Seplat Energy

9M23 results – good performance, ANOH update

30 October 2023

Price
127p

TICKER
SEPL

Market Cap
£750m

Net Debt (30/6/23)
$348m

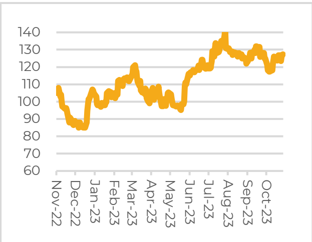
Free Float
40%

3mo Av. Daily Volume
179k

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 next year. The company focuses on onshore & shallow water offshore assets.

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Nigeria's leading independent energy company

Seplat delivered a strong operating performance in 9M23, despite third-party infrastructure issues in 3Q23 with production up 11% YoY to 48.2kboed. Cash generated from operations was flat YoY while net debt was cut to US$347.6m and is expected to fall further by YE23. Guidance for FY23 was narrowed to 46-50kboed for production and US$160m-US$180m for capex. The quarterly dividend was maintained at the current run rate of USc3.0 with Seplat hinting at another potential special dividend. Seplat is increasingly confident that the MPNU acquisition will be approved. As a result of continued delays to the completion of the third-party infrastructure required for the ANOH project, Seplat has pushed back first-gas guidance to 3Q24 but disclosed its share of expected dividend receipts from the AGPC plant at cUS$30m based on US$60/bbl oil with conservative deferment assumptions. In addition, Seplat's share of wet gas supply to the plant should nearly double its current gas production.

Seplat reported production of 48.2kboed for 9M23, up 11.1% YoY despite a significant impact on production in 3Q23 from 44 days downtime on the Trans Forcados Pipeline system, notwithstanding the new access to the AEP pipeline, together with delays to the drilling programme.

Reported revenue for 9M23 of US$810.4m increased 31.0% YoY but was flat YoY, excluding the net impact of over and underlifts in the comparable periods, as increased production offset a 23.5% YoY reduction in realised oil process to US$82.76/bbl. Operating profit fell to US$154.8m (9M22 US$235.9m) in part reflecting the FX loss on Naira devaluation and the cost of the company's successful defence against the vexatious law suits launched earlier in the year. However, net profit increased by 7.7% YoY to US$79.5m, benefitting from a significant tax credit. Diluted EPS for the period fell to US$0.07 (9M22 US$0.13).

Production guidance for FY23 was narrowed to 46-50kboed from 45-55kboed and capex guidance was narrowed to US$160m-US$180m from US$160m-US$190m. Following the capsize of Depthwise's Majestic rig before it came on-station for Seplat, the planned swamp drilling programme has been deferred to 2024. Nevertheless, additional land drilling capacity is expected to deliver an additional six wells by the end of 2023 taking the total to 14 wells which compares with the initial FY23 target of 18 wells.

The further delay to anticipated first-gas from ANOH is frustrating, particularly given the substantial financial contribution it will make, but Seplat continues to demonstrate a strong operational performance which is flowing through into the financials with net debt falling and the potential for a special dividend for FY23. Completion of the MPNU acquisition would be transformative for Seplat.

At a Glance (Yr. to Dec)	Production (kboed)	Revenue (US$m)	EPS (US$)	DPS (US$)	P/E (x)	Yield (%)
2020 a	51.2	530	(0.13)	0.10	n/a	11.4%
2021 a	47.7	733	0.24	0.10	2.6	8.4%
2022 a	44.1	952	0.11	0.15*	8.2	11.3%
2023 Cons*	46-50**	n/a	n/a	0.12**	n/a	7.6%

*Source: Bloomberg, Seplat, CAG Research. Covering brokers are unable to update research pending the MPNU deal period. *Includes USc5 special dividend. **Company guidance.*

Figure 1: 9M23 highlights

Item	Unit	9M23	9M22	Delta
Reported revenue	US$m	810.4	618.6	31.0%
Revenue excluding over/underlift	US$m	682.6	678.9	0.5%
Gross profit	US$m	416.3	283.4	46.9%
Adjusted EBITDA	US$m	306.4	337.9	-9.3%
Operating profit	US$m	154.8	235.9	-34.4%
Profit before tax	US$m	106.5	185.2	-42.5%
Net profit	US$m	79.5	73.9	7.7%
Diluted EPS	US$	0.07	0.13	-46.2%
Dividend	US$	0.030	0.025	20.0%
Net debt	US$	347.6	452.2	-23.1%
Cash generated from operations	US$m	365.1	368.1	-0.8%
Working interest production	boed	48,152	43,337	11.1%
Volumes lifted	mmbbl	8.7	4.9	77.6%
Average realised oil price	US$bbl	82.76	108.25	-23.5%
Average realised gas price	US$mcf	2.87	2.80	2.5%

Source: Seplat, CAG Research.

Figure 2: Quarterly highlights

Item	Unit	1Q23	2Q23	3Q23
Reported revenue	US$m	331.0	216.0	263.4
Revenue excluding over/underlift	US$m	255.6	232.0	195.0
Gross profit	US$m	198.3	78.0	140.0
Adjusted EBITDA	US$m	140.2	95.6	70.6
Operating profit	US$m	103.7	14.6	36.4
Profit before tax	US$m	86.1	-0.6	21.1
Net profit	US$m	57.5	25.1	(3.1)
Diluted EPS	US$	0.10	(0.03)	(0.01)
Dividend	US$	0.030	0.030	0.030
Net debt	US$	288.2	380.4	347.6
Cash generated from operations	US$m	143.1	116.0	106.0
Working interest production	boed	51,735	49,885	42,933
Volumes lifted	mmbbl	3.6	2.5	2.6
Average realised oil price	US$bbl	82.32	76.79	89.10
Average realised gas price	US$mcf	2.88	2.86	2.87

Source: Seplat, CAG Research

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