

Seplat Energy

FY23 results – strong performance, more to come

29 February 2024

Price

135p

TICKER

[SEPL](#)

Market Cap

£793m

Net Debt (31 Dec 2023)

\$306m

Free Float

40%

3mo Av. Daily Volume

132k

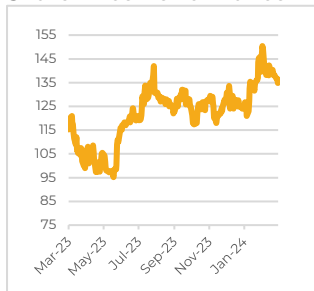
Brokers

Citi, Investec Bank

Index

FTSE Small Cap

Share Price Performance



Source: Bloomberg

Seplat is a leading oil and gas producer in the Niger Delta region. It is now the leading processed gas supplier to the burgeoning Nigerian domestic market with start-up of the large ANOH gas project due this year and the transformational MPNU acquisition pending. The company focuses on onshore & shallow water offshore assets.

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Nigeria's leading independent energy company

Seplat delivered a strong operating and financial performance in 2023 with production up 8% to 47.8kboed and EPS increased by 27% to US\$0.14, despite a near 20% fall in the oil price. Reserves increased by 9% to 478mboe. Guidance for start-up at ANOH was reconfirmed and Seplat remains highly confident that the transformational MPNU acquisition will complete. Cash flow was strong and net debt was reduced to US\$306m (YE22 US\$366m). The current quarterly dividend of US\$3 was supplemented with a special dividend of US\$3 taking the total full year dividend to US\$15, flat YoY. Production guidance for FY24 is 44-52kboed. Seplat announced that Udoma Udo Udoma will become the new Chair of Seplat from 1 April 2024 when Bello Rabiou will become Senior Independent Non-Executive Director, continuing the Board refresh. On our current forecasts Seplat trades on a P/E for 2025 of 5.5x with EV/EBITDA under 3x.

Reported revenue increased 11.5% YoY to US\$1061.3m on higher production, despite lower oil prices. Excluding overlift, revenue increased 4.1% to US\$962.4m. Unit opex of US\$10.4/boe was similar to the US\$10.3/boe recorded in 2022. Operating profit of US\$249.4m (2022 US\$274.7m) was impacted by increased G&A, reflecting the cost of defending the vexatious claims during the year, adjustment for overlift and the FX impact of Naira devaluation. However, lower net interest on reduced net debt and a lower tax rate saw net income increase by 18.3% to US\$123.9m (Figure 1).

The reserves performance was notably strong with Ryder Scott assessing 2P reserves at 478mboe, up 9.1%, attributable to additional volumes from OML 40, booking of the Abiala marginal field and conversion of 2C to 2P volumes in OML 53.

The ANOH gas plant achieved mechanical completion in December and the production wells are being tied to the plant. Operator guidance for both the OB3 trunkline and the spur line to the plant is for completion in 1Q24 with tunnelling of the OB3 line across the Niger river having now started following completion of the complex grouting process. However, Seplat has maintained its current expectation for start-up of the project in 3Q24

Guidance for 2024 is for production of 44-52kboed, assuming availability of TNP from 3Q24 and ANOH production in line with guidance. Capex is guided to US\$170-200m (2023 US\$184m) with drilling capex flat YoY. We note Seplat is moving forward on both the Sibiri (91 mmbbl oil-in-place) and Abiala (6 mboe 2P reserves) developments in 2024.

This was an excellent set of results from Seplat, confirming that benefit of the new resilience in production from enhanced export access and 2024 promises an even better performance, likely mitigated in part by weaker oil prices. We make no meaningful changes to our forecasts at this stage and note that completion of the MPNU acquisition would approximately halve our current forecast multiples.

At a Glance (Yr. to Dec)	Production (kboed)	Revenue (US\$m)	EPS (US\$)	DPS** (US\$)	P/E* (x)	Yield* (%)	Debt Adj CF* (x)
FY21A	47.7	733	0.24	0.10	3.2	8.4%	2.9
FY22A	44.1	952	0.11	0.15	6.5	11.3%	2.1
FY23A	47.8	1,061	0.14	0.15	5.5	10.3%	2.4
FY24E	52.8	889	0.20	0.12	5.5	7.1%	3.1
FY25E	64.4	981	0.24	0.12	4.5	7.1%	2.6

Source: Bloomberg, Seplat, CAG Research. * Uses annual averages for historic share price and EV data. **FY22 and FY23 include special dividend.

Figure 1: 2023 highlights

Item	Unit	FY23	FY22	Delta
Reported revenue	US\$m	1,061.3	951.8	11.5%
Revenue excluding over/underlift	US\$m	962.4	924.6	4.1%
Gross profit	US\$m	532.0	464.7	14.5%
Adjusted EBITDA	US\$m	447.9	416.9	7.4%
Operating profit	US\$m	249.4	274.7	-9.2%
Profit before tax	US\$m	191.2	204.4	-6.5%
Net profit	US\$m	123.9	104.7	18.3%
Diluted EPS	US\$	0.14	0.11	27.3%
Dividend	US\$	0.150	0.150	0.0%
Net debt	US\$	306.0	366.0	-16.4%
Cash generated from operations	US\$m	519.9	574.6	-9.5%
Working interest production	boed	47,758	44,104	8.3%
Volumes lifted	mmbbl	11.3	8.3	36.1%
Average realised oil price	US\$bbl	83.39	101.67	-18.0%
Average realised gas price	US\$mcf	2.90	2.82	2.8%

Source: Seplat, CAG Research.

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