



CARDINALSTONE

Aradel Holdings Plc

Initiation of Coverage

Growth through diversification and expansion

October 2024

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We initiate coverage on Aradel Holdings Plc (ARADEL) with a 12-month target price (TP) and projected market capitalization of N1,258.61 and N5.47 trillion, respectively. Our TP implies a price return of 79.1% and a BUY recommendation on the stock. Our outlook on ARADEL is premised on projected improvements in return metrics and is consistent with the following:

CardinalStone Research
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- ARADEL's business model spans upstream and downstream segments of the oil and gas industry, including oil production, gas processing, and refining operations. Its diversified asset base across 2P and 2C reserves at the Ogbelu, Omerelu, and OML 34 fields positions the company for long-term growth. This structure also provides investors with the opportunity to key into a business with relatively stable earnings.
- The company's strategically larger 2P gas reserves of 410.8 Bscf compared to 48.6 MMbbls in liquid reserves suggest a stronger focus on higher-margin gas production and development, which is expected to drive future earnings.
- The company's strategic partnerships, like the consortium with Renaissance Africa Energy Company Limited (RAEC), enhance its capabilities and access to new business opportunities, such as the acquisitions of stakes in strategic assets.
- ARADEL has demonstrated strong operational capabilities with plans to improve its refinery operations. Particularly, the business plans to commission its PMS train in 2025 to boost diversification advantage at a time when the broader sector is edging towards deregulation and market-driven prices.
- In addition, to ensure stable and predictable pointers to future distributions, ARADEL established a dividend policy framework in FY'23, which recommends paying the lower of 20.0% of cash flow from operations and 50.0% of profit after tax. The company also ensures a relatively fair liquidity provision for shareholders by maintaining both interim and final dividend payments.

Valuation: We have applied the Discounted Cash Flow (DCF) methodology to provide a comprehensive valuation of ARADEL, recognising the distinct characteristics of its upstream and downstream businesses. The DCF method assumes a weighted cost of capital (WACC) of 15.5% on dollar cash flows, driven by a cost of equity of 15.8%, the 10-year FGN Eurobond yield as the risk-free rate (9.8%), a weighted average effective interest rate on debt of 11.4% that is consistent with management's latest disclosures, and a perpetuity growth of 5.0%. The methodology resulted in enterprise and equity values of \$2.32 billion and \$2.91 billion, respectively, with the higher equity value underscored by the company's net cash position.

Risks to expectations: The key risks to our expectations include potential delays in regulatory approvals, oil price volatility, strong competition, infrastructure downtime, and security issues in the Niger Delta that could disrupt operations. However, the likely exploration of 2C contingent resources and the success of strategic acquisitions are major upside risks.



Introduction

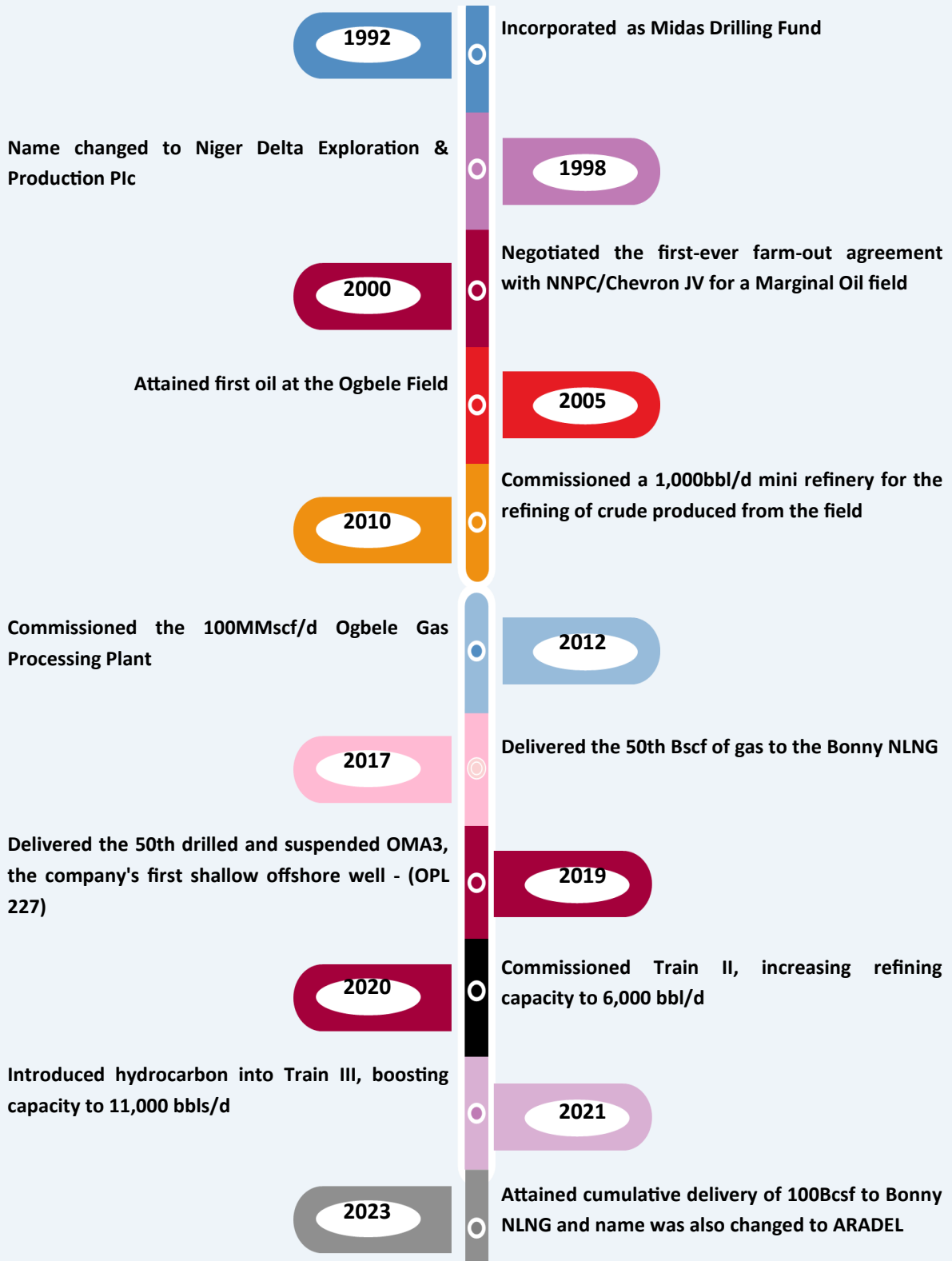
Evolution of Aradel Holdings Plc

ARADEL is a fully integrated independent energy company operating in Nigeria, with interests in upstream and downstream segments of oil and gas as well as power and renewables. The company was incorporated on the 25th of March 1992, originally as the Midas Drilling Fund, and changed its name to Niger Delta Exploration and Production Plc in November 1996 before assuming its current name in May 2023. ARADEL's integrated business structure allows it to efficiently manage its resources, optimize operations, and deliver value to its stakeholders.

In 2005, ARADEL started oil production in OML 54 (Ogbele field). Since then, the field has evolved into a fully integrated oil and gas-producing asset. It comprises a crude oil processing facility with a capacity of 20,000 bbls/d, a gas processing plant with a capacity of 100mmscf/d, and a modular refinery with a production capacity of 11,000 bbls/d. The facility supplies Automotive Gas Oil (AGO), Marine Diesel Oil (MDO), Heavy Fuel Oil (HFO), Dual-Purpose Kerosene (DPK), Naphtha, and, in the future, hopes to venture into Liquefied Petroleum Gas (LPG) and Premium Motor Spirit (PMS). A fourth train dedicated to PMS with an expected capacity of approximately 3,000 bpd has been mechanically completed and will be commissioned soon. As a Holdco, ARADEL consists of several subsidiaries, including Aradel Refineries Limited (formally ND Refineries Limited), which is 95% owned, while Aradel Energy Limited, Aradel Gas Limited, and Aradel Investments Limited (formally known as Niger Delta Petroleum Resources Limited) are wholly owned.

ARADEL is also a significant equity holder in ND Western – a consortium of four companies that jointly acquired the 45.0% participating interest in OML 34 belonging to Shell Petroleum Development Company of Nigeria Limited (SPDC), TOTAL, and NAOC in 2012.

Figure 1: A timeline of ARADEL's key milestones



Source: Company's annual report, CardinalStone Research

Figure 2: ARADEL's company structure

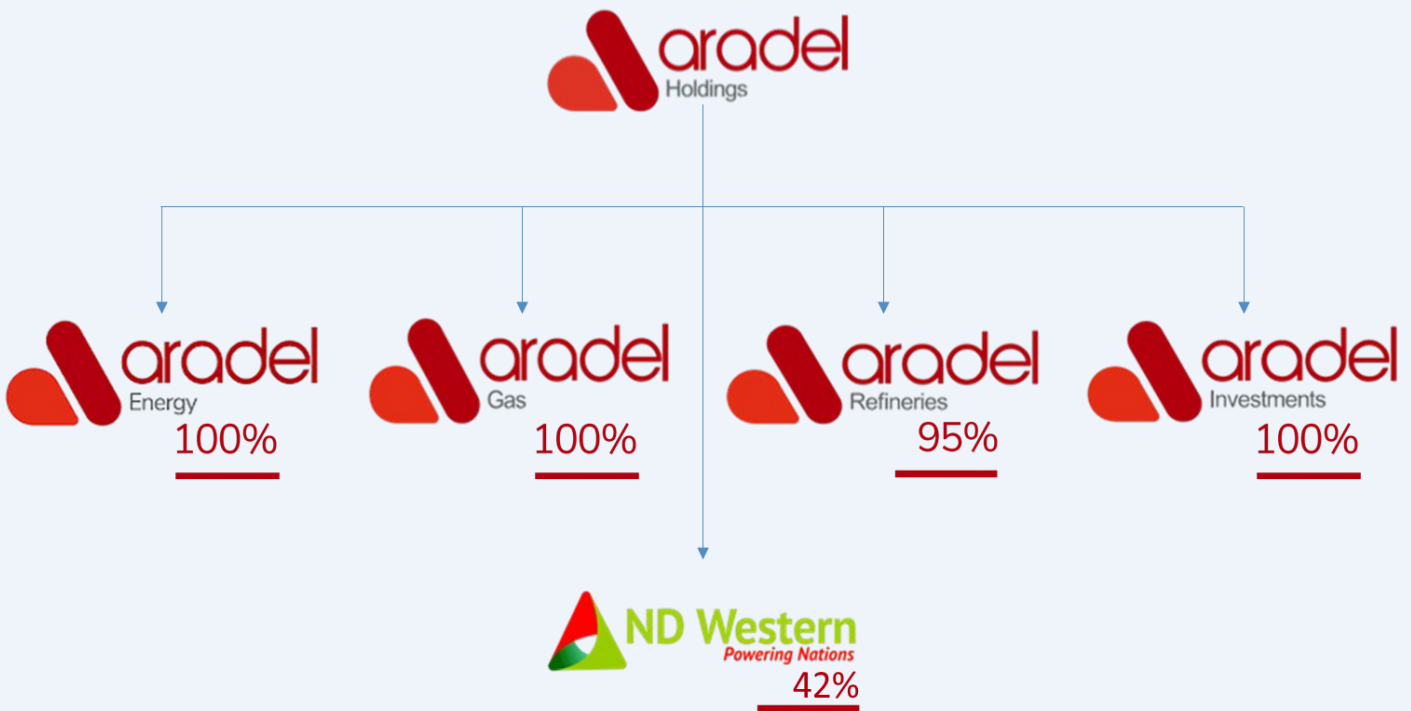
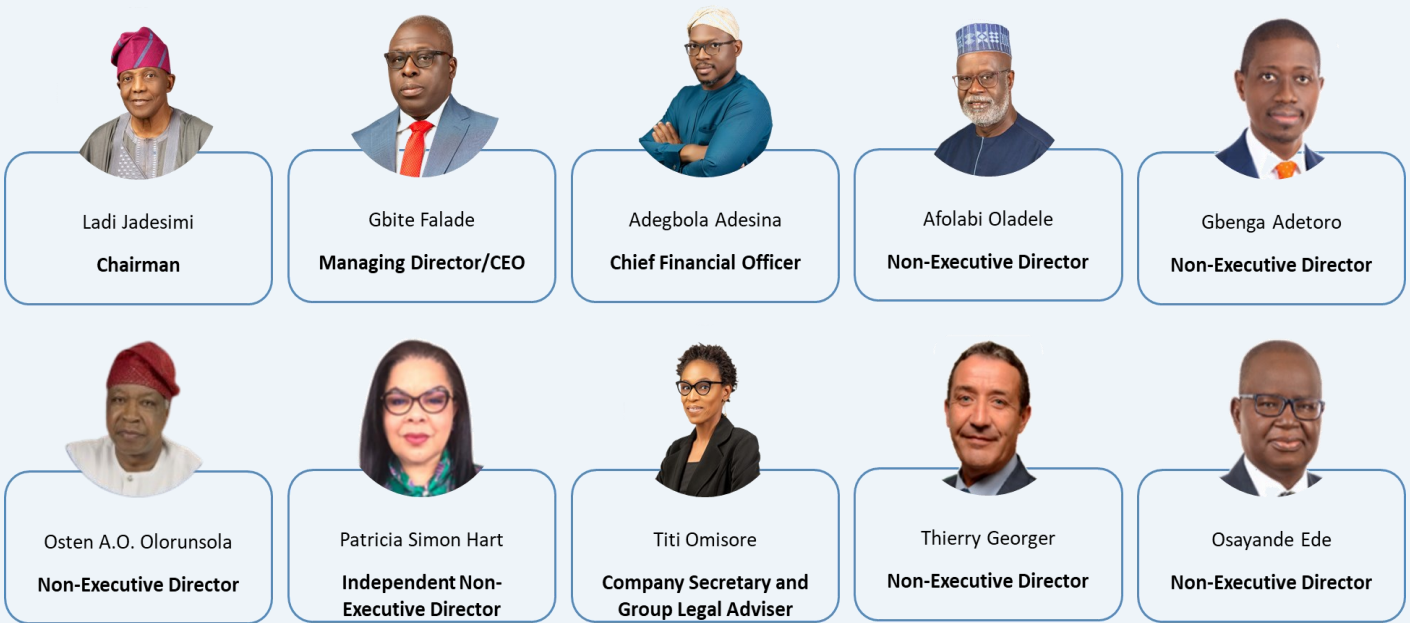


Figure 3: ARADEL's portfolio's of assets

Assets	Location	Size	Additional comments
The Ogbel Marginal Field	Rivers State	22.53sqKm	ARADEL's Ogbel Marginal Field in Rivers state, which was acquired from the NNPC/Chevron JV in 2000, is Nigeria's first farm-out agreement between a multinational/NNPC JV and a Nigerian company. Oil production began in 2005, and a 1,000 bbls/d diesel topping plant was added in 2010, transforming the field into a fully integrated oil and gas asset.
Omerelu Field	Rivers State	11sqKm	The Omerelu Field, situated in OML 53 and approximately 42 kilometres northwest of Port Harcourt in Rivers State, Nigeria, was acquired by the company in 2014, securing a 100.0% stake and operatorship from the NNPC/Chevron JV. In January 2021, the field license for OML 53 was renewed for an additional three years. The company achieved its first oil in May 2024.
Utorogu, Ughelli East, and Ughelli West Fields	Western Niger Delta	951sqKm	OML 34, located in the Western Niger Delta, is jointly operated by NNPC (55.0% interest) and ND Western Limited, which is co-owned by ARADEL. In 2012, ARADEL's consortium acquired a 45.0% stake from the Shell/Total/Agip JV. The asset includes Utorogu, Ughelli East, and Ughelli West fields, with Warri River under redevelopment. OML 34 is crucial for domestic gas supply and exports to Benin, Togo, and Ghana via the West African Gas Pipeline.
	Offshore Niger Delta	500sqKm	OPL 227 is an offshore field in the Niger Delta awarded to a consortium including ARADEL. After ADDAX Petroleum exited, ARADEL was nominated as the operator, pending regulatory approval. ARADEL is reviewing previous work and planning further exploration to accelerate development. The field's license was renewed for three years in March 2021.

Source: Company's annual report, CardinalStone Research

Figure 4: ARADEL's Board of Directors



Source: Company's annual report, CardinalStone Research

SWOT Assessment

S STRENGTHS

- Diverse asset portfolio with robust average crude production of 9,737 bopd, coupled with substantial gas production of 26.5 mmscf/d and an average refinery output of 131.8 million litres as of H1'24 (vs 85.5 million litres in H1'23).
- Strategic alliances, such as its involvement with Renaissance Africa Energy Company Limited (RAEC) to participate in Shell's divestment process.
- Strong commitment to CAPEX for expansion of 2P reserves and improvement in production capacity via the exploration and appraisal drilling campaign.
- Management team with extensive experience in the oil and gas sector.
- c.70% of total revenue denominated in US Dollars, providing a hedge against Naira devaluation.

O OPPORTUNITIES

- Opportunities to acquire new assets, such as the recent agreement to purchase interest in the Olo and Olo West Marginal Fields, will increase production capacity and reserves.
- Potential to expand downstream operations, adding value through refining and distribution of PMS and LPG, diversifying revenue streams.
- The full transition to the new regulatory framework under the Petroleum Industry Act (PIA) could streamline operations and reduce bureaucratic delays, offering a more predictable and favourable business environment
- Potential foray into renewable energy

W WEAKNESSES

- Risk of concentration in a single location, albeit offset by the acquisition of Olo and Olo West Marginal Fields

T THREATS

- Volatility in energy prices
- Aging infrastructure, including pipelines, roads, and ports
- Continued oil theft and pipeline vandalism
- Increased competition with the commencement of operation at the Dangote refinery
- Political and regulatory hurdles with finalising asset acquisitions.
- Social unrest in host communities
- Stricter environmental laws and regulations
- The global shift towards renewable energy sources and a reduction in fossil fuel consumption could threaten long-term demand for oil and gas.

Source: Company's annual report, CardinalStone Research



Sector overview

Global Upstream

Mean oil prices expected to average \$78.0/bbl in 2025

After averaging \$83.13/bbl in the first half of 2024, oil prices have declined by 8.5% to \$79.27/bbl since the start of the second half. This decline has been primarily driven by weak macroeconomic data, which prompted investors to reduce their exposure to risky assets, overshadowing the potential impact of escalating geopolitical tensions in the Middle East.

Average oil prices are expected to remain subdued for the rest of 2024 (vs 2023) due to concerns over global demand growth, led by weaker Chinese consumption and a slump in global refining margins that could prompt refiners to process less crude. These issues are expected to continue to outweigh the impact of declines in oil inventories and the decision of OPEC+ members to delay production increases until December 2024 (vs October previously). The planned hike of 180,000 bpd was set to come from members who agreed in June to start unwinding the group's most recent layer of output cuts - a cut of 2.2 mbpd by eight countries. The decision is consistent with attempts to support the market due to uncertainty about demand and proactively address the negative impacts of rising supply outside the group, with Saudi Arabia raising concerns about its waning market share in September. The remaining cuts of 3.7 mbpd, agreed in earlier steps, will remain in place until the end of 2025.

EIA now forecasts Brent prices to average \$81.0 and \$78.0 per barrel in 2024 and 2025, respectively. However, we note upside risks from geopolitical concerns in the Middle East that could place a flow on oil price declines. According to the EIA, global oil production is expected to increase to 102.5 mbpd in 2024, primarily driven by non-OPEC+ output, which is projected to rise by approximately 620,000 bpd to a record high of 70.5 mbpd. Furthermore, some OPEC+ producers are projected to maintain production levels below their targets to prevent global inventory builds, providing additional support to prices.

Figure 5: Stronger demand to outstrip supply in 2024

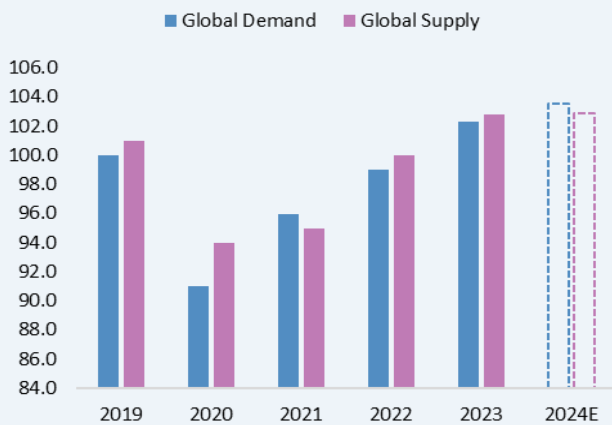
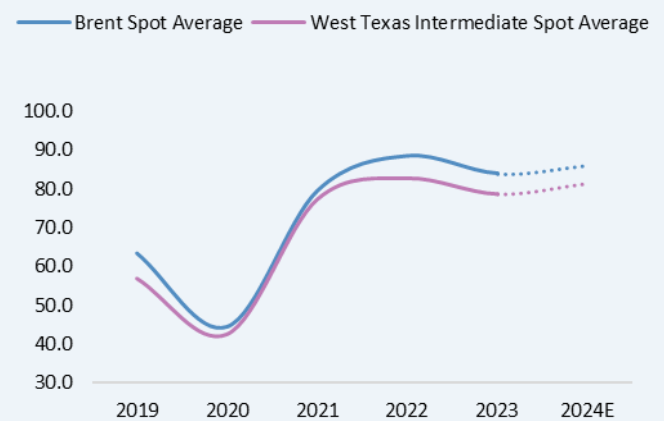


Figure 6: Crude price to average \$81/bbl in 2024



Source: Energy Information Agency (EIA), CardinalStone Research

Elsewhere, OPEC forecasts global oil demand to reach 104.3 mbpd in 2024, reflecting a 2.1 mbpd increase, driven by strong air travel demand and robust road mobility, particularly in the trucking sector. Additionally, healthy industrial, construction, and agricultural activities in non-OECD countries are expected to contribute to this growth significantly. Non-OECD countries, including China, are also projected to drive most of the projected increase in demand for 2024, according to OPEC August MOMR. In contrast, the EIA expects liquid fuel consumption to remain relatively stable in OECD countries in 2024 while forecasting total world demand at 103.1 mbpd.

Nigeria Upstream

Sector reforms to support 2024 oil production target

Nigeria remains poised on its production target of 1.78mbpd (including condensates) as outlined in the Medium-Term Expenditure Framework (MTEF) for 2024-2026. However, the oil sector remains challenged with declining production due to crude theft and pipeline vandalism, especially within the Niger Delta region. To this end, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has taken several measures during the year to increase production levels and tackle the issue of oil theft, including securing onshore pipelines by contracting the services of Tantita Security Services Limited, a private security company. In addition to this, the NUPRC has employed end-to-end production monitoring and a mass balance methodology to account for losses, differentiating them from operational losses. To improve production, NUPRC has also prioritised improving rig availability and reducing non-productive time through

unlocking heavy crude oil reserves. These efforts were in conjunction with the 2024 licensing round and the reopening of the 2022 licensing round in May 2024.

Figure 7: Steady growth in oil production (mbpd)

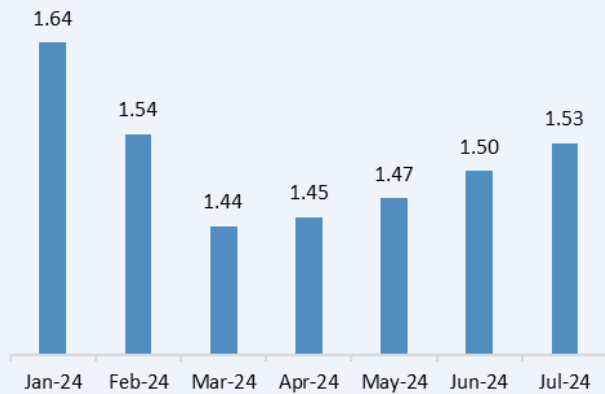
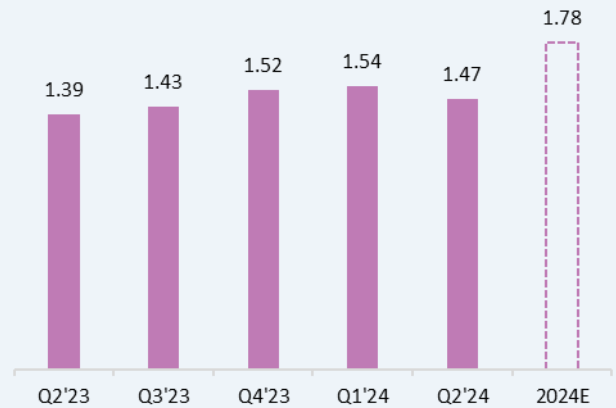


Figure 8: FG sustains 1.78 mbpd goal for 2024E



Source: NUPRC, CardinalStone Research

To enhance transparency and regulatory oversight in the sector, NUPRC has unveiled two new projects: Audit of Upstream Measurement Equipment and Facilities and the Advance Cargo Declaration Solution.

The Audit of Upstream Measurement Equipment and Facilities aims to address identified gaps, such as outdated and non-serviceable measurement equipment, the absence of a comprehensive database of installed equipment, and a lack of real-time production measurement across many locations. The project also aims to establish reliable baseline data and conduct a formal gap analysis for production, allocation, and custody transfer measurement requirements, including the procurement, installation, and commissioning of new metering infrastructure.

The Advance Cargo Declaration Solution will complement the audit project by establishing a system to monitor and track crude oil transportation and export from Nigeria. It will ensure accurate accounting, prevent theft and under-declaration, and create a comprehensive database for monitoring exports. This initiative will ensure certified production is exported and accurately accounted for in government revenue. Both projects, which are set to be delivered by year-end, should help bolster production numbers.

Decarbonisation — the pledge to transition away from fossil fuels

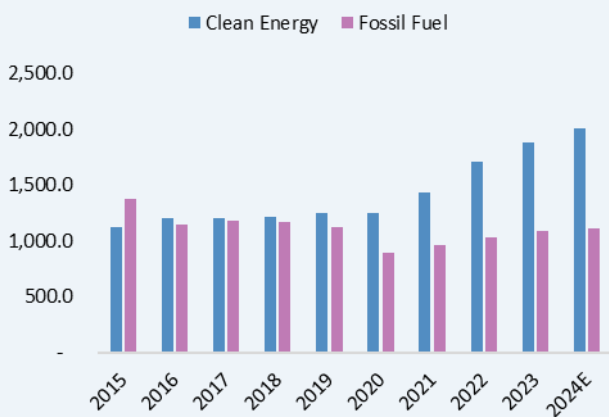
In the wake of the decision at COP 28 to transition away from fossil fuels, the Oil and Gas Decarbonisation Charter (OGDC) has gained momentum as a global pledge to accelerate decarbonisation efforts within the oil and gas sector. The charter calls for the industry to achieve net zero emissions by 2050, eliminate methane emissions and routine flaring by 2030, and adopt best practices in emissions reduction and investments in renewable energy.

PetroChina, a subsidiary of the state-owned China National Petroleum Corporation (CNPC) and responsible for 3.5% of global oil production, has joined 52 other OGDC signatories—who collectively represent 40.0% of global oil production—in committing to this decarbonisation initiative. This commitment was announced at the 8th Ministerial on Climate Action (MoCA) held in Wuhan, China, in July 2024.

As more oil producers align with decarbonisation initiatives, a significant shift towards climate-friendly operations is anticipated, which could exert downward pressure on oil prices in the long term. In the lead-up to COP 29, scheduled for November 2024, UN Climate Change Executive Secretary Simon Stiell emphasised the crucial role of climate finance in supporting the adaptation and transition to renewable energy.

Speaking in Azerbaijan, the host country for this year's conference, Stiell underscored the urgency of the decarbonisation shift, suggesting that oil producers may increasingly be compelled to adopt more sustainable approaches to energy generation.

Figure 9: Global investments in clean energy¹ and fossil fuels² (\$'billion)



Source: International Energy Agency (IEA), CardinalStone Research

Midstream

Heralding the era of oil and gas refining

In a bid to reduce dependence on imported refined petroleum products, Dangote Refinery and the Port Harcourt Refinery remain prime potential contributors to the nation's target of self-sufficiency. Recall that the Dangote Refinery resorted to importing crude oil from the US in May 2024 as local production continued to dwindle due to low crude supply and oil theft. However, following the intervention of the government to sell crude oil to local refineries in Naira to help tame currency pressures, generate FX savings, and reduce the risks of sharp PMS price spikes, amongst others, the refinery may have started considering a reduction of its crude imports from abroad. Ahead of the implementation of the crude sales in Naira arrangement, the refinery commenced PMS supply to the NNPC in Q3'24. The start of Q4'24 then heralded the implementation of the agreement and the complete transition to a fully deregulated PMS market.

¹Clean Energy includes: Clean fuels, Transitional fossil fuels, Nuclear, Renewables , Storage, Electricity Networks

²Fossil Fuels: With Carbon Capture , Utilization and Storage (CCUS) and End-use

Figure 10: Major refineries in Nigeria

Refinery	Location	Nameplate capacity (barrels per day)
Kaduna refinery	Kaduna state	110,000
Port Harcourt refinery I and refinery II	Rivers state	210,000
Warri refinery	Delta state	125,000
Dangote refinery	Lagos state	650,000
Total		1,095,000

Source: NUPRC, CardinalStone Research

Elsewhere, as part of the government's efforts to revitalise Nigeria's refining capacity and reduce its dependence on imported petroleum products, the NNPC has announced its intention to engage credible Operations and Maintenance (O&M) private companies to oversee the operation and maintenance of Kaduna and Warri refineries to ensure reliability and sustainability to meet Nigeria's fuel supply and energy security obligations. The tender process for the refineries is set to be handled as a single tender conducted in three stages: expression of interest, technical, and commercial evaluation, with a focus on maximising cost-saving opportunities in areas such as consumable procurement, personnel/manpower management, and the use of advanced systems like Computerized Maintenance Management Software (CMMS) and Warehousing Management System (WMS).

On gas refining, Nigeria has initiated the construction of a groundbreaking 25 million standard cubic feet per day (25mmscfd) gas distribution infrastructure by Optimera Energy at the Lagos Free Zone (LFZ). The project aims to provide natural gas to companies within the zone, addressing energy access challenges and high operating costs. Scheduled for completion by Q4'24, the project involves a consortium of three Nigerian gas firms and includes a 25mmscfd City Gate Station, scalable to 100mmscfd, along with ancillary infrastructure. Optimera Energy signed a 20-year gas infrastructure development agreement with the LFZ, supporting phased development to reach 40mmscfd and 100mmscfd. The LFZ company has invested over \$2.5 billion in the world-class facility, aligning with Nigeria's decade of gas aspirations and promoting sustainable energy solutions. The project signifies a significant milestone in Nigeria's journey toward a more sustainable and energy-efficient future.

In addition, the Ajaokuta-Kaduna-Kano (AKK) gas pipeline project, which aims to expand Nigeria's gas pipeline network in response to growing power demand, is set for delivery by 2025. The AKK pipeline is a 40-inch by 614km linear pipeline system running from Ajaokuta in Kogi State to Kano, with associated intermediate terminal gas facilities at Abuja, Kaduna and Kano. Achievements on the project so far include the completion of c.98.5% of linear construction works, full completion of the crossing for Shika River in Kaduna state and Hadejia River in Kano, and c.51.0% completion of the Kaduna River crossing. This pipeline would serve as a connecting pipeline network between the eastern, western and northern regions of Nigeria.

In addition to streamlining gas supply, the new pipeline is expected to reduce the large volume of gas flared in Nigeria, a positive environmental impact. The project is en route to full completion, realistically by Q1'2025.

Similarly, in August 2024, NIPCO Plc, in a joint venture with NNPC, activated its 100mmscfd-capacity gas pipeline to supply the Lekki Free Trade Zone (FTZ) and a 24-megawatt power plant. This project is expected to attract more industries to the Lekki FTZ and support its growth. Plans are also underway to extend gas distribution to industrial areas in Ibadan (Oyo State) and Abeokuta (Ogun State).

Elsewhere, the ANOH Gas Processing Company (AGPC), a joint venture between Seplat Energy and NNPC Gas Infrastructure Company, announced the mechanical completion of its 300mmscfd-capacity gas plant. Set to begin operations by Q4'24, the plant will supply dry gas, condensate, and LPG, with gas and LPG expected to be sold domestically and condensates exported.

Key comparable metrics between ARADEL and peers

Liquidity Ratios

Figure 11: Current Ratio (x)

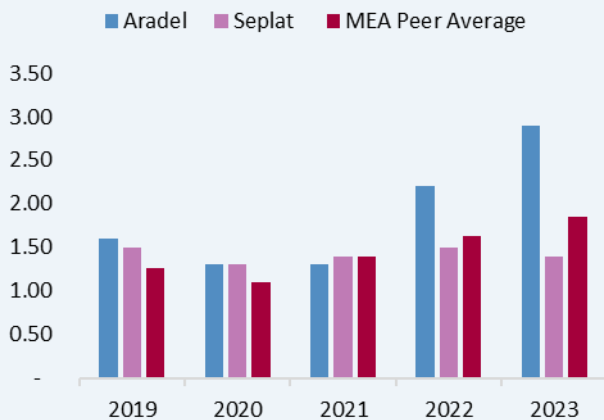
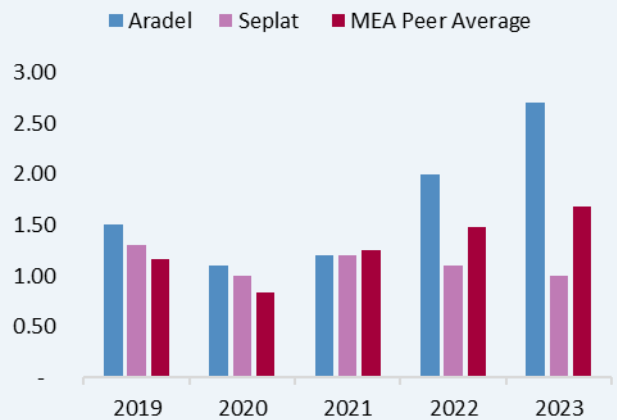


Figure 12: Quick Ratio (x)



Liquidity Ratios

Figure 13: Debt to Equity

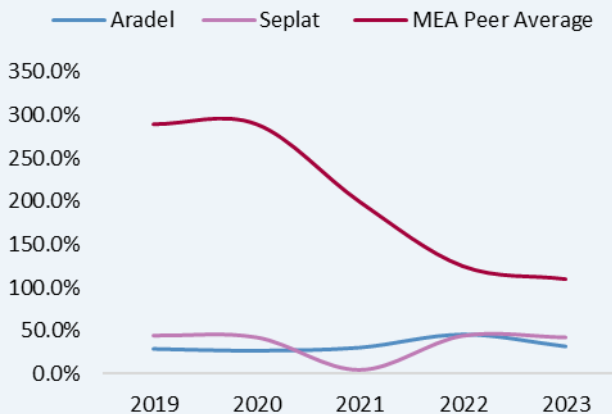
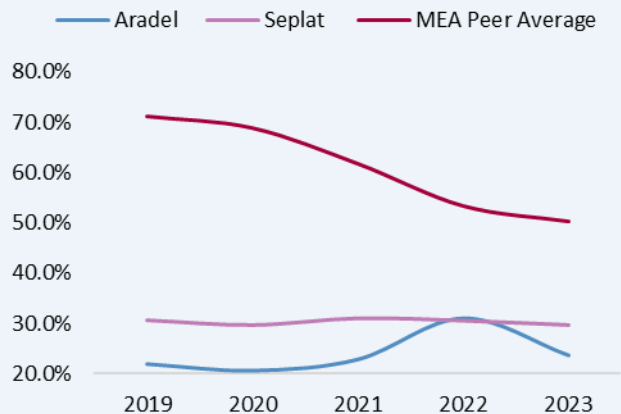
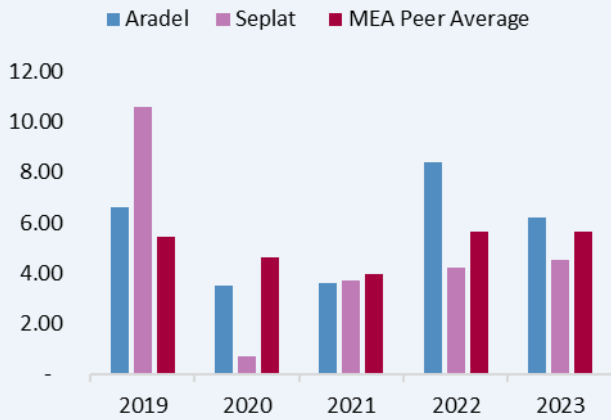


Figure 14: Debt to Capital



Source: Capital IQ, company financials, CardinalStone Research

Figure 15: Interest Coverage Ratio (x)



Efficiency Ratios

Figure 16: Return on Assets (ROA)

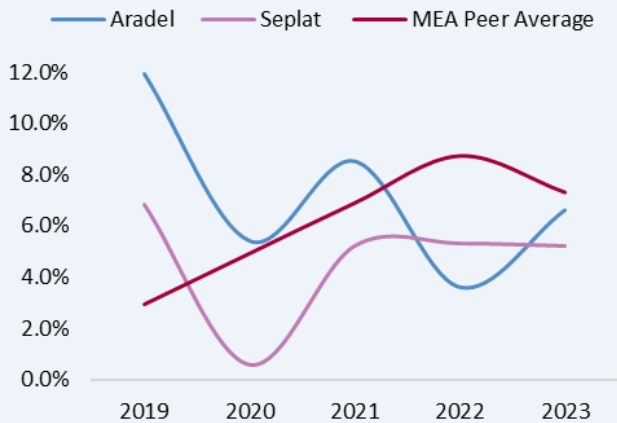


Figure 17: Return on Equity (ROE)

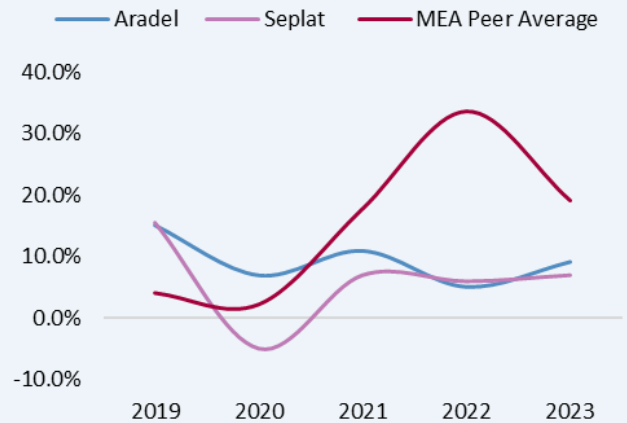


Figure 18: Asset Turnover Ratio (x)

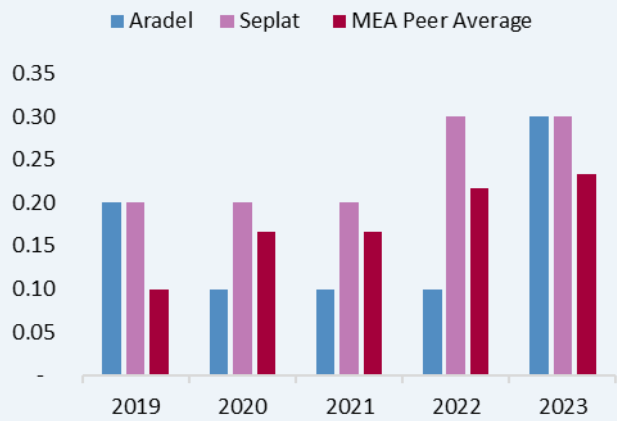
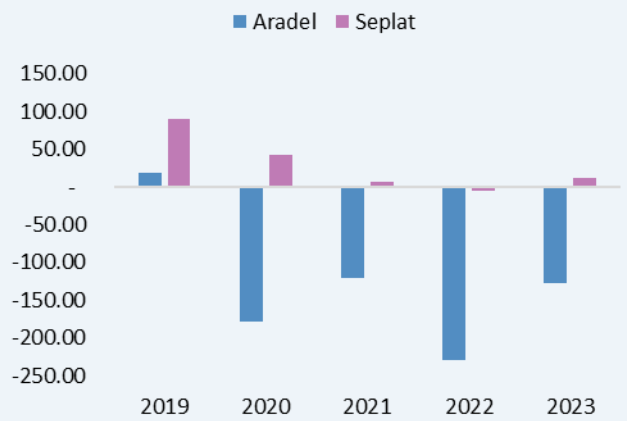


Figure 19: Cash Conversion Cycle (Days)



Source: Capital IQ, company financials, CardinalStone Research



Investment Consideration

Why ARADEL?

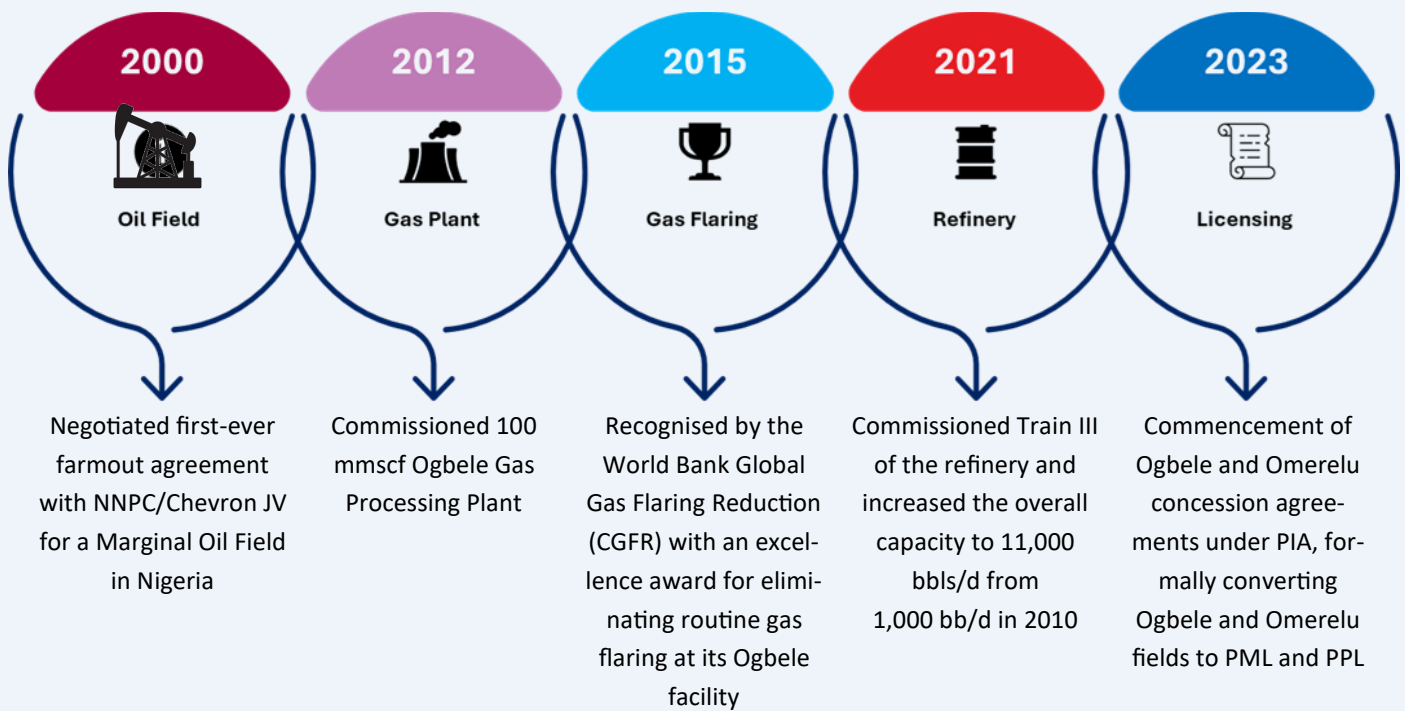
ARADEL presents a compelling investment opportunity given its proven track record of business expansion, strong asset portfolio, commitment to environmental sustainability, consistent shareholder returns, and experienced leadership with a robust governance framework.

Strong growth prospects with a proven track record

Despite a challenging operating terrain, in the last five years, ARADEL has achieved substantial growth in its operating capabilities. This growth is a testament to its demonstrated capacity and competency to deliver on set objectives. Some notable milestones achieved in the review period include:

- The landmark farm-out agreement with the NNPC/Chevron JV for a marginal oil field was signed in 2000, and its first oil production into the SPDC terminal at Bonny was in 2005.
- The 100 mmscf/d Ogbale Gas Processing Plant was commissioned in 2012, and its modular refinery was expanded from 1,000 bbl/d in 2010 to 11,000 bbl/d in 2021.
- In 2023, ARADEL successfully operationalized two additional oil wells in its Ogbale oil field.
- The legal conversion of the Ogbale and Omerelu fields under the Petroleum Industry Act (PIA), which supports long-term production rights.

Figure 20: Key strategic milestones over the years



Source: Company Annual Report, CardinalStone Research

In addition to the above, ARADEL has reiterated its strong commitment to improving its operational reserves by increasing its explorative endeavours in the Omerelu oil field (an oil field with a 2C contingent crude oil reserve of 6.7mmbbl and a gas reserve of 55.0 bscf). Meanwhile, the expected completion of the PMS train at the Ogbele refinery is anticipated to improve volumes and, subsequently, revenue, especially given the recent tilt towards relatively deregulated prices in Nigeria.

Strategic Asset Portfolio

ARADEL's asset portfolio is the bedrock of its sustained growth. The Ogbele Field (OML 54) is a cornerstone asset and is the only non-JV gas supplier to the Bonny Nigerian Liquefied Natural Gas (NLNG). This field comprises 14 producing oil and gas wells, a 20,000 bbl/day crude processing facility, and a 100 mmscf/d gas processing plant. The modular refinery, with its 11,000 bbl/d capacity, is pivotal in meeting local demand for refined products like AGO and DPK.

Beyond Ogbele, ARADEL has made strategic investments in other key assets, including OML 34, which houses three gas processing plants with two of them having capacities of 360 mmscf/d and 150 mmscf/d and located at the Utorogu Field. The third plant, which has a capacity of 90 mmscf/d that can enhance production and processing potentials, is located at Ughelli East Field. Additionally, the OML 53 (Omerelu Field), acquired in 2014 from the NNPC/Chevron JV, and the OPL 227 Field suggest significant upsides to ARADEL's exploration and production outlook. These strategic investments position the company for long-term growth and value creation, instilling optimism in ARADEL's future.

ARADEL currently owns 100.0% of OML 54 and OML 53 and 18.9% and 6.0% of OML 34 and OPL 227, respectively. The company is waiting for ministerial approval for an additional 45.0% of OPL 227.

New strategic investments that highlight strong upside potential

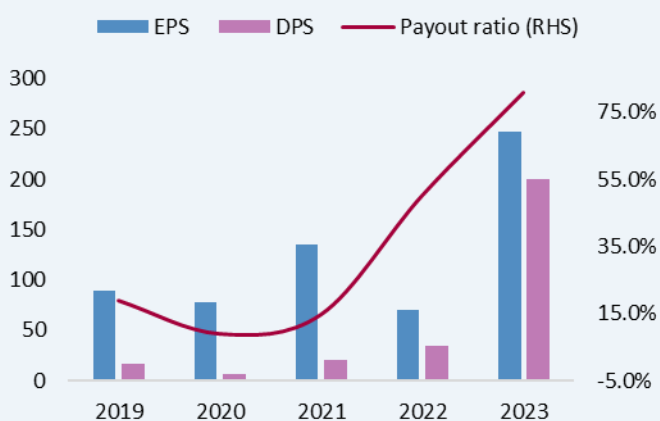
To expand and diversify its asset portfolio, the company, along with strategic industry partners, formed a consortium named RAEC to participate in the divestment process of Shell International Plc's equity interest in SPDC. This effort resulted in the signing of a sales and purchase agreement between RAEC and Shell on January 15, 2024. The acquisition is still subject to the approval of the Federal Government of Nigeria. Additionally, the company signed a sale and purchase agreement to acquire a 100.0% interest in the Olo and Olo West Marginal Fields from TotalEnergies EP Nigeria and NNPC Limited. The acquisition was finalized for \$16 million, with an additional \$3.5 million in deferred and conditional payments. The petroleum mining lease for Olo and the petroleum prospecting license for Olo West will be issued after the payment of the relevant ministerial consent fees and the completion of approved field development plans within the designated timeframes. The company is optimistic that these efforts will boost its production capabilities and support its growth and sustainability objectives.

Strong financial performance and shareholder returns

Driven by its strong financial performance, ARADEL has attracted significant investor interest over the past three years, as evidenced by a 23.7x increase in its share price to N4,700.00 from January 2023 to August 2024. Notably, ARADEL achieved a remarkable 3-year revenue CAGR of 55.3%, accompanied by robust margins. The company's 5-year average gross margin of 67.7%, EBIT margin of 37.7%, and EBITDA margin of 59.6% are all notably higher than SEPLAT's corresponding margins of 43.6%, 25.1%, and 43.1%. Additionally, ARADEL maintains comparatively low leverage to SEPLAT, with a debt-to-equity ratio of 0.09:1 compared to SEPLAT's 0.42:1 as at FY'23.

Elsewhere, supported by strong growth in EPS, ARADEL has maintained a strong dividend culture, with dividend payout rising from 18.9% in FY'19 to 80.9% in FY'23. In FY'23, the company paid a total dividend of N200 per share (interim dividend: N30 and final dividend: N170), which represented a 5.7X increase from the FY'22 level. ARADEL also introduced a dividend policy framework in 2023, which recommends paying the lower of 20.0% of cash flow from operations and 50.0% of profit after tax to ensure stable and predictable pointers to future distributions. This tilt to a predictable dividend policy, coupled with strong financial performance, demonstrates ARADEL's capacity and commitment to deliver strong returns to its shareholders.

Figure 21: Consistent dividend payment (N) culture



Source: Company Financials, CardinalStone Research

Experienced Leadership and Corporate Governance

ARADEL has a seasoned leadership team and a strong corporate governance framework that provides the anchor for success. The company's Chairman, Mr. Ladi Jadesimi, brings extensive experience in financial services, oil and gas, and real estate. His strategic vision has been instrumental in guiding the company's growth. The Managing Director, Mr Adegbite Falade, who joined the board in 2021, brings valuable expertise in project execution and enterprise development, further strengthening the company's leadership.

The executive management team, with its deep knowledge of operations, supply chain management, field development, and exploration, works cohesively to achieve ARADEL's strategic objectives. This robust governance structure enhances operational efficiency and builds investor confidence in the company's long-term prospects

Robust diversification advantage

ARADEL's diversification across the oil & gas value chain eliminates concentration risks and provides relative stability in earnings compared to companies that are focused on just a section of the sector. For instance, despite the huge operating loss in the crude segment, group EBIT margins remained at a decent 6-year average of 39.8% in FY'21 on the impact of robust core earnings across the gas and refined product segments. This diversification advantage could provide investors with exposure to predictable wealth preservation and enhancement opportunities.

Commitment to environmental sustainability

ARADEL is deeply committed to environmental sustainability, integrating responsible practices into its operations. In 2012, the company eliminated routine gas flaring at its Ogbele facility, a significant achievement recognized by the World Bank's Global Gas Flaring Reduction (GGFR) forum with an excellence award in 2015. ARADEL continues to prioritize environmental stewardship by actively monitoring and reducing its carbon emissions, consistently maintaining levels below industry averages.

In the near future, ARADEL plans to commence LPG production, aligning with global sustainability goals. This initiative will provide a cleaner alternative cooking fuel, reducing deforestation and addressing health concerns associated with traditional cooking methods. These environmental initiatives underscore ARADEL's leadership in responsible energy production.



Financial Analysis and Projections

Annualised ROAE races to multi-year high

Improvements in cost and asset utilization efficiencies spark ROAE recovery

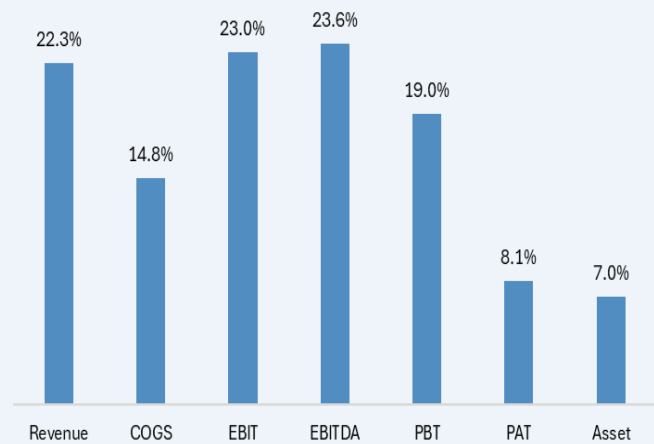
After decelerating to a low of 5.0% in FY'22 from 15.1% in FY'19, ARADEL's return on average equity (ROAE) staged an impressive recovery to 15.6% in annualized H1'24 numbers. Our DuPont analysis suggests that the strong recovery was partly driven by a 7.7ppts surge in net income margin to 30.4%. More importantly, the analysis also linked the impressive traction in ROAE to a material improvement in the efficient use of assets to generate sales, as highlighted by the 23.2ppts jump in asset turnover to 39.1% in annualized H1'24 numbers compared to 15.9% in FY'22 and an average of 19.0% over the last five years. Remarkably, the company's financial leverage ratio slightly decelerated in H1'24 to reveal an impressive derisking of profitability metrics amidst the current elevated interest rate environment.

The positive net income margin traction reflects improved management of general and administrative expenses, interest expense on debt, and a milder effective tax. The H1'24 turnaround also marked a material improvement from FY'23, which was characterised by margin pressures across income statement lines. For context, the last full-year margins were primarily dragged by a \$35.7 million realised foreign exchange loss, a part of which captured a re-representation of a \$2.8 million forex loss that was reported as administrative expenses in prior year financials.

There were also pressures from sharp increases in general & administrative expenses, finance costs, and taxes - with the first two drivers rising by 5-year CAGRs of 15.6% and 74.4%, respectively, and the tax line moving from tax credits to a huge tax charge in FY'23.

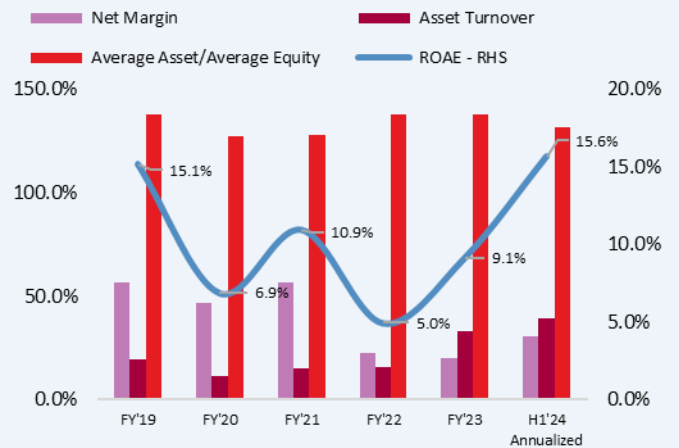
For general & administrative expenses, the sharp increase was mainly occasioned by the write-offs of an asset related to a South Sudan project and the fair value of commodity price hedges; community development expenses; permits, registrations, and subscriptions; and fuel & utilises. Similarly, the surge in finance cost was linked to higher bank borrowings (+25.6% to \$12.0 million), the unwinding of discount due to the passage of time (over 15 times to \$5.7 million), and coupon on the five-year bond (c.\$2.6 million) issued in January 2023 at a coupon rate of 17.0%. The margin-dragging FY'23 tax pressure may be correspondingly linked to the absence of deferred tax assets (DTAs) in the FY'23 balance sheet, given that DTAs were previously used to defray tax obligations in the preceding years.

Figure 22: CAGRs obtained using annualized H1'24 and data from the preceding 5 years



Source: Company Financials, CardinalStone Research

Figure 23: ROAE recovered from FY'22 low to reach multi-year highs



ARADEL demonstrated strong capacity to efficiently utilize its assets to boost sales

As highlighted in the DuPont analysis, asset turnover materially improved in the review period, reflecting a revenue CAGR of 22.3% compared to a smoothed growth of 7.0% for total assets. Revenue growth was buoyed by rapid expansion in sales across the crude oil, gas, and refined products business segments, with respective 5-year CAGRs of 21.8%, 38.6%, and 70.3% given annualised H1'24 numbers and last five-year data. In particular, available breakdowns suggest that crude revenue was supported by a 63.2% surge in oil lifted (ex-refining, storage, and flaring) and a 15.6% recovery in global crude oil prices (using Brent as a proxy) between FY'18 and FY'23, despite the COVID-induced drag in FY'20.

For the refined product segment, the strong sales traction reflected an expansion in product offerings as the company moved from producing just AGO in FY'18 and FY'19 to churning out AGO, HFO, Naphtha, DPK, and MDO in FY'20 and beyond. The decision to expand product options resulted in a 1,117.3% surge in the annual volume of refined products to 268 million litres (mmltrs) between FY'18 and FY'23, with Naphtha, DPK, and AGO constituting 38.6%, 27.7%, and 19.4% of total volumes. Elsewhere, the gas business extended its recovery from the FY'22 pullback occasioned by a 31.6% YoY decline in gas lifts linked to crude evacuation constraints occasioned by losses in the Trans Niger Pipeline (TNP), which caused the pipeline operator to declare a force majeure.

This segment's output was also supported by the release of previously held-back gas deliverables to SPDC and the renegotiation of terms on a new long-term contract Gas Sales Agreement (GSA) with SPDC. Delays in production from newly drilled wells were also resolved in FY'23, creating legroom for higher gas output.

Production efficiency was also improved through the creation of an alternative source of crude evacuation that simultaneously ensured the company could commit more capital to new wells and other revenue-generating and optimisation strategies. Given the often volatile and unpredictable operating environment, we view this strategic derisking of evacuation as critical for earnings stability.

Figure 24: Historical volumes of refined products (mm/litres)

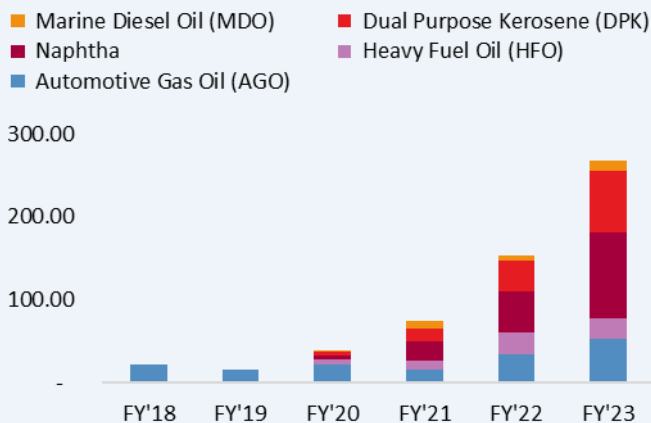
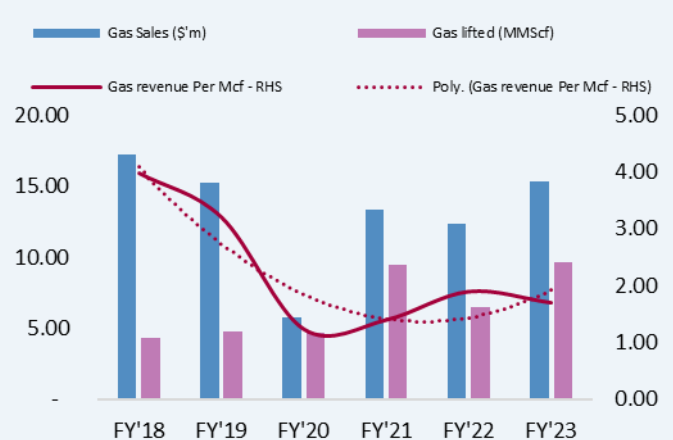


Figure 25: Gas revenue extends recovery



Source: Company Financials, CardinalStone Research

The impressive revenue growth was done without inordinately heavy capital investments, suggesting robust sales efficiency (i.e. generating more revenue for every unit of asset owned), improved asset productivity, and potential to keep leverage range-bound in the near to medium term. Interestingly, the increase in the company's total asset size was primarily driven by current assets, with the cash and cash equivalent sub-component expanding by c.\$191.3 million between FY'19 and FY'23 (vs the relatively contained rise in PPE of \$24.1 million).

The company's robust cash position was more evident in FY'22 and FY'23, with the respective balances covering combined dividends paid and CAPEX by over 4 and 3 times, respectively. In our view, robust relationships with vendors/creditors and a conscious effort to improve working capital, which has led to a consistently low cash conversion cycle, have been a major support for cash positions over recent years. Aradel has strategically succeeded in extending supplier payment periods while accelerating customer collection and managing inventory better, with gains on inventory and collection days in FY'23 particularly notable. Management also linked the company's net cash position (i.e. \$147.0 million in FY'23 and \$230.6 million in H1'24) to a strong capacity to meet short and medium-term capital requirements.

Figure 26: Decomposing the c.\$255.0 million increase in assets size between FY'19 and FY'23 (\$'m)

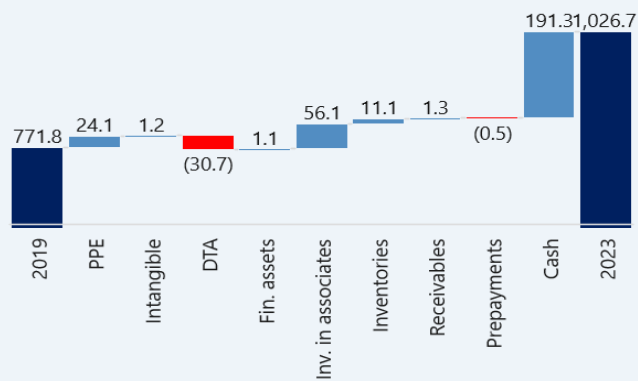


Figure 27: Cash balance outstripped dividend paid and CAPEX (\$'m) in FY'22 and FY'23

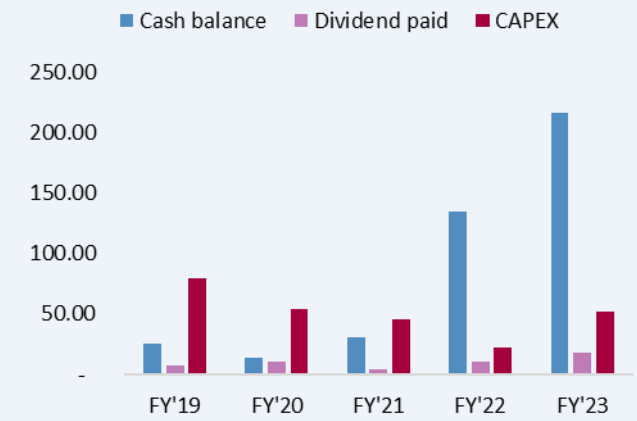
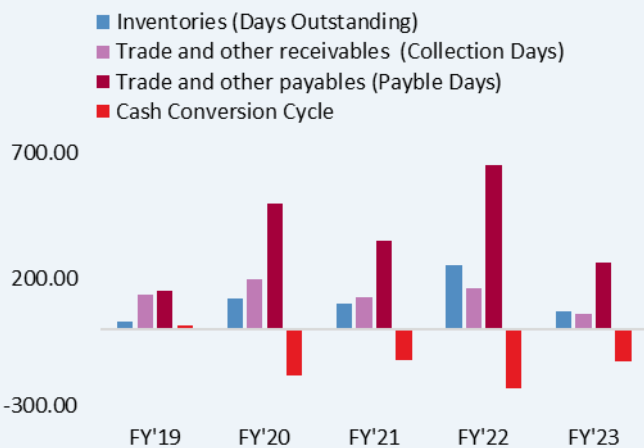


Figure 28: Significantly low cash conversion cycle highlights efficient working capital management



Source: Company financials, CardinalStone Research

In line with its consistently strong cash position and a desire to improve shareholder returns, the company has steadily increased its dividend per share. It has also ensured a relatively fair liquidity provision for shareholders by maintaining both interim and final dividend payments.

In addition, to ensure stable and predictable pointers to future distributions, the company established a dividend policy framework, which recommends paying the lower of 20.0% of cash flow from operations and 50.0% of profit after tax. This policy is also structured to consider board approval and optimum capital allocation.

Relatively stable group margins amidst volatilities in segments highlight diversification advantage

Group operating margin has remained relatively strong despite notable volatilities in the different segments of the business. This core gain from the company's diversification was more evident in FY'22, wherein the impact of the operating loss in the crude oil segment was completely masked by strong returns from the gas and refined product segments. Similarly, aided by a strong recovery in the gas segment, group margins stayed at multi-year highs in H1'24 despite the material weakness in the refined product segment.

Figure 29: Group PAT margins stayed positive despite volatilities in segments' margins

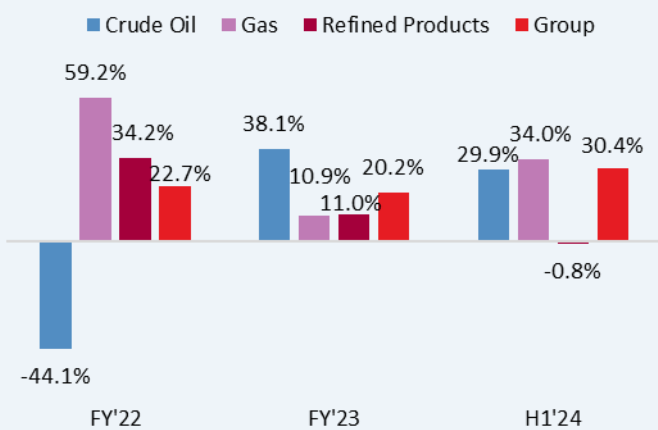
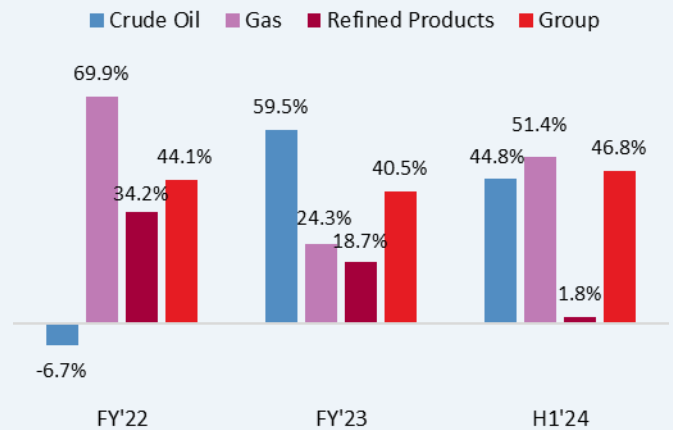


Figure 30: Group operating margins stayed stable despite volatilities in segments' margins



Source: Company financials, CardinalStone Research

Reserve and refinery optimisation to drive revenue

We expect revenue to grow at a CAGR of 19.6% to \$838.78 million between FY'23 and FY'28, aided by positive tractions across the upstream and refining businesses. Our view on segmental sales is consistent with the c.234.2% expansion in total reserves between 2014 and 2024 (which bodes well for crude and gas outturns), relatively stable prices, and the optimisation and expansion of refinery operations to capture debut PMS refining. The case for the commencement of PMS refining should be supported by the recent gravitation to relatively more market-reflective PMS prices.

For the upstream business, we expect the company to grow combined oil and gas revenues at a 5-year CAGR of 26.1% over the next half-decade (vs 10.3% between FY'18 and FY'23). Specifically, we see upstream sales reaching \$590.11 million in FY'28E compared to the \$185.3 million reported in FY'23 on the strength of 2P reserves-induced 5-year Working Interest (WI) production CAGR of c.22.2% that should result in a

combined production of 17.60 million barrels of oil equivalents by FY'28E. The implied 48.08 thousand barrels of oil equivalents per day (kboepd) in FY'28E (vs 14.31 kboepd in FY'23) should comprise 23.37 kboepd from liquids and 24.71 kboepd from gas. Our projection is also supported by the performance of existing wells and the expected boost from new wells coming online. The company plans to improve the Ogbel Field and start developing the Omerelu Field through its 2024 and 2025 exploration and appraisal drilling campaign, which will enhance the reserve profile and extend the asset lifespan. Recall that the company announced the successful re-entry of Well 2ST in the Omerelu Field, achieving its first oil on 31 May 2024.

Elsewhere, the company revealed plans to install a 5mmscf/d booster compressor for low-pressure AG gas and purchase a new 20mmscf/d compressor for high-pressure systems, with a targeted installation and commissioning timeline slated for Q4'24. A condensate stabilisation system to enhance the gas plant's processing capacity and decouple the gas system from the upstream crude oil processing system is also planned for 2025. These initiatives and the renegotiation of new long-term Gas Sales Agreement (GSA) terms are likely to bode well for gas revenues. In our projections, we have assumed that c.30.0% of oil production will be used as net refinery feedstock. Hence, only c.68.0% of oil production is expected to be lifted (sold) after adjusting for 2.0% transmission losses. Similarly, c.93.0% of total gas production is expected to be sold for exports and domestic consumption, with the balance c.7.0% likely to be utilised for fuel gas and flared to ensure safe operations.

Figure 31: Projected volumes across liquids and gas in boepd

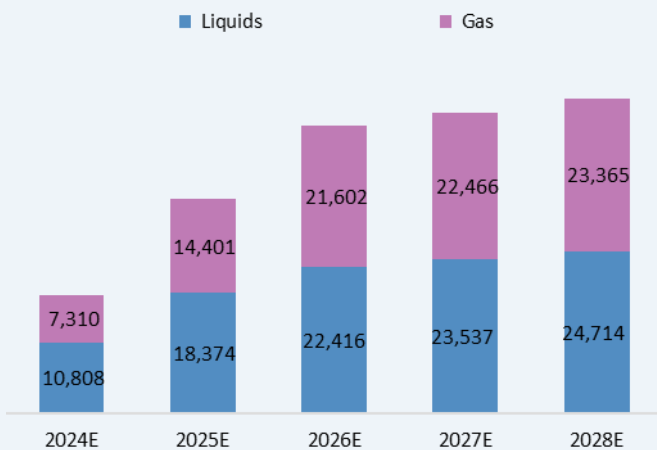
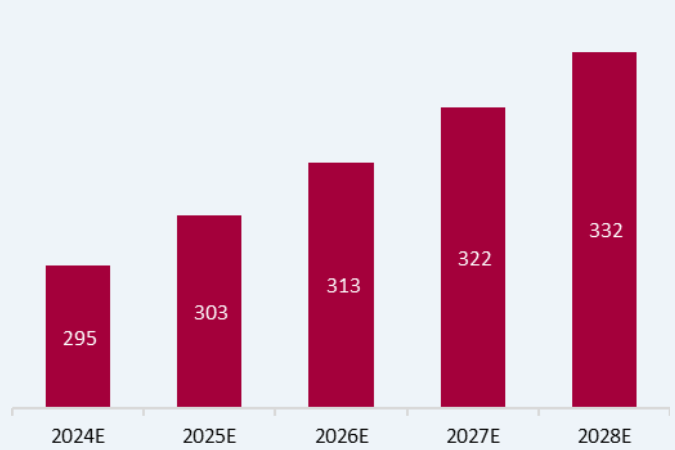


Figure 32: Projected refined product volumes in MMltrs

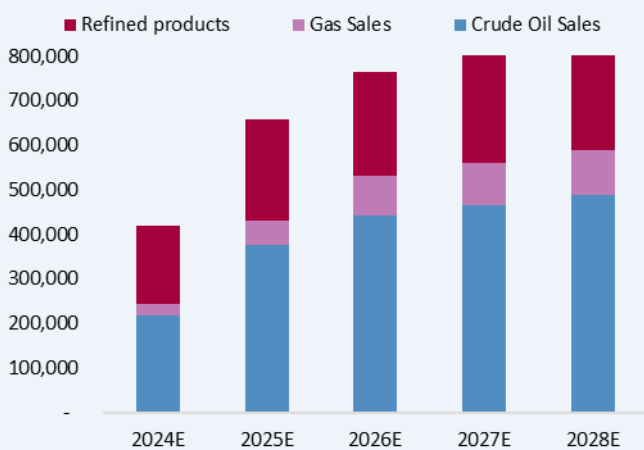


Source: Bloomberg, Company financials, CardinalStone Research

For the refinery business, we expect revenue to double between FY'23 and FY'28. Specifically, we see topline reaching \$248.66 million in FY'28E compared to the \$157.0 million reported in FY'23. Our forecast is driven by expectations of improved refinery capacity utilisation to c.90.0% levels by FY'28E from the 42.0% achieved in FY'23. This assumption is consistent with the potential completion of its Phase III Refinery expansion project and projected acceleration in refined petroleum product output to 332 million litres (mmltrs) in FY'28E, up from 268 mmltrs in FY'23. A key fulcrum to the expected surge in refined product volume is the imminent commencement of the PMS train in FY'25E as part of efforts to diversify the company's business portfolio further, enhance its refining capabilities, and play a major role in the import substitution of refined products.

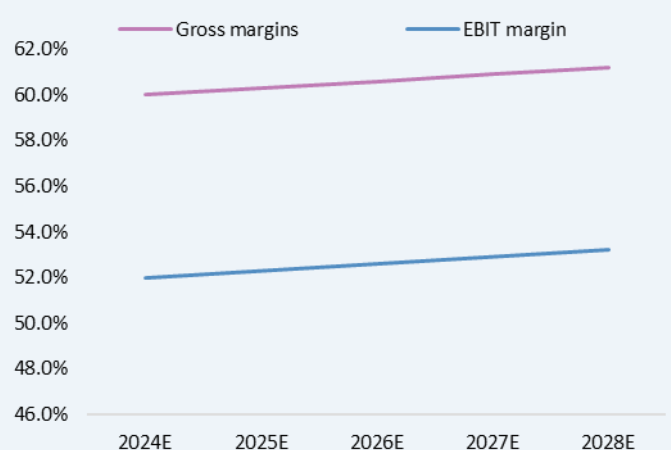
On energy prices, we expect a relatively stable oil price outlook in the short term (EIA 2024E & 2025E Brent forecasts: \$81.00/bbl and \$78.00/bbl; World Bank 2024E & 2025E Brent forecasts: \$84.00/bbl and \$79.00/bbl; YTD mean: \$81.59/bbl; 2023 average: \$82.20/bbl) with upside risks due to geopolitical tensions in the Middle East region. We also assume that crude price will average \$80.00/bbl over our forecast horizon.

Figure 33: Projected revenue (\$'million) across segments



Source: CardinalStone Research

Figure 34: Margins to stay elevated over the next 5-years



Full resumption of TNP should moderate operating cost pressures

In H1'24, ARADEL's cost of sales grew by 56.1% YoY, with gross margin contracting by 5.6ppts vs. the H1'23 level. This contraction primarily reflects higher crude-handling charges and depletion, depreciation, and amortization, all of which constitute a combined c.69.0% of COGS. The surge in COGS is consistent with management's communication regarding the premium cost implication of the strategic recourse to the ACE method compared to typical expenses via the TNP.

However, it is important to note that the ACE method, while more expensive, results in virtually zero loss of crude, unlike the TNP, where 70.0%-80.0% of the crude is often lost to issues around theft and pipeline vandalism. We expect direct operating costs to remain elevated as the company continues to rely on the ACE method while monitoring developments for the potential 24-hour resumption of activities at the TNP.

Upon the full resumption of TNP for crude evacuation, the company should experience a notable moderation in weighted operating costs, assuming the ACE method is retained as a contingency. Consequently, we see legroom for moderation in unit operating cost to c.\$20.0 per barrel of oil equivalent (boe) over the forecast period, down from \$21.0 per boe in FY'23. This cost-saving should result in notable gross margin improvements.

Similarly, we expect ARADEL's EBIT margin to be relatively stable on the impact of TNP resumption on weighted cost and more controlled Naira devaluation as the initial policy-induced volatility (search for price discovery) wanes.

Despite this sanguine price outlook, ARADEL consistently enters into crude oil hedge contracts to hedge against unexpected volatilities, such as the crude hedges with an average strike price of \$55.00/bbl for 1,129,770 barrels at a mean premium price of \$2.83 that ran through September 2023 to August 2024. We expect continued deployment of price hedges to create a floor for losses occasioned by shock plunges in oil prices. For gas, we expect the upward revision in the domestic base price for gas to \$2.42/Mscf from \$2.18/Mscf in April 2024 to bode well for related revenue growth farther out. For the refined products, we also expect a higher average refined product price from \$0.59/ltr in FY'23 to \$0.75/ltr over our forecast period, with expected PMS products set to be sold at materially higher prices following the recent hike in prices and successful deregulation of the market across all products.

ROAE to ride asset turnover and net margin momentum

In line with the recent trend, ARADEL's ROAE is expected to be supported by impressive asset turnover and net margins. The expansion of the 2P reserve base and the development of the Ogbele and Omerelu fields through the company's 2024 and 2025 exploration and appraisal drilling campaigns should support efficient sweating of assets to boost liquid and gas production. The commencement of operations at the Omerelu Field is poised to bolster the company's upstream production capabilities and further derisk the single location operational risk at Ogbele. We also expect improved net margin contribution from higher revenue growth and lower tax expenses from the positive impact of the transition to the provisions of PIA. Finally, we expect moderation in financial leverage as the company utilises its healthy cashflows to settle existing financial obligations while growing its book value of equity via retained earnings.

Figure 35: ROAE to ride asset turnover and net income gains

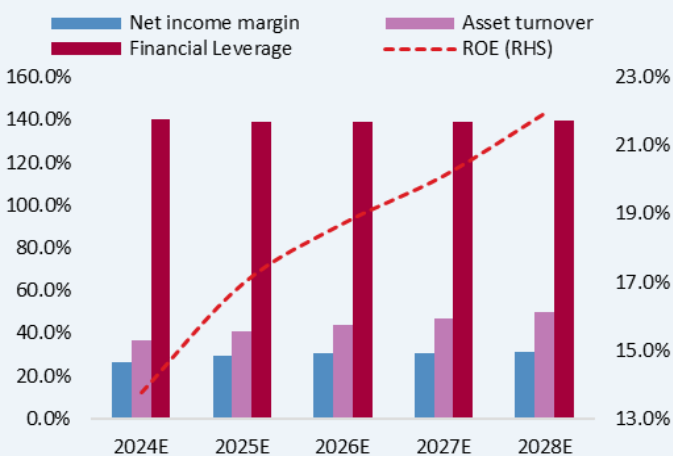
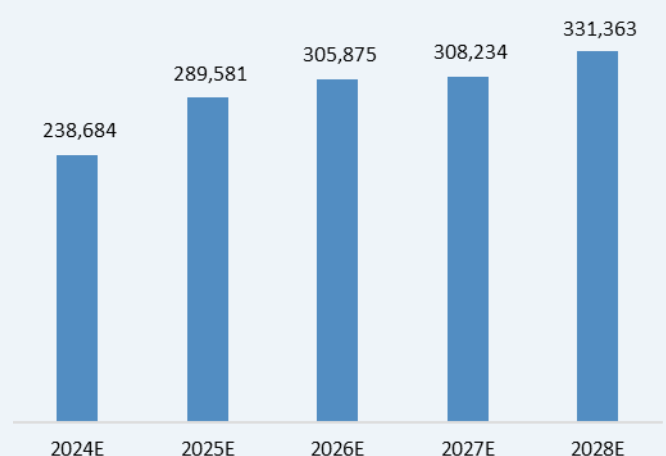


Figure 36: Operating cashflows (\$'000) to remain robust



Source: CardinalStone Research

Higher CAPEX spending to ensure long-term sustainability

Considering the company's larger 2P gas reserves of 410.8 billion standard cubic feet (Bscf) (c.70.83 million barrels of oil equivalent) compared to its 2P liquid reserves of 48.6 million barrels (MMbbls) as of FY'23, spread across Ogbele and OML 34 (via a 41.67% stake in ND Western Limited), our analysis indicates that growth in gas production and development may surpass that of oil. In line with this, the company has outlined a substantially higher capital expenditure plan for FY'24 compared to FY'23. This plan aims to increase both reserves and production by strategically directing more resources towards exploration and development activities. The company is focused on leveraging existing and emerging opportunities to discover and develop new reserves, enhance its asset portfolio, and ensure long-term sustainability, growth, and value creation for shareholders.

To expand and diversify its asset portfolio, the company, along with strategic industry partners, formed RAEC to participate in the divestment process of Shell International Plc's equity interest in SPDC. This effort resulted in the signing of a sales and purchase agreement between RAEC and Shell on January 15, 2024. The acquisition is still subject to the approval of the Federal Government of Nigeria. Additionally, the company signed a sale and purchase agreement to acquire a 100.0% interest in the Olo and Olo West Marginal Fields from TotalEnergies EP Nigeria and NNPC Limited. The acquisition was finalized for \$16 million, with an additional \$3.5 million in deferred and conditional payments. The petroleum mining lease for Olo and the petroleum prospecting license for Olo West will be issued after the payment of the relevant ministerial consent fees and the completion of approved field development plans within the designated timeframes. The company is optimistic that these efforts will boost its production capabilities and support its growth and sustainability objectives.

Figure 37: Total 2P¹ Reserves (MMboe²)

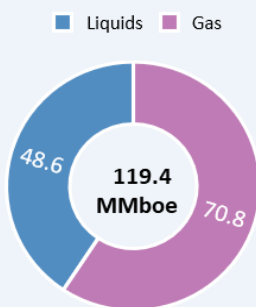


Figure 38: WI³ 2P Oil Reserves (MMbbls⁴)

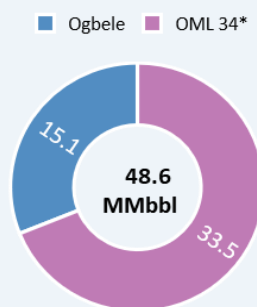
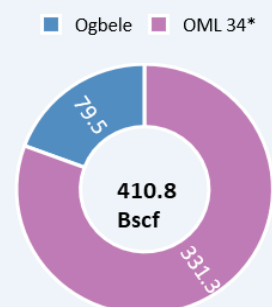


Figure 39: WI 2P Gas Reserves (Bscf⁵)



Source: Company Financials, CardinalStone Research *Through Aradel's 41.67% holding in ND Western limited

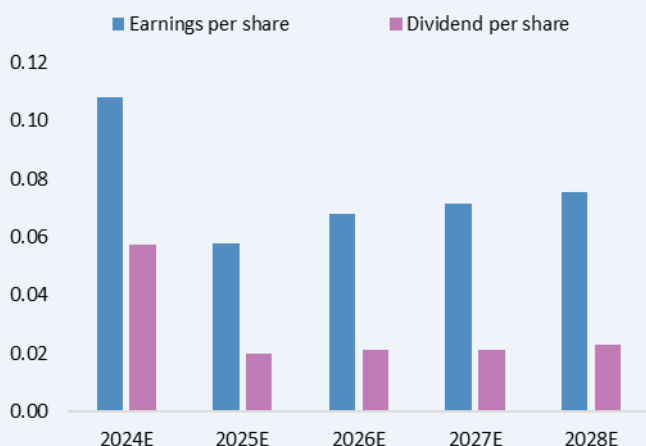
New dividend policy framework supports steady payouts

In line with the company's new dividend policy, we have maintained a conservative dividend payout of 20.0% of the operating cashflows over the forecast period, which is lower than 50.0% of our projected PAT across the horizon. This new policy should see the company extend its unbroken chain of 17 consecutive annual dividend payments as well as sweeten the company's appeal to investors with relatively higher liquidity needs. We note that the sharp decline in EPS from 2024E is a function of the 20-1 share reconstruction exercise completed by the company in September 2024, raising the number of shares from 217.2 million units to 4.3 billion units.

¹proved and probable reserves, ² Million barrels of oil equivalent, ³Working Interest, ⁴Million barrels, ⁵Billion Standard cubic feet

Elsewhere, it is worthy of note that the company's dividend policy is based on the US-Dollar denominated financial statements, which are then converted to Nigerian-Naira at the prevailing exchange rate as of the dividend announcement date.

Figure 40: EPS & DPS expectations over the forecast period, \$/share



Source: CardinalStone Research

Valuation

We initiate coverage on ARADEL with a BUY rating, using a DCF valuation methodology that resulted in a 12-month TP of \$0.77, implying N1,258.61 (vs ref price of N702.69) using a NAFEM rate of N1,625.13/\$. The DCF methodology provides a comprehensive valuation of ARADEL, recognizing the distinct characteristics of its upstream and downstream businesses. The method assumes a weighted average cost of capital (WACC) of 15.5% on dollar cash flows, driven by a cost of equity of 15.8%, the 10-year FGN Eurobond yield as the risk-free rate (9.8%), a weighted average effective interest rate on debt of 11.4% that is consistent with management's latest disclosures, and a perpetuity growth of 5.0%. The methodology resulted in enterprise and equity values of \$2.32 billion and \$2.91 billion, respectively, with the higher equity value underscored by the company's projected net cash position of \$330.63 million and the carrying amount of its investment in associate. The valuation parameters are shown below.

Figure 41: DCF table

Equity beta	0.39
Risk free rate	9.82%
Equity risk premium	15.59%
Cost of equity	15.82%
Cost of debt	11.41%
Marginal tax rate	44.00%
After tax cost of debt	6.39%
Weight of equity	96.8%
Weight of debt	3.2%
WACC	15.52%

Figure 42: DCF table

In \$'000 unless otherwise stated		2024E	2025E	2026E	2027E	2028E
EBIT		217,510	345,019	402,592	423,439	446,231
Cash Taxes		(95,704)	(120,757)	(140,907)	(148,204)	(156,181)
NOPAT		121,806	224,262	261,685	275,236	290,050
Depreciation		39,740	41,930	44,472	47,131	49,916
Capex		(62,743)	(46,178)	(53,577)	(56,032)	(58,715)
Changes in NWC		(2,762)	(9,348)	(4,678)	(2,155)	3,959
Unlevered FCFF		96,040	210,666	247,902	264,180	285,210
Discounted Free Cashflow		93,022	176,612	179,904	165,956	155,290
Present value of finite cashflows	770,783					
Perpetual growth rate	5%					
Terminal Value	2,845,983					
Present Value of Terminal Value	1,549,564					
Enterprise Value	2,320,347					
Net Debt/(cash)	592,441					
Fair Value of Equity	2,912,788					
Shares Outstanding (m)	4344.84					
FV per share (\$)	0.67					
12-month TP (\$)	0.77					
NAFEM rate (N/\$)	1,625.13					
12-month TP (N)	1,258.61					

Other Notes to Valuation

We note potential upside from the revenue accretive potential of the company’s balance of 2C contingent resources totalling 91.2 MMboe across liquid and gas assets from the Ogbele, Omerelu and OML 34 assets.

Figure 43: Total 2C Contingent Resource

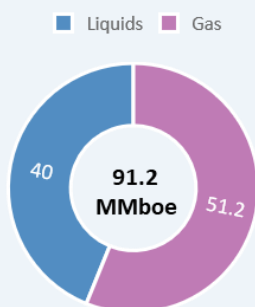


Figure 44: 2C Oil Reserves

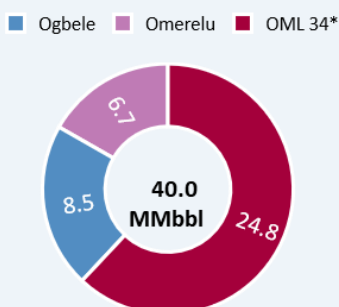
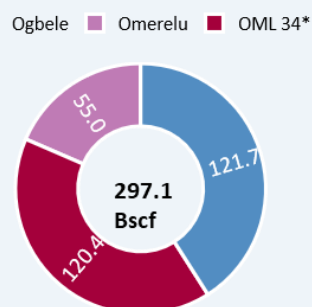


Figure 45: 2C Gas Reserves (Bscf)



Source: Company Financials, CardinalStone Research *Through Aradel’s 41.67% holding in ND Western limited

Risk to expectations

1. *Political and Regulatory Risks:* Changes in government policies, regulations, and licensing requirements can have a big impact on ARADEL's operations. For instance, the company has now transitioned to the new rules under the PIA, which became effective on February 15, 2023. This shift brings a more favourable tax regime with a 15.0% hydrocarbon tax and a company income tax rate of 30.0%, compared to the previous 85.0% tax rate under the old Petroleum Profit Tax Act. This change could boost the company's net margins. However, there are still several regulatory hurdles ahead. For instance, ARADEL, through RAEC, is waiting on multiple regulatory and ministerial approvals to finalize its participation in the divestment of Shell International Plc's equity in SPDC Nigeria Limited. Additionally, the company needs the issuance of the petroleum mining lease for Olo and the petroleum prospecting license for Olo West, which will only be granted after the payment of the required ministerial consent fees and completion of approved field development plans. Furthermore, ARADEL is also awaiting approvals to increase its Working Interest in OPL 227 from 6.0% to 51.0%.
2. *Geological and Exploration Risks:* There is always uncertainty in the estimation of reserves, which can impact the company's valuation and production forecasts. Actual production may differ from projections due to unforeseen geological challenges. As of FY'23, the company has 40MMbbl and 297.1Bscf in 2C contingent resources across Ogbele, Omerelu and OML 34. However, the success of exploration activities is not guaranteed. Drilling new wells can be expensive, and there is a risk that they may not yield commercially viable quantities of oil or gas. Despite these challenges, ARADEL is committed to rigorous exploration and risk management practices to mitigate these uncertainties and ensure the best possible outcomes.
3. *Market Risks:* Key market risks for consideration include the following:
 - **Oil price volatility:** ARADEL's revenue is highly sensitive to fluctuations in global oil prices, which are influenced by a wide range of factors, including geopolitical tensions, OPEC decisions, and global economic conditions.
 - **Exchange Rate Risks:** Given that oil is traded in US dollars, fluctuations in the Naira can impact revenues, especially when costs are incurred in local currency.
 - **Demand Fluctuations:** Changes in global and local demand for oil and gas products can affect ARADEL's sales volumes and prices, impacting revenue projections.

Figure 46: ARADEL PLC summary of financials

Income Statement (\$'000)					Cash Flow Statement (\$'000)				
	2022A	2023A	2024E	2025E		2022A	2023A	2024E	2025E
Revenue	156,140	342,336	418,289	659,239	Cash flow from operating activities	73,566	206,645	238,684	289,581
COGS	(29,944)	(87,628)	(167,315)	(261,718)	o/w Depreciation & amortization	28,163	40,729	39,740	41,929
Gross profit	126,196	254,708	250,973	397,521	o/w Changes in working capital	(17,215)	(13,404)	(2,762)	(9,332)
Other Income/(loss)	(2,651)	(35,443)	6,138	5,080	Cash flow from investing activities	(21,150)	(41,926)	(46,729)	(23,073)
OPEX	(26,549)	(39,920)	(33,463)	(52,739)	o/w Capital expenditure	(22,438)	(51,605)	(62,743)	(46,147)
EBITDA	96,996	179,345	177,770	302,853	as % of sales	14.4%	15.1%	15.0%	7.0%
Depreciation	(28,163)	(40,729)	(39,740)	(41,929)	Cash flow from financing activities	51,738	(85,002)	(77,729)	(85,737)
EBIT	68,833	138,616	217,510	344,782	o/w Dividends paid	(10,470)	(17,667)	(55,885)	(67,509)
Net Interest	(3,543)	(9,528)	2,680	12,238	o/w Debt issued/(repaid)	62,208	(78,807)	(21,816)	(18,227)
Share of profit from associate	12,984	4,994	20,914	32,962	Opening Cash and cash equivalents	31,189	136,685	216,405	330,631
PBT	78,274	134,082	241,104	389,982	Net change in cash	104,154	79,717	114,226	180,771
Tax	(42,803)	(64,960)	(106,086)	(136,494)	Closing Cash and cash equivalents	135,343	216,402	330,631	511,402
PAT	35,471	69,122	135,018	253,488					
EPS (\$)	0.16	0.32	0.11	0.06					
DPS (\$)	0.02	0.12	0.06	0.02					
Payout ratio	13.5%	38.5%	52.9%	34.3%					
Weighted Avg. shares outst. (m)	217.2	217.2	1,249.1	4,344.8					

Balance Sheet (\$'000)					Ratio Analysis				
	2022A	2023A	2024E	2025E		2022A	2023A	2024E	2025E
Cash and cash equivalents	135,343	216,402	330,631	511,402	Gross Margin	80.8%	74.4%	60.0%	60.3%
Accounts receivable	70,292	59,511	72,516	114,601	EBITDA Margin	62.1%	52.4%	42.5%	45.9%
Inventories	20,891	17,759	33,816	53,041	EBIT Margin	44.1%	40.5%	52.0%	52.3%
Prepayments	222	92	279	279	PBT Margin	50.1%	39.2%	57.6%	59.2%
Financial assets	785	348	700	700	Net Profit Margin	22.7%	20.2%	32.3%	38.5%
Current assets	227,533	294,112	437,942	680,023	ROE	5.0%	9.1%	15.7%	24.2%
PP&E	498,708	426,318	449,320	453,537	ROA	3.6%	6.6%	12.1%	18.7%
Intangible assets	1,043	1,348	872	872	ROIC	4.4%	11.2%	20.6%	38.0%
Deferred tax assets	28,447	-	-	-	ROCE	8.1%	16.3%	23.6%	31.3%
Financial assets	4,129	4,505	3,255	3,255	OPEX/Sales	17.0%	11.7%	8.0%	8.0%
Investment in associate	295,469	300,463	321,377	354,339	Net debt/Equity (x)	0.0	-0.2	-0.3	-0.4
Total assets	1,055,329	1,026,746	1,212,766	1,492,026	Net debt/EBIT (x)	-0.2	-1.1	-1.2	-1.3
					Sales/Assets (x)	0.1	0.3	0.3	0.4
Short-term borrowings	39,517	19,593	16,811	14,725	Assets/Equity (x)	1.4	1.3	1.4	1.4
Payables	53,186	63,461	91,429	143,407	Interest cover (x)	8.4	6.2	18.2	31.8
Other short-term liabilities	10,055	18,005	88,287	136,983	Tax Rate	54.7%	48.4%	44.0%	35.0%
Current liabilities	102,758	101,059	196,528	295,115					
Long-term debt	80,708	49,830	42,756	37,450					
Other long-term liabilities	143,773	92,893	111,182	111,182					
Total liabilities	327,239	243,782	350,465	443,747					
Share Capital	19,316	19,316	19,316	19,316					
Share premium	78,955	78,955	78,955	78,955					
Retained earnings	625,976	676,571	755,704	941,683					
Fair value fin. asset at FVOCI	(878)	2,541	2,772	2,772					
Non-controlling interests	4,721	5,581	5,553	5,553					
Total liabilities & equity	1,055,329	1,026,746	1,212,766	1,492,026					
BVPS	3.35	3.60	0.69	0.24					
Net debt/(cash)	(15,118)	(146,979)	(271,063)	(459,227)					

Valuation				
	2022A	2023A	2024E	2025E
P/E (x)	2.7	1.4	4.0	7.4
P/BV (x)	0.1	0.1	0.6	1.8
EV/EBITDA (x)	16.2	8.0	9.0	6.2
Dividend Yield	0.2%	1.4%	2.3%	4.6%

Source: Company reports, CardinalStone Research

Note: \$ in thousands (except per-share data). Fiscal year ends in December. o/w - out of which

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