Nigeria | Equity Research| Oil & Gas| Earnings Update

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BLOOMBERG: SEPLAT NL

SEPLAT ENERGY PLC

Improved PAT on softer tax expenses

Cardinalstone Research
research@cardinalstone.com

Seplat Energy Plc (NGX: SEPLAT, TP: UR*) in its Q1’26 unaudited financials reported a 62.7% YoY increase in PAT to $37.9 million, driven by an improved topline and reduced tax expenses following the conversion of Seplat Onshore assets to the PIA framework.

Q1’26 revenue settled at $840.7 million, despite the marginal decline in the group’s working interest production (-1.4% YoY to 129.8kboepd). Production volumes from Seplat Onshore assets averaged 50.7 kboepd (-9.9% YoY), due to a 38-day unplanned third-party downtime experienced on the Trans Forcados pipeline (TFP), limiting evacuation from the Western Assets. Meanwhile, Offshore production averaged 79.1 kboepd (+4.9% YoY), aided by improved Natural Gas Liquids (NGL) and gas production, which offset the impact of lower crude volumes due to ongoing maintenance activities on the Yoho production platform.

Crude oil sales for the period declined by 1.9% YoY to $745.7 million, on account of weaker oil liftings of 8.7 MMbbls (vs 9.9 MMbbls in Q1’25), which offset the impact of improved average realised oil price of $86.16/bbl (vs $76.422/bbl in Q1’25). Gas sales also declined marginally by 0.7% YoY to $44.2 million, despite the 3.0% YoY increase in average realised gas price of $3.10/mscf due to lower gas volumes (-12.3% YoY to 12.8 Bscf) on the Onshore assets during the quarter. On the other hand, NGLs sales jumped 9.3x to $51.0 million, driven by a material improvement in volumes. NGL volume lifted skyrocketed to 1.1 MMbbls (vs 0.1 MMbbls), reflecting the success of the replacement of the Inlet Gas Exchanger (IGE) unit.

Elsewhere, the cost of sales increased by 3.1% YoY to $470.3 million. Production-related costs (Crude handling fees, barging & trucking, and operations & maintenance (O&M)) amounted to $199.7 million (+33.9% YoY), driven by a 41.3% YoY expansion in O&M activities relating particularly to the restoration of the Yoho production platform, alongside higher activity levels offshore. Meanwhile, lower royalties (-10.5% YoY), reflecting the positive impact of the transition to the PIA for onshore assets, and lower DD&A charges (-13.9% YoY), following the update to reserves base, supported an expansion in gross profit margin to 44.1% (vs 43.6% in Q1’25).

Operating profit for the period declined by 10.4% YoY to $213.5 million, due to the 106.0% YoY rise in other loss. The other loss is primarily made up of the overlift of $92.0 million (vs $53.5 million in Q1’25). Consequently, the EBIT margin contracted by 4.0ppts to 25.4%.

**UR- Under Review*

Below the operating line, net finance costs grew by 45.5% YoY to $44.0 million, on the back of elevated interest expense on bank loans of $35.6 million. Additionally, SEPLAT's share of loss from joint ventures jumped to $4.2 million (vs $699.0 thousand in Q1'25). As a result, PBT declined by 20.2% YoY to settle at $165.6 million.

Tax expense for the period declined by 30.7% YoY to $127.6 million, translating to an effective tax rate (ETR) of 77.1% (vs 88.8% in Q1'25). The reduction in ETR was driven by the conversion of onshore assets to the fiscal terms of the PIA, where the applicable tax rate is 60.0% (vs 85.0% of the Petroleum Profits Tax (PPT). PAT settled at $37.9 million (+62.7% YoY).

SEPLAT's Board has approved a dividend per share of USD 9.0 cents (vs USD 4.6 cents in Q1'25, and USD 8.3 cents in FY'25), comprising a base dividend of USD 5.0 cents and a special dividend of USD.4.0 cents.

Q1'26 Earnings breakdown

$'000	Q1'26	Q1'25	YoY	FY'26E	% of FY'26E
Revenue	**840,745**	**809,267**	**3.9%**	**3,187,962**	**26.4%**
Cost of Sales	(470,289)	(456,273)	3.1%	(2,086,834)	22.5%
Gross Profit	**370,456**	**352,994**	**4.9%**	**1,101,128**	**33.6%**
SGA Expenses	(46,368)	(64,884)	-28.5%	(291,812)	15.9%
Other Income/(loss)	(91,346)	(44,365)	105.9%	-	NM
Fair value/Impairment gain (loss)	(19,275)	(5,579)	245.5%	-	NM
Operating Profit	**213,467**	**238,166**	**-10.4%**	**809,316**	**26.4%**
Net Finance Costs	(43,691)	(30,034)	45.5%	(154,529)	28.3%
JV earnings	(4,222)	(699)	504.0%	-	NM
PBT	**165,554**	**207,433**	**-20.2%**	**654,787**	**25.3%**
Tax credit/(expense)	(127,613)	(184,110)	-30.7%	(425,611)	30.0%
PAT	**37,941**	**23,323**	**62.7%**	**229,175**	**16.6%**
EPS ($)	0.06	0.03	100.0%	0.36	16.5%
Ratios	**Q1'26**	**Q1'25**		**FY'26E**	
Gross Profit Margin	44.1%	43.6%		34.5%	
Operating Profit Margin	25.4%	29.4%		25.4%	
Effective tax rate	77.1%	88.8%		65.0%	
PBT Margin	19.7%	25.6%		20.5%	
PAT Margin	4.5%	2.9%		7.2%	
Return-on-Assets (ROAA)	2.5%	1.4%			
Return-on-Equity (ROAE)	8.2%	5.0%			
P/E	28.5x				
10-Year average PE	13.6x				
EV/EBITDA	4.3x				
10-Year Mean EV/EBITDA	6.8x				

Source: S&P CapitalIQ, Company financials, CardinalStone Research

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