



Seplat Energy

2 May 2023

Price

105p

Ticker

[SEPL](#)

Market Cap.

£615m

Net Debt (Cash)

\$288m End 1Q23

Free Float

40%

3mo Av. Daily Volume

179k

Brokers

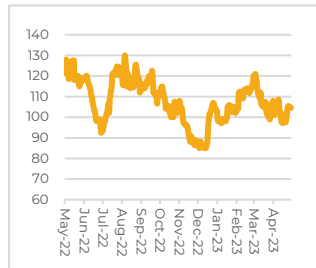
Citi

Investec

Index

FTSE Small Cap

Share Price Performance



Source: Bloomberg

Seplat is a leading oil and gas producer in the Niger Delta region. The company has grown production and reserves, as well as revenue and profit since IPO. Seplat's focus is on onshore and shallow water assets and it is now the leading processed gas supplier to the burgeoning Nigerian domestic market.

Colin Smith

+44 20 7082 5522

[Email the Analyst](#)

1Q23 results – dividend hiked

Seplat reported a 1.6% YoY increase in operating profit to \$103.7m for 1Q23 as higher working interest production, up 8.6% YoY to 51.7kboed, more than offset lower oil prices. Diluted EPS tripled to US\$0.10 benefitting from a low tax charge which more than offset higher finance charges. Production guidance was maintained at 45-55kboed. Adjusted EBITDA slipped 5.1% to US\$140.2m with cash generated from operations down 21.7% to \$139.9m, impacted by a negative working capital swing, but net debt fell almost \$80m from YE22 to US\$288.2m, demonstrating the net cash generative power of the business. In a mark of management's confidence, Seplat hiked the full-year dividend by 20% to 12c per share with the first quarter dividend increased to 3.0c from 2.5c. The ANOH gas project remains very much on-track for current guidance of a 4Q23 start-up. Subsequently, Seplat announced favourable results in High Court rulings against the vexatious charges it has been facing.

After the tribulations of 2022, production in 1Q23 averaged close to the YE22 exit rate of 53kboed, demonstrating the benefit of adding the Amukpe-Escravos-Pipeline (AEP) as an alternative route. In addition, gas production jumped 15.5% YoY largely driven by the new Oben-34 gas well.

Of the 18 wells in the planned drilling programme for 2023, only one was completed in the quarter with drilling ongoing at three. Moreover, the Sibiri-2 appraisal well in OML 40 has been drilled to Target Depth, with target reservoirs completed and Seplat is currently awaiting approval to stream the well.

The ANOH gas plant is now 92% mechanically complete with the plant expected to be fully mechanically completed in 3Q23. Remedial grouting operations have started on the Obiafu-Obrikom-Oben (OB3) pipeline with target completion of 3Q23, the same as target completion on the related spur-line.

Besides the ANOH project Seplat has material value enhancement opportunities on successful appraisal and early development of the large Sibiri discovery, on completion of the MPNU acquisition, where the company continues to work with all parties to achieve a successful outcome, and from converting to Petroleum Industry Act (PIA) terms. Following the conditional application to convert all of its assets to the PIA regime in February 2023, Seplat continues to work on readiness to comply with the PIA regime once the regulator completes the guidelines for conversion.

Subsequent to the results, Seplat announced that the Federal High Court in Abuja formally struck out the criminal charge brought by the Nigeria Immigration Service and also refused to grant ex parte Interim Orders relating to another vexatious challenge which Seplat believes are in response to its efforts to improve corporate governance by eliminating related party transactions and implementing other governance initiatives.

At a Glance (Yr. to Dec)	Production (boed)	Revenue US\$m	Cont.EPS k	DPS	PER*	Yield*
2020 a	51,183	530	(0.13)	0.10	N/A	8.5%
2021 a	47,693	733	0.24	0.10	6.2	7.4%
2022 a	44,104	952	0.11	0.15	13.4	10.5%
2023 Cons*	45-55**	n/a	n/a	0.12**	n/a	n/a

Source: Bloomberg, Consensus of coverage brokers, Company

* Covering brokers are unable to update their research pending the MPNU deal period

** Company guidance

Key comparatives 1Q23 vs 2Q23

		1Q23	1Q22	Delta
Revenue	US\$m	331.0	241.8	36.9%
Gross profit	US\$m	198.3	117.3	69.1%
Adjusted EBITDA	US\$m	140.2	147.8	-5.1%
Operating profit	US\$m	103.7	102.1	1.6%
Profit before tax	US\$m	86.1	83.4	3.2%
Diluted EPS	US\$	0.10	0.03	233.3%
Dividend	US\$	0.030	0.025	20.0%
Net debt	US\$m	288.2	442.6	-34.9%
Cash generated from operations	US\$m	139.9	178.7	-21.7%
Working interest production	boed	51,720	47,628	8.6%
Volumes lifted	mmbbl	3.6	2.2	63.6%
Average realised oil price	US\$bbl	82.32	97.53	-15.6%
Average realised gas price	US\$mcf	2.88	2.76	4.3%

Source: Company, CAG Research

Copyright 2023 Capital Access Group Ltd ("CAG")

This document is a marketing communication which is designed to educate and inform investors about the subject company. The subject company pays CAG a fee to cover the costs of research production and distribution. This report has been commissioned by the subject company and prepared and issued by CAG for publication in the United Kingdom only. The research has not been prepared in accordance with regulatory requirements designed to promote the independence of investment research. This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. Any comments in this report regarding the valuation of a financial security are based on comparisons with similar securities; they are not forecasts of a likely share price. CAG does not undertake to provide updates of any matters discussed in this document.

This document is not an offer to buy or sell, or a solicitation of an offer to buy or sell, the securities mentioned. Capital Access Group does not buy or sell shares, nor does it conduct corporate finance transactions, nor does it undertake investment business either in the UK or elsewhere. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. CAG does not make investment recommendations. Capital Access Group is not regulated by the Financial Conduct Authority ("FCA"). CAG does not offer any investors the ability to trade securities. Our publications are not, therefore, an inducement under MiFID II regulations.

CAG does not hold any positions in the securities mentioned in this report. However, CAG's directors, officers, employees, and contractors may have a position in any or related securities mentioned in this report.

The information contained in this document has been compiled from sources believed to be reliable, but no guarantee whatsoever is given that the information is complete or accurate, or that it is fit for a particular purpose.

This document was issued by Capital Access Group Ltd without legal responsibility and is subject to change or withdrawal without notice. By reading this document, you confirm that you have read and understand the above, and that you shall not hold Capital Access Group Ltd or any of its members and connected companies liable for any loss that you may sustain should you decide to buy or sell any of the securities covered.



Capital Access Group

32 Cornhill

London

EC3V 3SG

www.capitalaccessgroup.co.uk