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# Energy Co. 'Represents Good Value,' Analyst Says

Research Report

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Oil &amp; Gas - Exploration &amp; Production

Stockwits Share

Source: Bill Newman (11/6/23)

This Canadian oil and gas firm, trading at a discount, offers investors a potential return of 136%, noted a Research Capital Corp. report.

**Gran Tierra Energy Inc. (GTE:TSX; GTE:NYSE.MKT)** restarted wells in the Acordionero oilfield in Colombia in Q3/23, and they contributed materially to total production during the quarter, reported Research Capital Corp. analyst Bill Newman in a November 1 research note.

## Undervalued, Offering 136% Gain

Gran Tierra is currently trading at about CA\$9.12 per share, noted Newman.

"We believe Gran Tierra represents good value, trading at a large discount to our estimated proven reserve after-tax net asset value of CA\$29.44 per share and at a 2.7x multiple of our 2024 enterprise value:debt-adjusted cash flow," Newman commented.

Research Capital's target price on the Canadian oil and gas explorer/developer/producer is CA\$21.50 per share, reflecting a compelling projected return of 136%.

Gran Tierra is a Buy.

## Acordionero Back Online

In his report, Newman wrote that Gran Tierra's Q3/23 operational and financial results were "broadly in line" with Research Capital's expectations, of which he provided the highlights.

Net production during the quarter (before royalties) was a miss, coming in at 33,940 barrels per day (33,940 bbl/d) versus Research Capital's forecast of 35,500 bbl/d.

However, production from the Acordionero field averaged about 17,000 bbl/d after being restarted following the drilling of 10 development wells there earlier in the year.

### Streetwise Company Fact Sheet

2023/11/7 3:33:40

(GTE:TSX - GTE:NYSE.MKT)

#### Gran Tierra Energy Inc.

**\$6.83** ▼ **-0.11 (-1.59%)** **268.1k**

1D 5D 1M 3M 6M YTD 1Y 3Y 5Y 10Y



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## Energy Co. Offers

## Other Financial Figures

Gran Tierra's Q3/23 adjusted funds flow was US\$79 million (US\$79M), reported Newman. This result, driven by a higher-than-expected realized oil price and lower operating costs, exceeded Research Capital's estimate of US\$61.9M.

Capital expenditures in Q3/23 totaled US\$43M, significantly lower than those in Q1/23 of US\$70.1M and in Q2/23 of US\$65.6M. Free cash flow was US\$35.9M.

Net debt at Q3/23's end was US\$685.87M.

## Post Q3/23 Transactions

Gran Tierra pursued two notable financial changes subsequent to Q3/23, Newman reported.

In October, the company obtained a new US\$488M secured senior note to replace the two prior ones. The new note has a 9.5% interest rate and is due in 2029. In comparison, the two prior notes had interest rates of 6.25% and 7.75% and maturation dates of 2025 and 2027, respectively.

Also, the energy company entered into 15,000 bbl/d put options from October 1, 2023, through March 31, 2024, with a floor price of US\$80 Brent. Based on a US\$3.10/bbl premium price, Research Capital estimated the total cost of the contract at US\$8.5M.

"We view the hedging strategy as prudent given the recent volatility of oil prices," Newman wrote.

## Suroriente Contract Extended

Regarding its contract with partner **Ecopetrol** for the Suroriente block, Gran Tierra, in Q3/23, met all conditions necessary for the extension to become effective. The extension, for 20 years, was put in place in April of this year, in advance of the contract expiration in June.

"Gran Tierra has committed to spending US\$123M over three years to be invested in infrastructure, enhanced oil recovery programs, and appraisal drilling," Newman explained.

## Near-Term Catalysts

Newman provided the upcoming events that could move up Gran Tierra's stock price.

One is drilling in both the Acordionero oilfield and the northern extension of the Coystayaco oilfield, slated for December 2023.

Next, in Q1/24, is the commencement of high-impact exploration in Ecuador.

Energy Co. Gains

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Source: Stephane Foucaud (10/17/2023)



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