

# Seplat Energy

6M24 results – Solid half, better to come

30 July 2024

**Price**

198p

**TICKER**

[SEPL](#)

**Market Cap**

£1,165m

**Net Debt (30 Jun 2024)**

US\$366m

**Free Float**

48%

**3mo Av. Daily Volume**

126k

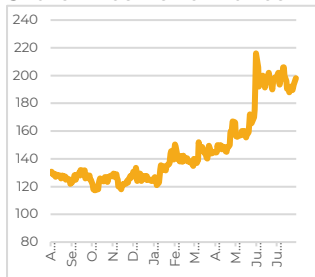
**Brokers**

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 solid performance in the first half of the year with production at 48.4kboed at the mid-point of guidance, unchanged at 44-52kboed. That translated into EPS of US\$0.07, flat YoY and the quarterly dividend was maintained at the current run rate of US\$0.03. Adjusted EBITDA increased 13.3% YoY to US\$267.3m while net cash generation bounced back from the weak performance in 1Q24. ANOH remains on track for first gas in 3Q24. Detail on progress of the transformational MPNU acquisition remains sparse despite the settlement reached with NNPC and ExxonMobil but the language is now on securing regulatory approvals in the near term. Start-up of the ANOH project and continuation of the underlying performance in the rest of the portfolio should see a stronger operational performance in the second half while completion of the MPNU transaction looks more certain than ever. The share price has been strong in anticipation but we anticipate that completion of the MPNU acquisition could drive further upside.

Adjusting for (over)/underlift, revenue for 6M24 was US\$477.4m, down 2.1% YoY (Figure 1) as stronger pricing largely offset weaker production, down mainly on lower gas production, but also reflecting the lingering impact of the hiatus in the 2023 drilling programme. The 2024 programme of 13 wells is on track for completion by YE24 including key start-ups at Sibiri, which came onstream late in 1Q24 and is producing ahead of expectations, and in Abiala together with the progressive return of pipeline capacity on Zone 6 of the TNP which serves OML 53 and through which condensate from ANOH will be exported.

Operating profit jumped 76.7% to US\$209.1m benefitting from an FX reversal and a 14% drop in administrative expenses, reflecting a reduction in the impact of the vexatious court cases in 2023. Unit operating cost was stable at US\$9.7/boe. Pre-tax profit more than doubled to US\$178.9m but net profit fell to US\$49.9m (6M23 US\$82.6m) on a 72% tax charge (6M23 3%), however a 23% YoY reduction in the minority interest charge resulted in attributable profit of US\$40.8m (6M23 US\$43.5m) (Figure 1).

Net cash generated from operations fell 13.1% to US\$226.0m, after a large negative working capital movement of US\$46.8m, mainly reflecting a reversal in the overlift position. Net investment in the half was US\$81.6m (6M23 US\$81.4m), including capex of US\$102.4m. Capex guidance for the year was unchanged at US\$170m-US\$200m. Net debt ended the half at US\$366.0m (US\$380.4 at 31<sup>st</sup> March 2024) with leverage improving to 0.8x (Figure 1).

We make no changes to our current forecasts. Seplat's share price has been strong which we believe is likely to reflect the underlying improvement in operations, imminent start-up at ANOH, and increasing confidence in the completion of the MPNU transaction, whose consummation would could drive further upside.

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	12.9	4.8%	4.4
FY25E	63.5	960	0.17	0.12	9.5	4.8%	3.7
FY26E	65.2	985	0.19	0.12	8.2	4.8%	3.1

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

**Figure 1: 6M24 and 2Q24 highlights**

Item	Unit	6M24	6M23	Delta	2Q24	2Q23	Delta
<b>Reported revenue</b>	US\$m	421.6	547.0	-22.9%	241.8	216.0	11.9%
<b>Revenue excluding over/underlift</b>	US\$m	477.4	487.6	-2.1%	241.1	232.0	3.9%
<b>Gross profit</b>	US\$m	181.5	276.3	-34.3%	138.8	78.0	77.8%
<b>Adjusted EBITDA</b>	US\$m	267.3	235.8	13.3%	144.0	95.6	50.6%
<b>Operating profit</b>	US\$m	209.1	118.4	76.7%	127.2	14.7	767.6%
<b>Profit before tax</b>	US\$m	178.9	85.4	109.5%	109.6	-0.7	16707.9%
<b>Net profit</b>	US\$m	49.9	82.6	-39.6%	51.8	25.1	106.6%
<b>Diluted EPS</b>	US\$	0.07	0.07	0.0%	0.07	-0.03	-333.3%
<b>Dividend</b>	US\$	0.060	0.060	0.0%	0.030	0.030	0.0%
<b>Net debt</b>	US\$	366.0	380.4	-3.8%	366.0	380.4	-3.8%
<b>Cash generated from operations</b>	US\$m	226.0	260.0	-13.1%	209.2	115.0	81.9%
<b>Working interest production</b>	boed	48,407	50,805	-4.7%	47,556	49,900	-4.7%
<b>Volumes lifted</b>	mmbbl	4.2	6.1	-30.7%	2.5	2.5	-1.2%
<b>Average realised oil price</b>	US\$bbl	85.55	79.54	7.6%	84.93	76.79	10.6%
<b>Average realised gas price</b>	US\$mcf	2.95	2.87	2.8%	2.79	2.86	-0.02

Source: Seplat, CAG Research.

**Figure 2: Highlights by quarter**

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

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
<b>Profit &amp; loss</b>					
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)
<b>Gross profit</b>	<b>464.7</b>	<b>532.0</b>	<b>355.3</b>	<b>406.6</b>	<b>414.4</b>
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)	-	-	-
<b>Operating profit</b>	<b>274.7</b>	<b>249.4</b>	<b>249.8</b>	<b>294.4</b>	<b>299.3</b>
Net finance	(67.0)	(59.6)	(42.5)	(13.0)	25.0
Share of JV	(3.4)	1.5	-	-	-
<b>Profit before taxation</b>	<b>204.4</b>	<b>191.2</b>	<b>207.2</b>	<b>281.4</b>	<b>324.3</b>
Income tax	(99.7)	(67.3)	(103.6)	(140.7)	(162.1)
<b>Net profit (cont ops)</b>	<b>104.7</b>	<b>123.9</b>	<b>103.6</b>	<b>140.7</b>	<b>162.1</b>
Non-controlling interests	42.3	40.7	31.1	42.2	48.6
<b>Attributable profit</b>	<b>62.4</b>	<b>83.1</b>	<b>72.5</b>	<b>98.5</b>	<b>113.5</b>
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 <sup>1</sup> (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
<b>Cash flow</b>					
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
<b>Net cash from operations before WC</b>	<b>453.5</b>	<b>475.5</b>	<b>424.1</b>	<b>489.6</b>	<b>516.3</b>
Movement in working capital	119.5	44.3	-	-	-
<b>Net cash from operating activities</b>	<b>574.6</b>	<b>519.9</b>	<b>424.1</b>	<b>489.6</b>	<b>516.3</b>
Tax paid	(57.5)	(62.1)	(62.2)	(84.4)	(97.3)
Other adjustment	(14.8)	(10.9)	-	-	-
<b>Net cash from operating activities</b>	<b>498.9</b>	<b>445.1</b>	<b>362.0</b>	<b>405.2</b>	<b>419.0</b>
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	-	-	-
<b>Net cash outflow from investing</b>	<b>(280.9)</b>	<b>(162.4)</b>	<b>(168.7)</b>	<b>(155.0)</b>	<b>(155.0)</b>
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
<b>Net cash outflow, exc debt</b>	<b>(137.0)</b>	<b>(174.7)</b>	<b>(127.3)</b>	<b>(83.7)</b>	<b>(50.0)</b>
<b>Implied delta net debt (IAS 17)</b>	<b>79.8</b>	<b>67.8</b>	<b>65.9</b>	<b>166.4</b>	<b>214.0</b>
<b>Implied delta net debt (IFRS 16)</b>	<b>82.3</b>	<b>69.6</b>	<b>67.6</b>	<b>168.3</b>	<b>216.0</b>

Source: Seplat, CAG Research.

## Summary financial statements (cont)

Balance sheet US\$m (at 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Balance sheet</b>					
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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