

### Kickstarting the Year on a Positive Note

**Recommendation: BUY**    **TP: 1,268.86**    **CP: 1,115.30**    **UPP: 13.76%**

**Summary:** In line with the decline in global oil prices in Q1:2023, **SEPLAT's** average realized oil price dipped (-15.60% YoY). However, the improved production volume (+8.59% YoY) and gas sales price (+4.35% YoY) led to a jump in the company's top line (+51.06% YoY). While the cost of sales increased by 17.68% YoY in Q1:2023, cost to sales ratio (40.09%) was lower than in Q1:2022 (51.57%), as revenue outpaced cost. Furthermore, lower tax obligations due to lower deferred tax expenses (NGN0.24bn in Q1:2023 vs. NGN18.97bn in Q1:2022) led after-tax profit to increase by 218.75% YoY.

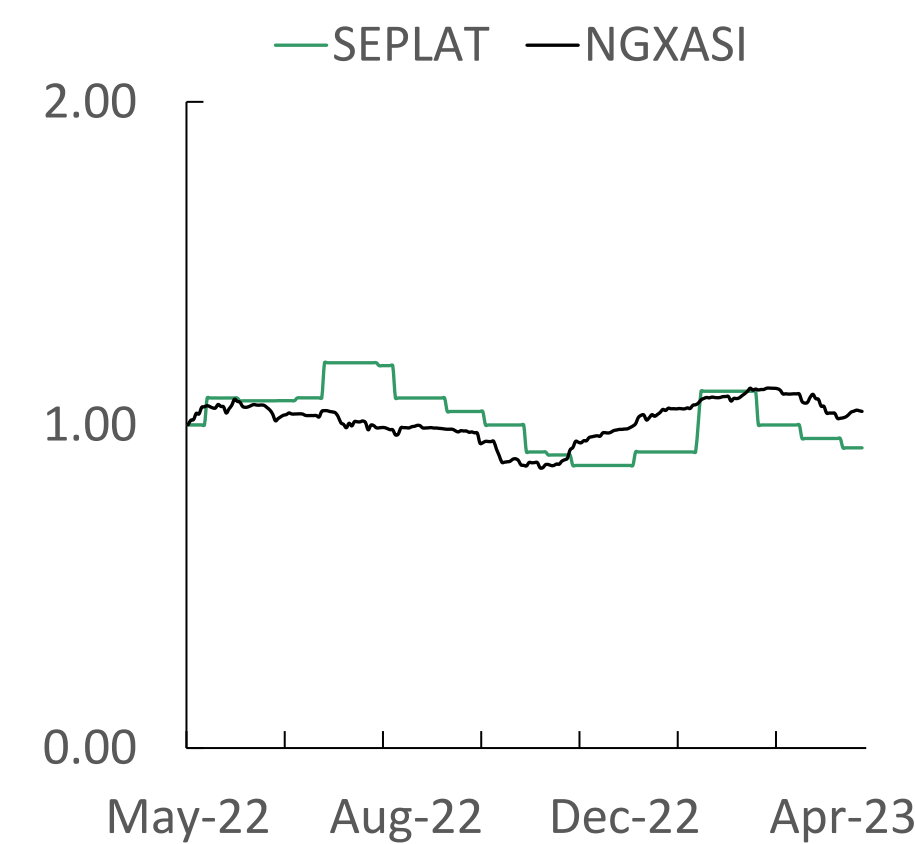
**Outlook:** We expect oil prices to remain elevated for the rest of the year, given OPEC+'s commitment to keep prices high. Thus, we view this as a positive for **SEPLAT's** revenue. However, we highlight the unresolved challenges in the Oil and Gas sector (oil theft and vandalism) as significant risks to production. Ultimately, we maintain our forecast that revenue and net profit will increase by 3.17% to USD0.98 billion (NGN463.17 billion) and 22.81% to USD0.13 billion (NGN60.64 billion), respectively in 2023FY.

**Positives:** Crude oil and gas sales grew by 52.07% YoY and 42.50% YoY, respectively.

**Negative:** Average oil price declined to USD82.32/bbl (vs USD97.53/bbl in Q1:2022).

Valuation	
Trailing EPS	NGN105.33
BVPS	NGN1411.41
P/E	10.59x
P/BV	0.79x
Target PE	12.43x
Dec-2023 Exp. EPS	NGN102.09
Dec 2023 Target price	<b>NGN1268.86</b>
Current Price (as of 4th May 2023)	NGN1115.30

Stock Highlights	
Yr Hi	1,325.00
Yr Lo	1,100.00
YTD return	1.39%
Beta	0.44
Adjusted Beta	0.63
Dividend proposed	NGN13.87
Shares outstanding	0.59bn
Market cap [NGN]	<b>662.49bn</b>
Financial year end	December



### Financial Highlight (NGN'bn)

Profit and Loss Account	Q1:2023	Q1:2022	Y/Y Growth
Revenue	151.99	100.62	+51.06%
Cost of sales	60.94	51.79	+17.68%
OPEX	9.42	7.91	+19.10%
Operating Profit	47.64	42.48	+12.15%
Finance Cost	8.86	7.73	+14.56%
PBT	39.52	34.71	+13.86%
PAT	26.42	8.29	+218.75%

Balance Sheet	Q1:2023	2022A	% Change
Oil and Gas properties	769.08	741.34	+3.74%
Total Asset	1,660.97	1,581.61	+5.02%
Total Equity	838.38	786.89	+6.54%
Total Debt	344.74	344.38	+0.10%
Total Liabilities	822.59	794.72	+3.51%

### Key Metrics

Profitability Ratio	2023T	2022A	3-yr Hist. Avg
ROA	3.77%	2.81%	1.36%
ROE	7.46%	5.65%	2.56%
Net Margin	13.74%	11.00%	3.63%

Efficiency Ratio	2023T	2022A	3-yr Hist. Avg
Asset Turnover	0.27x	0.26x	0.26x
Cash Conversion Cycle	-175days	-162days	-115days

Liquidity Ratio	Q1:2023	2022A	3-yr Hist. Avg
Current Ratio	1.49x	1.48x	1.48x
Quick Ratio	1.40x	1.38x	1.38x
Cash Ratio	0.73x	0.68x	0.63x

Solvency Ratio	Q1:2023	2022A	3-yr Hist. Avg
Interest Coverage	3.46x	2.00x	0.26x
Debt to Equity	0.41x	0.44x	0.44x
Debt to Asset	0.21x	0.22x	0.22x

Sensitivity Analysis of Dec-2023 Target Price to key model inputs						
	1,268.86	EPS				
		101.59	101.84	102.09	102.34	102.59
Target PE	11.93x	1,211.85	1,214.83	1,217.81	1,220.80	1,223.78
	12.18x	1,237.25	1,240.29	1,243.34	1,246.38	1,249.43
	12.43x	1,262.65	1,265.75	<b>1,268.86</b>	1,271.97	1,275.08
	12.68x	1,288.05	1,291.21	1,294.38	1,297.55	1,300.72
	12.93x	1,313.44	1,316.68	1,319.91	1,323.14	1,326.37

\*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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### Target Price Estimate

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### Ratings Specification

**BUY:** Target Price of the stock is above the current market price by at least 10 percent

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## Movements in Price Target

**Company Name:** Seplat Energy Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
4-May -2023	1115.30	-	1,286.68	-	BUY

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Company	Disclosure
Seplat Energy Plc	

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