Seplat Energy

1H23 results – solid operating performance

28 July 2023

Price
142p

TICKER
SEPL

Market Cap
£836m

Net Debt (30/6/23)
$380m

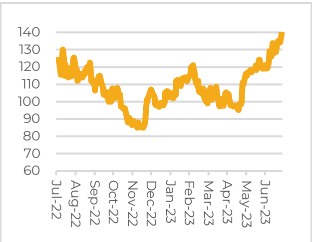
Free Float
40%

3mo Av. Daily Volume
201k

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 imminent. The company focuses on onshore & shallow water offshore assets.

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Nigeria's leading independent energy company

Seplat delivered a solid operating performance in 1H23 with production up 2% to 50.8kboed and FY23 production guidance of 45-55kboed was reiterated. Net profit for the period was US$82.6m, down 1% YoY, on lower oil prices and net of overlift, FX loss on Naira devaluation, and higher G&A but benefitting from a low tax rate, with EPS halved to US$0.07. The dividend was maintained at the current USc3 quarterly run rate, up 20% YoY. Net cash generated from operations was US$209.4m (1H22 US$284.3m) with net debt ending the period at US$380.3m (US$288.2m at 31 March). All works on the ANOH gas project are expected to be completed this year. Seplat remains confident that the MPNU acquisition will be approved.

Seplat's production performance benefitted from access to the new Amukpe-Escravos Pipeline but a mixed performance across its production assets, mainly as a result of slower than expected delivery of new well stock and export issues from OML 53; OML 40 was the star performer. Maintained production guidance of 45-55kboed excludes any potential production from the ANOH gas project or completion of the MPNU transaction.

The time line for completion of the ANOH gas project has slipped towards the end of 4Q23 but progress is being made across all aspects including the upstream facilities, the gas plant, the export and connecting spur lines. Of particular note was the completion of the grouting operations on the troublesome island section of the OB3 export line during the period.

Seplat's financial performance was hit by lower oil prices which averaged US$79.54/bbl in the half, down 26% YoY. In addition, the results were impacted by US$59.4m in overlift adjustment, a US$33.8m loss on FX and a US$22.0m increase in professional and consulting fees in part connected with the vexatious law suits the company faced down in the half and MPNU deal related expenses. The tax rate for the half was 3.3% (1H22 60.3%). Capex guidance for FY23 was increased to US$160m-US$190m from US$160m.

As part of the Board succession plan, Eleanor Adaralegbe, currently VP Finance, has been appointed CFO-designate and will succeed Emeka Onwuka as CFO in 2024.

Seplat noted that its results put it on track for an excellent year that will support the increase announced in the quarterly dividend run rate, equivalent to USc12 for FY23, up 20% YoY.

At a Glance (Yr. to Dec)	Production (boed)	Revenue (US$m)	EPS (US$)	DPS (US$)	P/E (x)	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	6.6%

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

Highlights for the period		1H23	1H22	Delta
Revenue	US$m	547.0	527.0	3.8%
Gross profit	US$m	276.3	274.3	0.7%
Adjusted EBITDA	US$m	235.8	342.7	-31.2%
Operating profit	US$m	118.4	245.3	-51.7%
Profit before tax	US$m	85.4	209.9	-59.3%
Diluted EPS	US$	0.07	0.14	-50.0%
Dividend	US$	0.030	0.025	20.0%
Net debt	US$	380.3	418.6	-9.1%
Cash generated from operations	US$m	259.1	330.1	-21.5%
Working interest production	boed	50,805	49,924	1.8%
Volumes lifted	mmbbl	6.1	4.4	38.6%
Average realised oil price	US$bbl	79.54	107.35	-25.9%
Average realised gas price	US$mcf	2.87	2.76	4.0%

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