

Production of Nostrum in 1Q2019 brings no surprises

Altynay Ibraimova — May 02, 2019

According to Nostrum's operating results for 1Q2019, average daily production amounted to 32.6ths boe/d against 32.9ths boe/d in 1Q2018. With an average daily sales volume of 31.6ths boe/d, the Nostrum expects a 1Q2019, revenue of \$95mn versus \$94mn in 1Q2018, and \$112mn in 1Q2017.

The monetary position at the end of 1Q2019, according to company estimates, has decreased by 39% since the beginning of the year and amounts to \$ 75mn, with a total debt level of about \$ 1,110mn - the company associates with coupon payments and high receivables of \$ 50mn.

Nostrum is not in doubt about the achievement of the target of 30ths boe/d for 2019. The company plans to publish financial statements on May 21, 2019.

Our opinion

Schlumberger continues to conduct an expertise in the north-eastern and western parts of the Biysk collector, the results of which Nostrum promises to present in 3Q2019. Drilling operations are still underway and still no results. The news did not introduce any updates on the company's operating processes. Assessing the high uncertainty regarding the prospects for production, we maintain our recommendation to "Hold" the shares of Nostrum. With high risks, we still note good opportunities for Nostrum to increase cash flows, subject to justified sufficiency of reserves in the licensed area after expert review.

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