January 24, 2022

INITIATING COVERAGE

Equity | Oil & Gas/ Energy

Key Report Highlights	
Industry View:	In-Line
Stock Rating:	Buy
Price Target:	$4.60
Current Price:	$0.53
52-Week-Range:	$0.24 - $3.78

Viking Energy Inc.
(OTCPK:VKIN; Target Price: $4.60)

Viking Energy is one of the few oil and gas companies that have a net zero carbon footprint coupled with a solid strategy on the renewable fuels front. Its business has a strong balance between oil and gas and renewables. This balanced approach can expedite the company's growth while reducing dependence on any particular division. Their growth strategy is to acquire a controlling interest in assets or entities with current revenue streams and realistic upside potential.

Annual Income Statement	2021E	2022E	2023E
Revenues	41.50	50.59	60.20
Cost of Goods Sold	20.90	22.82	27.03
Gross Income (excl. D&A)	20.60	27.77	33.17
EBITDA	13.40	20.57	25.97
EBIT (incl. extraordinary exp)	1.70	8.29	13.07
Net Income	-74.50	-5.71	3.07
Cash from Operations	4.02	16.68	24.02
Free Cash Flows	1.82	11.68	18.13

INVESTMENT THESIS

This is our first report on Viking Energy and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. The company is one of the few energy companies that gives importance to the immediate dependence on oil and gas and also acknowledges the need to explore sustainable and profitable alternatives. Viking Energy has maintained its track record of delivering on its mandate and has made the most out of the rising oil prices. Its current annual revenue run rate is around $40 million and could increase significantly with new acquisitions and the commercialization of the carbon capture technology. The stock is currently trading at hardly 1.8 times price-to-sales and around 15 times enterprise-value-to-EBITDA and we clearly see immense scope for multiples expansion. Baptista Research looks to evaluate the different factors that could influence Viking Energy' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

Growth & Margins	2021E	2022E	2023E
Sales Growth	3.1%	21.9%	19.0%
EBITDA Margin	32.3%	40.7%	43.1%
EBIT Margin	4.1%	16.4%	21.7%
Net Profit Margin	-179.5%	-11.3%	5.1%

COMPANY OVERVIEW

Viking Energy Group, Inc. is an independent exploration and production company that acquires and develops oil and gas properties in North America. The company holds oil and gas leases in Texas, Louisiana, Mississippi, and Kansas. It is a majority-owned subsidiary of Camber Energy, Inc. Viking Energy is essentially a growth-oriented diversified energy vehicle operating through multiple majority-owned subsidiaries. The company provides custom energy and power solutions to commercial and industrial clients in North America and also holds an exclusive license to a patented carbon-capture system in Canada. In March 2017, they changed their name from Viking Investments Group, Inc. to Viking Energy Group, Inc. The company was founded in 1989 and is based in Houston, Texas.

Valuation Ratios	Current	2022E	2023E
EV/ Sales	3.2	4.2	10.7
EV/ EBITDA	6.4	12.9	26.2
EV/ EBIT	14.0	101.7	65.1

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1. THE PETRODOME BUSINESS
2. ACQUISITION-LED GROWTH
3. PATENTED CARBON CAPTURE TECHNOLOGY
4. EXPERIENCED MANAGEMENT TEAM
5. RECENT FINANCIAL PERFORMANCE & EXPECTATIONS

The Petrodome Business

- Viking Energy Group has a robust exploration and production business that got a significant boost after the after the acquisition of Houston-based Petrodome Energy, LLC.
- With the integration of Petrodome, Viking Energy's oil and natural gas reserves have shot up as the company acquired assets which include an interest in certain oil and gas fields in Texas, Louisiana, and Mississippi.
- Viking Energy not only has access to the oil and gas production, but they also got 11,620 gross lease properties with conventional oil and gas prospects already defined.
- They have gained access to other areas ready for extensive drill programs, including the extraction of hydrocarbons from known sands or reservoirs along the Gulf Coast and multiple up-dip proven field locations set to be drilled and completed.
- It is worth highlighting that Viking Energy has a veteran management team with profound experience in the region, as well as a certified landman and other staff members.
- With Petrodome, Viking's overall proven oil and gas reserves increased by about 1.5 million barrels of oil and 993.4 million cubic feet of natural gas as a result of the acquisition.

- Apart from Petrodome, this independent exploration and production company also has leases in Kansas through its wholly-owned subsidiaries, Mid-Con Petroleum, LLC and Mid-Con Drilling, LLC, including an undivided interest in all oil wells, equipment, and fixtures located on the leased properties.

- At depths ranging from 600 feet to 3,300 feet, applicable formations and zones include the Cherokee, Conglomerate, Viola, and Simpson Sandstone.

- Additionally, the company's other possible target dispositions and sands may include Kansas City, Arbuckle, Kinderhook, and Topeka Limestone.

- A large number of Viking Energy's oil and gas assets are administered by its wholly-owned subsidiary, Petrodome Operating, LLC, a licensed operator in the relevant states.

Acquisition-Led Growth

- Viking Energy is strengthening its already-established platform and recognizable brand to position the company for additional expansion throughout North America.

- One of their recent investments was a majority interest of around 60.5% in Simson-Maxwell Ltd, a leading manufacturer and supplier of industrial engines, power generation products, services, and custom energy solutions.

- The company combines innovative technology with superior products to contribute to global energy sustainability.

Source: Company Video

- It is worth highlighting that Simson-Maxwell has been in business for over 80 years and its diverse workforce of over 4,000 employees at seven branch locations helps meet the energy and power-solution needs of the company's entire customer base.

- Viking Energy entered into a Membership Interest Purchase Agreement in November, 2021 to acquire a group of companies which are in the process of engineering, developing, constructing, and bringing into commercial operations a processing plant located in Reno, Nevada.

- This plant is designed to produce renewable diesel, also known as green diesel. This renewable diesel fuel is a biofuel that is chemically identical to petroleum diesel fuel and is produced through a variety of thermochemical processes, including hydrotreating, gasification, and pyrolysis.

- Renewable diesel is produced using renewable feedstocks rather than crude oil. This acquisition could be a game changer for Viking Energy as it would mark their presence in the biofuels market which is expected to be a fast-growing market in the future.

- It would certainly help them expedite their growth strategy and add a whole new dimension to the valuation of the company's stock.

Patented Carbon Capture Technology

- Viking Energy recently announced that it had signed a licensing agreement ESG Clean Energy, LLC, developers of clean energy solutions and net zero carbon footprints for distributed power generation.

- Through this agreement, Viking Energy can carry out the exclusive use of ESG's CO2-free power generation technology throughout Canada.

- This agreement will allow Viking to use ESG's patents know-how in the field of stationary electric power generation, including methods to use heat and capture CO2.

- The ESG Clean Energy System is truly distinctive as it is created to generate clean electrical energy from internal combustion engines and use waste heat to capture 100% of the carbon dioxide emitted from the engine without sacrificing efficiency, as well as to simplify the production of valuable commodities such as distilled/de-ionized water, ammonia (NH3), urea (NH4), ethanol, and methanol for sale.

- As a result, power production with a net zero carbon footprint is achieved. This is an excellent move by the company in the direction of sustainability in an era when most oil majors are struggling to control their carbon footprint and should definitely win them some brownie points with their stakeholders.

Source: Company Video

- With its advanced technology, the company is able to capture and sequester while utilizing waste heat to produce commodities The license is exclusive in Canada and non-exclusive for up to 25 locations in the U.S.

Experienced Management Team

- Viking Energy is a subsidiary of Camber Energy, a diversified energy and power solutions company. In terms of the corporate structure, Camber Energy acquired 60.5% in Viking Energy in June 2021 for a consideration of $11 million and helped fuel the growth of the company for the year.

- One of the main architects of Viking Energy's growth story is its CEO, President & Director James A. Doris. Mr. Doris has been an officer and director of Viking Energy since 2014 and has been an integral part of transitioning their focus to energy while establishing an appropriate platform to facilitate growth.

- Mr. James has over 25 years of experience negotiating national and international business transactions, including mergers, acquisitions, joint ventures, and distribution arrangements across a variety of industry sectors.

- Formerly a lawyer in Canada, Mr. James represented domestic and foreign clients regarding their investment activities in Canada for over 15 years.

- Prior to starting his own law firm, Mr. James served as Executive Vice President and In-House Counsel for a real estate investment and development company in Toronto, Canada, as well as working at one of Canada's leading business law firms.

- He is ably supported by Frank Barker Jr., the CFO of Viking Energy. Mr. Frank, a Certified Public Accountant licensed to practice in the State of Florida, has vast experience providing strategic, managerial, operational, financial, accounting and tax-related services in various capacities to both public and private entities.

- He is an expert in Compliance Reporting with the Securities and Exchange Commission, the planning, preparation and oversight of annual audit functions, presentation of financial data to Public Company Boards, financial forecasting and cash flow management, litigation support and forensic analysis, mergers and acquisitions and reverse mergers.

- Timothy Swift is the Executive Vice President and COO of the company. He has more than 17 years of experience in the financial services industry, including research and trading of credit and equity products and the private placement of highly structured middle market credit products for companies within the energy sector.

- Before joining Viking Energy Group, Mr. Timothy was a founding partner and Managing Director on the debt capital markets desk at Cantor Fitzgerald & Co. Before Cantor, Mr. Timothy served as Vice President on the Cowen & Co debt capital markets team. Between Cantor Fitzgerald & Co and Cowen & Co, Mr. Timothy participated in more than 50 transactions raising over $5.5 billion.

- With such experienced veterans at the helm and the guidance of an energy conglomerate like Camber Energy, it is safe to say that the future of Viking Energy is in safe hands.

Recent Financial Performance & Expectations

- Viking Energy reported a top-line of $9.68 million for the most recent quarterly result for the period ended 9/30/21 which implies a -4.63% change as compared to the $10.15 million number reported in the corresponding quarter of the previous year. The company beat our expected revenue estimate of $9 million.

- These revenues translated into a gross margin of 49.48% and an operating margin of 4.24% which was higher than that in the same quarter of last year.

- Viking Energy reported an EBITDA of $2.74 million which translated into a Net Income of $-9.08 million. The company's adjusted EPS of $-0.09 outperformed our expected EPS estimate of $-0.11.

- In terms of cash flows, Viking Energy reported $0.40 million in the form of operating cash flows and spent $10.14 million in investing activities during the previous quarter.

- The company produced lower cash flows as compared to the same period in the previous year. For the coming quarterly result, we expect Viking Energy to report a top-line of $10.00 million and an adjusted EPS of $-0.09.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	31-12-2020	31-03-2021	30-06-2021	30-09-2021
Revenues	9	10	11	10
% growth		*19.5%*	*2.0%*	*-9.5%*
Cost of Goods Sold	6	5	5	5
% of revenue	*67.5%*	*45.3%*	*48.9%*	*50.5%*
Gross Income (excl. D&A)	3	6	5	5
% of revenue	*32.5%*	*54.7%*	*51.1%*	*49.5%*
EBITDA	-28	3	6	5
% of revenue	*-315.9%*	*31.4%*	*59.4%*	*55.9%*
Depreciation & Amortization	14	2	5	7
% of Fixed Assets	*13.2%*	*2.3%*	*4.8%*	*6.7%*
Extraordinary Expenses	35	1	0	2
EBIT (incl. extraordinary exp)	-41	1	2	-1
% of revenue	*-469.8%*	*8.9%*	*15.9%*	*-14.8%*
Pretax Income	-49	-9	-10	-9
% of revenue	*-552.7%*	*-86.3%*	*-92.1%*	*-93.8%*
Income Tax	0	0	0	0
% rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	-48	-9	-10	-9
% of revenue	*-543.5%*	*-86.3%*	*-92.1%*	*-93.8%*

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Viking Energy has reported a top-line of $9.68 million in its recent quarterly result which is a -9.53% depreciation over the previous quarter. The company reported a positive gross margin of 49.48% for the quarter ended 30-09-2021.
- Its EBITDA for the quarter was $5.41 million and the EBITDA margin was 55.89%. This was a -3.55% margin contraction at the EBITDA level which is definitely a negative outcome.
- Viking Energy's operating income (EBIT) was reported at $-1.43 million and a margin of -14.77%. This EBIT margin dropped by 30.66% in this quarter.
- The company's pre-tax margin for the quarter was -93.80%. Viking Energy reported a net income of $-9.08 million which resulted in a diluted earnings per share (EPS) of $-0.88.
- The company's net margin was -93.80%.Viking Energy generated $2.92 million in terms of operating cash flows for the 9 months period ended 30-09-2021.
- The company was able to convert about 4.13% of its revenues into operating cash flows in the recent quarter. This quarter's EBITDA-to-operating cash flow conversion ratio is 7.39%.
- Overall, Viking Energy delivered a negative free cash flow of $7.34 million for the past 9 months.

Particulars	**2017**	**2018**	**2019**	**2020**
Revenues	2	8	35	40
% growth		*302.5%*	*334.0%*	*16.4%*
Cost of Goods Sold	1	4	12	19
% of revenue	*57.6%*	*48.2%*	*35.3%*	*47.4%*
Gross Income (excl. D&A)	1	4	22	21
% of revenue	*42.4%*	*51.8%*	*64.7%*	*52.6%*
EBITDA	-5	4	20	13
% of revenue	*-256.6%*	*47.4%*	*57.2%*	*33.3%*
Depreciation & Amortization	-25	10	15	56
% of Fixed Assets	*-64.5%*	*7.8%*	*12.4%*	*54.4%*
Extraordinary Expenses	-27	-1	0	38
EBIT (incl. extraordinary exp)	20	-7	5	-42

% of revenue	*1025.3%*	*-82.1%*	*14.1%*	*-105.4%*
Pretax Income	19	-16	-19	-64
% of revenue	*946.5%*	*-201.1%*	*-56.1%*	*-158.9%*
Income Tax	1	-1	0	0
% rate	*4.9%*	*5.7%*	*0.0%*	*0.0%*
Net Income	18	-15	-19	-62
% of revenue	*900.5%*	*-189.7%*	*-56.1%*	*-153.9%*

- When we analyze the company's annualized historical income statement, we see that the top-line was $40.27 million for the previous financial year ending in 2020.
- The revenue growth was 16.42% in 2020 as compared to around 334.00% in 2019.
- Viking Energy's cost of goods sold has increased from 35.27% to 47.38% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of 33.28% is lower than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2019. In terms of the bottom-line, Viking Energy reported an operating income (EBIT) of $-42.46 million and a net income of $-61.99 million resulting in an EPS of $-2.34.
- While its net margin had decreased from -56.06% in 2019 to -153.94% in 2020, this is a temporary phenomenon and the company has significantly reduced its debt in 2021 which is why it is on track to a break even at Net Income level. .

Particulars	**2017**	**2018**	**2019**	**2020**
Assets				
Net Intangible Fixed Assets	0	0	0	0
Net Tangible Fixed Assets	39	132	120	103
Total Fixed Assets	**39**	**132**	**120**	**103**
% of revenue	*1986.4%*	*1656.6%*	*347.6%*	*254.8%*
LT Investments	0	1	3	1
Inventories	0	0	0	0

% of revenue	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Accounts Receivable	1	0	3	4
% of revenue	*56.6%*	*3.3%*	*8.3%*	*10.1%*
Cash and ST Investments	6	4	6	4
% of revenue	*289.9%*	*50.3%*	*16.3%*	*9.9%*
Other Current Assets	0	0	0	4
Total Current Assets	**7**	**4**	**9**	**12**
Other Assets	0	0	0	0
Total Assets	**46**	**137**	**132**	**116**
Liabilities & Shareholder's Equity				
Equity & Minorities	23	21	9	-16
LT Debt	10	92	85	79
Other LT Liabilities	4	4	4	6
Total LT Liabilities	**14**	**96**	**89**	**85**
ST Debt	4	12	19	33
Accounts Payable	3	3	4	4
% of COGS	*129.3%*	*32.0%*	*11.0%*	*11.1%*
Other ST Liabilities	4	5	11	9
Total Current Liabilities	**10**	**20**	**34**	**47**
Total Liabilities	**24**	**116**	**123**	**132**
Total Liabilities & Shareholder's Equity	**46**	**137**	**132**	**116**

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 347.64% to 254.76%

- Its receivables of $4.05 million are about 10.06% of the top-line. Viking Energy has close to $3.98 million in terms of liquidity i.e. cash and short term investments. On the other hand, its payables for 2020 account for around 11.12% of the cost of goods sold.

- The company's long term debt is around -5.2x times its equity. .

Other Metrics	**2017**	**2018**	**2019**	**2020**
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
% growth		*NA*	*NA*	*NA*
Total Common Shares Outstanding	72	91	14	51
% change		*25.8%*	*-84.8%*	*273.1%*
Dividend Per Share	0.00	0.00	0.00	0.00
% change		*NA*	*NA*	*NA*

Operating Ratios	**2017**	**2018**	**2019**	**2020**
Receivables Turnover	1.8	30.7	12.1	9.9
Days Receivable	206.5	11.9	30.2	36.7
Inventory Turnover	NA	NA	NA	NA
Inventory Days	NA	NA	NA	NA
Payables Turnover	0.4	1.5	3.2	4.3
Days Payable	819.6	242.4	113.4	85.7
Fixed Asset Turnover	0.1	0.1	0.3	0.4
Total Asset Turnover	0.0	0.1	0.3	0.3

Other Performance Ratios	**2017**	**2018**	**2019**	**2020**
Return on Assets	38.6%	-11.0%	-14.7%	-53.6%
Return on Equity	79.2%	-71.3%	-223.6%	380.3%

- The company does not pay any dividend. Viking Energy's total common shares outstanding have increased in 2020 by 273.12% implying a share issuance.

- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.

- As per the days receivable, the company takes an average period of 36.7 days to collect money from its clients which appears to be reasonable.

- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory. The inventory days ratio is not applicable as the company has no inventory.

- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.

- As per the days payable, the company takes an average period of 85.7 days to pay off its creditors which appears to be reasonable.

- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company’s efficiency to its assets to generate revenues.

- Viking Energy's fixed assets turnover ratio of 0.4 has increased in 2020 indicating that the company is generating greater revenues from its fixed assets.

- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.

- Viking Energy's total assets turnover has increased to 0.35 in 2020. Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.

- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders’ equity.

- The company's overall Return on Assets is -53.55%.

- Viking Energy's Return on Equity is 380.31%. The company's Return on Equity is higher than its Return on Assets and this is because it uses debt to maximize shareholder returns. .

Particulars	2018	2019	2020	2021E	2022E	2023E
Revenues	8	35	40	42	51	60

% growth		*334.0%*	*16.4%*	*3.1%*	*21.9%*	*19.0%*
Cost of Goods Sold	4	12	19	21	23	27
% of revenue	*48.2%*	*35.3%*	*47.4%*	*50.4%*	*45.1%*	*44.9%*
Gross Income (excl. D&A)	4	22	21	21	28	33
% of revenue	*51.8%*	*64.7%*	*52.6%*	*49.6%*	*54.9%*	*55.1%*
EBITDA	-5	4	20	13	21	26
% of revenue	*-63.7%*	*10.9%*	*49.1%*	*32.3%*	*40.7%*	*40.3%*
Depreciation & Amortization	2	11	14	12	12	13
EBIT	-7	5	9	2	8	13
% of revenue	*-82.1%*	*14.1%*	*22.6%*	*4.1%*	*16.4%*	*16.2%*
EBT (GAAP)	-16	-19	-13	-36	-6	3
% of revenue	*-201.1%*	*-56.1%*	*-33.0%*	*-87.7%*	*-11.3%*	*-11.2%*
Net Income (GAAP)	-15	-19	-62	-75	-6	3
% of revenue	*-189.7%*	*-56.1%*	*-153.9%*	*-179.5%*	*-11.3%*	*5.1%*
Earnings Per Share (GAAP)	-0.18	-1.81	-2.34	-0.73	-0.05	0.03

Particulars	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Net Income (GAAP)	-15	-19	-62	-75	-6	3
+ Depreciation & Amortization	2	11	14	12	12	13
+/- Working Capital, Deferred Taxes & Other Adjustments	10	12	50	67	10	8
Cash Flow from Operations	**-4**	**4**	**1**	**4**	**17**	**24**
% of EBITDA	*77.4%*	*106.6%*	*5.5%*	*30.0%*	*81.1%*	*92.5%*
Net Capex	-4	-5	-5	-2	-5	-6
% of revenues	*55.5%*	*15.1%*	*12.4%*	*5.3%*	*9.9%*	*9.8%*
Other Investment Cash Flow items	-2	1	0	0	0	0
Cash Flow after Investments	**-7**	**-5**	**-5**	**-2**	**-5**	**-6**
Free Cash Flow	**-8**	**-1**	**-4**	**2**	**12**	**18**

Key Ratios

Growth & Margins	2018	2019	2020	2021E	2022E	2023E
Sales Growth		334.0%	16.4%	3.1%	21.9%	19.0%
EBITDA Margin	-63.7%	10.9%	49.1%	32.3%	40.7%	40.3%
EBIT Margin	-82.1%	14.1%	22.6%	4.1%	16.4%	16.2%
Net Profit Margin	-189.7%	-56.1%	-153.9%	-179.5%	-11.3%	5.1%

Leverage Ratios	2018	2019	2020	2021E	2022E	2023E
Net Debt	88	84	75	73	61	43
Net Debt/ Equity	4.2	9.7	-4.6			
Net Debt/ EBITDA	-17.3	22.2	3.8	5.4	3.0	1.7

- Now let us move on to Baptista Research's forecasts for Viking Energy's income statement and cash flows.

- We forecast a top-line growth of 3.1% for 2021, around 21.9% for 2022, and about 19.0% for 2023. This growth is expected to translate into an EBITDA of $13.4 million in 2021 with a margin of 32.29%

- Viking Energy's EBIT margin is expected to be 4.10% in 2021, about 16.38% in 2022, and 16.24% in 2023.

- Our estimate for the company's Net Income (GAAP) is $-74.5 million implying a net margin of -179.52% and resulting in an earnings per share of $-0.73.

- We expect the growth to follow a similar trend in 2022 and 2023. In terms of the cash flows, we expect Viking Energy to generate around $4.02 million in operating cash flows in 2021. This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 30.00%

- Viking Energy is expected to invest a higher amount in capex and other investing activities in 2021.

- Overall, the company is expected to generate free cash flows to the tune of $1.82 million in 2021.Viking Energy's Net Debt is expected to decrease in 2021 and is expected to follow a similar trend over the coming years.

- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.

- Viking Energy's Net Debt-to-EBITDA ratio is expected to be 5.45 in 2021 which indicates that the company is over-leveraged.

- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt. The company's Net Debt-to-Equity ratio for 2020 is -4.59.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions	
WACC	25.8%
CoD	25.0%
CoE	26.9%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	4.22
Perpetual Growth Rate (g)	18.3%
Terminal Value	241
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Viking Energy, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years. The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 4.2 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 26.9% which appears reasonable for a company like Viking Energy. Based on the company's long-term debt and interest payments, the cost of debt is 25.0%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 25.8%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 14.0 to our forecasted revenues of 2023. .

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EV and Market Cap	Current	2021E	2022E	2023E
Price ($)	0.5	1.0	4.6	7.5

Outstanding Number of shares (million)	99	102	104	106
Total Market Cap (billion)	0.05	0.10	0.48	0.80
Net Debt	75	73	61	43
Enterprise Value (billion)	0.13	0.17	0.54	0.84

- After applying the discount rate (WACC) of 25.8%, we arrive at a price target of $1.0 for 2021.
- Our target price at the end of 2022 is $4.6 and for 2023 is $7.5 which implies a total appreciation of nearly 1321.3% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 12.90 and 32.43
- The EV/ EBIT will be in the range of 64.44 to 101.71 over the coming 3 years.

Valuation Ratios	Current	2021E	2022E	2023E
EV/ Sales	3.2	4.2	10.7	14.0
EV/ EBITDA	6.4	12.9	26.2	32.4
EV/ EBIT	14.0	101.7	65.1	64.4
Price/Earnings	NA	NA	NA	260.2

KEY RISKS

- It is important to highlight the key risks associated with an investment in Viking Energy as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- Viking Energy operates in a highly competitive oil and gas as well as renewables industry, and if management is incapable of competing efficiently, it will harm their business and operations.

- Viking Energy is highly sensitive to oil prices and even though the company is currently enjoying a tailwind from the current oil price rally, the liquids-weighted production of the company is highly exposed to oil price fluctuations. The company may increase its production but this price volatility and a weak macro environment will continue to weigh on its top line hence making things challenging. The lower perceived demand and consumption of crude oil across the globe with the increasing Governmental initiatives in favor of electric vehicles and green energy are important factors that could hamper Viking Energy’s growth.

- One of the most significant threats that the company is currently facing is the ongoing global impact of COVID-19, which could have a material impact on Viking Energy's sales due to the quickly spreading Delta variant.

- Furthermore, working capital will be required to uphold sufficient inventory levels, advance additional techniques and controls, and escalate, train, motivate and manage the company's workforce in order to accommodate growth and compete effectively. There is no guarantee that the company will generate revenue from its potential sales partners or that it will be able to capitalize on other third-party producers.

- Management may be unable to successfully implement and execute their business strategies, operational plans, and expansion initiatives.

- If the management fails to effectively manage their growth and organizational change, it may harm their business and operational results.

- If Viking Energy fails to innovate on the biofuels and renewables front, it may lose competitiveness. And therefore, their revenue and operating results may suffer.

- Viking Energy depends on third-party providers for many aspects of business growth. Any change in contractual relationships or disruption in service provided by these third-party service providers may harm them and subject them to liability.

- Proper utilization and protection of their intellectual property and non-infringement of third parties intellectual property within the United States and other countries where Viking Energy intends to expand are important to the success of their business.

- In addition, unexpected expenses, complications, delays, and other unknown factors will likely increase the management's capital requirements, resulting in rapid cash expenditure. Hence, there is no assurance that future funding will be available on favourable terms, if at all.

- If management cannot raise additional capital, they may be forced to reduce, postpone, curtail, or discontinue operations, including product design, development, and marketing.

- On the other hand, additional financing may be required to fund working capital, research and development, sales and marketing, general and administrative expenses, and operating losses, in addition to capital expenditures. Debt incurrence results in increased financial leverage and, therefore, increases the financial risk of the company's operations.

- The ability of Viking Energy to continue as a going concern is dependent on its ability to raise additional capital through the sale of securities and the incurrence of debt. Furthermore, the company's future capital requirements are dependent on various factors, including the rate of revenue growth, product selling prices, and R&D efforts, raising serious doubts about the company's ability to endure as a going concern.

- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.

- With respect to our price projection, we would like to clarify that the valuation of Viking Energy in this report is specific to the date of the analysis i.e. 24-01-2022.

- Another one of the biggest risks to Viking Energy's model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Viking Energy in this report is specific to the date of the analysis i.e. 24th January 2022.

- We must emphasize that the projected valuation and the share price of Viking Energy are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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