



Aradel Holdings Plc | Initiation of Coverage Report

**Capacity Expansion and Operational Efficiency
Driving Sustained Growth**

Executive Summary

ARADEL HOLDINGS PLC	
Listing Price	NGN702.69
EPS (Trailing)	NGN33.37
P/E	29.21x
Fair Value	NGN766.89
Recommendation	HOLD

The Nigerian energy sector has faced significant challenges, including underdeveloped infrastructure, production and supply insecurity, inconsistent regulations and policy implementation challenges, capital constraints to drive expansion in the sector, socio-political concerns and other environmental concerns. The need to meet energy demand globally and in the domestic space for industrial, automotive, power, residential and commercial sectors signifies opportunities for players in the Nigerian oil and gas sector.

Aradel Holdings Plc (**ARADEL**) is a leading indigenous player in the Nigerian upstream oil and gas sector, boasting a total of three oil assets (OML 5, OML 53 and OPL 227), and an 18.80% crude oil and gas interest via its special purpose vehicle (ND Western). The company's strategic location, commitment to self-sufficiency, and sustainability initiatives position it for continued growth. The company's core business includes the sales of crude oil and gas and refined petroleum products, serving both the local and international markets.

In assessing the firm's financial performance, a consistent strong topline growth, supported by increased production activities was observed. Going forward, we expect a sustained increase in revenue for **ARADEL**, driven by a combination of efficiency on existing assets as well as capacity expansion into new assets, such as the plan to commence operations on OPL 227.

The company formerly listed on the NASD-OTC exchange, has come to the more regulated Nigerian stock exchange market, listing by introduction with about 4.84bn shares at a listing price of NGN702.69.

We arrived at a fair value of NGN766.89 per share using a blend of Discounted Cashflow (DCF) and Relative valuation methodologies considering the company's growth potential, risks, and overall market factors.

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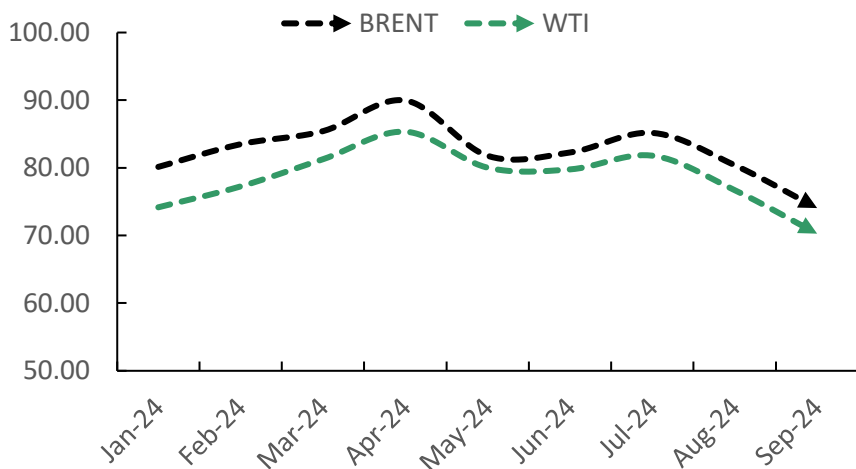
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Balancing Demand Shifts and Geopolitical Tensions

For the most part of 2024, majorly in the first half of the year, crude oil prices had been on a steady growth, averaging USD83.83/bl. This was driven by the escalating tensions in the middle-east, driving fears of potential decreased supply from the region. However, the high price trend of the first half of the year was reversed as Brent oil prices declined to an average of USD79.85/bl in the second half of the year. The drop was more pronounced in September, when oil prices stood at USD74.02/bl, the lowest average prices recorded for the year, driven by contracting demand in China, one of the biggest oil consumers, contributing 16.18% to global oil consumption. The downturn in demand in the Asian country was due to the growing adoption of cleaner, alternative energy as well as declining economic growth. China's economy grew by 4.70% in Q2:2024, which is slower compared to 5.30% recorded in Q1:2024, majorly driven by the real estate sector crisis as well as weak consumer demand.

In 2024, the global crude oil market experienced a combination of challenges driven by demand dynamics, geopolitical factors and production strategies by major oil producers. According to OPEC, world oil demand is forecasted to grow by approximately 1.90 million barrels of oil per day (mbopd), bringing total oil demand to an average of 104.10 mbopd. The growth is to be fueled primarily by increased consumption in non-OECD countries, which is expected to account for most of the demand rise. However, in OECD regions, oil demand is expected to increase by over 0.10 mbopd.

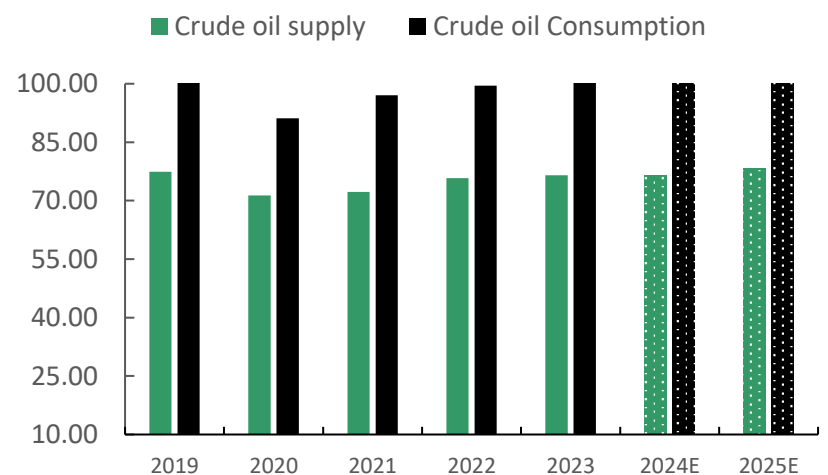
Chart 1: Average Crude Oil Prices (USD/Barrel)



Source: EIA, Meristem Research

On the supply side, the market is expected to be shaped by OPEC+ production policies and strong growth from non-OPEC producers. Non-OPEC supply is expected to grow robustly, particularly in the United States which will be driven by ramped up output and technological advancement. OPEC+ members, including key players like Saudi Arabia and Russia, have agreed to maintain production cuts in place since earlier decisions to stabilize the market. OPEC+ had initially planned to increase production in October 2024, but this has been postponed until December. The group's cuts will keep 2.2 mb/d of output from eight countries out of the market for much of the year, while additional cuts of 3.7 mb/d will remain until the end of 2025. These strategic moves are designed to manage the balance between supply and demand, especially in light of global economic uncertainties and rising production from non-OPEC+ countries.

Chart 2: Global Crude Oil Supply and Demand (mmbbls/d)



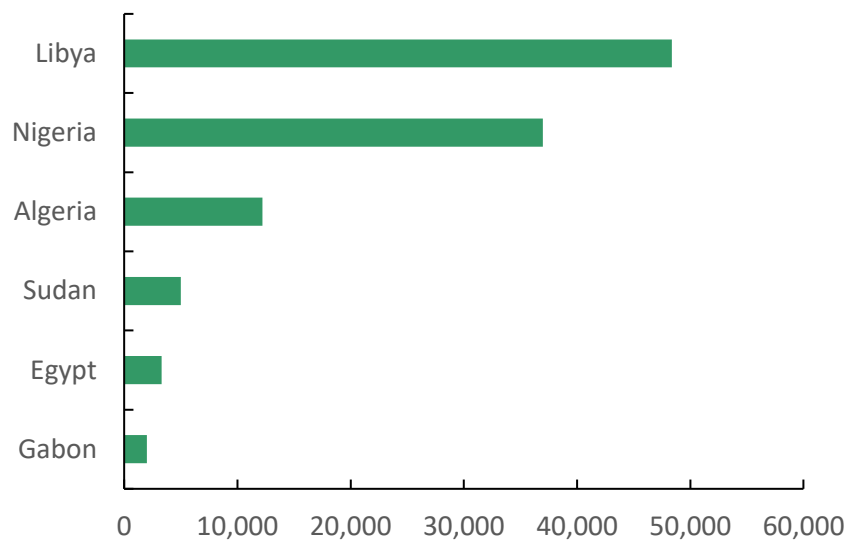
Source: EIA, Meristem Research

The Nigerian Oil & Gas Sector

Boosting Growth Amid Rising Output and Strategic Opportunities

Despite facing challenges over the years, the oil and gas sector remains a key growth engine with significant untapped potential. The sector presents substantial opportunities for expansion and value creation. Nigeria, with an estimated 37.50 billion barrels of proven oil reserves, ranks 10th globally, according to OPEC. These vast reserves, along with increasing global energy demand, position the sector as a crucial contributor to future economic development.

Chart 3: Proven Reserves Across African Countries (2022)



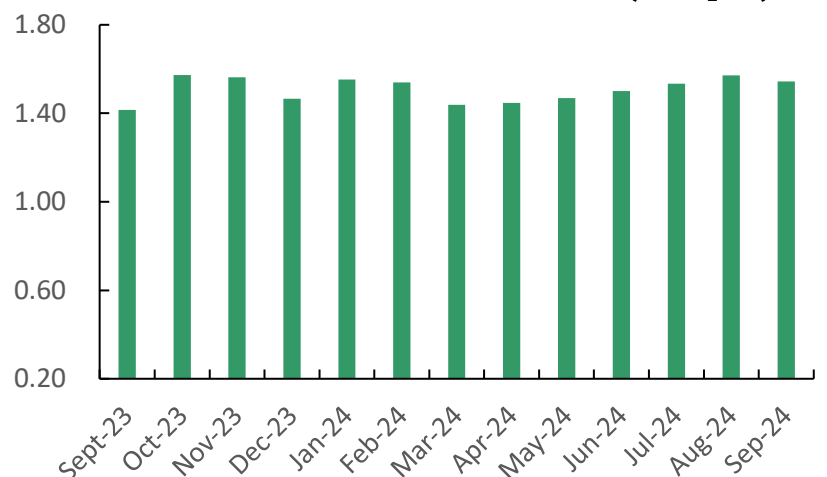
Source: World Bank, Meristem Research

Despite Nigeria's vast oil reserves and the rising global demand for crude oil and other energy sources—key factors that should drive GDP growth—the sector's revenue has been steadily declining. This downward trend is largely due to security challenges, low investments in the sector, and entrenched structural challenges, all of which continue to limit production activities in the country's upstream oil and gas sector.

In Q2:2024, output growth (+3.19% YoY to NGN18.29trn) was largely driven by an uptick in the oil sector, which benefited from efforts to reduce pipeline vandalism and theft. Average daily oil production rose to 1.41 million barrels per day (mbpd), up from 1.22 mbpd in Q2:2023, though still below the 1.57mbpd recorded in Q1:2024 and 1.43mbpd in Q2:2022. This increase, aided by a favourable base effect, boosted the oil sector's growth to 10.15% YoY in Q2:2024, a significant improvement from the -13.43% contraction seen in the same period last year.

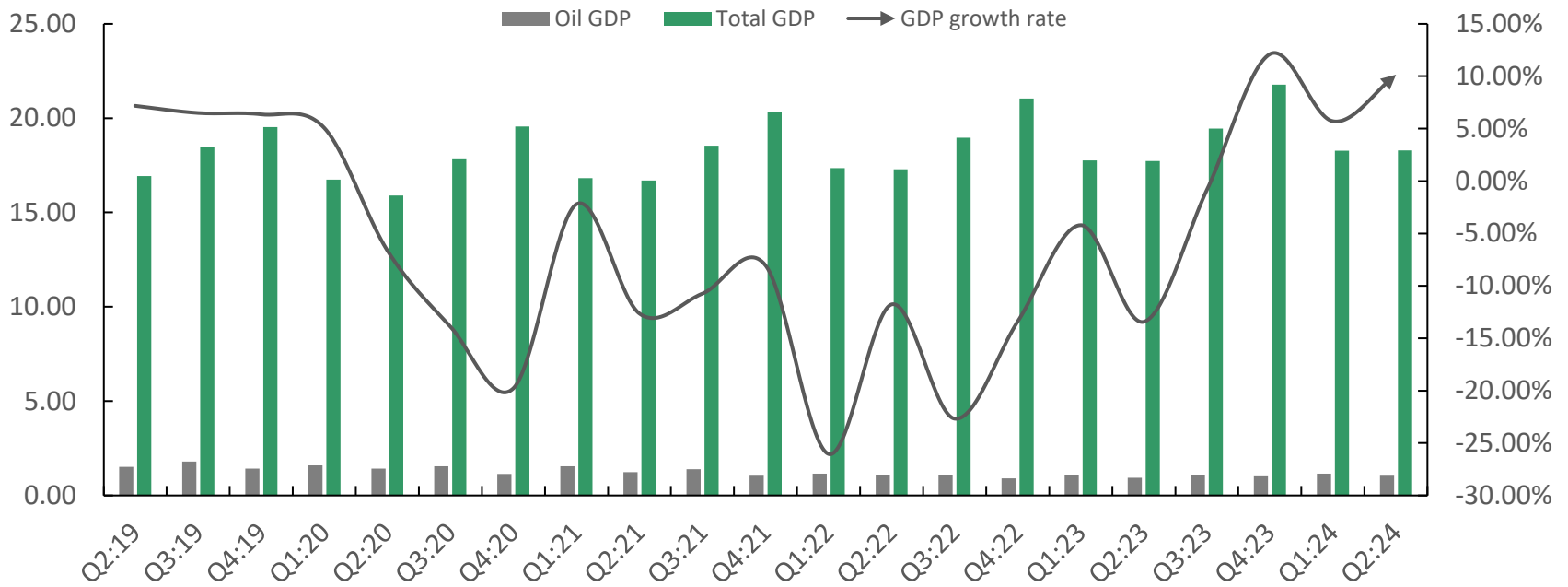
Despite the ongoing challenges, including the deteriorating oil infrastructure and frequent leakages, the outlook for production activities in the country's oil sector remains optimistic. Key developments are set to drive improvements, including the commencement of production from the newly commissioned oil fields – Madu Field alongside the government's continued efforts to improve security in oil-producing regions (particularly in the Niger Delta). Also, the recent auction of oil blocks to new operators should stimulate exploration and ramp up production levels.

Chart 4: Total Oil Production (mbpd)



Source: NUPRC, Meristem Research

Chart 5: Oil Sector Output and GDP Growth Rate (Q2:2019 – Q2:2024)



Source: National Bureau of Statistics (NBS), Meristem Research

Key Sector Stakeholders and Regulators



The Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

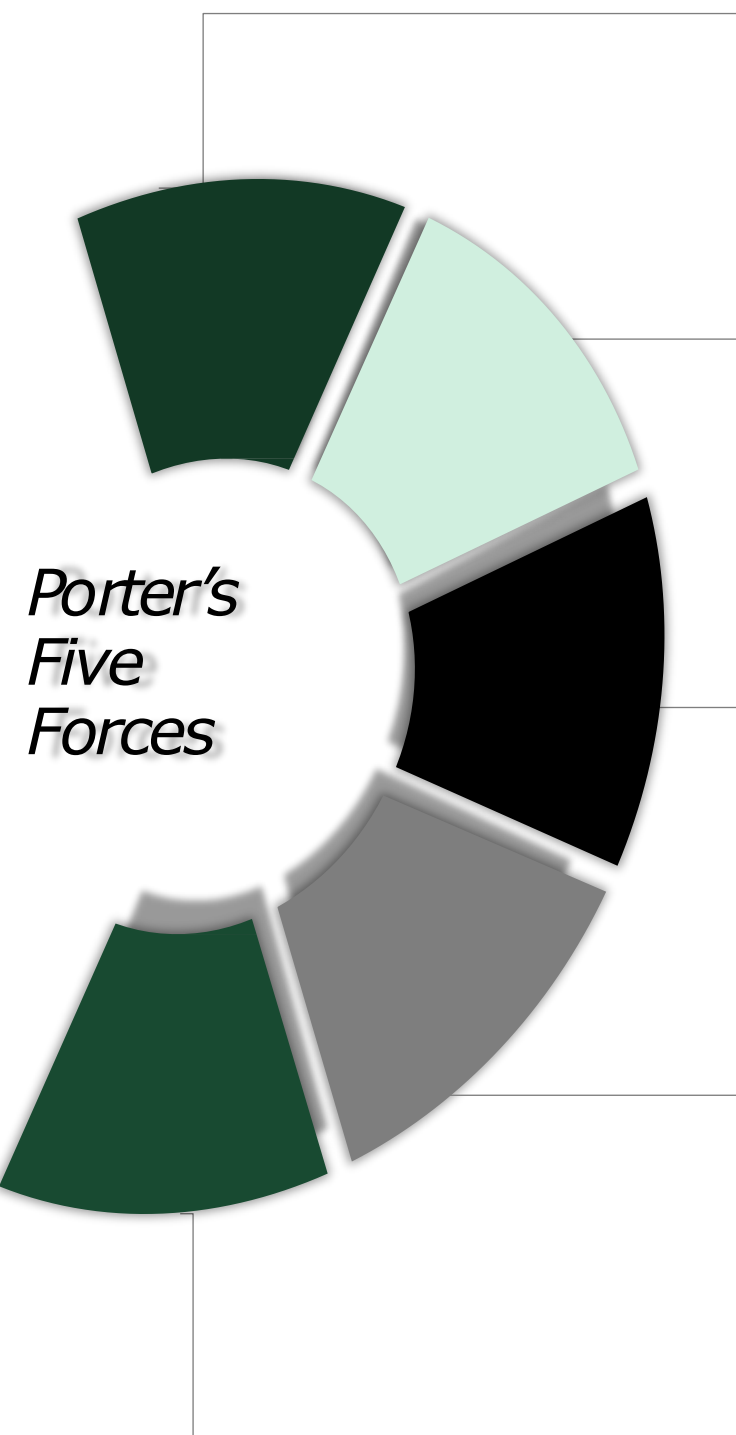
The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is the regulatory body put in place to oversee the upstream segment of the Nigerian oil and gas sector. The commission was established under the Petroleum Industry Act to replace the Department of Petroleum Resources. They are tasked with regulating the exploration activities, development and production activities of petroleum resources in Nigeria by issuing licenses, monitoring production and promoting investments.



The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)

Also established by the Petroleum Industry Act, the NMDPRA has the responsibility of overseeing the downstream and midstream operations of the oil and gas industry which includes refining, transportation, storage, distribution and retailing of petroleum products. The commission is saddled with issuance of licenses and providing regulatory oversight in the downstream and midstream sub-sectors.

Competitive Analysis of Oil and Gas Sector: Porter's 5 Forces



Bargaining Power of Buyers – Low

Energy products are globally priced, limiting local buyers' influence. In the midstream, few players dominate pipelines due to high risks and costs, while the tanker market is competitive. Pricing for transportation is standardized, keeping buyer power low. In the downstream sector, fuel prices are mostly dependent on landing costs, giving customers limited bargaining power, though small variations exist between fuel stations.

Bargaining Power of Suppliers – Moderate

The upstream and midstream oil and gas companies often outsource a significant portion of their field operations to specialized service firms, granting these service providers substantial bargaining power. In contrast, the downstream sector sees limited supplier power, as the prices of key products like diesel, base oil, and kerosene—many of which are imported—are dictated by global market forces.

Rivalry - Moderate

Due to country-specific OPEC quotas, upstream oil companies fiercely compete for high-quality crude reserves to maximize production and revenue. In the midstream, competition is moderate with high capital and risk in pipeline construction but intense in the oil tanker market due to saturation and low switching costs. The downstream sector sees moderate competition in refineries due to high capital investment, while retail and marketing are highly competitive with minimal switching costs.

Threat of Substitutes – Moderate

Petroleum products face increasing competition from alternative energy sources such as biofuels, hydrocarbons, biodegradables, solar energy, etc. In response, major oil and gas companies are actively investing in advanced technologies to explore more efficient energy solutions. The threat of substitutes is particularly significant with alternative energy sources offering competitive pricing and low switching costs for customers. This trend is evident today as companies strive to innovate with green energy solutions to reduce the reliance on fossil fuel and curb global emissions.

Barriers to Entry – Low

Technology and innovation drive cost reduction and differentiation in the oil and gas industry, creating high entry barriers in the upstream sector due to capital intensity and economies of scale. Industry monopolies and international pricing further limit new entrants. In the downstream sector, entry barriers are lower, but government regulation and established brands' product differentiation shape competition, though independent players still compete with lower prices.

About the Company

Company Background

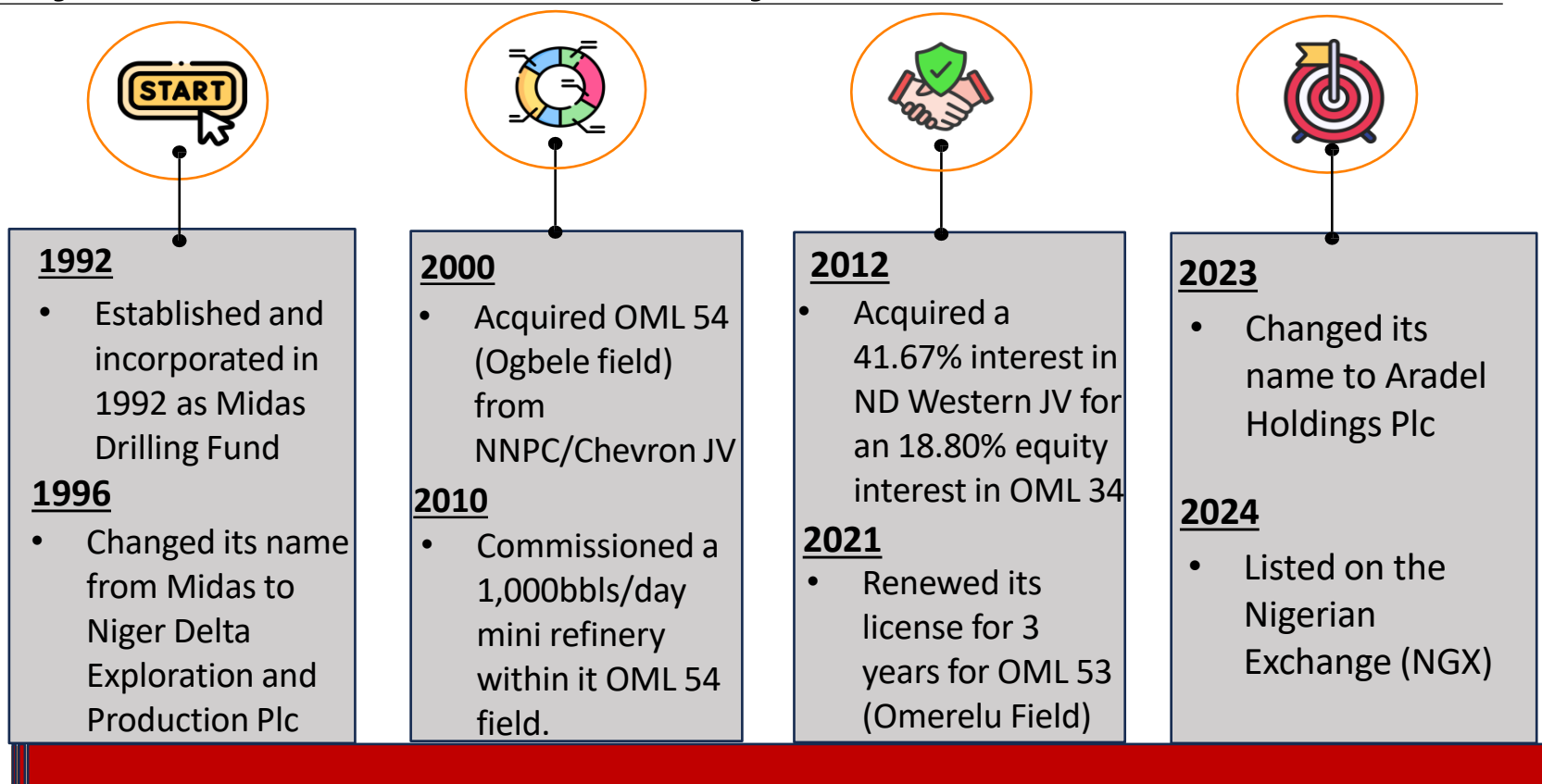
Business Overview

Aradel Holdings Plc, formerly known as Niger Delta Exploration & Production Plc (NDEP), was established and incorporated in 1992. Being one of the foremost indigenous, fully integrated oil and gas companies in Nigeria, the company engages in exploration, development, production, and refining of crude oil, natural gas and petroleum products, with the attainment of its first oil at Ogbele oil field in 2005, commissioning of its 1,000bbl/d mini refinery in 2010 and the commissioning of its 100mmscf/d gas processing plant in 2012. Aradel Holdings Plc have, over the years, grown its business operation to span across the diverse segment of the oil and gas value chain. The company plays in the upstream as crude oil explorer and miner, in Midstream sector as gas processor and as well as in the downstream sector as oil refiner, majorly (AGO).

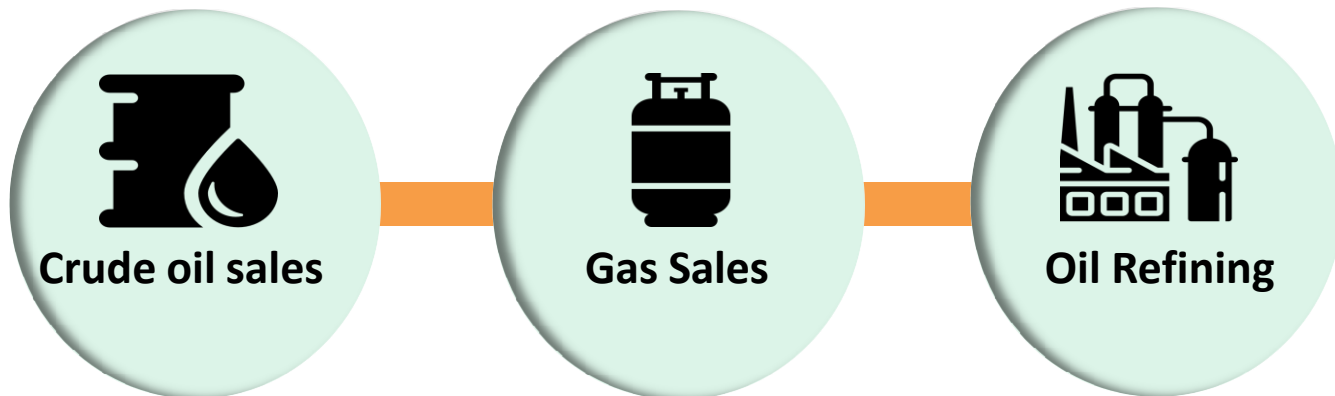
Apart from the strategic organic growth, Aradel have also expanded inorganically over the years through acquisition of 2 marginal fields in 2005 (Ogbele, OML 54 and Omerelu, OML 53 from Chevron) as well as a 41.67% interest in ND Western, a special purpose vehicle which the company, together with other allies used in acquiring 45% interest in OML 34, an asset owned by a joint venture consisting of Shell, Agip and Total. Aradel has an 18.80% equity stake in fossil fuel production from OML 34.

In its refining operations, Aradel, through its subsidiary Aradel Refineries Limited, operates an 11,000 barrels per day capacity mini refinery, which plays a critical role in meeting local demand for refined petroleum products. The refinery produces Automotive Gas Oil (AGO), dual-purpose kerosene (DPK), Marine Diesel Oil (MDO), Heavy Fuel Oil (HFO) and Naptha, with Naptha being the most produced of the refined products.

Key Milestones in Aradel's Journey



Product Offerings: How Revenue is Generated



From its contracts with customers, the company makes revenue from three main segments.

1. **Crude oil and Gas sales:** Aradel Energy focuses on oil and gas exploration and production. The subsidiary is responsible for the development, growth, production and sales of crude oil from the company's flagship asset - Ogbela Field (OML 54). In addition to its discovery well, the company has an additional 14 producing oil and gas wells from which crude oil and gas are being extracted on its flagship asset, using its 20,000 bbl/d capacity crude oil processing facility as well as its 100mmscf/d capacity gas processing plant. As of 2023, the company ramped up oil production levels to 9.70 thousand barrels of oil per day (kbopd) from 3.90kbopd in 2022 while gas production was ramped up to 26.50 million standard cubic feet (mmscf) from 17.80mmscf in 2022. The company also have an equity interest of 2.30kbopd of crude oil and 49.60mmscf of gas from ND Western, a special-purpose vehicle which the company used in acquiring an equity stake in OML 34. That said, revenue from crude oil represented 50% of total revenue, up from 20.73% in 2022, while gas revenue contributed 4.52% to total revenue in 2023, down from 7.57% in 2022.
2. **Refined petroleum products:** Via its Aradel Refinery Limited subsidiary, the company operates an 11.00kbopd capacity refinery on OML 54, refining products including Naptha, Automotive Gas Oil (AGO), Heavy Fuel Oil (HFO), Dual dual-purpose kerosene (DPK) and Marine Diesel Oil (MDO). As of 2023, the total production of refined products was at 267.73 litres, with Naptha accounting for 38.62% of total output. Revenue from refined petroleum products contributed 46.35% to total revenue as of 2023.

About the Company

Business Strategy

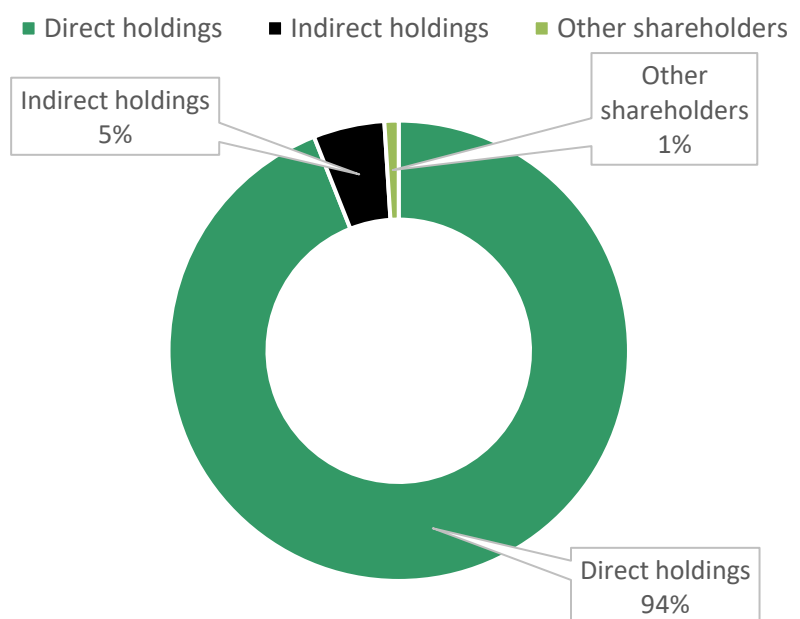
Aradel Holdings has based its operations and decisions on the adoption of its 3R strategy. The business focuses on Resilience, Robustness and Redundancy strategy. This strategic focus is directed to assist the brand not to lose sight of value creation across the entire value chain in the oil and gas industry. Aradel has grown her business both organically and inorganically over years.

Within 8 years, Aradel holdings has increased her crude oil processing capacity from 1,000bpd in 2011 to 6,000bpd in 2019. Recently, Recently the company took further steps to boost its refinery capacity by completing the third phase of the refinery (train 3) which is expected to be deployed for Petroleum Motor Spirit (PMS) production, which will increase the total processing capacity to 11.00kbpd. Additionally, this expansion is expected to introduce liquefied petroleum gas (LPG) to diversify its revenue streams in response to growing energy demand.. Furthermore, to improve on value creation for stakeholders, the company installed the Alternative Crude Evacuation (ACE) system in 2022 which has helped to reduce crude loss compared to losses experienced in previous years. Aradel has fostered organic growth by increasing crude oil and gas output, improving operational efficiency, and developing its downstream refining capabilities.

Shareholding Structure

Before the stock split, Aradel had a total shares outstanding of 217,242,218 at NGN10.00 per share listed on the NASD and held by 1,853 shareholders. The total directors' holdings in the share composition amounts to 5.77% with about 5.09% held indirectly by the company's chairman. Also, out of the total shares outstanding, four shareholders own a significant portion of 35.64%. Amounting to 77,425,126 shares outstanding. However, following the stock split, the total shares outstanding now amount to 4,344,844,360.

Chart 6: Shareholding Structure



Source: Company Financials, Meristem Research

About the Company

Corporate Governance Structure

Board of Directors



Ladi Jadesimi
Chairman



Osten Olorunsola
Non-Executive Director



Thierry Georger
Non-Executive Director



Osayande Ede
Non-Executive
Director



Afolabi Oladele
Non-Executive
Director



Gbenga Adetoro
Non-Executive Director



Simon Hart
Independent Non-
Executive Director

Management Team



Gbite Falade
MD/CEO



Adegbola Adesina
CFO



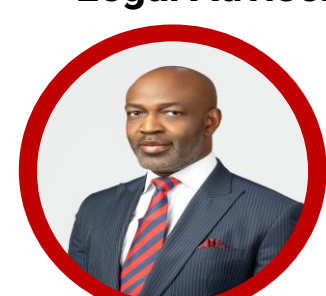
Titi Omisore
Company Secretary and Group
Legal Adviser



Ebenezer Ageh
CTO



Femi Olaniyan
GM, Projects & Engineering



Temitayo Ogunbanjo
GM, Refinery

Strengths and Weaknesses Analysis

Strengths – Accelerators for Gaining Speed



- **Robust Upstream Assets:** Aradel Holdings Plc has developed a substantial portfolio in oil exploration, expanding its capacity through strategic acquisitions and joint venture arrangements. As a pioneer and leading indigenous oil producer in Nigeria, Aradel boasts of ownership of several marginal oil fields, solidifying its position in the industry.
- **Diversified Revenue Stream:** With operations spanning across the oil and gas value chain, Aradel produces a wide range of in-demand energy products. This diversification helps the company mitigate the risk of relying too heavily on a single source of income, protecting its earnings from fluctuations in one sector.
- **Brand Recognition & Strategic Partnership:** Aradel has established a strong reputation in the oil and gas industry, enabling it to secure key partnerships and acquisitions of ND Western, SPDC Ltd, etc. These collaborations strengthen its market position and open up further opportunities for growth.
- **Vertical Integrated Operations:** The company's operations span multiple segments of the oil and gas value chain, from upstream exploration and production to downstream refining. This vertical integration provides operational flexibility, greater control over its supply chain, and reduces dependency on external partners.

Strengths and Weaknesses Analysis

Weaknesses– Barriers Prompting Slow-down



- **Operational and Regulatory Risks:** Aradel faces risks related to optimizing its vast infrastructure and capacity utilization. Inefficiencies in any of its segments could diminish overall performance and value. Additionally, regulatory risks, such as changes in policies or compliance requirements, pose ongoing threats.
- **Concentration Risk and Limited Global Footprint:** The company's operations are primarily concentrated in Nigeria, exposing the company to significant risks related to domestic regulatory and policy changes. A lack of diversification into international markets heightens its vulnerability to country-specific risks which could limit its growth potential.
- **Environmental Liabilities:** Operating majorly in the Niger Delta region, the company often faces contingency obligations which arise to address environmental and social concerns. Often, this put strain on normal business operation.

Financial Statement Analysis

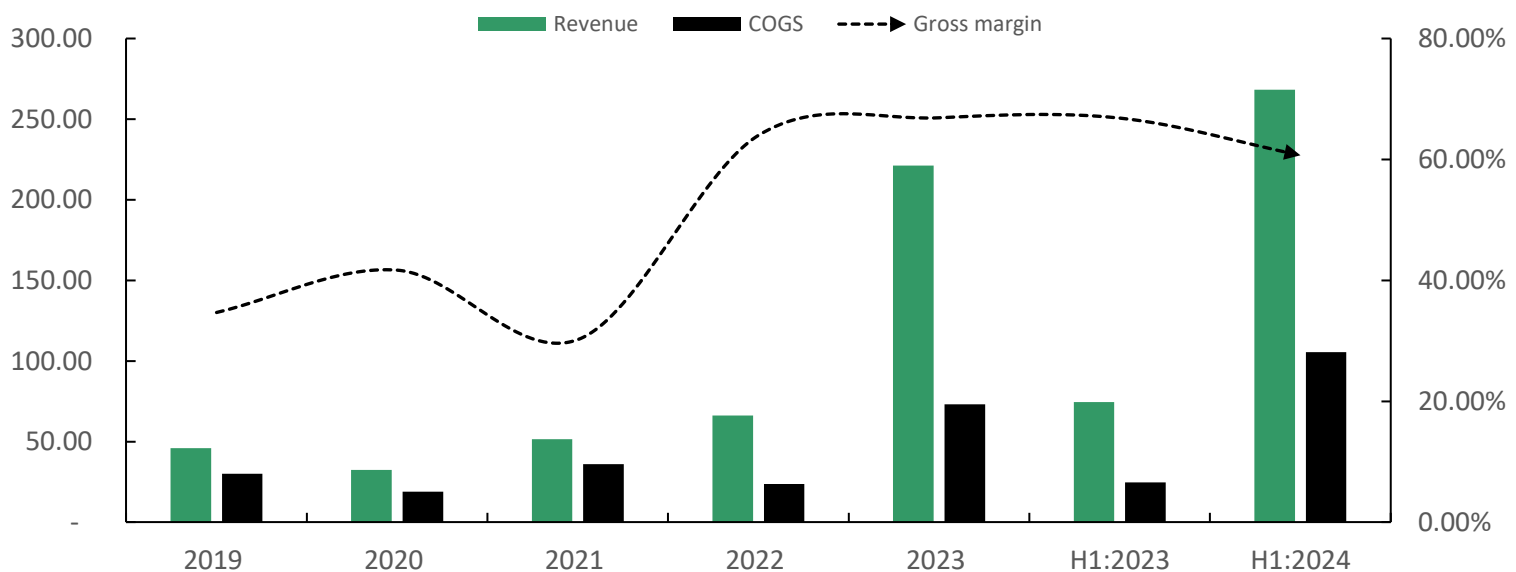
Production Expansions Boost Topline Performance

The company's topline has seen substantial growth with a five-year compounded annual growth rate (CAGR) of 41.45%, from NGN39.05bn in 2018 to NGN221.14bn in 2023. Much more significant growth was recorded in 2021 and 2023, where revenue grew by 58.53% and 234.51%, respectively. This was largely driven by a combined impact of a growth in production output from gas and refinery segments, as well as favourable price increases across all operating segments. In the most recent period, revenue expanded by 121.33% in H1:2024 to NGN268.31bn compared to NGN221.14bn in H1:2023. This improved performance underscores the company's improved production output, driven by increased production capacity as well as the availability of an alternative crude evacuation system.

We anticipate continued strong topline growth in the near term, driven by the company's extensive oil and gas assets, including the Ogebe (OML 54), Omerelu (OML 53), OML 34, and OPL 227 fields. Moreover, on the backdrop of rising geopolitical tensions, a likely uptick in oil prices is expected, further supporting revenue. The company's recent acquisition of a 100% stake in the Olo and Olo West marginal fields, along with its intensified focus on optimizing drilling and exploration activities across additional oil & gas fields, is expected to significantly boost production levels and contribute positively to overall revenue growth.

Over the years under review, ARADEL's production cost has increased at a much faster pace than revenue. The company's cost grew sharply in 2021 (89.75% YoY to NGN35.98bn) and 2023 (207.56% YoY to NGN73.21bn). this increase was on the back of increased payments of royalties to the government, consultancy fee payments as well as increased barging expenses associated with the alternative crude evacuation system which led to a surge in crude handling charges. As of H1:2024, the cost of sales was up by 326.99% to NGN105.47bn vs NGN24.70bn. Consequently, gross profit rose to NGN162.85bn from 49.79bn in the same period last year.

Chart 7: Revenue, Cost of Sales (NGN'bn) (LHS), Gross Margin (RHS)



Source: Company's Financials, Meristem Research

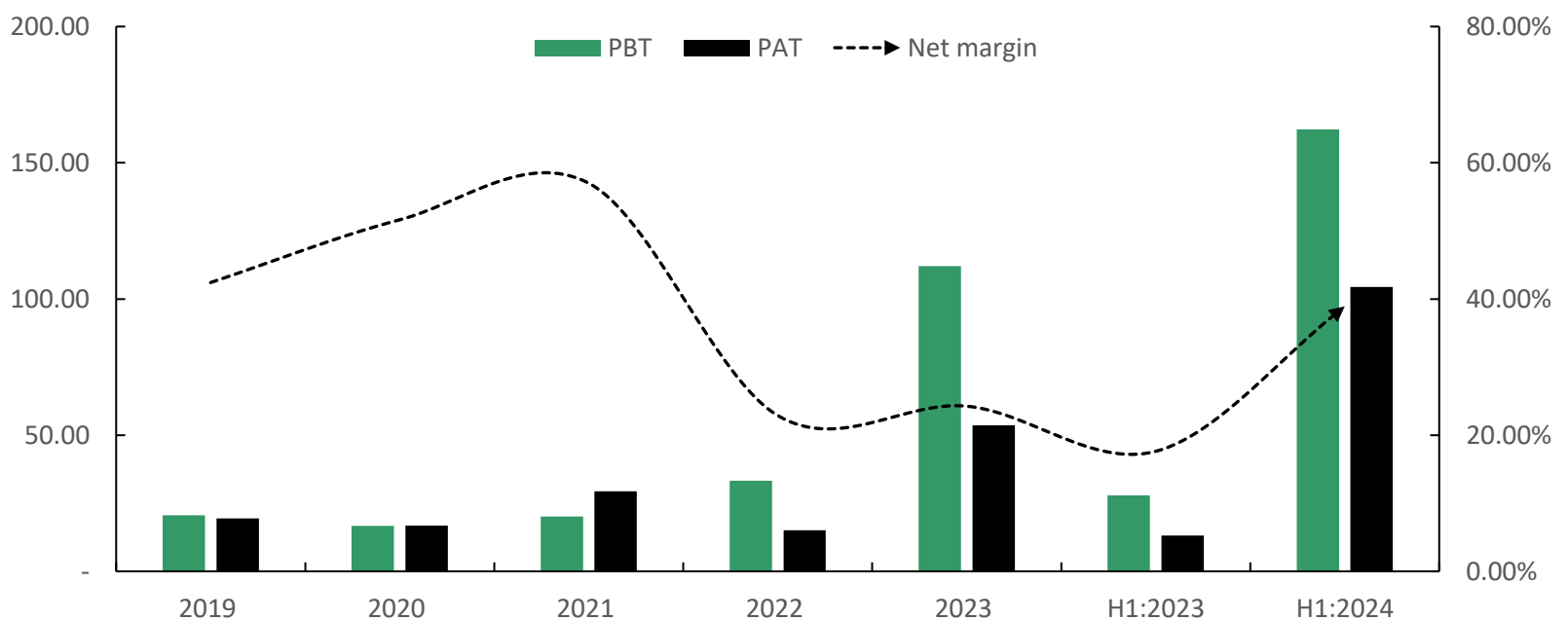
Financial Statement Analysis

Topline Growth Outpaces Rising Cost

Furthermore, **ARADEL**'s operating cost increased significantly over the years from NGN7.04bn in 2018 to NGN25.96bn in 2023FY, with major increases seen in 2022 and 2023. Particularly in 2023, operating expenses grew by 97.87% YoY reflecting the spike in community development expenses (+1454.25%), permits, registrations and subscriptions costs (+617.56%), staff costs (+37.61%), and other expenses (+136.53%). Despite this noticeable increase in operating costs, the operating margin grew to 55.15% (vs 44.14% in 2022FY), largely supported by the strong topline performance. Additionally, finance costs grew significantly by 239.49% in 2023, owing to increased interest payments on additional bank loans taken during the period.

Lastly, over the years, **ARADEL** has consistently maintained a profitable business since its inception. In 2023FY, Profit before Tax and Profit after Tax reached the highest level historically, rising to NGN112.10bn and NGN53.67bn, respectively (vs NGN33.26bn and NGN15.14bn in 2022FY). Consequently, net margin, return on asset (ROA) and return on equity (ROE) improved to 24.27%, 5.81%, and 7.62%, respectively (vs 22.90%, 3.20%, and 4.63% in 2022FY).

Chart 8: PAT and PBT(NGN'bn) (LHS), Gross Margin (%) (RHS)



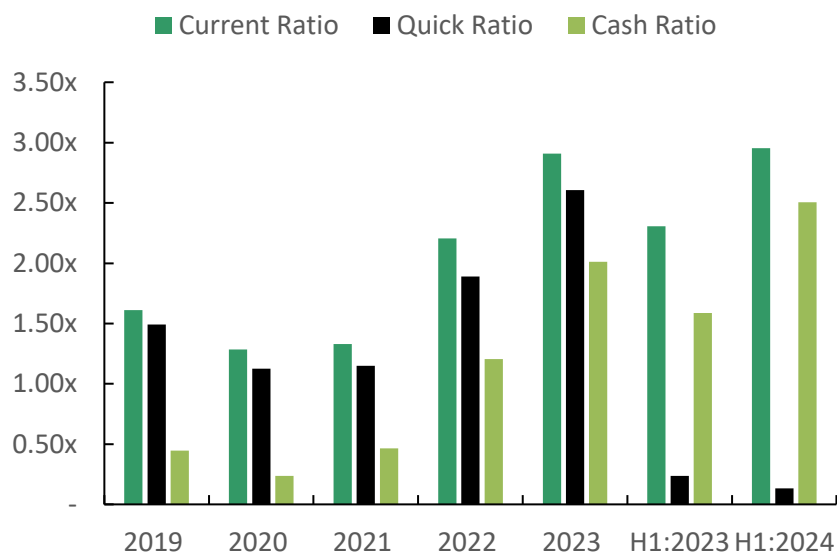
Source: Company's Financials, Meristem Research

Financial Analysis

Improved Cash Generation Capability

ARADEL has consistently maintained a strong liquidity position, demonstrating its ability to meet short-term obligations as they come due. Over the years, liquidity ratios have exceeded five-year historical averages, with the cash ratio (2.01x vs 0.58x 5-year avg.), quick ratio (2.61x vs 1.35x 5-year avg.), and current ratio (2.91x vs 1.52x 5-year avg.). This impressive performance is largely driven by a substantial increase in cash balances (from NGN13.61bn in 2018 to NGN183.01bn in 2023), reflecting robust operating results, and the trade and other receivables (from NGN14.80bn to NGN53.52bn in 2023), collectively contributing about 89% to current assets. This growth outpaced the rise in current liabilities. Similarly, in H1:2024, liquidity further strengthened, with the cash, current, and quick ratios increasing to 2.51x, 2.95x, and 2.82x, respectively (vs 1.59x, 2.31x, and 2.07x in H1:2023).

Chart 9: Current, Quick and Cash Ratio

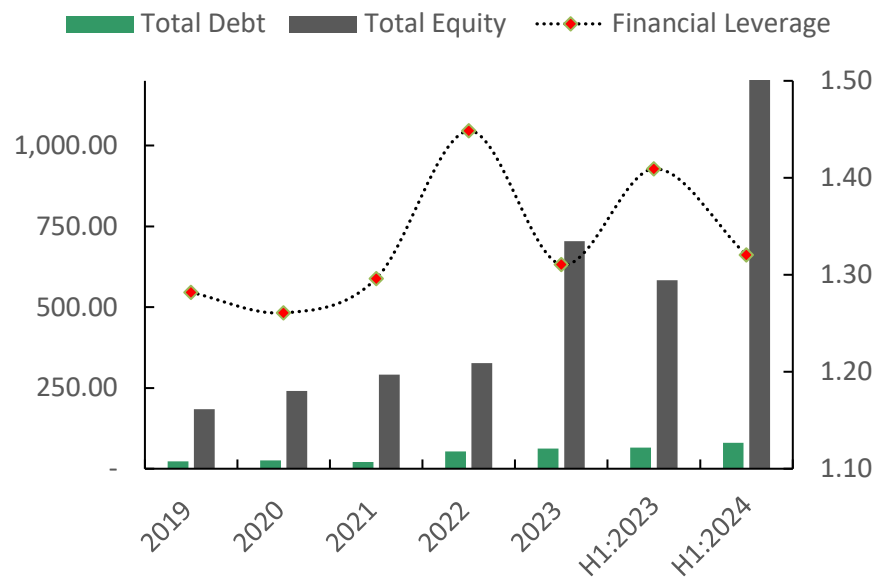


Source: Company's Financials, Meristem Research

Reduced Leverage Despite Operational Expansion

From a funding standpoint, ARADEL has primarily financed its operations through efficient working capital management and reinvestment into the business. Over the years, equity value has surged by 340.97%, rising from NGN159.79bn in 2018 to NGN704.64bn in 2023, driven by substantial accretion to retained earnings and gains from translation reserves due to the persistent depreciation of the Naira. As of 2023FY, the company's leverage ratios were below their five-year historical averages, with debt-to-total assets at 0.07x (vs 0.08x) and debt-to-equity at 0.09x (vs 0.11x). This highlights ARADEL's strong solvency and low risk of defaulting on its long-term obligations.

Chart 10: Debt and Equity (NGN'bn) (LHS), Financial Leverage (RHS)



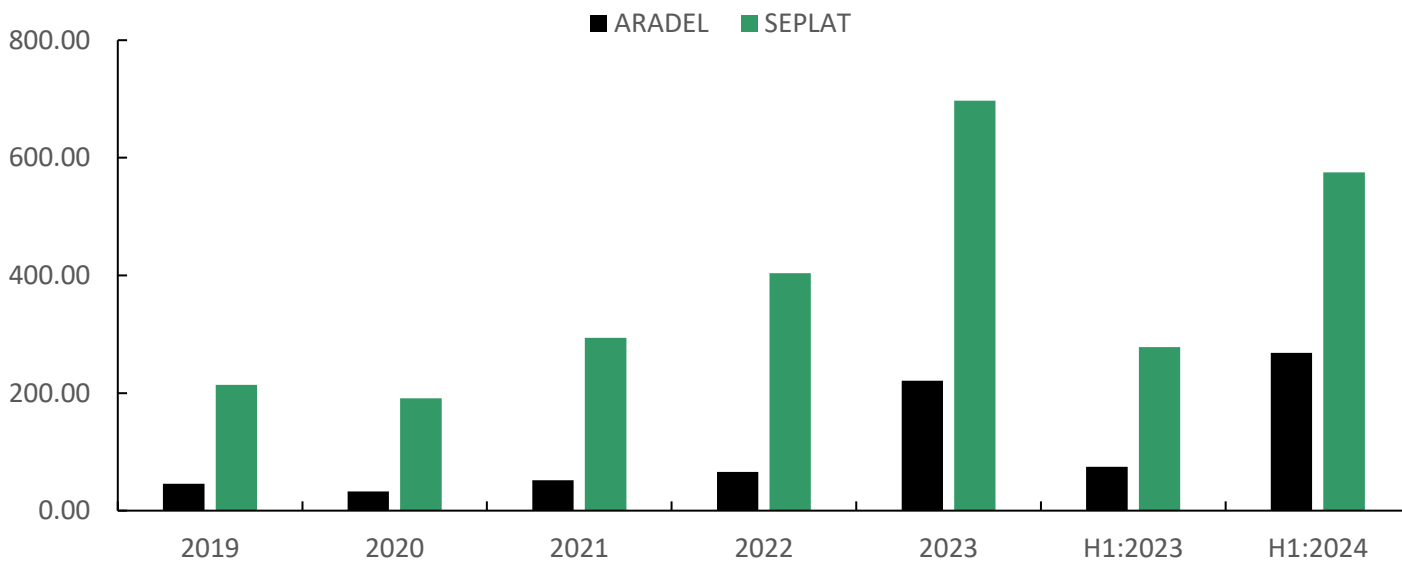
Source: Company's Financials, Meristem Research

Comparables

Revenue

Over the past five years, **ARADEL** has achieved a CAGR of 48.11% in its topline, outperforming **SEPLAT's** 34.31%, indicating stronger revenue growth momentum. However, as of H1:2024, **SEPLAT's** total revenue was NGN575.05bn, compared to **ARADEL's** NGN268.31bn for the same period.

Chart 11: ARADEL vs SEPLAT's Revenue (NGN'bn)

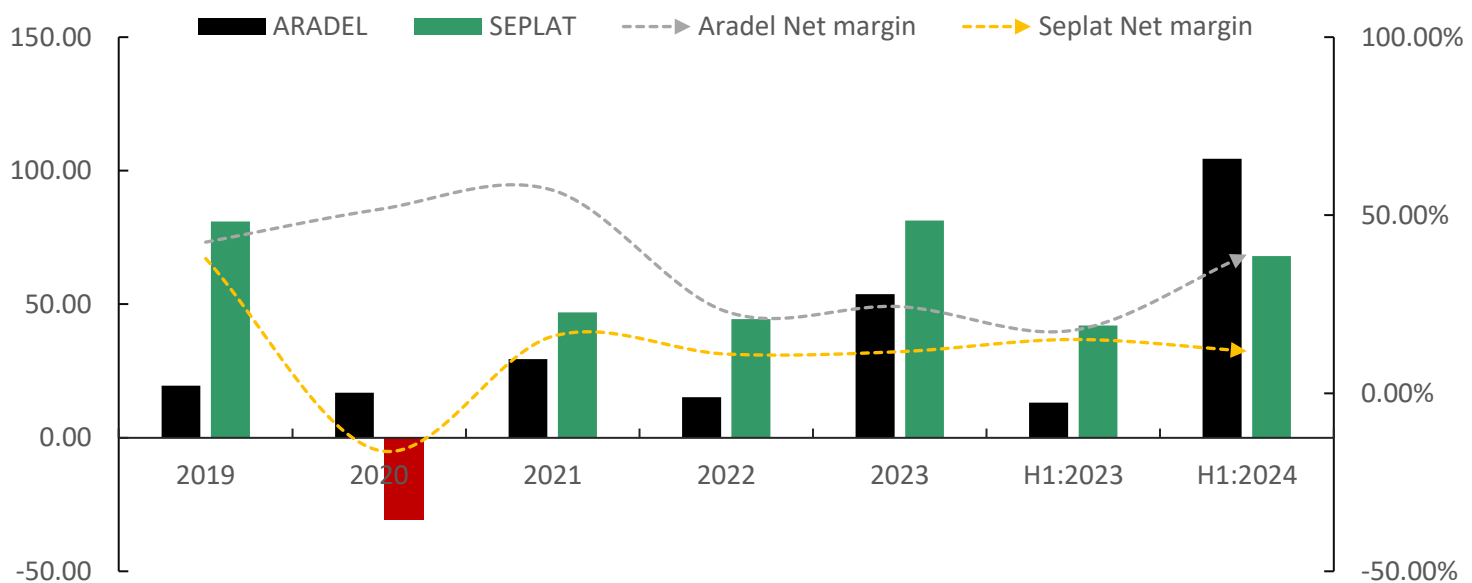


Source: Company's Financials, Meristem Research

Net Profit

ARADEL has consistently demonstrated superior profitability, with a 5-year average net margin of 39.66%, significantly outperforming **SEPLAT's** 12.08%. This trend persisted in H1:2024, where **ARADEL** maintained a net margin of 38.92%, compared to **SEPLAT's** 11.84%, highlighting the company's stronger efficiency in converting revenue into profit.

Chart 12: ARADEL vs SEPLAT Net Profit (NGN'bn) (LHS), Net Margin (RHS)



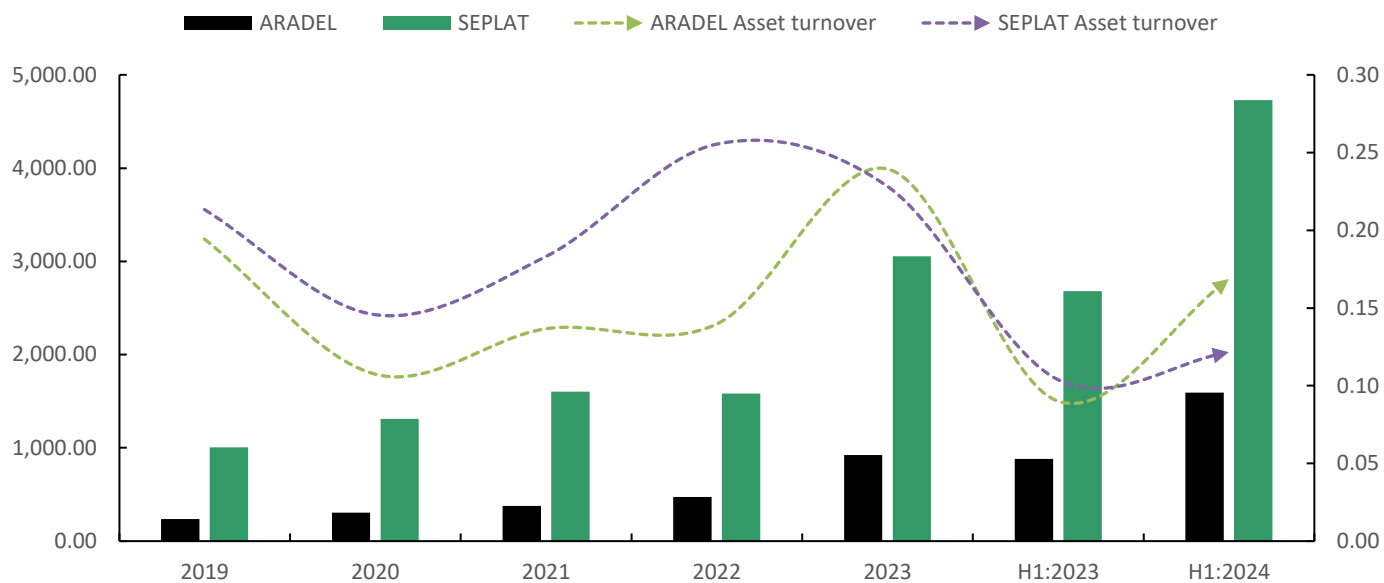
Source: Company's Financials, Meristem Research

Comparables

Total Asset



As of 2023FY, SEPLAT's total assets were 3.31 times larger than ARADEL's. Despite this, both companies had similar asset turnover ratios of 0.23x and 0.24x, respectively. By H1:2024, ARADEL outpaced SEPLAT in asset turnover, posting 0.17x vs 0.12x.

Chart 13: Total Asset (NGN'bn) (LHS) and Asset Turnover (RHS)



Source: Company's Financials, Meristem Research

Table 1: Summary of Financial Ratios (as of H1 2024)

		
Share Capital (NGN)	2.17bn	0.30bn
ROA	6.56%	1.44%
ROE	8.66%	2.60%
ROIC	22.63%	2.61%
Trailing EPS (NGN)	33.37	182.45
EV/EBITDA	2.62x	5.19x
P/E	15.49x	23.29x
Net Margin	38.92%	11.84%
Operating Asset Turnover	0.15x	0.02x
Debt-to-Equity	0.07x	0.42x

Source: Company's Financials, Meristem Research

Value and Recommendation

Summary

Methodology	Fair Value (NGN'trn)	Weight
Enterprise DCF {FCFF}	2.856	40%
Relative Valuation	3.649	60%

Metrics	Units
Risk Free Rate	18.70%
Cost of Equity	24.66%
WACC	23.57%
Value Per Share	NGN766.89
Listing Price	NGN702.69
Upside Potential	+9.14%
Recommendation	HOLD

Basis for Valuation

In arriving at the fair value of NGN766.89 per share for **ARADEL**, we utilized a blended Discounted Cash Flow (DCF) valuation model (Equity Discounted Cash Flow Model) and the relative valuation approach and applied a weight of 40% and 60%, respectively to each valuation methods. The valuation considered the company's growth prospects, risks and both upsides and downsides influencing its outlook. **ARADEL** is perceived to be on a growth trajectory, marked by significant operational efficiency and expansion aimed at delivering long-term value to investors. Also, recognizing its potential impact of increasing oil prices and the exchange rate on the company's revenue further supports the company's growth prospects in topline.

Risks

Several risks could affect our outlook for the company. One key risk is the ongoing insecurity in Nigeria's oil-producing regions, which could directly disrupt operations and lower output. Reduced production may result in declining revenues, and if costs are not properly managed, this could erode profitability. Also, regulatory and compliance risks, particularly with evolving environmental standards, pose another challenge, potentially requiring costly adjustments to meet new regulations. Additionally, force majeure events affecting export terminals and key assets could disrupt operations, leading to significant financial and operational setbacks.

Appendix

Financial Statement Summary

All figures are in **NGN'bn** unless otherwise stated. **A** = Actual; **E** = Estimate; **F** = Forecast;

Profit or Loss Statement	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Revenue	32.53	51.57	66.11	221.14	523.40	826.02	1,226.54	1,882.71	2,737.19
Cost of Sales	18.96	35.98	23.80	73.21	206.71	308.38	467.83	693.15	1,012.16
Gross Profit	13.57	15.59	42.31	147.93	316.70	517.64	758.71	1,189.56	1,725.02
Operating Expenses	7.09	8.64	13.12	25.96	70.32	113.28	160.66	232.84	352.31
Operating Profit	6.48	6.95	29.18	121.97	246.38	404.36	598.05	956.73	1,372.72
PBT	16.75	20.18	33.26	112.10	268.08	421.14	628.96	987.38	1,452.09
Profit After Tax	16.80	29.40	15.14	53.67	182.29	286.37	427.70	671.42	987.42
Statement of Financial Position	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
PPE	162.34	195.81	223.70	383.43	773.37	1101.15	1519.37	2126.80	2506.60
Trade and Other Receivables	18.97	18.62	31.54	53.52	124.36	287.19	219.59	395.66	384.23
Total Assets	302.98	377.43	473.38	923.43	1,700.44	2,110.76	2,624.98	3,485.04	4,843.97
Total Equity	240.33	291.23	326.77	704.64	1,344.01	1,683.30	2,092.99	2,898.63	4,186.68
Current Liabilities	21.62	27.51	46.10	90.89	183.08	229.97	305.00	347.10	399.91
Non-Current Liabilities	41.02	58.69	100.51	127.90	173.35	197.49	226.99	239.31	257.38
Total Debt	26.23	21.21	53.75	61.97	92.73	104.41	122.54	140.50	171.29
Total Liabilities	62.65	86.20	146.62	218.79	356.43	427.46	531.99	586.41	657.29
Total Equity and Liability	302.98	377.43	473.38	923.43	1,700.44	2,110.76	2,624.98	3,485.04	4,843.97
Ratios	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Gross Margin	41.71%	30.23%	63.99%	66.89%	60.51%	62.67%	61.86%	63.18%	63.02%
EBITDA Margin	19.92%	13.47%	44.14%	55.15%	47.07%	48.95%	48.76%	50.82%	50.15%
Net Margin	51.63%	57.02%	22.90%	24.27%	34.83%	34.67%	34.87%	35.66%	36.07%
Asset Turnover	0.11x	0.14x	0.14x	0.24x	0.31x	0.39x	0.47x	0.54x	0.57x
ROE	6.99%	10.10%	4.63%	7.62%	13.56%	17.01%	20.43%	23.16%	23.58%
ROA	5.54%	7.79%	3.20%	5.81%	10.72%	13.57%	16.29%	19.27%	20.38%
Current Ratio	1.29x	1.33x	2.21x	2.91x	3.04x	2.57x	2.10x	2.41x	4.52x
Cash ratio	0.24x	0.47x	1.20x	2.01x	2.16x	1.12x	1.16x	1.00x	3.27x
Debt to Equity	0.11	0.07	0.16	0.09	0.07	0.06	0.06	0.05	0.04
Financial Leverage	1.26x	1.30x	1.45x	1.31x	1.27x	1.25x	1.25x	1.20x	1.16x

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