

SQZ Serica Energy PLC

Triton delay trims Serica's 2026 output as gas prices hold cash guidance

Following the Trading and Operations Update · 19 October 2026

NINE-MONTH PRODUCTION 37,100 boepd ▲ up 44% from 25,700 boepd in the prior year period	2026 PRODUCTION GUIDANCE just below 40,000 boepd ▼ lowered after the Triton FPSO restart slipped to around end-November	2026 POST-TAX CFFO GUIDANCE \$450-475m maintained, credited to the prevailing gas price	NET DEBT, 30 SEPTEMBER \$73m \$227m cash against \$300m borrowings
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Share price, past 12 months

Daily close; latest price as at 09:00 on 21 October 2026 · Ticker Data API



Serica Energy's trading update today cut its 2026 production guidance to just below 40,000 barrels of oil equivalent per day (boepd), because the Triton floating production vessel (FPSO) needs an engine change in a power generation unit and will not restart until around the end of November. Yet post-tax cash flow from operations (CFFO) guidance of \$450-475 million stands, which the company attributes to strong gas prices and a broader portfolio. Production is already over 40,000 boepd without Triton, helped by about 12,000 boepd from the Southern North Sea assets bought from Spirit Energy, and Serica still expects to reach around 65,000 boepd once Triton returns. Nine-month revenue more than doubled to \$905 million, cash fell to \$227 million after \$122 million of dividend, tax and acquisition payments, and net debt was \$73 million at 30 September.

In the longer view, this reassures on cash without upgrading the outlook. Both headline targets have moved down since the 2 June Capital Markets Day, when production was expected to be significantly

over 40,000 boepd and CFFO \$470-520 million, and the guidance that survives leans explicitly on a gas price near its highest since late 2022. The shares, at 278.80p on 19 October, up 3.65% on the day, sit near the top of their 127.60p-302.00p 52-week range. The Triton restart, the Budget's treatment of the Energy Profits Levy, Main Market admission later this month and 2027 guidance on 20 January 2027 will show whether the cash generation outlasts this winter's prices.

“While the extended maintenance downtime required at the FPSO is frustrating, it is necessary, and we remain on track to hit production rates of 65,000 boepd from our enlarged portfolio by the end of the year.”

Chris Cox, CEO · Trading and Operations Update, 19 October 2026

A broader portfolio is carrying Serica through Triton’s outage

Serica is a UK North Sea producer built around two hubs: Bruce, Keith and Rhum in the Northern North Sea, which it operates, and a group of fields tied back to the Triton FPSO in the Central North Sea. It also holds Southern North Sea gas interests, including 15% of Cygnus and 25% of Clipper South, and a 40% operated stake in the Greater Laggan fields and Shetland Gas Plant west of Shetland. Its operated assets supply around 10% of UK gas production.

Triton's annual maintenance began on 27 July with an expected duration of about two months. During final preparation and safety checks for restart, the operator found that an engine in one of the power generation units needed replacing, and now expects production to resume around the end of November. Serica does not operate Triton, so the timetable is not in its hands. Third-quarter production fell to 22,100 boepd in the hub table (described as 22,000 boepd in the text), which Serica calls broadly in line with expectations given planned maintenance at both Bruce and Triton.

The current picture is stronger. Bruce resumed production on 12 September and is running at around 20,000 boepd net, very largely gas. The Spirit Energy portfolio, completed on 1 October for a net payment of \$43 million, adds around 12,000 boepd. Together they take current production above 40,000 boepd before Triton contributes anything, a test the 2025 portfolio could not have passed.

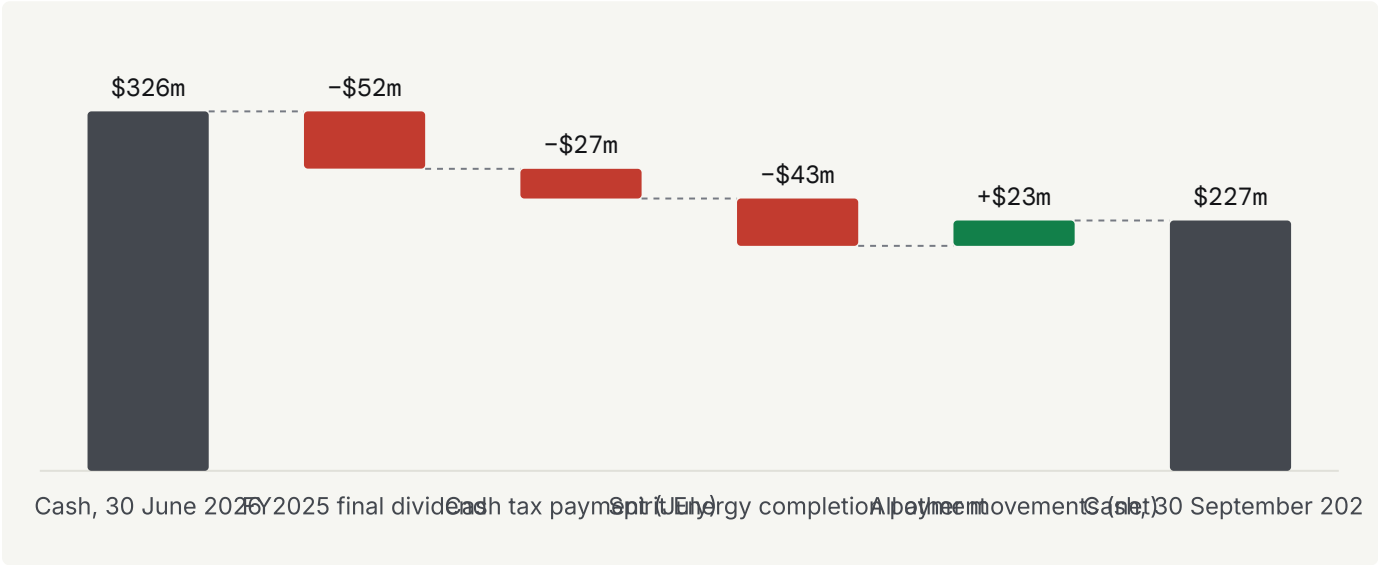
The growth pipeline also moved. Serica is finalising a rig contract for a multi-well campaign in 2027 and 2028. At Bruce (98% working interest), the WAD5, SCE and SCW wells need only an environmental screening direction, a lighter process than a full environmental statement, and drilling remains on track for Q3 2027 with first production within 12 months. Development plans have gone in for Kyla, with Edradour, Royal Sovereign and Spinnaker to follow. The Skerryvore exploration well, targeting 135 mmboe of gross unrisked prospective resources (unrisked meaning no allowance yet for the chance of failure), is planned for next year. Serica says the operated campaign alone could add up to 30,000 boepd and help sustain 50,000 boepd into the next decade.

FIGURE	VALUE	CHANGE
Q3 production Q3 2026	22,100 boepd	Q2: 50,200 boepd
Current production excluding Triton October 2026	over 40,000 boepd	
Spirit Energy portfolio contribution	around 12,000 boepd	
Bruce Hub current rate October 2026	around 20,000 boepd	

FIGURE	VALUE	CHANGE
Triton Hub production Q3 2026	4,600 boepd	Q2: 20,300 boepd
Potential incremental production from operated drilling	up to 30,000 boepd	
Skerryvore gross unrisked prospective resources	135 mmboe	
Spirit Energy net payment 1 Oct 2026	\$43m	

Sources: Trading and Operations Update RNS, 19 Oct 2026; Completion of acquisition of Spirit Energy assets RNS, 1 Oct 2026

Where Serica’s Q3 cash went



The three named payments are from the announcement; the final step is the residual needed to reach the reported closing cash and is not an operating cash-flow figure.

Revenue doubled, but statutory profit tells a weaker story

Nine-month revenue reached \$905 million, more than double the \$439 million of the same period in 2025, with \$228 million in the third quarter against \$134 million a year earlier. The rise reflects a larger producing base after acquisitions and much higher commodity prices: Brent was \$109.86 a barrel on 16 October, up 24.7% over three months. Capital expenditure of \$113 million for nine months was in line with guidance and well below the \$200 million spent a year earlier.

No third-quarter cash-flow figure was published, so progress towards the CFFO guidance cannot be checked directly. The first half delivered \$280 million of post-tax CFFO, which leaves \$170-195 million to earn in the second half to stay within the \$450-475 million range.

Cash and accounting profit diverge widely. In the first half Serica reported \$184 million of free cash flow alongside a statutory operating loss of \$49.8 million and net profit of \$6 million. In 2025, operating cash flow was \$242 million while the after-tax result was a loss of \$51.8 million. The gap runs through tax, non-cash charges and working capital, and until it is bridged it is hard to judge what margins the business earns through a cycle. Full-year results are the next point at which that bridge can be drawn.

H1 2026 against the prior period

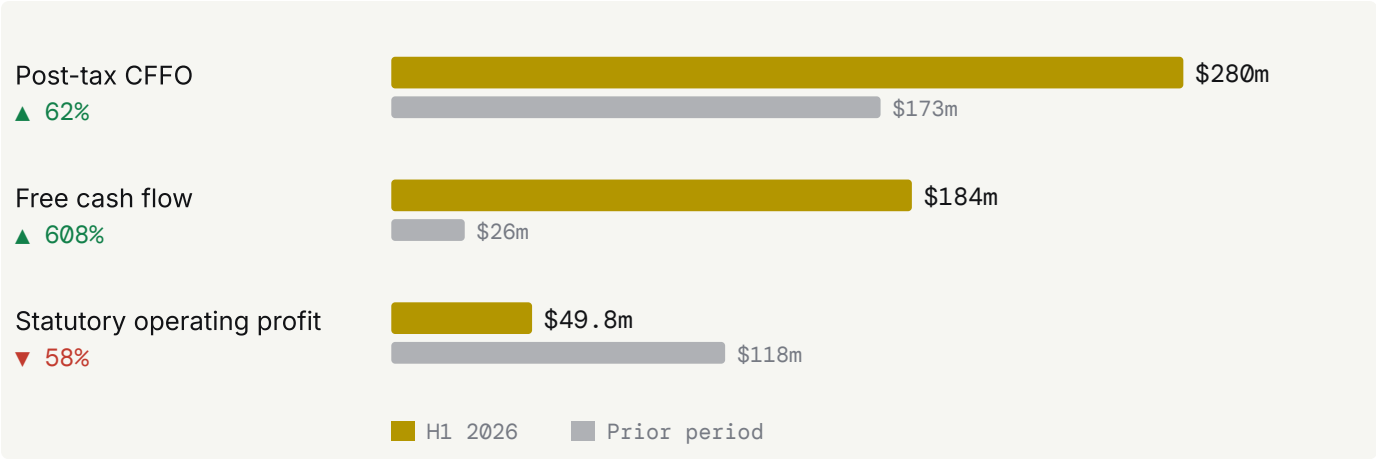
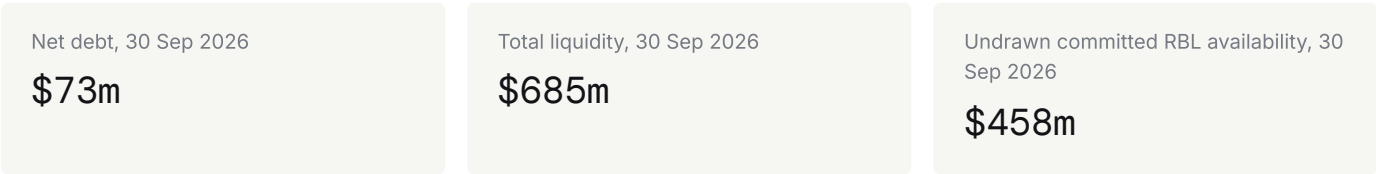


FIGURE	VALUE	CHANGE
Revenue 9 months to 30 Sep 2026	\$905m	+106% from \$439m
Revenue Q3 2026	\$228m	+70% Q3 2025: \$134m
Capital expenditure 9 months to 30 Sep 2026	\$113m	-44% from \$200m
Post-tax CFFO H1 2026	\$280m	+62% prior \$173m
Free cash flow H1 2026	\$184m	+608% prior \$26.0m
Statutory operating profit H1 2026	-\$49.8m	-58% prior \$118m
After-tax result Year to 31 Dec 2025	-\$51.8m	
Operating cash flow Year to 31 Dec 2025	\$242m	

Sources: Trading and Operations Update RNS, 19 Oct 2026; Results for the six months ended 30 June 2026, 6 Aug 2026; Accounts, primary statements, 2025-12-31

The \$99m cash fall is explained by payments, not burn



Cash fell from \$326 million at 30 June to \$227 million at 30 September. The quarter carried a \$52 million final dividend for 2025, a \$27 million cash tax payment in July and the \$43 million paid to Spirit Energy, a total of \$122 million. Remaining movements therefore netted to a positive \$23 million, which is the residual of all other cash flows and should not be read as an operating cash-flow figure.

Borrowings were unchanged at \$300 million, the five-year senior unsecured bond issued in May at a 7.875% coupon. Net debt was \$73 million, against net cash of \$26 million at 30 June. Serica quotes total liquidity of \$685 million, of which \$458 million is undrawn availability under its reserves-based lending (RBL) facility, a bank line whose size is set by the value of producing reserves and so can shrink if prices or reserves fall. That capacity is not cash, and no covenant terms or borrowing-base sensitivities are disclosed to show how it would behave under a combined price and production shock.

The cushion is real but should not be spent twice. Guided CFFO less guided capex of \$175-195 million implies \$255-300 million for the year before dividends, acquisitions and other uses. The 6p interim dividend is payable on 19 November. Decommissioning and lease liabilities are not quantified in the update.

30 Sep 2026 against the prior period

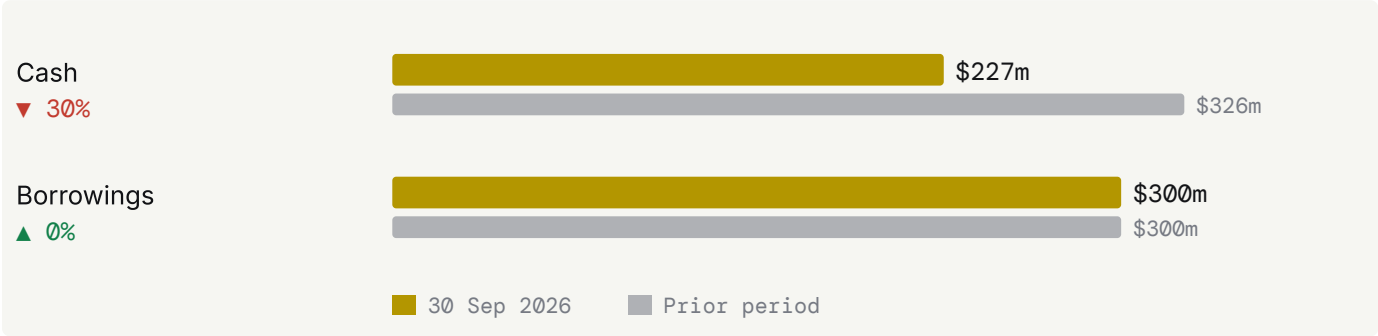


FIGURE	VALUE	CHANGE
Cash	\$227m	-30% 30 Jun 2026: \$326m
30 Sep 2026		
Borrowings	\$300m	30 Jun 2026: \$300m
30 Sep 2026		
FY2025 final dividend paid	\$52m	
Q3 2026		
Cash tax payment	\$27m	
July 2026		
Bond coupon	7.875%	
Matures 2031		
Interim dividend	6p	
Payable 19 Nov 2026		

Sources: Trading and Operations Update RNS, 19 Oct 2026; Pricing of Nordic bond issue RNS, 29 Apr 2026; Results for the six months ended 30 June 2026, 6 Aug 2026

“The strength of the prevailing gas price in particular means that our guidance of \$450-475 million of post-tax CFFO for the year remains unchanged.”

Chris Cox, CEO · Trading and Operations Update, 19 October 2026

Cash guidance now rests openly on the gas price

BEFORE

~~significantly over 40,000 boepd~~

→

NOW · 2026 PRODUCTION GUIDANCE

just below 40,000 boepd

Serica now expects 2026 production to average just below 40,000 boepd. In March and again in June it guided to significantly over 40,000 boepd. CFFO guidance is unchanged at \$450-475 million in this update, but that range is already below the \$470-520 million expected at the 2 June Capital Markets Day. Opex guidance of \$380-400 million (excluding \$65 million of Lancaster spend) and capex guidance of \$175-195 million are unchanged.

The arithmetic of the production target is tight. After nine months at 37,100 boepd, a full-year average just below 40,000 boepd requires a fourth quarter of roughly 48,000-49,000 boepd. Running above 40,000 boepd through October and November, then adding Triton in December, gets there, but a further restart slip of even a few weeks would leave the figure short.

Serica credits current gas prices, diversification and robust production elsewhere for holding CFFO. European gas prices reached their highest since late 2022 on 13 October on winter supply concerns. That strength helps fourth-quarter cash, though every week Triton stays offline forgoes sales into the strongest price window, and no hedge volumes or price sensitivities are disclosed. Higher energy prices also keep political attention on the Energy Profits Levy, the windfall tax on North Sea producers, ahead of the Budget.

The Main Market prospectus is due this week, with admission four trading days later, making Serica eligible for the FTSE 250 at the December review. Eligibility is not inclusion. Guidance for 2027 arrives on 20 January 2027.

FIGURE	VALUE	CHANGE
Post-tax CFFO guidance FY2026	\$450-475m	maintained
Post-tax CFFO guidance at Capital Markets Day FY2026	\$470-520m	
Opex guidance FY2026	\$380-400m	excluding \$65m Lancaster spend; unchanged
Capex guidance FY2026	\$175-195m	unchanged
Expected production once Triton resumes	around 65,000 boepd	
Brent crude 16 Oct 2026	\$109.86/bbl	+25% +over three months
Bruce infill pre-tax cost estimate	\$400m	

Sources: Trading and Operations Update RNS, 19 Oct 2026; Capital Markets Day RNS, 2 Jun 2026; UK economy and markets data

A £1.09bn valuation against peak-price cash flow

At 278.80p on 19 October, Serica's market capitalisation was £1.09bn on 392m shares, set against \$73 million of net debt and CFFO guidance of \$450-475 million for 2026. On those numbers the shares look inexpensive relative to this year's cash generation. The market's reluctance to pay more reflects a cash

figure inflated by an unusually strong gas and oil price, UK fiscal uncertainty, and a production base that must be refreshed by drilling from 2027.

Shareholder returns sit inside a policy announced in June to pay 15-30% of post-tax CFFO from 2026 onwards. The 2025 final dividend was 10p and the 2026 interim 6p. MDJ Partnership holds 24.88% of the shares, which limits free float. Disclosed short positions totalled 26.47% across ten disclosures as at 9 October, with the latest single position at 2.57%.

The question for valuation is how much of the cash flow survives a normal price year. Serica said in March that it expected material free cash flow in 2026 even at \$63 a barrel and 69p a therm. The January guidance should show what 2027 looks like at prices well below today's.

FIGURE	VALUE	CHANGE
Share price 19 Oct 2026	278.8p	+3.6% +on the day
Market capitalisation 19 Oct 2026	£1.09bn	
Shares in issue 30 Jun 2026	393,568,408	
Dividend policy FY2026 onwards	15-30% of post-tax CFFO	
FY2025 final dividend FY2025	10p	
MDJ Partnership holding disclosed 27 Sep 2023	24.88%	
Disclosed short positions latest 9 Oct 2026	26.47%	10 disclosed positions

Sources: Price & Valuation data; Block Listing Six Monthly Returns RNS, 30 Jun 2026; Capital Markets Day RNS, 2 Jun 2026; Annual report, dividend policy, 2025-12-31; Major shareholders data; Disclosed short positions data

An uptrend running into resistance on fading momentum

The shares closed at 280p on 16 October, above their 20, 50, 100 and 200-day moving averages, with the 50-day (262.29p) 5.7% above the 200-day (248.18p) and both rising. The trend's strength is weak, though: the ADX, a gauge of how forceful a trend is, read 14.7, below the level usually taken to signal a real trend.

The path into the update was jagged. The shares closed at 256.6p on 30 September and dipped briefly below the 200-day average near 255p on 9 October, then rallied 5.3% in the week before the announcement. The 16 October gain of 4.32% came on volume below the 20-day average, while the heaviest recent volume fell on the preceding down day. Momentum has also faded: the mid-September high of 284.6p came with lower readings on the RSI and MACD histogram (two momentum measures) than the August peak, a bearish divergence that remains unresolved.

Resistance sits at 289.41p, tested seven times, and at the 302p 52-week high from 5 May. Support lies at 265.5p, a thin level touched twice, and more firmly at 244.8p, touched nine times and last on 1 October. A close through 289p on above-average volume would mark the first sign of conviction behind the rally. A close below the rising 200-day average would be the first serious break of the uptrend.

Share price	278.8p	+3.6% +on the day
19 Oct 2026		
Day range	268.20p - 279.40p	
19 Oct 2026		
52-week range	127.60p - 302.00p	
to 19 Oct 2026		

Sources: Price & Valuation data

The case for and against

FOR

The case for rests on a portfolio that has just proved it can absorb the loss of its second-largest hub. Production above 40,000 boepd without Triton, from a business that produced 25,700 boepd in the first nine months of 2025, shows the Spirit Energy and ONE-Dyas acquisitions have reduced dependence on any single asset. Management has delivered on what it controls: the acquisitions completed, the bond and the \$750 million RBL refinancing were done, capex is on budget and the Bruce timetable matches what was set out in June. It walked away from Pharos when a rival bid rose. Net debt of \$73 million is modest, cash generation is strong at current prices, and a growth pipeline of Bruce infill wells, Kyla, Edradour, Spinnaker, Tornado and Skerryvore offers volume beyond 2027. Main Market admission and possible FTSE 250 inclusion could broaden the shareholder base.

AGAINST

The case against starts with direction. Production and CFFO guidance have both fallen since June, and the cash figure that survives is held up by a gas price Serica itself names as the reason. No hedge schedule is published, so the exposure to a price reversal cannot be measured. Triton is operated by a third party, its fault surfaced only at the final checks before restart, and a winter restart leaves little margin. Opex of \$380-400 million is largely fixed whatever the volumes. The 2027 programme steps up spending, with Bruce infill alone estimated at \$400 million pre-tax in June, just as the Budget could change the Energy Profits Levy and the returns on that drilling. Statutory losses alongside strong free cash flow still lack a bridge, and the shares sit close to resistance after rising sharply into the update.

WHAT TO WATCH

The next three months supply the evidence. A Triton restart around the end of November, and an observed rate near 65,000 boepd in December, would support the operational case, while a slip into the first quarter of 2027 would put the full-year production figure out of reach. The Budget will show whether the fiscal terms for 2027-28 drilling improve or worsen. The 20 January 2027 update should give 2027 production, capex and CFFO, and the useful test is whether that cash flow holds up once this winter's gas prices pass. Disclosure of hedging, covenant headroom and a quarterly cash-flow bridge would settle how much of the balance-sheet cushion is genuinely available.

Risks

- ⚠ A further delay to the Triton FPSO restart, which Serica does not operate, would push the full-year production average below guidance and forgo sales during the strongest winter price window.
- ⚠ CFFO guidance explicitly depends on prevailing gas prices; with no hedge schedule disclosed, a retreat in UK gas or in Brent from \$109.86 would feed directly into cash flow.
- ⚠ Changes to the Energy Profits Levy or capital allowances in the Budget could reduce returns on the 2027-28 drilling programme, including Bruce infill estimated at \$400 million pre-tax.
- ⚠ The \$458 million of undrawn RBL capacity is set by reserve values and prices, and no covenant or borrowing-base terms are disclosed to show how much would remain under stress.
- ⚠ Largely fixed opex of \$380-400 million would compress margins if volumes and prices fell together.
- ⚠ Statutory losses in 2025 and the first half of 2026 sit alongside strong reported cash flow, and the gap has not been bridged through tax, non-cash charges and working capital.

THE OTHER VIEW

A more sceptical reading treats the unchanged CFFO guidance as a price windfall covering an operational miss. Production guidance has fallen from significantly over 40,000 boepd to just below it in four months, and the CFFO range now sits wholly beneath the \$470-520 million given in June. The only stated reason the cash figure holds is the gas price, which on 13 October was at its highest since late 2022. Strip that out and the update describes an ageing third-party vessel whose power-generation fault was found on the eve of restart, a fourth-quarter production target that needs 48,000-49,000 boepd with no room for slippage, a quarter in which cash fell by \$99 million and net cash turned to net debt, and a 2027 spending step-up that awaits a Budget on North Sea taxation. On this reading the 65,000 boepd figure is a brief peak in a winter month, and the useful number is what 2027 cash flow looks like at ordinary prices, which the market will not see until 20 January.

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