

Tenaz Energy: Leveraging Supermajor Exits for High-Margin Gas Production

Mike Kruger of MPK Partners presented his in-depth investment thesis on Tenaz Energy (Canada: TNZ) at Best Ideas 2026.

Thesis summary:

Tenaz Energy is a shareholder-friendly exploration and production company currently undergoing a transition from an M&A-focused recapitalization story into a significant organic growth platform. Mike highlights that the company is led by CEO Anthony Marino, a dealmaker with a history of managing multi-billion dollar E&Ps and a reputation for disciplined capital allocation. Originally focused on Canadian assets, Tenaz has strategically shifted its footprint toward the Dutch North Sea, where it has acquired high-quality infrastructure and production from supermajors at low multiples. These acquisitions were made possible by non-economic motivations from sellers like Shell and Exxon, who were exiting the mature basin due to its small relative size and local regulatory pressures related to onshore activity.

The company's portfolio is now approximately 93% natural gas, with the majority of production coming from the Dutch North Sea. Mike explains that Tenaz typically hedges 50% of its production over the next twelve months to maintain a conservative balance sheet while targeting unlevered after-tax IRRs of at least 20% on new investments. The strategy involves acquiring under-invested assets and utilizing state-of-the-art 3D seismic technology to identify development locations that were overlooked by previous owners. This approach is evidenced by the NOBV and GEMS acquisitions, which have provided Tenaz with a multi-year drilling inventory capable of delivering substantial production growth through 2027.

The macro environment for Tenaz is supported by the high cost of importing LNG into Europe, which Mike suggests creates a floor for local TTF gas prices. Delivering natural gas via pipeline in the Netherlands is not only cleaner than importing LNG but also strategically important for domestic energy security as European Russian gas imports are phased out. Tenaz is now the largest natural gas producer in the Netherlands outside of the state-owned EBN. While the company continues to evaluate a healthy M&A pipeline across Europe, MENA, and Latin America, its current asset base provides clear visibility toward reaching an exit production rate of approximately 27,000 boe/d by the end of 2026.

Tenaz recently traded at a market capitalization of C\$1,015 million with an EV of C\$1,367 million. While the shares are no longer at the "stupid cheap" levels seen prior to the closing of the NOBV deal, Mike argues they remain undervalued relative to the underlying reserve base. The company recently traded at roughly 115% of EV/After-tax 1P reserves and 75% of EV/After-tax 2P reserves, essentially pricing the acquisition program and several exploration prospects at zero. With net debt projected at only 1.1x 2026E FFO and a major jump in cash flow expected as new wells come online, Tenaz appears well-positioned to refinance its debt and eventually begin returning capital to shareholders through dividends or buybacks as it approaches its production goals.

The following transcript has been edited for space and clarity.

Mike Kruger: I'd like to talk about Tenaz Energy, which is traded in Canada and originates in Canada. I have looked at oil and gas companies off and on for the past 20 years or so. I'm not a world's expert, but it's not my first rodeo. At my old firm, Prometheus, I was the analyst on a lot of deals we looked at for fracking in the US and \$CO₂ floods and stuff like that. I found this name a while ago, back when it was trading at crazy cheap multiples before their M&A strategy really yielded a lot of results, and it was pretty interesting.

So, this guy Tony Marino used to run—well, I'll get into the history in a second—but in a nutshell, this is a very shareholder-friendly oil and gas company in a sector that's not always known for that. They started in Canada; today, it's just over 10% of production and it's growing, but they're basically growing in the Dutch North Sea. So, offshore drilling for gas just north of the coast of the Netherlands. They've done this very cheaply and, you know, this is oil and gas and those prices are volatile, but I think it's worth noting that management is, I would say, very conservative, non-promotional, and you've got some very high-margin production in a market where I think prices are underpinned by the cost of the marginal unit of gas, which is basically coming from the United States via LNG.

So, I think there ought to be a floor on prices. They typically hedge half their production for the year ahead and maybe a third in the second year ahead at any given time. They recently raised a lot of debt, but their production in 2026 is going to grow enormously. So, the metrics are actually pretty decent. They could end 2026 and then pay off their debt in less than a year. I look at the enterprise value to their reserve values. They're all discounted at a 10% rate, which is customary. These are after-tax values. They pay very little in the way of royalties—none in the Netherlands—but the Netherlands does tax production. For this part of the world, the tax rates are pretty good. So, these are not excessive numbers and I think that you're not really paying anything for the value of the acquisition program, and I think it's highly likely that more deals are on the way. I'm going to try to convince you that those reserve values are a bit understated.

So, Marino previously ran a couple of much larger companies. You can see they're multi-billion dollar companies today. In the tough times of COVID hitting in early 2020, he had a falling out with the board of directors over the company's direction. He left and took sort of an unusual turn: he brought with him a lot of his team from Vermilion and recapped a really tiny company then called Altura. So, sort of an interesting move if you think about it. I mean, this company was a drop in the bucket compared to what he previously ran. Altura was run by a colleague of his and they discovered some decent reserves just south of Edmonton, but he wanted to grow—Marino—and had some interesting ideas about how to do that via acquisitions.

But it was a slow start because the war in Ukraine hit and COVID ended. COVID ends, demand returns, and after the long oil and gas bear market that began in late 2014, you could expect prices to rise quite a bit when the economy got back on its feet. Then, of course, Putin invades Ukraine. So, it's a situation where huge run-ups in the oil and gas prices are actually making it difficult for him. Sellers were generating gobs of cash and Tony's strategy is basically low-ball bids. So, the bid-ask spread widens in this environment with the ask going up more than the bid typically.

But eventually, we had some success. So, this is Tony's account of his performance at Baytex and Vermilion and, take it for what it's worth, but my checks indicate that people have thought him a good steward of shareholder capital through his career. Here's where they

started: they're just south of Edmonton. Lots of infrastructure, really easy for workers to get to the fields. They own nearly 90% of it and it's a good asset. They're producing basically Western Canadian Select crude and it's in sandstone that they loosen up with some light fracking, if you will. Good returns on drilling. They could probably take this to 4,000 to 5,000 barrels a day if they really wanted to, but they've got this new focus and some other opportunities that are even more attractive. So, it's going to continue to grow, but it's becoming a smaller and smaller part of the pie. Production is mostly oil, but maybe about 40% gas.

So, here is the strategy: these guys are opportunistic dealmakers, just pouring over the whole world—not every jurisdiction, certainly—and Tony's been in the business a long time, including looking at a lot of stuff in the Dutch North Sea where they are today when he was back at Vermilion. So, he knows where to look, big Rolodex, lots of experience. And he said, "Look, we could bid on stuff in North America, but it's a competitive market. If you're bidding on something in the United States, you've got a lot of credible bidders competing with you." Warren Buffett said weak competition is one of the secrets in life, and I think Tony knows that secret.

So, they're looking for unlevered after-tax IRRs of at least 20%, and this is before anything—just doing workovers to fix wells that aren't producing the way they should. They want to be able to improve growth per share. They want to make sure that if they were to ever issue shares to buy something—they've only done a tiny bit of that—that could cover the dividend required on the new shares, and they want to buy stuff that produces the capital they need to grow as opposed to relying on the capital markets. I think if you're on the deal team at Tenaz, you kind of feel like you're spinning your wheels much of the time. You do all this work knowing that one in ten or one in twenty of your offers will be accepted. But the upside of that is you know you get a good price. And they are hoping to exit this year at a rate of 27,000 barrels a day. So, that'll be their exit rate in December of 2026 if things go to plan.

The goal is to become a company that has something like 100,000 barrels of production. At 50,000 barrels, I think they'd be thinking about returning capital—and they have done a lot of buybacks, generally to offset dilution from the options and warrants issued in the recap, but the share count has not grown very much. So, this is sort of the track record, if you will. These are the deals and I've got your initial cost, and that's pretty much all cash except for the most recent deal where they issued a small number of shares for 17 of the 339 million Canadian dollars that it cost. All amounts, by the way, are in Canadian in this presentation unless I indicate it.

They've got an earn-out on the largest deal they've done but basically, I've added it all up and you see on the lower left the cost to create the company that we have today. I'm taking the proven and probable reserves for Altura around the time of the recap. Proven and probables are stuff you're fairly confident in. Proven—the reserve auditor takes a look at what you've got and says, "I think there is better than a 90% chance of being able to produce oil and gas that's worth this amount." Probables: better than 50% chance. But I think in some cases, the probables and other reserves not included in that can actually be worth quite a lot.

Anyways, they raised 31 million in the recap, like I said; 17 million in shares issued for the latest acquisition; total cash out the door of 289 million; and they've got a contingent payment on their biggest deal that will be paid this quarter and first quarter of 2027. So, you see it's about 460 million. And then we've got these reserve values—the latest reserve values as of this October. I've added 50 million for the value of a stake in a pipeline that they

have. And the latest deal you can see here, Gems—it was the first time they actually shelled out a lot of cash, but I do think it was worth it. One thing to note about Gems is that there are a lot of fields that are not included in these 2P reserves that they're going to be drilling very soon and they have high confidence in, and those first three to be drilled through 2028 probably add about 300 million to that number if successful. So, 300 million on top of the 590.

And one thing to note here is, if you just take out the Gems deal where they shelled out a lot of cash, they had only spent—adding everything up here—120 million for a company that, I would argue, is at bare minimum worth their proven reserves. That's the 1P number: 798 million. PDP stands for proven developed producing, so these are your wells that are producing oil and gas right now. And so, it's quite a record.

The story on these deals: they bid on a company called SDX. Would have been a great deal, but a major shareholder blocked it. And then they bought two small collections of assets in the Dutch North Sea. Fairly tiny deals, but these are interesting. If you look at this previous slide, the private company with the nine offshore licenses and XTO Netherlands—they basically shelled out no cash to purchase these assets from the private company, I believe the name was Rosewood. And with XTO Netherlands, they actually got a whole bunch of working capital with a huge slug of cash and they assumed the decommissioning liabilities, but even after all that, they've got these values, the 2P values of 7 and 31, and those are calculated net of decommissioning costs. On top of that, between those two deals, they got about a 21.4% stake in this midstream asset, which I'm arguing is worth something like 50 million dollars.

NOBV—this is the big one. It's now renamed TEN, Tenaz Energy Netherlands. They bought it from Shell and Exxon. Big asset; they're the operator. They like being the operator—nearly 90% stake. Buying from supermajors is a nice way to go for one reason: you have well-trained people, you have good infrastructure. Now, this joint venture between Shell and Exxon had done very little in terms of new investment, but you know that what they have is well-maintained, and I'll explain why they haven't invested much in a moment. They also became the operator and a stakeholder in a gas plant that basically sits onshore and takes in all this stuff from offshore. They're dealing with a friendly government eager to boost offshore production and I'll talk about that towards the end.

And so, the interesting thing about this deal is the headline number—the number that you see people report in the press and a lot of places—was 246 million plus this earn-out based on the free cash flow. And that's true free cash flow, so they could just choose to reinvest a ton of money to grow their production and lower the free cash flow number, thereby lowering the earn-out, which is essentially what they're doing. The deal came with a lockbox mechanism and these are not uncommon in oil and gas, but it might be a bit interesting in terms of how much cash this lockbox delivered to offset that 246 million dollar purchase price.

So, the deal was slated to close in mid-2025, but the effective date was the beginning of 2024, and all the cash that these assets were throwing off could go towards the eventual 246 million dollar price. They put down 34 million, expected to pay only 25 million at close, but gas prices were better than expected and they actually received 24 million at close, so they basically spent 10 million plus whatever the earn-out is to buy all this good stuff. And because, as I said, Exxon and Shell hadn't been really doing anything to drill and slow or flatten the production declines, there's a lot of low-hanging fruit, if you will, for them to tackle to return this thing to growth.

I think the market didn't quite figure this out right away. I think a lot of people just looked at the headline number. So, here you have their enterprise value in blue and the deal is announced in mid-2024. And you can see that the shares initially jumped to 8 bucks, which was a big move for the stock, but you were getting close to 20 dollars just in proven developed producing reserves and it was just crazy—crazy opportunity. People didn't realize how good it was and eventually they figured it out and the shares have traded around 1P value over time. So, the value of proven reserves whether they're producing or not.

This all comes with the best seismic money can buy. That's ocean-bottom-node seismic where you stick your—whatever you call them—right on the ocean floor, send those signals right through the rock to get yourself some 3D seismic that you can look at to figure out where to drill. Tenaz closed the deal in the beginning of May 2025, two months ahead of schedule, because if they closed earlier, they could then start their CapEx program. And the sooner they started that, the lower the free cash flow was going to be from that year and they're basically paying out 50% of free cash flow in 2025, so for every dollar that they invest, they're reducing the earn-out by 50 cents. Same with this year, and then 25 cents in 2027. So, it took a while to really ramp things up, but by the end of 2025 things were moving along and this year and next year they're going to invest a lot.

Why would they get such a good deal? Well, the sellers had non-economic motivations. There was a giant gas field, just absolutely huge, discovered in onshore Netherlands back in the 50s. And over the years, a lot of this drilling and whatnot activity caused something like a thousand minor earthquakes. And so, people's homes would get damaged and it was just a ton of bad press and the government was really being nasty to Shell. And so, they were looking to get out and put the company, including the onshore stuff, up for sale and it just sat there for a couple of years before Tenaz got it. Tenaz is not doing onshore; they're just taking the offshore portion, so earthquakes are just not an issue for them. The Groningen field was eventually closed—it was closed early 2024.

But there's another thing, which is just that while there's a lot of opportunity for a company the size of Tenaz to grow here with exploration wells and everything, for a supermajor, it's a mature basin and so, take a look at this chart here: this is just so tiny compared to the opportunities that Exxon and Shell have. It's just not going to move the needle for them. So, as the CEO of a supermajor, you have to ask yourself, is it even worth my time? So, they didn't fight too much on price. By the way, their costs are probably going to be lower than what's in the reserve report.

Now, these wells in the Dutch North Sea are expensive to drill—20 to 30 million bucks—but they're absolutely huge. And so, for the assets that they got in this deal, if you just get one decent well a year, you can keep your production flat and if you do better than that, you grow. So, they probably have a lot more targets to drill than what is included in this light blue section you see there on the chart. So, I think their reserves could be understated and I think we might see better production than what you see in the chart there. And as I mentioned earlier, Tony Marino is not one to over-promise in my experience—I've been involved here for a couple of years, more like three.

Here's your map. You can see the lower left cluster is basically the lighter stuff on the lower left is their non-operated production licenses, the stuff they got in those two small deals. The darker production license orange areas are what came with NOBV, and they've got some exploration stuff up there on the top. This windy black pipeline is NGT. You can see that in the lower section; it spans the width of the map. The yellow stuff is the Gems deal, the latest deal. Gems paid a lot of cash relative to previous deals, but it basically spans the Dutch-

German nautical border. It was a good price just based on the reserves that they have booked. There will be contingent payments due if they drill a good well, and they do plan to drill three exploration fields in the next three years. I think this will likely come into play, but if you think about the value to Tenaz considering their stake and so forth, we're talking about maybe 15% of the value based on Tenaz estimates. If they all came in at just 50 billion cubic feet of gas, then 28%, it'll be fine.

This is a new asset, so you don't have a lot of producing wells that are going to be plugged in a few years and some giant reclamation liabilities. The company One-Dyas is the operator, the largest private natural gas producer in the Netherlands. They installed a brand-new platform the middle of 2024 and they're producing for just one well that was drilled in March of last year. It's huge; it's the biggest production of any well in the Netherlands. This year, we're drilling a couple of infill wells in the same field, which should get you to roughly doubling production. Then there's a couple exploration wells which could be a boost to the drilling plan and reserves. The cost per barrel should be low. We are basically ramping a lot of production on top of the fixed cost of maintaining this platform.

Tenaz is now the largest natural gas producer in the Netherlands aside from the state-owned EBN, which is also a stakeholder in this project along with One-Dyas. Next year, they're basically going to take a decommissioned platform from Eni, the Italian supermajor, and put it to the north, tie it back to the current platform via pipe, and drill some more stuff up there. You can see the blue dot in the lower right and the red field. The red stuff is the proven reserves. We've got one well going on in the lower right red area with the blue dot. They're going to drill two infill wells in that section. Right after that, they want to go to N05A-Noord or North, so just north of that. It's an exploration field, not in reserves. Then the Diamant or Diamond field to the right. The new platform N04-A is the green dot in the middle, and that is going to drill those two fields, N04-A and C. Those are in reserves. After that, they're going to tackle the Opal field, an exploration field to the north, which could be really big.

There is a lot more acquisition potential in this part of the world, and the supermajors are still in the process of leaving. Tenaz prefers to be an operator on the properties and so their partners in these projects that are the current operators are logical people to talk to if the price is right. Similar to the past, Tenaz has left itself with either more cash or borrowing capacity than it needs because they're basically ready for another deal. That is the case today. They've got about \$185 million of liquidity and could probably line up financing on top of that.

With the very first tiny deal they did, they got a stake in a carbon sequestration project which has yet to kick off, but it would take place right in the heart of the Dutch North Sea where they're located. It would require Tenaz to pony up about \$85 million, but in so doing, you offset your carbon taxes on about 50,000 barrels a day of production. Long story short, it's a good IRR; it's an option with real value. Obviously, if you want to trade this for something or sell it, you'd want to talk to somebody with that level of production, but it's a potential currency in an acquisition. Tenaz has not yet been called upon to say whether or not they want to participate, but it has value.

Tony's optimistic about the M&A pipeline, but you never know when the next deal is going to come and you need some patience. There's plenty of organic growth that come from the assets that they've already purchased. It should be perhaps a bit more easy to be patient with Tenaz's M&A program than it's been in the past. In addition to the wells I've talked about, related to the two initial smaller deals, there's a prospect they have a stake in that Eni is drilling and hopefully it's a good well.

As you can see here in this top chart, the 2025 stuff is all pro-forma as if Tenaz owned NOBV and Gems for the entire year, and they clearly didn't. Their actual production was a lot smaller than you see there, but just in terms of how much assets are growing, this chart gives you a good idea looking from 2025 to 2026. At the bottom, you can see the bottom chart is fund flow from operations. It works out to more or less cash from operations, just roughly speaking. You can see that from 2025 to 2026, we're looking at a really huge jump in cash flow because all of these assets, aside from Gems, have been underinvested over the years and Gems is brand new, so there's a lot of opportunity.

The company is now about 93% natural gas. In this year alone, there should be about eight large wells that'll be drilled. I can't promise they'll all be successful, but when they are, they'll probably be very good wells and could help the stock. Also, Tenaz has call dates in the middle of next year on both of their senior notes. By that time, their production versus their net debt, their cash flow versus their net debt, should be a lot better than it is now, and it's certainly not bad now. They can probably refinance and lower their interest expense.

Let's look a little macro here. Domestic natural gas production offshore Netherlands makes a lot of sense for that country. Gas is still an important energy source for the Netherlands and, owing to their history, a huge percentage of Dutch homes are heated by natural gas. At the same time, though, the Dutch have been producing a lot less gas. This is largely because of the Groningen field. In 2013, the government capped production on the field because there was so much rancor over these minor earthquakes. Production has gone down since and they closed the field in 2024. What's going to supply the gas? LNG is the easy answer, but they still have a lot of offshore gas to exploit and Tenaz is sort of the answer to their problems.

For all of the EU, the gas equation has been shifting because of the Ukraine war. Russian imports are down dramatically and they'll be done by late next year. Also, this is an area of the world where voters tend to be very environmentally conscious. I hope that people will understand that delivering natural gas via pipeline is much more green than LNG. LNG is actually not that great, but gas delivered by pipe is the cleanest fossil fuel by far. I think it sort of makes sense for everybody. Strategically, do you want a huge percentage of your energy supply coming from across the ocean on a boat from a foreign country if you can produce a lot of what you need at home? I think that's an easy question to answer.

Recently, we had a dip in the TTF price. TTF is Title Transfer Facility and that's the benchmark price for this area of Europe. This is a Tenaz slide and what they're trying to show is that if you look at the cost of buying gas in the United States and the cost of shipping LNG to Europe, you're not really making money based on the forward curve where people are trading gas in the future to be delivered around the Netherlands. Currently, we have this flood of LNG exports that's been putting pressure on pricing. I think you can sort of see the reason for this. On the left, you can see how TTF was a lot higher than the cost of transportation for a while there. People looking to set up new LNG trains are going to be excited about doing that and the result is a lot of new supply.

Basically, prices around 27-28 Euros per megawatt hour are likely to be a floor because below that, you're just not going to get the supply you need; it's not going to be profitable for people. The voyage takes about three weeks, so there's maybe a bit of a lag when prices bounce around. There was about a month until recently when prices got down around 27 or 28; they didn't go below it. In the past week, the Ukraine war and cold weather have caused things to bounce back a bit. That is the presentation. I continue to own all my shares. I'm looking forward to a lot of organic growth and, as I said before, I think that organic growth could be better than what Tenaz is suggesting. I also think that we're going to see more deals

and in total they won't be small. My observation of Tenaz as an operator is that they do a really good job. It's hard for me to find something not to like about this company other than oil and gas is one of the tougher industries out there. But yeah, anyways, that's it.

John Mihaljevic: Given that the stock has already made a significant move, how do you view potential returns for investors who are considering a position at this higher valuation base?

Mike: As you can see in that chart, and I'll go back to it, the shares have gone up but so has the value. This latest little spike you see there with the enterprise value going above the 1P value, basically there's an analyst at the National Bank of Canada that raised his target price from 35 to 52. On the back of that, you saw this big spike and I'm told that interest in Tenaz has recently become very high at investment conferences. When they schedule the one-on-ones, they've been really booking up for Tenaz. It's not stupid cheap anymore. You can see it being stupid cheap earlier in this chart where the 1P and 2P lines are well above the enterprise value.

But here's the deal. Like I said, I think that 2P value is likely low and with these exploration wells they will, if successful, convert that into PDP, Proved Developed Producing. Then you have the M&A program. Tony's very busy with that. It's a weird feeling to not want your stocks to go up, but that's sort of how I felt while I was working on this presentation because the shares were down around 23 recently when I started working on this. But I can't control the price. It's oil and gas; you often get another bite at the apple. If anyone has any interest in this sector to begin with, I'd say put it on your watch list. Also, maybe subscribe for their emails with the latest press release because as you can see, when they've made some big announcements, not just announcing NOBV but the closure of NOBV where they updated the reserves and Gems, it often takes the market a while to figure it out.

John: Could you tell us the approximate age of the CEO?

Mike: 63. He does not seem to be slowing down at all. He's not the youngest guy, but I wouldn't say he's terribly old either.

John: Now that the company has increased in size, it will require more substantial deals to move the needle. Do you anticipate they will focus more on oil-related acquisitions?

Mike: Yeah, I think that's definitely possible. There is oil in this region of the world. I'm not saying they'll necessarily stick with nothing but the Dutch North Sea. There are some discoveries that are not included in reserves that could be drilled towards the end of this decade that would produce a lot of oil sold at Brent crude prices. That's possible. By the way, Tony says that during 2022, they bid on some deals of roughly 100,000 barrels a day in size. Of course, the sellers didn't think their bid was enough, but that stuff is out there. He's also talked about the possibility of doing deals that are like a billion dollars in size. At some level, they would need to get financing from private equity, but those things are out there. I get your point, it's a very good point, but I'm not too worried about them being able to move the needle. I'll note that many years ago when I was first looking at Terravest, another company I recommended, I talked to the CEO and I said, "Are you guys still going to be able to find big enough deals to make a difference?" and he said, "I don't know, it's going to be tough." Then he did it. I'm not too worried about that.

John: Why aren't they more flexible regarding the geographic regions they target for investment?

Mike: They are. It's just that I think they found just a ton of opportunity in this little corner of the world, and it's a corner that Tony's familiar with. If you look at their presentations, they actually give you a map of the entire globe and they've color-coded each country with "would we consider it or not."

John: What is your outlook on oil and gas commodity prices?

Mike: Well, I've told you about TTF and I think on the low end I have a view. Oil right now is not particularly expensive and natural gas is certainly affected by the oil price, although because of the simple fact that it's a lot more difficult to transport, especially across the water, it tends to be more of a local market. In North America, we have so much fracking and so much supply versus what we export via LNG that BTU parity broke down a while ago. Sorry about that. But BTU parity roughly holds in this area of the world. If oil went high, it's going to pull up TTF prices. Oil in general across the globe right now is cheap.

I think WTI would normally trade in the 70s; I think we're in the high 50s now. The reason is basically the Saudis are trying to take market share back from US Shale and also the Chinese economy has been weak. Those are the main reasons. There's a lot of talk about Venezuela lately, but if that happens, that production is two or three years out. Frankly, Trump's recent actions in Venezuela could change a bunch of things. I'm not expressing any view on whether it's good or bad, but I would just want to suggest that I am not at all convinced that he's going to be able to get oil companies to go in there given that there's been sort of two rounds of theft over the decades. Also, it would take a lot of money to fix the mess that's been created by Chavez and Maduro. Are you going to want to spend that money as a supermajor knowing that Trump's mechanism for controlling Venezuela is threatening to pull the president out of the country and seize oil tankers, but he's only going to be around for the next three years? I think you're going to look out much further than that in terms of getting a return on your investment. That issue doesn't really concern me too much as far as oil price goes.

John: Aside from increased visibility into cash flow and potential new deal announcements over the next two years, are there any other catalysts investors should monitor?

Mike: Yeah, the cash generating capacity. A lot of people like to value things on the level of cash flow that people are generating. My preferred metric is reserves, but I guess if you have a lot of value coming in in out-years, then who knows what happens with the government or whatever. But on that metric, I think the shares should move up to just get to where I think peer multiples would be. If I have any risk that I really think about here, obviously some global recession is obviously going to have an impact, but like I said, I think the LNG issue probably underpins them to an extent.

Also, the current government coalition in the Netherlands I think is fairly friendly towards oil and gas, but that may not be the case in the future. If you get a left-wing government in there, you don't know what's going to happen. I would argue that they should also want to produce gas domestically because LNG is not nearly as green, but I don't know that reason will prevail. Some countries in this corner of the world shut down their nuclear power plants in the wake of Fukushima, even though they don't have tidal waves in this part of the world and it's carbon-free base load power. You can't always count on reason to prevail, I suppose, but that's a risk.

About the instructor:

Mike Kruger's first investment experience was watching his shares of Berkshire Hathaway get cut in half during the tech-mania of the late 1990's. But he didn't panic, and today manages a global focused value portfolio of equities and distressed debt in New York City. He previously worked as a former equity and credit analyst at Promethean Asset Management LLC in NYC, and prior to that as a high-yield credit analyst at Liberty Mutual in Boston. He holds a Bachelor's degree from the College of Arts and Sciences at Cornell University.

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