

With oil prices rising, we wanted to find a value stock in the oil patch. We came across Camber Energy and looked at some fundamentals, wondering why the share price and market cap were so low. We did our due diligence and WOW! were we ever surprised.

Camber shares looked to be undervalued and overlooked. We investigated further.

Camber Energy (NYSEMKT: CEI) is a recently restructured energy company, with a balanced asset base in Texas and Oklahoma, that is actively engaged in the exploitation, development, and production of crude oil, natural gas, and natural gas liquids.



Camber Energy (NYSEMKT: CEI)

Current price \$.13/share

Current market value \$8 million

In June of last year Camber got new management, a new CEO, and a new CFO. The company (formerly Lucas Oil) had fallen on some tough times and the new guys were charged with turning it around. In July of 2017 crude oil prices dropped, and hovered around \$43 bbl. It could have been discouraging to take the reins of a distressed oil company, just in time to see oil hit its 2017 low. But the CEI Board of Directors had picked the right veterans to lead a turnaround.

Richard N. Azar II, CEO, Secretary, and Director, joined the Camber Energy Board of Directors as Chairman in August of 2016 and was appointed Interim Chief Executive Officer in June 2017. He is an oil and gas industry executive with more than 30 years' experience in exploration and production.

Robert Schleizer, CFO, Treasurer, and Director, was appointed Chief Financial Officer in June 2017. He has over 30 years of financial and operational experience serving private and public companies in financial and organizational structuring, crisis management, acquisitions and divestitures, and equity and debt financings. He is a Certified Insolvency Restructuring Advisor and Certified Turnaround Professional.

The first task the new management had to undertake was the resolution of legacy issues, such as defaulted loans and strangling debt loads. There was no quick fix, no easy way out, but they got the job done and got ready to move forward.

They knew oil prices would rebound and today the price of crude hovers around \$63 bbl. In the past 7-8 months, the management has made some bold steps to strengthen the company's asset base with an eye toward bolstering the balance sheet and creating organic cash flow. They have divested assets that were not going to contribute to cash flow and invested in assets that would.

At this point in our due diligence we decided we really liked the company's turnaround story and we really liked the resumes of the executives involved. But, we still couldn't understand why CEI shares were so cheap. Then we figured it out. The company had taken on debt and investors backed off.

Yes, the company needed financing, you can't bring oil & gas out of the ground for free. In the right hands, debt is a useful business tool used to facilitate growth. Some investors run from companies with debt, holding the share price down, while others ask; how is management making progress with that funding. Let's try to answer that question.

First, the company has a FYE of March 31st. In Q4 of 2016 the company recorded revenues of \$101 thousand. In Q4 of 2017 the company recorded revenues of \$2.35 million, a YOY quarterly increase of over 2,200%. On a broader measure, for the 6 months ended September 30, 2017, revenues tripled to \$3.38 million compared to the same 2016 period at \$1.04 million.

For the 6 months ending September 30, 2017, the net loss was reduced by a factor of 10, to \$5 million from \$51 million in the same period in 2016.

The company has activated 6 wells that were non-producing, and those wells are generating the current company revenue. It should be noted that Camber accomplished this task significantly under budget.

So, while no investor likes company debt or the possibility of dilution, Camber is making great strides with its financing thus far. The money they are spending is reflecting directly onto their financial statements in a very positive way. Savvy investors will see this effect immediately.

Corporate Events:

January 22, 2018. Camber announced the closing of an acquisition in Oklahoma for a purchase price of \$210,000. The Company has acquired approximately 3,000 leasehold acres in Okfuskee County, Oklahoma, including two producing wells and 7 non-producing well bores. The acquisition also includes three salt water disposal wells, to support existing and potential future hydrocarbon production. <https://finance.yahoo.com/news/camber-energy-announces-asset-acquisition-130000632.html>

December 18, 2017. Camber Interim CEO, Richard N. Azar II, released a letter to shareholders detailing much of the company's progress since he assumed his position. It's a worthwhile read for anyone taking a hard look at Camber Energy. <https://finance.yahoo.com/news/camber-energy-inc-ceo-2017-130000529.html>

After spending a lot of time doing our due diligence on Camber, we came to an obvious conclusion:

CEI shares are oversold, underpriced, and have the potential for explosive growth.

The time to invest in CEI shares is now. Don't be the investor who looks at CEI in the near future, when the price has gone up 100% or 500% or 2000% and says, "I should have bought it when it was cheap."

Are those kinds of gains possible at Camber? YES! As the company continues to increase revenue and build organic cash flow, THIS YEAR, analysts will begin to apply fundamental ratios that will justify a much higher share price.

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