

PHAROS ENERGY

OIL & GAS

29 September 2025

PHAR.L

21.9p

Market Cap: £91m

SHARE PRICE (p)



12m high/low 28p/18p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	\$22.6m (at 30/06/25)
Enterprise value	£73.2m
Index/market	LSE
Next news	Trading update, December
Shares in issue (m)	415.6
CEO	Katherine Roe
CFO	Sue Rivett

COMPANY DESCRIPTION

Pharos Energy is an E&P company operating in Vietnam and Egypt.

www.pharos.energy

PHAROS ENERGY IS A RESEARCH CLIENT OF
PROGRESSIVE

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Positive newsflow – Egyptian consolidation and interim results

Pharos Energy announced on 23 September that it has reached an agreement with EGPC (Egyptian General Petroleum Corporation) on the consolidation of its two licences. This provides Pharos an extension on the new licence as well as better fiscal terms, and gives the group an immediate 25% increase in its Egyptian 2P reserves. On 24 September, the group released its interim results, which showed the business was on track. After a relatively quiet 12 months, drilling activity is set to pick up, which should deliver material production growth and hence shareholder value.

- **Egypt – licence consolidation.** Pharos has announced that the executive board of EGPC has approved the consolidation of its two licences, where it has a 45% working interest. As part of this consolidation, the new licence has been extended by over 10 years, allowing Pharos to extract more reserves. Management expects to see a 25% increase in 2P reserves. The fiscal terms have also improved, especially on the contractors' Profit Oil share, which increases to 27%-29% from 18%-22.5%.
- **Valuation – increasing value in Egypt.** On the back of the consolidation, we increase our asset valuation for the group, to reflect the increased reserves and better fiscal terms. We increase our RENAV to 58.1p/share from our prior estimate of 54.6p/share.
- **Interim results – all on track.** Pharos has also released its interim results. There were no major surprises from the update that management released on 17 July (see [our note](#)). The most salient item is that the group remains in a financially strong position, with cash of US\$22.6m and no debt. On the back of this, management has announced a 10% increase in the interim dividend to 0.3993p/share. Capex is geared to the end of the year, with US\$8.2m incurred in 1H and US\$27m expected in 2H.
- **Outlook – activity to increase.** The first half of the year was relatively quiet as Pharos geared up to increase activity in the second half. The six-well drilling campaign offshore Vietnam starts in October and is the largest investment since the original development. The programme comprises one appraisal well and three infill wells on TGT, and one appraisal well and one infill well on CNV. The infill wells will arrest the production decline while the appraisal wells, if successful, will drive production growth. In Egypt, planning for the work programme will now start. This activity could unlock significant resources, which would add to shareholder value.

FYE DEC (\$M)	2022	2023	2024	2025E	2026E
Revenue	199.1	167.9	136.1	119.7	157.6
Adj EBITDA	127.4	102.7	84.3	68.7	93.3
Fully Adj PBT	59.6	37.1	33.3	22.6	34.8
Fully Adj Dil EPS (c)	13.5	8.7	7.9	5.4	8.4
Dividend (p/share)	0.00	1.00	1.10	1.21	1.33
Yield	0.00	5%	5%	6%	6%

Source: Company Information and Progressive Equity Research estimates.

Egyptian consolidation

Pharos Energy has announced that it has received approval for the executive board of EGPC for the consolidation of the El Fayum and North Beni Suef concessions into one new concession. These concessions are operated by IPR (IPR Lake Qarun), which has a 55% interest with Pharos having the remaining 45%. The new concession will include the existing 12 development leases and three new exploration areas. This now requires full EGPC Board approval and Egyptian Parliamentary ratification, which should be a relatively straightforward process and is expected to be completed in late 2025 or early 2026. However, the new terms for this consolidation are expected to start imminently, after receiving EGPC Full Board approval which is expected with the next week. This is an exciting development for Pharos and had been flagged earlier, although the exact details of the consolidation had not been previously stated.

Pharos has seen the existing 12 development leases extended to 20 years, comprising an initial term of 15 years with one five-year extension (subject to the Minister's approval). This gives the partners the ability to exploit the resources through to 2045, which is an extension of more than 10 years on the current concessions. The partners have three explorations areas in the new concession: West Sila, Beba and South Wadi El Rayan. Any new discoveries are expected to be awarded new development leases, and these will have an initial 20-year period with the potential of two five-year extensions (subject to the Minister's approval).

This is exciting news as the extensions on the leases will give the partners more time to exploit the resources and add more value. Management believes that this consolidation could allow an increase in 2P reserves of 3.1 mmbbl, which would represent an increase of approximately 25% on the 12.4 mmbbl at the end of 2024. These are effectively being moved from the 8.3 mmbbl of 2C resources reported by the company.

The fiscal terms have also been adjusted, and we believe that this should be advantageous for Pharos and allow for a small increase in the NPV per barrel. The Cost Oil has been increased to 40% across the entire new concession (to a similar level as El Fayum). The Profit Oil share for the partners is increased to 27%-29% from a previous range of 18%-22.5%, but is dependent on production levels. There is also an Excess Cost Recovery share of 15%. In return for this better fiscal regime, Pharos has agreed to waive 30% of the carry forward cost pool, which we have estimated to be standing at approximately US\$130m. The partners will pay a signature bonus of US\$3.5m. Pharos would expect to be able to offset its share of this signature bonus against its receivables balance and thus it should not have an impact on the group's cash.

The partners have committed to an 11-well programme over the next four years. This covers eight development wells, two exploration wells and the drilling of a water injector well. With the consolidation agreement, we believe that there will be more certainty over the operations, allowing the partners to be happier investing in these assets. However, the crux of the issue will remain being paid promptly in US Dollars for production and not seeing receivables build up.

Valuation

We look at a potential valuation using a RENAV (Risked Exploration Net Asset Value), derived from discounted cash flows of existing assets, along with a small level of the risked potential that could be added from exploration over the next 12 months. We adjust for net cash. We use a flat Brent oil price of US\$70/bbl, which is the level that the forward curve reaches in a few years.

On the back of this consolidation, we are adjusting our valuation of the Egyptian assets. As mentioned, the increased terms will allow for Pharos to produce more oil. Although 2P reserves are increased by approximately 25%, this has a less pronounced impact on the NPV given that this will mainly add further production in the extended life of the concession. There is also a boost from the improved fiscal terms, especially on the increase in the Profit Oil share. All the other components are unchanged from our previous valuation, although we will review the Vietnamese operation after the forthcoming drilling programme.

Pharos Energy – RENAV (p/share)

	NPV	Probability	NPV	
	\$m		£m	p/Share
Assets				
Vietnam				
TGT	175.8	100%	130.2	31.0
CNV	45.2	100%	33.5	8.0
Egypt	77.1	100%	57.1	13.6
Total assets	298.1		220.8	52.6
Cash	16.5	100%	12.2	2.9
Receivables	29.5	50%	10.9	2.6
Total	344.1		244.0	58.1

Source: Progressive Equity Research estimates

We derive a NAV of 58.1p/share from its asset base and cash. This represents an increase of 3.5p/share from our previous estimate of 54.6p/share. (For more details, see our note [Ducks lined up for 2025, 6 June 2025](#))

The above analysis is for information purposes only and does not represent a valuation or target price. Investors should view any valuation in the context of their own assessments of the relevant risks.

Interim results

Financials

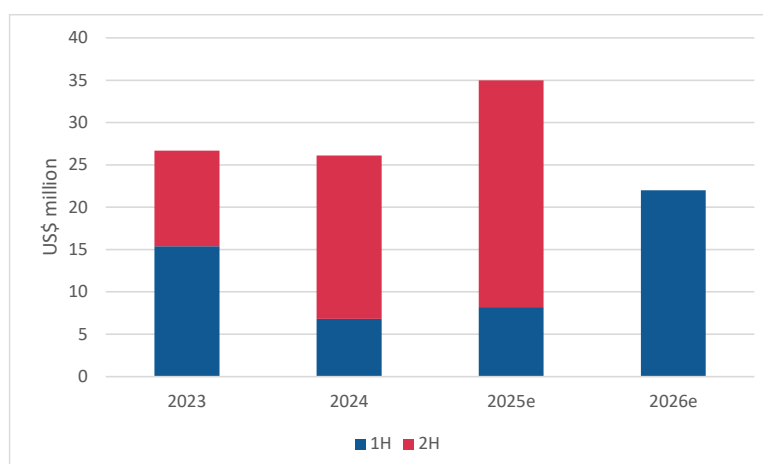
Pharos produced a broadly flat financial performance in 1H 2025. The group reported a net loss of US\$2.2m (after adjusting for re-measurements) compared to an adjusted profit of US\$2.7m a year earlier. On the more important metric, operating cash flow was US\$16.1m compared to US\$27.9m a year earlier (which included a US\$10m one-off payment from EGPC).

Management has announced an interim dividend to 0.3993p/share, which represents a 10% increase from a year earlier. Management completed its share buyback programme in January 2025. Although the board retains the possibility of a further programme, it is felt that there is more value through investment in its asset base.

Capex

The first half has been relatively quiet for Pharos, with capital expenditure being a modest US\$8.2m in the first six months of the year. However, the group maintains its 2025 capex budget of US\$35m, which implies a spend in the second half of the year of US\$26.8m. This programme continues into the following year, and a further US\$22m is expected to be spent through to 2Q 2026.

Pharos Energy – Capex (US\$m)



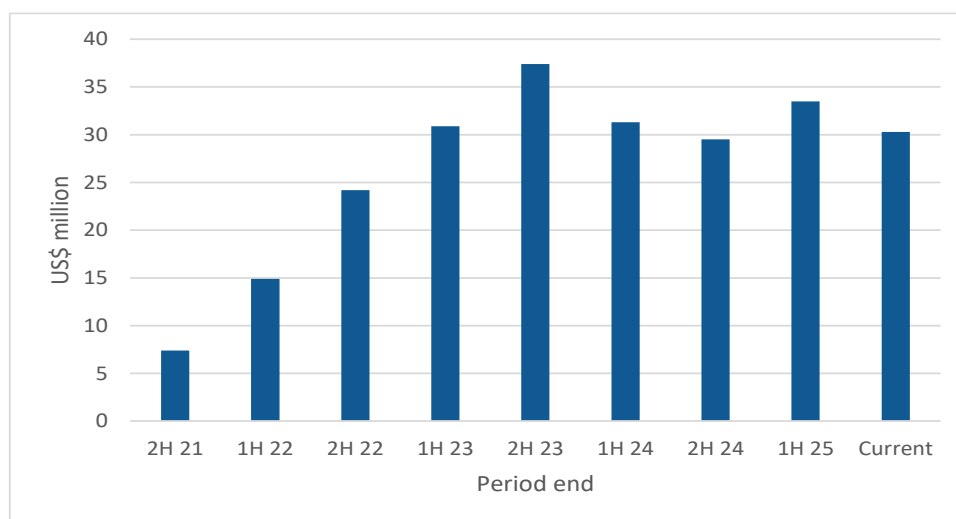
Source: Pharos Energy

Balance sheet

Pharos has maintained its strong balance sheet. At the end of June 2025, the company had cash of \$22.6m along with no debt. Management wants to maintain a strong balance sheet ahead of the major capital expenditure programme so that it is not hampered by unexpected events such as weakening oil prices.

Egyptian receivables had risen at the half-year stage to US\$33.5m, up from US\$29.5m at the end of 2024. We believe that this reflects the fluctuations in payments by EGPC rather than a deterioration in the environment. On 23 September, the receivables were back down to US\$30.3m.

Pharos Energy – Egyptian receivables (US\$ million)



Source: Pharos Energy

Egypt is expected to receive more liquidity from the IMF in coming months and there are signs that EGPC is willing to settle more of the oil & gas industry receivables. For example, Capricorn Energy Plc announced on 18 September that it had Egyptian receivables of US\$172m at the end of June 2025 but expects to receive approximately US\$90m from EGPC in 2H 2025. We would expect that Pharos can also benefit from this trend.

Vietnam

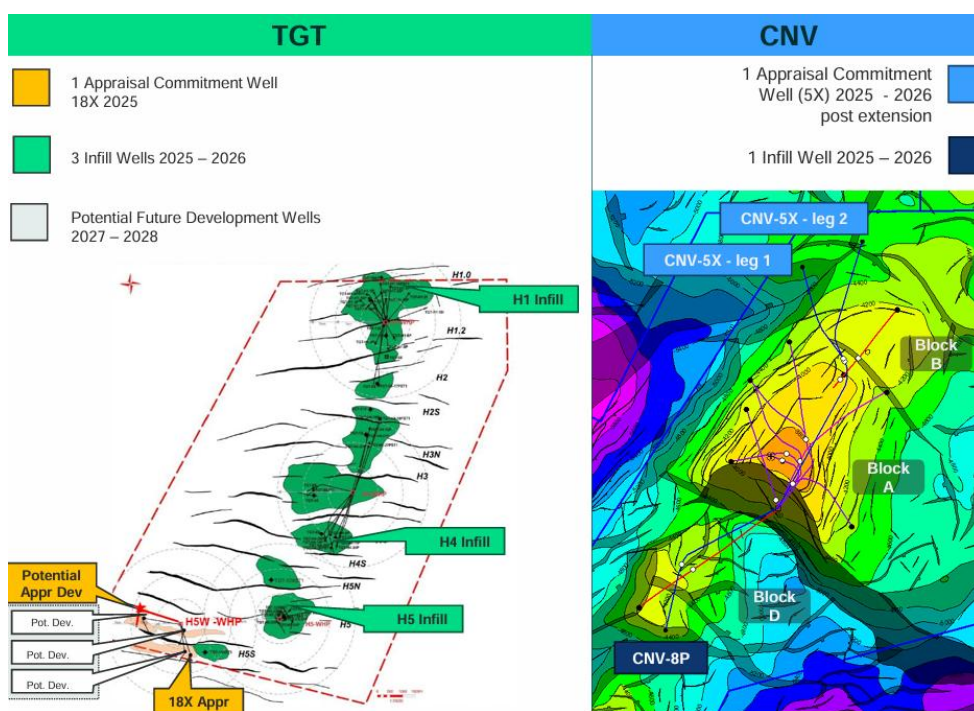
Production in the first half of the year was 4,184 boe/day (down from 4,456 boe/day a year earlier), with a stable production from TGT offset by a decline in CNV, which was hurt by some minor operational disruptions and a lower gas cut. Production is expected to remain at these levels for the remainder of the year, with management setting 2025 guidance of 3,800-4,600 boe/day. However, Pharos is able to start a major six-well programme in Vietnam, which will be the most significant investment into the asset since its original development.

TGT & CNV

The first nine months of the year have appeared quiet. However, activity is set to pick up in Q4 2025 as Pharos has contracted two drilling rigs, with the first one expected to start operations in October on the TGT field. In TGT, Pharos is looking to drill the 18X appraisal well and three infill wells. The appraisal well is perhaps the most exciting as this would open up a new western part of the field and provide the potential to add material reserves and resources.

On the CNV field, drilling is expected to start towards the end of the year, with the 5X-LI appraisal well and an additional infill well. The appraisal well would unlock the potential of the northern area of the field.

Pharos Energy – 2025/26 Vietnam drilling programme



Source: Pharos Energy

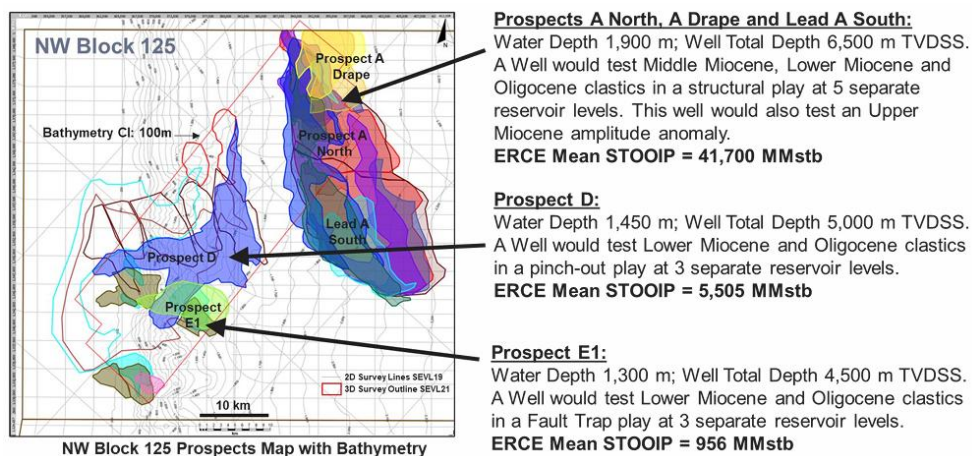
The infill wells are very much designed to maintain production at current levels of 4,000-5,000 boe/day. However, the appraisal wells would add material new reserves and resources, which could reverse the long-term decline and allow production to rise. Dependent on success, we believe that Pharos could get production up by at least 20% in fairly short order.

Blocks 125 & 126

Pharos continues to optimise its prospects in these blocks ahead of a potential farm-down. This also includes detailed drilling engineering studies and the ordering of long lead items. On this farm-down, management has now appointed an independent third party to support the process. This is hoped to make it a more formal process, with the idea of attracting more interest from the bigger players.

This is likely to be an expensive deepwater well and Pharos is keen to get a partner to shoulder the potential financial costs/risks. A larger player would also help with the technical challenges of drilling a deepwater well, and potentially bring access to a rig. Success with this first well would give partners considerable running room given the size and number of prospects. This would prove to be a game-changer for shareholders. The timetable of the farm-down has been eased, with the two-year extension on the licences received in June 2025, but management would like to secure a partner and pursue drilling a well as soon as possible.

Pharos Energy – Block 125 prospect map



Source: ERCE

Although there is significant industry interest, finding a partner is still not certain. We believe that if a partner is not found, management could look to drill its commitment exploration well in shallower waters, which would mitigate some of the financial risks.

Egypt

Activity in Egypt has been muted as the partners have been concentrating on the licence consolidation. With the advent of better fiscal terms, we would expect to see increased activity on the back of the committed work programme, although as always this will be very much reliant on getting paid for production.

In the first half of the year, Pharos had net production of 1,459 bbl/day, which represents an approximate 5% increase on a year earlier. This should rise further as the group will benefit from the start of production at East Saad-1X in El Fayum, which started production on 1 July 2025 after its discovery in February.

Financial Summary: Pharos Energy
Year end: December (US\$m unless shown)

PROFIT & LOSS	2022	2023	2024	2025E	2026E
Revenue	199.1	167.9	136.1	119.7	157.6
Adj EBITDA	127.4	102.7	84.3	68.7	93.3
Adj EBIT	72.3	47.3	37.2	21.8	34.3
Reported PBT	80.6	(29.0)	60.8	22.6	34.8
Fully Adj PBT	59.6	37.1	33.3	22.6	34.8
NOPAT	16.1	27.5	0.1	(8.7)	(4.3)
Reported EPS (c)	5.5	(11.4)	5.7	(1.9)	(0.9)
Fully Adj Dil EPS (c)	13.5	8.7	7.9	5.4	8.4
Dividend per share (p)	1.0	1.1	1.2	1.3	1.5
CASH FLOW & BALANCE SHEET	2022	2023	2024	2025E	2026E
Operating cash flow	53.4	44.9	54.0	37.1	53.6
Capex	(31.9)	(26.7)	(26.1)	(35.0)	(27.8)
Working cap	(18.1)	(15.0)	(5.0)	(-)	(-)
Free Cash flow	39.4	38.3	32.9	2.1	25.8
FCF per share (c)	9.0	9.0	7.9	0.1	6.2
Shares issued/(bought back)	(2.9)	(2.8)	(2.9)	0.0	0.0
Net cash flow	19.6	(11.8)	(15.5)	(4.0)	18.2
Overdrafts / borrowings	(74.2)	(40.5)	0.0	0.0	0.0
Cash & equivalents	45.3	32.6	16.5	12.5	30.8
Net (Debt)/Cash	(28.9)	(7.9)	16.5	12.5	30.8
NAV AND RETURNS	2022	2023	2024	2025E	2026E
Net asset	330.6	273.5	290.8	276.0	276.0
Net asset/share (c)	75.3	64.0	69.7	66.2	66.2
Net Tangible Asset Value	314.1	255.3	269.0	254.2	276.0
NTAV/share (c)	71.5	59.8	64.5	61.0	66.2
Average equity	317.5	302.1	282.2	283.4	276.0
Post-tax ROE (%)	18.8%	12.3%	11.8%	8.0%	12.6%
METRICS	2022	2023	2024	2025E	2026E
EV/EBITDA (x)	0.57	0.71	0.87	1.07	0.78
Dividend yield (%)	0.0%	4.6%	5.0%	5.5%	6.1%
FCF yield (%)	52.0%	52.0%	45.8%	0.5%	35.9%
Adj PBT growth	N/A	N/A	N/A	N/A	N/A
Adj EBITDA growth		(19.4%)	(17.9%)	(18.5%)	35.7%
Dividend growth		10.0%	10.0%	9.9%	9.8%
Adj EBIT margins	28.2%	27.3%	18.2%	21.8%	
OPERATING DATA	2022	2023	2024	2025E	2026E
Oil price (US\$/bbl)	101.0	75.0	70.0	70.0	70.0
Vietnam oil/gas ratio			87%	86%	85%
Vietnam production (000 boe/day)	5.4	5.1	4.5	4.4	5.4
Egypt oil production (000 bbl/day)	1.7	1.4	1.4	1.5	2.4
Group production (000 boe/day)	7.2	6.5	5.9	5.9	7.8

Source: Company information and Progressive Equity Research estimates

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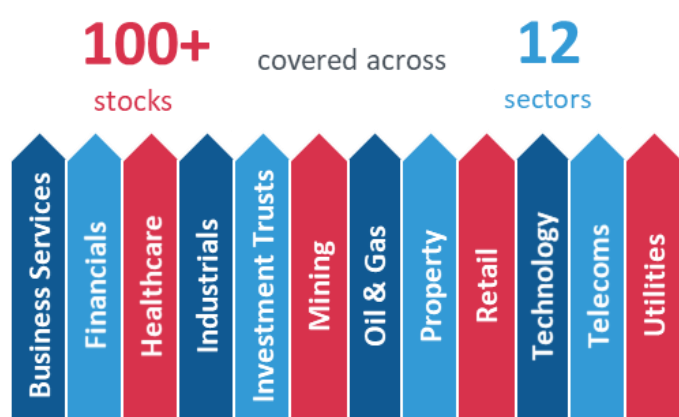
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