Seplat Energy

9M24 results – Quarterly dividend hiked 20%

29 October 2024

Price
231p

TICKER
[SEPL]

Market Cap
£1,359m

Net Debt (30 Sep 2024)
US$270m

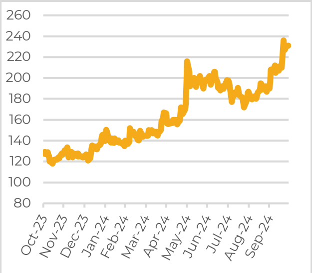
Free Float
48%

3mo Av. Daily Volume
181k

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, having received Ministerial consent. The company focuses on onshore & shallow water offshore assets.

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Nigeria's leading independent energy company

Seplat continued to deliver a strong operating performance in FY24 with 9M24 underlying revenue up 6% on roughly flat production. That was reflected in cash generation, with a further significant reduction in net debt to US$270m. ANOH start-up has been delayed to 1H25 but this is far outweighed by Ministerial consent for the transformational MPNU transaction which is now progressing towards completion. Production guidance was narrowed to 46kboed-50kboed with an unchanged mid-point of 48kboed and capex is now expected to be at the top end of the US$170m-US$200m guidance range. Based on the strong underlying performance, the quarterly dividend has been hiked by 20% to USc3.6 which does not reflect the impact of the start-up of ANOH or completion of the MPNU transaction.

Adjusting for (over)/underlift, revenue for 9M24 was US$723.5m, up 6.0% YoY (Figure 1). Reported revenue of US$715.3 fell 11.7% reflecting a large reduction in the overlift position. Production was 1.3% lower YoY at 47.5kboed but continued strong execution of the 2024 drilling programme is expected to boost volumes in 2025, including from the start-up of Abiala which came onstream in September. Higher availability of the TNP pipeline saw production from OML 53 up 31% YoY for 9M24 with more to come. The 2024 programme of 13 wells is on track for completion by YE24 and the high rate of execution on the drilling programme explains the updated capex guidance.

Operating profit jumped 77.5% YoY to US$274.8m for 9M24, benefitting from an FX reversal, lower royalties as part of the overlift repayment process, and an 8% drop in administrative expenses. Unit operating costs edged up to 10.1/boe. Pre-tax profit jumped 130% to US$245.0m but net profit fell to US$35.3m (9M23 US$79.5m) on a 86% tax charge (6M23 25%), most of which is deferred tax (Figure 1).

Adjusted EBITDA increased 25.0% to US$383.0m with cash generated from operations up 16.9% to US$423.3m. Net investment in the half was US$126.8m (6M23 US$110.4m), including capex of US$157.0m. Net debt ended the period at US$270.0m (US$365.6m at 30 June 2024) with leverage improving to 0.5x (Figure 1).

The ANOH project spur line has now been completed but further issues on the Niger crossing have led NGIC to advise completion of the OB3 trunk line is now expected for end 2024 and Seplat has revised start-up guidance to 2Q25.

Ministerial consent to the transformational MPNU acquisition was announced on 22 October. The main workstreams required for completion are completion of the Nigerian regulatory process, publication of a UK prospectus, as the acquisition is classified as a reverse take-over, completion of preparations to enable a smooth operating handover, and completion of financing, including for a new debt facility.

We have not updated our forecasts at this stage and while the rating has moved higher, that reflects the expected completion of the MPNU transaction.

At a Glance (Yr. to Dec)	Production (kboed)	Revenue (US$m)	EPS (US$)	DPS** (US$)	P/E* (x)	Yield* (%)	Debt Adj CF* (x)
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	50.0	843	0.12	0.12	15.0	4.2%	5.0
FY25E	63.5	960	0.17	0.12	11.0	4.2%	4.3
FY26E	65.2	985	0.19	0.12	9.6	4.2%	3.7

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

Figure 1: 9M24 and 3Q24 highlights

Item	Unit	9M24	9M23	Delta	3Q24	3Q23	Delta
Reported revenue	US$m	715.3	810.4	-11.7%	293.7	263.4	11.5%
Revenue excluding over/underlift	US$m	723.5	682.6	6.0%	246.1	194.9	26.3%
Gross profit	US$m	355.0	416.3	-14.7%	173.5	140.0	23.9%
Adjusted EBITDA	US$m	383.0	306.4	25.0%	115.7	70.6	63.9%
Operating profit	US$m	274.8	154.8	77.5%	65.7	36.4	80.5%
Profit before tax	US$m	245.0	106.5	130.0%	-143.6	-5.9	2333.9%
Net profit	US$m	35.3	79.5	-55.7%	-14.7	-3.1	375.6%
Diluted EPS	US$	0.07	0.07	0.0%	0.0	0.0	#DIV/0!
Dividend	US$	0.096	0.090	6.7%	0.0	0.0	20.0%
Net debt	US$	270.0	347.6	-22.3%	270.0	347.6	-22.3%
Cash generated from operations	US$m	423.3	362.3	16.9%	199.2	102.3	94.8%
Working interest production	boed	47,525	48,152	-1.3%	45,768	42,932.5	6.6%
Volumes lifted	mmbbl	7.5	8.7	-13.0%	3.3	2.6	28.6%
Average realised oil price	US$bbl	82.89	82.76	0.2%	77.6	89.1	-12.9%
Average realised gas price	US$mcf	3.18	2.87	10.8%	3.64	2.87	26.7%

Source: Seplat, CAG Research.

Figure 2: Highlights by quarter

Item	Unit	1Q23	2Q24	3Q24
Reported revenue	US$m	179.8	241.8	293.7
Revenue excluding over/underlift	US$m	236.2	241.1	246.1
Gross profit	US$m	42.7	138.8	173.5
Adjusted EBITDA	US$m	123.3	144.0	115.7
Operating profit	US$m	81.9	127.2	65.7
Profit before tax	US$m	69.3	109.6	-143.6
Net profit	US$m	-1.9	51.8	-14.7
Diluted EPS	US$	0.00	0.07	0.00
Dividend	US$	0.030	0.030	0.036
Net debt	US$	385.4	366.0	270.0
Cash generated from operations	US$m	16.8	209.2	199.2
Working interest production	boed	49,258	47,556	45,768
Volumes lifted	mmbbl	1.8	2.5	3.3
Average realised oil price	US$bbl	86.17	84.93	77.63
Average realised gas price	US$mcf	3.11	2.79	3.64

Source: Seplat, CAG Research.

Summary financial statements

December year end, US$m	FY22A	FY23A	FY24E	FY25E	FY26E
Brent price (US$/bbl)	99.8	82.2	75.0	75.0	75.0
Production (kboed)	44.1	47.8	50.0	63.5	65.2
Profit & loss					
Revenue	951.8	1,061.3	842.9	959.9	985.0
Cost of sales	(487.1)	(529.3)	(487.6)	(553.3)	(570.7)
Gross profit	**464.7**	**532.0**	**355.3**	**406.6**	**414.4**
Other (loss)/income	(36.1)	(121.9)	-	-	-
G&A	(137.4)	(143.6)	(105.5)	(112.2)	(115.1)
Impairment/fair value	(16.6)	(17.1)	-	-	-
Operating profit	**274.7**	**249.4**	**249.8**	**294.4**	**299.3**
Net finance	(67.0)	(59.6)	(42.5)	(13.0)	25.0
Share of JV	(3.4)	1.5	-	-	-
Profit before taxation	**204.4**	**191.2**	**207.2**	**281.4**	**324.3**
Income tax	(99.7)	(67.3)	(103.6)	(140.7)	(162.1)
Net profit (cont ops)	**104.7**	**123.9**	**103.6**	**140.7**	**162.1**
Non-controlling interests	42.3	40.7	31.1	42.2	48.6
Attributable profit	**62.4**	**83.1**	**72.5**	**98.5**	**113.5**
Basic EPS (US$)	0.11	0.14	0.12	0.17	0.19
Diluted EPS (US$)	0.11	0.14	0.12	0.17	0.19
Dividend[1] (US$)	0.15	0.15	0.12	0.12	0.12

Source: Seplat, CAG Research. 1) FY22 and FY23 includes special dividend.

Summary financial statements (cont)

December year end, US$m	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow					
Profit before taxation	204.4	191.2	207.2	281.4	324.3
DD&A	132.8	163.2	157.2	165.8	173.5
Depreciation of right of use assets	5.4	4.1	1.5	1.7	1.8
Impairments, net	6.4	12.7	-	-	-
(Profit)/loss on disposal	13.1	-	-	-	-
Net finance	64.6	51.5	42.6	13.1	(24.9)
(Profit)/loss on derivatives	10.1	4.9	-	-	-
FX	1.1	27.5	-	-	-
Share based payments	8.2	11.8	6.0	6.0	6.0
ANOH dividend	-	-	-	12.0	26.0
Other adjustment	7.4	8.2	9.6	9.6	9.6
Net cash from operations before WC	**453.5**	**475.5**	**424.1**	**489.6**	**516.3**
Movement in working capital	119.5	44.3	-	-	-
Net cash from operating activities	**574.6**	**519.9**	**424.1**	**489.6**	**516.3**
Tax paid	(57.5)	(62.1)	(62.2)	(84.4)	(97.3)
Other adjustment	(14.8)	(10.9)	-	-	-
Net cash from operating activities	**498.9**	**445.1**	**362.0**	**405.2**	**419.0**
Acquisition of oil & gas properties	(158.7)	(179.0)	(185.0)	(150.0)	(150.0)
Acquisition of intangible assets	(12.0)	-	-	-	-
Acquisition of other PP&E	(4.6)	(4.9)	(5.0)	(5.0)	(5.0)
Other investment	(128.3)	-	-	-	-
Proceeds from disposals	29.4	15.1	21.3	-	-
Other movements	(6.7)	6.5	-	-	-
Net cash outflow from investing	**(280.9)**	**(162.4)**	**(168.7)**	**(155.0)**	**(155.0)**
Dividends paid	(58.8)	(98.8)	(88.3)	(70.6)	(70.6)
Interest and other finance payments	(78.2)	(75.9)	(39.1)	(13.1)	20.6
Net cash outflow, exc debt	**(137.0)**	**(174.7)**	**(127.3)**	**(83.7)**	**(50.0)**
Implied delta net debt (IAS 17)	**79.8**	**67.8**	**65.9**	**166.4**	**214.0**
Implied delta net debt (IFRS 16)	**82.3**	**69.6**	**67.6**	**168.3**	**216.0**

Source: Seplat, CAG Research.

Summary financial statements (cont)

Balance sheet US$m (at 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Balance sheet					
Non-current assets	2,449.5	2,436.7	2,478.1	2,474.6	2,457.7
Net assets	1,759.9	1,793.0	1,814.4	1,890.5	1,988.0
Shareholders' equity	1,759.9	1,793.0	1,814.4	1,890.5	1,988.0
Net debt (IAS 17)	365.9	305.6	239.7	73.3	(140.7)
Net debt (IFRS 16)	369.9	307.0	239.3	71.0	(145.0)

Source: Seplat, CAG Research.

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