RNS Number : 6184X
Seplat Energy PLC
27 April 2023

Please see the Full Audited Results in attached PDF

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Unaudited results for the three months ended 31 March 2023

27 April 2023

Lagos and London, 27 April 2023: Seplat Energy PLC ("Seplat Energy" or "the Company"), a leading Nigerian independent energy company listed on both the Nigerian Exchange and the London Stock Exchange, announces its unaudited results for the three months ended 31 March 2023.

Financial highlights

- Revenues up 37% to $331.0 million (including overlift of $75.4 million), driven by higher production volumes
- Strong cash generation of $139.9 million, capex of $44.7 million
- Balance sheet strengthened with $459.7 million cash at bank, net debt down to $288.2 million ($128.3 million MPNU cash deposit not included)
- Unit production opex of $9.0/boe
- Average realised oil price of $82.32/bbl
- Average realised gas price climbed to $2.88/Mscf following price renegotiation with clients leading to upward price adjustments

Operational highlights

- Working interest production increased by 8.6% to 51,720 boepd, in upper half of guidance range
- Amukpe-Escravos Pipeline (AEP) supporting higher export volumes from key Western Assets
- New OP-15 well boosting liquids production at OML 40, with Oben-34 well boosting gas production
- Achieved more than 3.8 million hours without Lost Time Injury (LTI) at Seplat-operated assets
- Full-year guidance retained at 45-55 kboepd
- Carbon intensity figure of 26.4kg/boe

Corporate updates

- Core annual dividend target raised by 20% to US 12 cents; Q1 dividend declared of US 3 cents per share
- Applications submitted for conversion of Oil Mining Leases under the new PIA regime
- The Company announced its Board of Directors' Succession Forward Plan on 25 April 2023

Update on proposed acquisition of Mobil Producing Nigeria Unlimited (MPNU)

- We remain confident that the proposed acquisition will be brought to a successful conclusion and continue to engage with all relevant parties

Basil Omiyi, Independent Chairman, said:

"Seplat Energy's management and staff have once again delivered excellent performance, with production volumes up, unit production cost down and strong cash generation enabling the Board to increase our annual core dividend target from US 10 cents to US 12 cents per share, paid in equal quarterly dividends. As a result, we have declared a Q1 2023 dividend of US 3 cents per share.

"The year has started strongly, and we are now seeing the benefits of the AEP, through which we are exporting significant amounts of oil. On the ANOH gas plant, our partners have made good progress in the quarter on delivering the OB3 and Spur pipelines, as well as the necessary gas wells, and we maintain Q4 2023 for first gas. We continue to engage with all relevant parties in the proposed acquisition of MPNU and are confident of a successful outcome.

"I wish to thank all our staff for remaining focused on delivering this strong performance, united in their support of Seplat's management team, against a backdrop of unnecessary distractions that will not derail our progress and ambition to become Nigeria's leading energy supplier.

"The Board announced its Succession Forward Plan earlier this month and I look forward to steering this national energy champion in my final year as Chairman, fully resolved to implement the strong corporate governance that will enable Seplat Energy to grow and achieve its ambition to create a sustainable business that maximises returns for all stakeholders, while delivering an energy transition that drives social and economic benefits for all Nigerians."

Summary of performance

	$ million	₦ billion

	Q1 2023	Q1 2022	% Change	Q1 2023	Q1 2022
Revenue	331.0	241.8	36.9%	152.0	100.6
Gross profit	198.3	117.3	69.0%	91.1	48.8
EBITDA *	140.2	147.8	-5.1%	64.4	61.3
Operating profit (loss)	103.7	102.1	1.6%	47.6	42.5
Profit (loss) before tax	86.1	83.4	3.2%	39.5	34.7
Cash generated from operations	139.9	178.7	-21.7%	64.2	74.4
Working interest production (boepd)	51,720	47,628	8.6%		
Volumes lifted (MMbbls)	3.6	2.2	63.6%		
Average realised oil price ($/bbl.)	$82.32	$97.53	-15.6%		
Average realised gas price ($/Mscf)	$2.88	$2.76	4.4%		

* Adjusted for non-cash items

Responsibility for publication

This announcement has been authorised for publication on behalf of Seplat Energy by Emeka Onwuka, Chief Financial Officer, Seplat Energy PLC.

Signed:

Emeka Onwuka

Chief Financial Officer

Important notice

The information contained within this announcement is unaudited and deemed by the Company to constitute inside information as stipulated under Market Abuse Regulations. Upon the publication of this announcement via Regulatory Information Services, this inside information is now considered to be in the public domain.

Certain statements included in these results contain forward-looking information concerning Seplat Energy's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors, or markets in which Seplat Energy operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances and relate to events of which not all are within Seplat Energy's control or can be predicted by Seplat Energy. Although Seplat Energy believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Seplat Energy or any other entity and must not be relied upon in any way in connection with any investment decision. Seplat Energy undertakes no obligation to update any forward-looking statements, whether because of new information, future events or otherwise, except to the extent legally required.

Enquiries:

Seplat Energy Plc	
Emeka Onwuka, Chief Financial Officer	+234 1 277 0400
Eleanor Adaralegbe, Vice President, Finance	
Carl Franklin, Head of Investor Relations	
Ayeesha Aliyu, Investor Relations	
Chioma Nwachuku, Director, External Affairs & Sustainability	
FTI Consulting	
Ben Brewerton / Christopher Laing	+44 203 727 1000 seplatenergy@fticonsulting.com
Citigroup Global Markets Limited	
Tom Reid / Luke Spells	+44 207 986 4000
Investec Bank plc	
Chris Sim / Charles Craven / Jarrett Silver	+44 207 597 4000

About Seplat Energy

Seplat Energy PLC (Seplat) is Nigeria's leading indigenous energy company. Listed on the Nigerian Exchange Limited (NGX: SEPLAT) and the Main Market of the London Stock Exchange (LSE: SEPL), we are pursuing a Nigeria-focused growth strategy in oil and gas, as well as developing a Power & New Energy business to lead Nigeria's energy transition.

Seplat's energy portfolio consists of seven oil and gas blocks in the prolific Niger Delta region of Nigeria, which we operate with partners including the Nigerian Government and other oil producers. We also have a revenue interest in OML 55. We operate a 465MMscfd gas processing plant at Oben, in OML4, and are building the 300MMscfd ANOH Gas Processing Plant in OML53 and a new 85MMscfd gas processing plant at Sapele in OML41, to augment our position as a leading supplier of gas to the domestic power generation market. https://www.seplatenergy.com/

Operating review

Upstream business performance

Working interest production for the three months ended 31 March 2023

		Q1 2023			Q1 2022		
		Liquids	Gas	Total	Liquids	Gas	Total
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45%	17,613	124.1	39,002	17,656	107.4	36,179
OML 40	45%	9,568	-	9,568	7,420	-	7,420
OML 53	40%	1,280	-	1,280	2,712	-	2,712
OPL 283	40%	1,870	-	1,870	1,317	-	1,317
Total		**30,331**	**124.1**	**51,720**	**29,105**	**107.4**	**47,628**

Liquid production volumes as measured at the LACT (Lease Automatic Custody Transfer) unit for OMLs 4, 38 and 41; OML 40 and OML 56 flow station.

Gas conversion factor of 5.8 boe per scf.

Volumes stated are subject to reconciliation and may differ from sales volumes within the period.

Overall, oil and gas production for the period totalled 4.7 MMboe compared to 4.3 MMboe in the same period in 2022.

Seplat Energy's liquids (oil and condensate) operations produced 2.7 MMbbls on a working interest basis in Q1 2023 (Q1 2022: 2.6 MMbbls). Average working interest production continued to improve in Q1 2023, closing in the upper half of the guidance range (set at 45-55 kboepd) at 51,720 boepd, 8.6% higher than Q1 2022 of 47,628 boepd. The split across liquids and gas was 59% liquids and 41% gas, as liquids grew by 4.2% to 30,331 bopd (Q1 2022: 29,105 bopd) while gas grew 15.5% to 124.1 MMscfd (Q1 2022: 107.4 MMscfd). The increase was largely driven by the new Oben-34 gas well coming on stream. In addition, the use of AEP has provided a significant boost to production, adding an export route that has optimised oil and gas production from the western assets resulting in third-party downtime of 7% in the period. Third-party deferment for the Group was 20%, which was majorly impacted by the high deferments rate on Ohaji, mainly caused by tank top issues triggered by election restrictions at the Waltersmith refinery and the TEP outage affecting production in OML 40.

Drilling and other capital projects

The Group's 2023 drilling programme has 18 wells planned to arrest the decline and grow production across the assets (including non-operated assets). In the first quarter of the year, OP-17, which was accelerated into the 2022 programme and spudded in December was completed and producing at a gross rate of c.3,000 bopd. The Sibiri-2 well in OML 40 has been drilled to TD, with target reservoirs completed and currently awaiting approval to stream the well. The drilling of the remaining three wells planned for Q1 (Ovhor DMFU-03, Orogho 8, and GB-J) is ongoing and upon completion expected to produce a combined gross rate of c.4000 bopd and 20 MMscfd of gas.

Construction of the 9km flowline to connect the Ethiope-2 well completed in 2022 with expected production of c. 1000 bopd and 0.6 MMscfd gas is progressing well and scheduled to be completed by May 2023.

Midstream Gas business performance

Working interest gas volumes for the period were 124.1 MMscfd (9M 2021: 107.4 MMscfd). The Gas business contributed 41% of the Group's volumes on a boepd basis and 10% of Group revenues. Gas sales volumes in the period were supported by the new Oben-34 well, which increased gas sales to customers. In addition, improvement in oil evacuation during the period led to a recovery in associated gas volumes.

ANOH Gas Processing Plant

To date, the IJV (AGPC) has achieved 100% installation of all equipment necessary for mechanical completion of the gas plant and progressed overall mechanical project completion at the gas plant site to 92%; we expect the plant to be mechanically complete in Q3 2023. On safety, AGPC recently achieved 8 million man-hours without lost time injury on the project.

Our government partner, NGIC, is delivering the pipelines that will take the gas from ANOH to the demand centres, namely the 23km spur line and the Obiafu-Obrikom-Oben (OB3) pipeline. As previously reported, the OB3 pipeline had been affected by the collapsing of the HDD wall in a section of a river crossing. However, the grouting process has since commenced and six holes have been grouted successfully so far. In addition, all grouting rigs are now onsite. Drilling and pipe installation operations will resume after completion of grouting at the island section. The target completion of tunnelling, equipment demobilisation and tie-ins of both ends is Q3 2023. The project was at 97% completion prior to suspension of work on the project.

On the spur line project, our government partner has confirmed the revised completion target as Q3 2023. Line pipes required to complete all sections of the 23.3km spur line have now been delivered to the project site. The first phase of the spur line (5.5km length) has been completed with another 4.5km ongoing. Activities on the spur line will commence in the first week of May, following remobilisation engagement with community. The project was at 69% completion at the end of FY 2022.

Despite estimated completion for the pipeline infrastructure being Q3 2023, we have taken a cautious approach to guidance and further risked the completion dates, moving our guidance on first gas to Q4 2023. Once completed, ANOH will deliver two income streams for Seplat Energy: from OML 53's wet gas sales to the plant, and from dividends returned to Seplat Energy from the joint venture ANOH Gas Processing Company, which will operate the plant.

The upstream development, including the drilling of two wells additional to the two already completed in 2022, is expected to be delivered by the upstream unit operator SPDC in 2023.

New Energy business

The key investment opportunities being considered include selective entry to off-grid power generation using gas-fired generation integrated with solar and offset possibilities on a wide range of emission reduction activities in various global carbon markets. We have commenced commercial due diligence and third-party validation of the identified opportunities towards FID target of before the end of 2023.

HSE Performance

Safe and responsible operations are critical to the delivery of Seplat Energy's strategy. We achieved more than 3.8 million hours without Lost Time Injury (LTI) on our operated assets.

Staff and contractors worked 1.9 million hours without fatalities or LTI for the period. There were 16 HSE incidents in total, compared to 23 incidents in Q1 2022. Notably, we have not recorded any spills in the first quarter.

The estimated carbon intensity for our operated assets was 26.4 kgCO2/boe. We continue to implement initiatives to bring emissions lower such as the *Flares Out* project and we have completed a 72-hour reliability run of units 1 and 2 of the Sapele Accelerated AG solutions. The AG solution is expected to process c.26 MMscfd and will make a significant contribution to flared gas utilisation, reducing emissions and carbon intensity.

Proposed acquisition of MPNU

The Board remains confident that the transaction will be approved, and we continue to work with all parties to achieve a successful outcome. We will provide further updates as appropriate.

Board changes

Ms. Koosum P. Kalyan was appointed as an Independent Non-Executive Director effective 28 February 2023. Professor Fabian Ajogwu notified the Board of his intention to step down on 21 October 2023.

Outlook

We retain our working interest production guidance of 45,000 to 55,000 boepd for the rest of 2023 (which excludes any expected contribution from MPNU or ANOH) and capital expenditure for 2023 is expected to be around $160 million.

Financial review

Revenue

In Q1 2023, oil prices trended lower on the back of rising concerns about the global economy and any consequent impact on demand for crude oil. As a result, the average price of Brent crude fell 16% to $82.06/bbl across the period. This impacted our average realised oil price for the quarter, which fell by 15.6% to $82.32/bbl in Q1 2023 (Q1 2022: $97.53/bbl.).

Revenue from oil and gas sales was $330.9 million in Q1 2023, a 36.9% increase from the $241.8 million achieved in Q1 2022.

Crude oil revenue was 37.8% higher than for the same period last year, at $297.9 million (Q1 2022: $216.2 million), reflecting increased liquids production, limiting the impact of lower oil prices. The total crude volume lifted for the period was 3.6 MMbbls, up 63.6% from the 2.2 MMbbls lifted in Q1 2022. The average pipeline loss factor for the group was 3.5%.

Similarly, gas revenue rose by 29.1% to $33.0 million (Q1 2022: $25.6 million) driven by the simultaneous increase in realised gas prices and sales volume. The average realised gas price was higher at $2.88/Mscf (Q1 2022: $2.76/Mscf), while gas production increased by 15.5% to 11.2 Bscf (Q1 2022: 9.7 Bscf). The improvement in average realised gas price reflects the impact of upward price revisions with gas customers. Overall, improved production across gas and liquids reflects positive impact of the Amukpe-Escravos Pipeline (AEP), which has reduced downtime and enabled stronger liquids and associated gas production. In addition, the completed Oben-34 gas well provided further boost to gas production.

Gross profit

Gross profit increased by 69.0% to $198.3 million in Q1 2023, from $117.3 million in Q1 2022, supported primarily by robust revenue growth and efficient cost management, as growth in cost of sales (Q1 2023: +6.6%) trailed revenue growth and production volume growth. Non-production costs consisted primarily of $47.4 million in royalties and DD&A of $36.2 million, compared to $50.2 million in royalties and $33.8 million DD&A in the prior year. The lower royalties were the result of lower oil prices during the period.

Direct operating costs, which include crude-handling charges (CHC), barging/trucking, operations, and maintenance costs, amounted to $45.3 million in Q1 2023, 21.2% higher than $37.4 million incurred in Q1 2022. This increase in direct operating cost was largely due to higher CHC costs arising from the utilisation of the Amukpe-Escravos Pipeline (AEP) which has a higher tariff than the Trans Forcados Pipeline (TFP). We however note that this is partly mitigated by lower losses on AEP (Q1 2023: 5.8%), compared to TFP (Q1 2022: 8.0%).

On a cost-per-barrel equivalent basis, the production opex was $9.0/boe (Q1 2022: $8.7/boe).

Operating profit

The operating profit for the period was $103.7 million, an increase of 1.6%, compared to $102.1 million in Q1 2022. Operating profit grew during the period despite the overlift of $75.4 million which was accounted for as a deduction in other income. As highlighted earlier, the overlift represents Seplat's excess liquids lifting above working interest production share for the period. This will be adjusted for in subsequent quarters as JV partners recover production share.

General and administrative expenses of $20.5 million were 7.9% higher than the Q1 2022 costs of $19.0 million, driven by a 24.1% increase in employee benefits, reflecting cost of living adjustments on staff salaries and emoluments, which was not matched by a decrease in the ruling USD/Naira exchange rate. We continue to put efforts in place to cut down on G&A expenses and have set up cost champions to identify cost pressure points and implement measures to control expenditure on those cost pressure points.

EBITDA closed the quarter at $140.2 million, after adjusting for non-cash items, which include impairment, fair value, and exchange losses, equating to a margin of 42.4% for the period (Q1 2022: $147.8 million; 61.1%).

Taxation

The income tax expense of $28.5 million includes a current tax charge of $28.0 million and a deferred tax charge of $0.5 million. The lower deferred tax charge is because of the overlift position in Q1 2023, a normalisation in subsequent quarters will lead to an increase in tax expense. The effective tax rate for the period was 33% (Q1 2022: 76%).

Effective tax rate analysis	Income tax expense			**Tax rate**	
Profit before tax ($'million)	Current	Deferred	Total	**ETR (Effective Tax Rate)**	**Current Tax rate**
86.1	28.0	0.5	28.5	33.2%	27.7%

Net result

The profit before tax was 3.2% higher at $86.1 million (Q1 2022: $83.4 million). As a result of lower taxation for the period, the profit for the period increased by 189.1% to $57.5 million (Q1 2022: $19.9 million), with a resultant basic earnings per share of $0.10 in Q1 2023, compared to $0.03 per share in Q1 2022.

Cash flows from operating activities

Cash generated from operations was $143.1 million (Q1 2022: $180.9 million). Net cash flows from operating activities were $139.9 million (Q1 2023: $178.7 million) after accounting for tax payments of $2.1 million (Q1 2022: $0.4 million) and a hedging premium paid of $1.2 million (Q1 2022: $1.8 million).

The Company continued to record improvements in the recovery of receivables from the major JV partner and received $96 million in Q1 2023 towards the settlement of cash calls from NEPL on OML 4, 38, & 41, and OML 40. As a result, the net NEPL receivable balance now stands at $72 million, down from $90 million at the end of 2022. The majority of the outstanding cash calls became due in Q1 2023.

Cash flows from investing activities

Total net cash outflow in Q1 2023 was $39.7 million (Q1 2022: $154.3 million). The net capital expenditure was $44.7 million (Q1 2022: $26.0 million) and included $29.6 million invested in drilling and $14.3 million in engineering projects. During the period, we received payment of $3.3 million dollars from All Grace Energy in in respect of the divestment from the Ubima field bringing the total received to $21.9 million (total settlement sum is $55.0 million).

Cash flows from financing activities

Net cash outflows from financing activities were $45.3 million (Q1 2022: $30.6 million) including $37.6 million paid out for interest on loans & borrowings, and $4.6 million commitment fee on various credit facilities ($350 million RCF, $110 million RBL Facility, and $50 million junior facility).

Liquidity

The balance sheet continues to remain healthy with a solid liquidity position.

Net debt reconciliation 31 March 2023	$ million	$ million drawn	Coupon	Maturity
Senior notes*	661.1	650.0	7.75%	April 2026
Westport RBL*	77.3	110.0	SOFR rate+8%	March 2026
Off-take facility*	9.5	11.0	SOFR rate+10.5%	April 2027
Total borrowings	747.9	771.0		
Cash and cash equivalents (exclusive of restricted cash)	459.7	459.7		
Net debt	**288.2**			

* Including amortised interest

Seplat Energy ended the first quarter with gross debt of $747.9 million (with maturities in 2026 and 2027) and cash at bank of $459.7 million, leaving net debt at $288.2 million. The restricted cash balance of $25.8 million includes $8.0 million and $14.4 million set aside in the stamping reserve and debt service reserve accounts for the revolving credit facility; in addition to $0.8 million and $1 million for rent deposit and unclaimed dividend, respectively.

Dividend

Seplat Energy has a strongly cash generative business model, a robust cash balance and relatively low debt compared to its EBITDA. Taking these factors into account, as well as the Company's capital allocation needs and future prospects, the Board is recommending a 20% increase in Seplat's core dividend to US12 cents per share, payable to shareholders as four quarterly dividends of US3 cents per share.

Therefore, a dividend of US3 cents per share (subject to appropriate WHT) will be paid to shareholders on 16 June 2023.

Hedging

Seplat's hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. For Q1 2023, 1.5mmbbls was protected at $50/bbl. (at a cost of $1.20/bbl.). For Q2 2023, 1.5mmbbls are protected at $50/bbl. (at a cost of $0.94/bbl.). For Q3 2023, 1.0mmbbls protected at $50/bbl. (at a cost of $0.82/bbl.).

Oil put options	Q1 2023	Q2 2023	Q3 2023
Volume hedged (MMbbls)	1.5	1.5	1.0
Price hedged ($/bbl.)	50	50	50

Additional barrels are expected to be hedged for the fourth quarter of 2023, in line with the approach to target hedging two quarters in advance. The Board and management team closely monitor prevailing oil market dynamics and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

Petroleum Industry Act (PIA) Implementation Status

Following the conditional application to convert all our assets to the PIA regime in February 2023, our multi-disciplinary team continues to work on the Company's readiness for compliance with the various aspects of the PIA as the regulator completes the guidelines for conversion. As a result, the initial long-stop date of 30 April 2023 may no longer be feasible, and we expect an update from NUPRC by this date.

Share dealing policy

We confirm that, to the best of our knowledge, there has been compliance with the Company's share dealing policy during the period.

Free float

The Company's free float on 27 April 2023 was 36%.

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