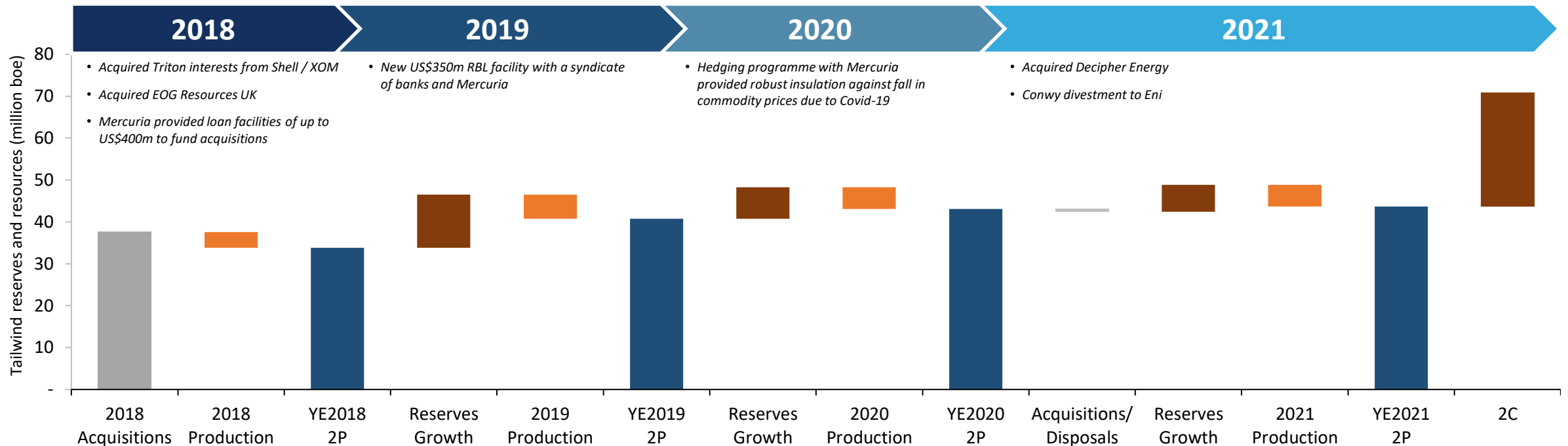
- The existing RBL is expected to remain in place, ring-fenced to the Tailwind group companies and assets following completion

**Potential refinancing to take advantage of the combined asset base will be considered in due course**



## Mercuria: Consistent and Multifaceted Support to Tailwind's Growth Since Inception

- Multi-faceted stakeholder in Tailwind as investor, lender and provider of marketing and hedging services as well as providing logistics and insurance support
- Supported acquisitions of c.US\$470m since 2018
- Enabled access to material financing that has allowed Tailwind to invest in organic opportunities and achieve over 100% reserves replacement every year



## Notes / Sources

Slide	Notes
4	<ul style="list-style-type: none"> <li>• Serica net production in 2022: 26,050 boe/d, projected post-transaction in 2023: 40,000 – 47,000 boe/d</li> <li>• Production forecasts based on full-year contribution from Tailwind portfolio in 2023; financial estimates assume 1 April 2023 completion</li> <li>• 1 January 2022 Serica net 2P reserves: 62.1 million boe, Tailwind net 2P Reserves: 41.8 million boe</li> <li>• Serica current NOSH: 272.9m, post-transaction NOSH: 383.9m (assumes full issuance of Founders’ held back shares)</li> <li>• Base case commodity prices (nominal): US\$80/bbl in 2023, US\$75/bbl in 2024, US\$70/bbl in 2025; 250p/th in 2023, 200p/th in 2024, 150p/th in 2025</li> <li>• USDGBP FX: 1.2</li> <li>• Assumes Tailwind’s current debt drawn and estimated repayment profile</li> <li>• Assumes no tax and G&amp;A synergies</li> </ul>
6	<ul style="list-style-type: none"> <li>• 1 January 2022 Tailwind net 2P reserves: 41.8 million boe, Tailwind net 2P + 2C reserves: 71.6 million boe</li> <li>• Serica net production 2022: 26,000 boe/d, projected post-transaction range 2023 – 2025: 40,000 – 49,000 boe/d</li> <li>• Production forecasts based on full-year contribution from Tailwind portfolio in 2023</li> <li>• Management estimates for opex</li> <li>• USDGBP FX: 1.2</li> </ul>
7	<ul style="list-style-type: none"> <li>• Serica net production in 2022: 26,050 boe/d, projected post-transaction in 2023: 40,000 – 47,000 boe/d</li> <li>• Production forecasts based on full-year contribution from Tailwind portfolio in 2023; financial estimates assume 1 April 2023 completion</li> <li>• Serica current NOSH: 272.9m, post-transaction NOSH: 383.9m (assumes full issuance of Founders’ held back shares)</li> <li>• 1 January 2022 Serica net 2P reserves: 62.1 million boe, Tailwind net 2P Reserves: 41.8 million boe</li> <li>• Base case commodity prices (nominal): US\$80/bbl in 2023, US\$75/bbl in 2024, US\$70/bbl in 2025; 250p/th in 2023, 200p/th in 2024, 150p/th in 2025</li> <li>• USDGBP FX: 1.2</li> <li>• Management estimates for opex</li> <li>• Assumes Tailwind’s current debt drawn and estimated repayment profiles</li> <li>• Assumes no tax and G&amp;A synergies</li> </ul>



## Notes / Sources

Slide	Notes
8	<ul style="list-style-type: none"> <li>• Serica projected average net production 2023 – 2025: 25,000 boe/d, projected post-transaction range 2023 – 2025: 40,000 – 49,000 boe/d</li> <li>• Production forecasts based on full-year contribution from Tailwind portfolio in 2023; financial estimates assume 1 April 2023 completion</li> <li>• Serica current NOSH: 272.9m, post-transaction NOSH: 383.9m (assumes full issuance of Founders' held back shares)</li> <li>• Base case commodity prices (nominal): US\$80/bbl in 2023, US\$75/bbl in 2024, US\$70/bbl in 2025; 250p/th in 2023, 200p/th in 2024, 150p/th in 2025</li> <li>• USDGBP FX: 1.2</li> <li>• Management estimates for opex</li> <li>• Assumes Tailwind's current debt drawn and repayment profiles</li> <li>• Assumes no tax and G&amp;A synergies</li> </ul>
9	<ul style="list-style-type: none"> <li>• Wood Mackenzie Upstream Data Tool 2023E net production as at 3 Jan 2023; only includes fields in the UK</li> </ul>
13-15	<ul style="list-style-type: none"> <li>• Company production actuals</li> </ul>
16	<ul style="list-style-type: none"> <li>• NBP data from ICIS</li> <li>• Brent data from EIA</li> <li>• Numerical monthly average of daily day ahead prices</li> </ul>
18	<ul style="list-style-type: none"> <li>• Serica net production 2022: 26,050 boe/d, projected post-transaction range 2023 – 2025: 40,000 – 49,000 boe/d</li> <li>• Serica current NOSH: 272.9m, post-transaction NOSH: 383.9m (assumes full issuance of Founders' held back shares)</li> </ul>
19	<ul style="list-style-type: none"> <li>• 1 January 2022 Tailwind net 2P reserves: 41.8 million boe</li> <li>• Management estimates for investment projects</li> </ul>
23	<ul style="list-style-type: none"> <li>• Management estimates</li> </ul>







For further information visit

[www.serica-energy.com](http://www.serica-energy.com)

Email: [info@serica-energy.com](mailto:info@serica-energy.com)

 [linkedin.com/company/serica-energy-plc](https://www.linkedin.com/company/serica-energy-plc)

 [@SericaEnergyplc](https://twitter.com/SericaEnergyplc)