PSG Wealth

Renergen Limited

Energy

Company Update Report

Sell

Expenses continue to outpace revenue growth

Analyst recommendation

Counter	Share price	Intrinsic value	Upside/(downside)
REN-ZA	R10.73	R9.20	(14%)

As at 22 May 2025

Executive summary

In this report, we review Renergen's FY25 results for the period ending 28 February 2025, released on 19 May 2025, as well as the offer by ASP Isotopes Inc to purchase all the outstanding shares of Renergen.

Financials:

- Revenue improved by 80%, from R29 million in FY24 to R52.1 million in FY25. The increase was driven by improved production and higher LNG prices.
- Cost of sales rose by R61.3 million to R80.2 million, mainly due the following:
  - Depreciation increased by R32.7 million.
  - Fuel and lubrication costs rose by R9.7 million, due to a larger asset base leading to increased machine hours.
  - Utility costs increased by R14.7 million, impacted by increased machine hours and the commissioning of the LHe production plant.
- A gross loss of R28.1 million was recorded for FY25 compared to a gross profit of R10.1 million in FY24.
- Other operating expenses also weighed on profitability, rising by 34% from R146.9 million to R196.8 million.
- The interest expense and imputed interest surged to R81.1 million in the current year, from R22.7 million in FY24, due to a reduction in the capitalisation rate of borrowing costs relating to assets under construction. The capitalisation rate for borrowing costs declined from 79% to 19% during FY25.
- A net loss for the year of R246.9 million was recorded, an increase of 125% from R109.8 million from the loss in FY24.

Production and prices received:

- LNG sales volumes totalled 4 633 tonnes, a 74% increase when compared to 2 660 tonnes in FY24.
- Average LNG sales prices rose by 3.7%, from R217/gigajoule to R225/gigajoule.

Analyst thesis

Renergen possesses valuable and unique assets, including a high helium concentration relative to its peers and ambitious growth plans. However, operational challenges have led to Renergen, at times, not being able to capitalise on higher gas prices. As a capital-intensive business, Renergen's future growth depends on costly exploration, which must be financed through either additional debt, placing further pressure on the balance sheet, costs, and debt covenants, or equity issuance. The latter is particularly unattractive given the current low share price, which would lead to significant dilution to raise the required capital. Additionally, there is a going concern risk, though this may ease as the company ramps up to nameplate capacity and performance improves over time.

Financial results

Table 1: FY25 results summary

Metric (R'000)	FY24	FY25	Y/Y %
Revenue	28 952	52 113	80,0
Gross profit/loss	10 067	-28 060	N.M.
Other operating income	9 778	227	-97,7
Share-based payments expense	-8 074	-3 115	-61,4
Other operating expenses	-146 868	-196 796	34,0
Interest income	10 853	10 784	-0,6
Interest expense and imputed interest	-22 747	-81 119	>100
Loss for the period	-109 792	-246 928	>100
Cash used in operating activities	-53 847	-139 854	>100
Cash flows used in investing activities	-303 740	-99 936	-67,1
Proceeds from share issue	32 581	39 316	20,7
Proceeds from borrowings	373 972	229 640	-38,6
Repayment of borrowings (Capital)	-105 245	-375 311	>100
Loss per share (cents)	-75,10	-159,10	>100

Source: Company financials
N.M: Not Meaningful

ASP Isotopes Inc ("ASPI") offer to purchase Renergen

On 20 May 2025, ASPI, a Nasdaq-listed company, made an offer to purchase all outstanding shares of Renergen. The Proposed consideration is as follows:

- 0.09196 ASPI shares for every one Renergen share held, and fractional shares will be rounded down to the nearest whole number. The fraction entitlements will be paid out in cash.
- The above-mentioned offer is also subject to a set of conditions that need to be met.
- The offer caused the share price to jump over 50% on the day of the announcement, due to dollar share price value of ASPI and the weak USD/ZAR exchange rate. As of market close on 21 May 2025, with the exchange rate at R18/USD, the offer translates to an offer price of roughly R12.84 per share.
- It should be noted that any fluctuation in the USD/ZAR exchange rate or the share price of ASPI could materially change the offer price.

Full-Year results commentary

The substantial rise in cost of sales and operating expenses was primarily driven by the expansion of the asset base during the year. This led to increased machine operating hours, which in turn resulted in higher costs. The notable increases in other operating expenses were:

- Insurance costs increased by R8.6 million.
- Repairs and maintenance costs increased by R12.1 million.
- Legal and professional fees increased by R6.4 million.
- Executive directors' remuneration costs increased by R11.4 million.
- Depreciation and amortisation increased by R9.9 million.
- Selling and distribution expenses increased by R3 million.

Interest expenses also impacted the bottom line, driven by a reduction in the capitalisation rate from 79% to 19%, as the balance of plant and LNG/LHe processing plant were transferred from assets under construction to assets in use during the period. The interest expense increased by R58.4 million for FY25.

The company also indicated that the intention to list Renergen on the Nasdaq has not changed and that they still anticipate raising R2.9 billion. The Group anticipates receiving $795 million in funding from DFC and SBSA, which includes the refinancing of Phase 1 debt.

The high court ruled in the company's favour against NERSA that the company does not require a license for trading in gas when the trading occurs outside of the piped gas industry.

Source: Company financials

Phases and exploration

Phase 1

LNG

Phase 1 is expected to produce approximately 2 700 GJ per day of LNG.

LNG production increased by 70% to 4 885 tonnes from 2 876 tonnes in FY24. A key focus for management is to increase gas flow to the plant to achieve nameplate capacity on Phase 1.

Source: Company financials

Helium

Phase 1 is expected to produce approximately 350 kg per day of LHe as per management's phase 2 guidance note released dated 8 March 2023.

The first sale of LHe commenced in March 2025, after the FY25 reporting period.

Phase 2

LNG & Helium

It is anticipated to produce approximately 34 400 GJ (684 tonnes) of LNG and around 4 200 kg (4.2 tonnes) of liquid helium per day once in full production. Renergen's goal is to achieve commercial operation of Phase 2 during 2027 calendar year (2028 financial year).

Just over 50% of the anticipated LHe production is secured by 10-year to 15-year take-or-pay offtake agreements with the balance earmarked for sales in the international spot market to participate in potential price upside. Majority of LNG production is expected to be contracted on 5-year to 8-year take-or-pay agreements servicing industrial, logistics and gas-to-power industries.

Source: Company financials

Future funding

Phase 2 is estimated to require a total of $1.2 billion.

To raise the required amount of debt and equity to fund the phase 2 expansion of the VGP the following is required:

Disposal of 10% of Tetra4 subsidiary for R1 billion. The 5.5% sold for R550 million to MGE we expect to form part of the required R1 billion.

Raise capital by way of a proposed IPO on the Nasdaq in the United States of America and anticipates raising up to R2.9 billion ($150 million). The proposed IPO is dependent on market conditions which will impact the timing when it is completed. The proposed IPO is also subject to exchange control approvals. Second tranche estimated to be approximately $260 million and 12 months to 18 months after the proposed IPO.

Debt funding to the amount of $795 million was obtained but is subject to the fulfilment of conditions precedent with the main focus currently on the completion of the first equity tranche mentioned above.

Source: Company financials

Phase 2 guidance note

On 8 March 2023, management released a guidance note on SENS which estimated EBITDA of between R5.7 billion and R6.2 billion per annum once full production is reached (a year after construction is completed which is not expected before financial year 2027). Due to the significance, we list the assumptions made by management as we believe them to be material to the investment case of Renergen:

(i) Phase 2 is fully funded and successfully constructed.

(ii) ZAR/USD long-term depreciation is in line with the respective jurisdictional interest rate differentials.

(iii) The liquid helium long-term spot price is approximately $600 per MCF.

(iv) Long-term base LNG price of approximately R250 per gigajoule.

(v) Furthermore, such assumptions do not consider the costs of distribution, storage and dispensing.

Source: Renergen phase 2 guidance note

Qualitative summary

Table 2: Qualitative summary

Factor review	Rating	Description
Growth		As phase 1 becomes fully operational and phase 2 is significantly larger, we expect material growth. Management guided that it expects phase 1 and 2 of the Virginia Project to reach an EBITDA between R5.7 billion to R6.2 billion by calendar year 2027.
Valuation		The downside to intrinsic value is -14%.
Dividend yield		Renergen does not pay any dividends.
Issuance		The number of issued shares increased by 97% from 2016 to 2025, with further issuance expected to raise the required capital for further exploration and development.
Catalyst		• Material increases in LNG and LHe prices. • Increase in likelihood of Phase 2 success through various catalysts such as successfully obtaining funding, obtaining favourable share prices or delivering on key development milestones. • Signing significant, beneficial customer contracts. • The first LHe was sold in March 2025.
Quality of earnings		Loss-making and exposure to exchange rate, energy price, and operational risks can cause earnings to be volatile. Various expenses are capitalised, which are subject to the timing of expense through accounting policies chosen by management.
Moat		Has access to a large proven helium reserve with internationally high concentration rates. First mover advantage due to first and only onshore petroleum production right in South Africa.
Management and governance		CEO Stefano Marani (appointed 2014), COO Nick Mitchell (appointed 2015) and CFO Brian Harvey (appointed 2021). Board has sufficient experience and knowledge however there has been an increase in negative news in the media recently. Composition is roughly even between independent and non-independent directors. We, however, question the independence of the chairman allowed to receive share options. The 2023 financial statements were however, not submitted on time and caused the trading of the shares on the Australian Stock Exchange to be suspended on 1 June 2023.
Balance sheet		Balance sheet has a large exposure to intangible assets and property, plant, and equipment, which are subject to impairments should there not be sufficient future profits. Equity contains an accumulated loss of R198.9 million, while borrowings that mature within 12 months have ballooned to over R1 billion.
Risks		• Operational and execution of new development risks. • Ownership dilution. • Unsuccessful capital raising, which further raises a going concern risk as highlighted in the audit opinion. • Inflation risk on capex. • Energy prices and exchange rates. • Maintaining debt covenants. • Valuation and completeness on rehabilitation provision. • African Carbon Energy is in the process of applying for a mining right in areas that overlap with Tetra4's production right which may reduce its ability to produce gas in a portion of the production right. • Could become an acquisition target.
Regulation		Regulation is slightly elevated due to regulations around energy and the environment that could impact Renergen.
ESG		As per Truvalue Labs Renergen has an above-average rank. It provides a cleaner energy alternative, although the board representation can improve on transformation objectives regarding gender.

Momentum price		Price momentum is positive.
Momentum earnings		In the last three months, earnings have not been revised, but the outlook remains negative.
Piotroski score		Renergen has a Piotroski score of three.

Sources: PSG Wealth research team, FactSet and company financials

Valuation

Given the significant risks involved—including the current loss-making position and the potential failure of Phase 2—we adopted a conservative approach and assigned zero value in our bear case scenario.

For our bull case, we used management's upper-end EBITDA guidance of R6.2 billion and applied an EV/EBITDA multiple of 6. To determine equity value, we subtracted our estimate of future debt and added the projected future cash balance. This equity value was then discounted to present value using our cost of equity. Our bull case probability was increased by 5% from the previous report to account for the buyout offer from ASPI.

In our base case, we forecasted future profits to derive our own EBITDA estimate. We applied an EV/EBITDA multiple of 4x, which is higher than Sasol's April 2025 multiple of 3x, to reflect the company's unique asset positioning for future environmental regulations and growth potential. As with the bull case, we subtracted debt, added projected cash, and discounted the resulting equity value to present terms.

In all scenarios, we used the same projected number of outstanding shares at the end of the forecast period.

Table 3: Valuation summary

	Intrinsic value	Upside/ downside	Probability weight
Bear	R0	-100%	30%
Base	R8,4	-21%	55%
Bull	R30,1	180%	15%
Weighted Price	R9,2	-14%	100%
Risk-free rate			12%
Beta			1.65
Equity risk premium			5%
Cost of equity			20%

Source: PSG Wealth research team

Table 4: Base case valuation summary

2029E EBITDA (R billion)	4,8
EBITDA multiple (x)	4,0
2028E enterprise value (R billion)	19,2
2028E estimated debt (R billion)	-11,8
2028E estimated net cash (R billion)	1,7
2028E equity value (R billion)	9,1
2028E shares outstanding (billion)	0,5
2028E intrinsic value per share (R)	17,5
Discount rate	20%
Discounted value	R8,43

Source: PSG Wealth research team

Table 5: Base case forecast

Base case forecast summary	2028E	2029E
LNG production (mcf)	11 551 414	11 551 414
LNG rate (ZAR/mcf)	200	200
LNG revenue (R'000)	2 310 283	2 310 283
LHe production (mcf)	230 419	318 665
LHe rate (ZAR/mcf)	10 076	10 377
LHe revenue (R'000)	2 321 721	3 306 894
10% sold to the MGE (R'000)	-463 200	-561 718
Total revenue (R'000)	4 168 803	5 055 459
EBITDA (R'000)	3 924 901	4 803 844

Source: PSG Wealth research team

Main assumptions

As part of our forecast, we had to make various assumptions. Among these assumptions include:

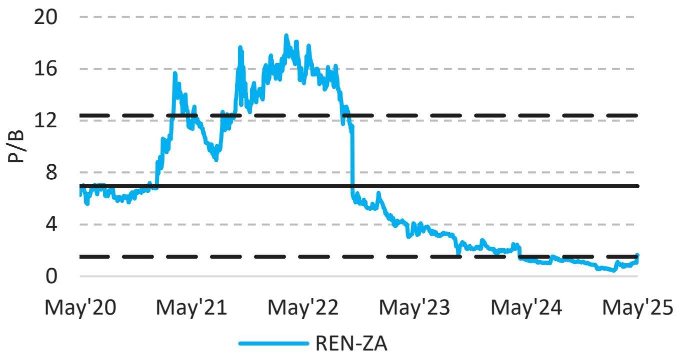
- We used management's production volume guidance, which we then applied a 90% run rate. Due to the delays, we extended our original forecasts for operation to reach target capacity by one year from FY28 to FY29.
- Revenue was reduced by 10% as part of the aimed R1 billion funding in exchange for the sale of 10% in Tetra4.
- We used our own estimates on volumes in the initial years of production (as production ramps up and only a portion of the year has production months).
- We had to make assumptions around the rates obtained for LNG and LHe. As part of these rates, we also had to use a ZAR/USD exchange rate which we kept constant at R20/USD.
- The impact of future funding.

Table 6: Company data

52-week high	R13,00
52-week low	R3,00
Market value (bn)	R1,66
Price momentum	Positive
3m earnings revision	-
Fiscal year end	2026/02/28

Source: FactSet (limited FactSet analyst coverage)

Graph 1: Price to book



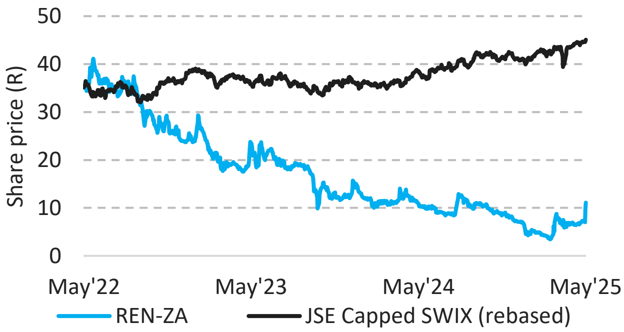
Source: FactSet

Table 7: Valuation multiples

Multiple	*Latest:*	*Last note:*
	May-2025	Nov-2024
P/S	30,6x	42,4x
P/B	1,6x	1,1x
EV/EBITDA	-	25,5x
EV/SALES	-	7,8x
Dividend yield	0%	0%

Source: FactSet (limited FactSet analyst coverage)

Graph 2: Share price history vs benchmark



Source: FactSet

Table 8: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Renergen Limited	54,2%	67,1%	152,5%	23,6%	3,4%	-54,0%	-69,4%	-18,7%	-
JSE Capped SWIX	10,2%	1,4%	4,6%	8,2%	16,6%	23,2%	30,3%	84,0%	39,2%

Source: FactSet

Table 9: Key financials and ratios

Income statement (ZAR Million)	2020	2021	2022	2023	2024	2025		5Yr CAGR
Revenue	2,6	1,9	2,6	12,7	29,0	52,1		81,6%
Y/y growth (%)	-	*-26,9*	*37,0*	*381,1*	*128,2*	*80,0*		
Gross profit/loss	-0,7	-0,9	-0,8	4,0	10,1	-28,1		111,2%
Y/y growth (%)	-	*37,5*	*-15,5*	*-616,5*	*151,5*	*N.M.*		
Profit/loss	-52,6	-42,6	-33,8	-26,7	-109,8	-246,9		36,2%
Y/y growth (%)	-	*-19,0*	*-20,8*	*-20,8*	*310,8*	*124,9*		
EPS (rands)	-0,5	-0,4	-0,3	-0,2	-0,8	-1,6		27,1%
Y/y growth (%)	-	*-24,3*	*-23,6*	*-28,4*	*278,1*	*111,9*		

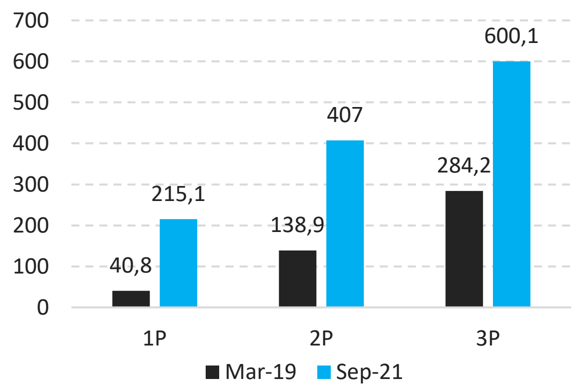
Balance sheet and cash flow (ZAR Million)	2020	2021	2022	2023	2024	2025		5Yr CAGR
Cash from operations	-37,5	-24,5	-79,2	-70,6	-53,9	-139,9		30,1%
Cash from investing activities	-315,8	-196,3	-307,0	-440,8	-303,7	-99,9		-20,6%
Cash flow from financing activities	411,3	213,8	347,2	470,9	773,7	-203,0		N.M.
Total assets	626,5	780,4	1 164,7	1 900,9	2 709,1	2 349,2		30,3%
Total liabilities	379,3	574,0	878,4	1 060,7	1 388,0	1 234,6		26,6%

Ratios	2020	2021	2022	2023	2024	2025		5Yr Avg
Gross margin (%)	-25,3	-47,6	-29,4	31,6	34,8	-53,8		-12,9
Net income margin (%)	-1 996,9	-2 214,0	-1 279,9	-210,6	-379,2	-473,8		-911,5
Current ratio	7,4	4,8	2,1	0,9	1,0	0,1		1,8
Total liabilities to equity (%)	153,4	278,1	306,8	126,2	105,1	110,8		185,4
Total liabilities to assets (%)	60,5	73,5	75,4	55,8	51,2	52,6		61,7
ROA (%)	-12,3	-5,9	-3,2	-1,6	-4,3	-8,2		-4,6
ROE (%)	-24,6	-18,8	-13,7	-4,7	-10,6	-20,7		-13,7

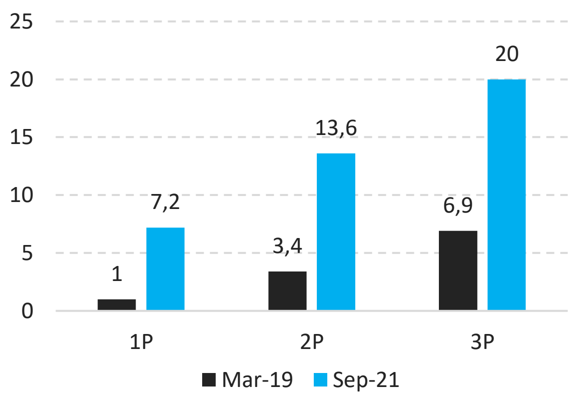
Source: FactSet

N.M: Not Meaningful

Graph 3: Methane reserves (billion cubic feet)



Graph 4: Helium reserves (billion cubic feet)

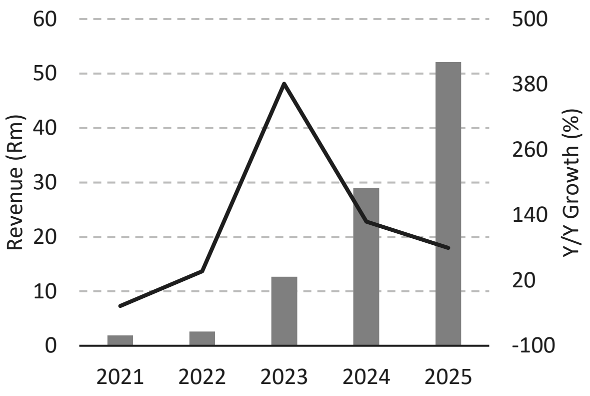


1P: proven reserves 2P: 1P + probable reserves 3P: 2P + possible reserves

Source: 2022 company presentation

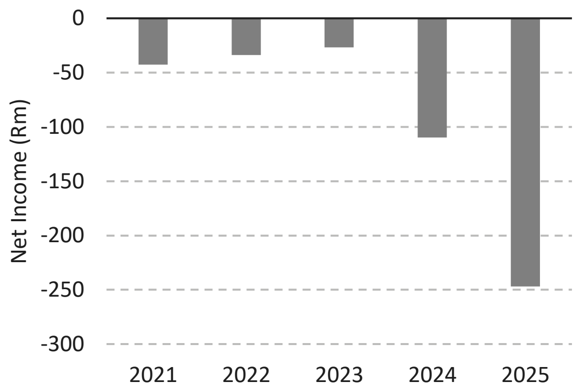
Source: 2022 company presentation

Graph 5: Revenue



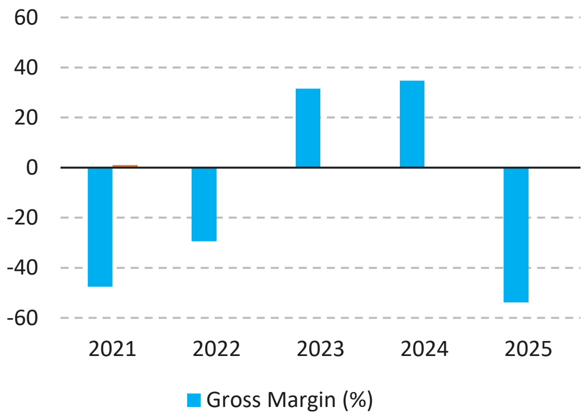
Source: FactSet

Graph 6: Annual net income



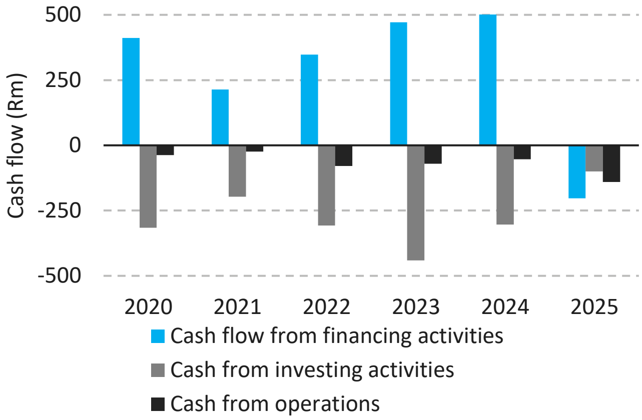
Source: FactSet

Graph 7: Gross margins



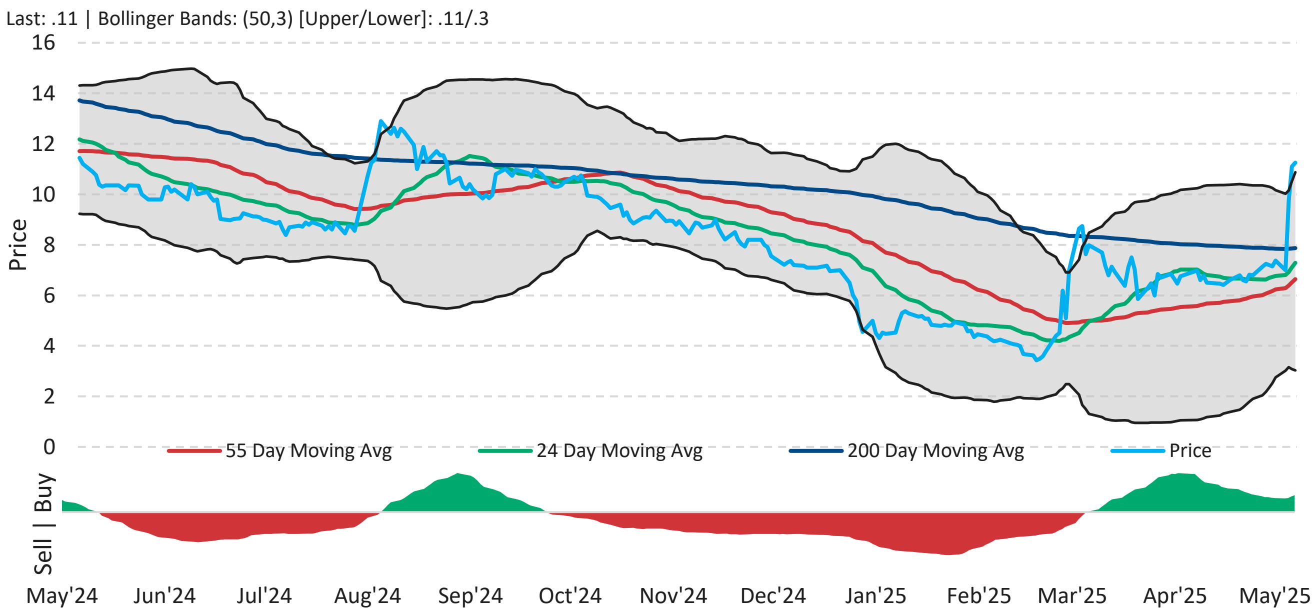
Source: FactSet

Graph 8: Free cash flow



Source: FactSet

Graph 9: Price momentum



Source: FactSet

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House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

*Share price as at closing.

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