

# Zedcrest Research

## Q1'26 Earnings | SEPLAT: Operational recovery supported by offshore strength and gas expansion

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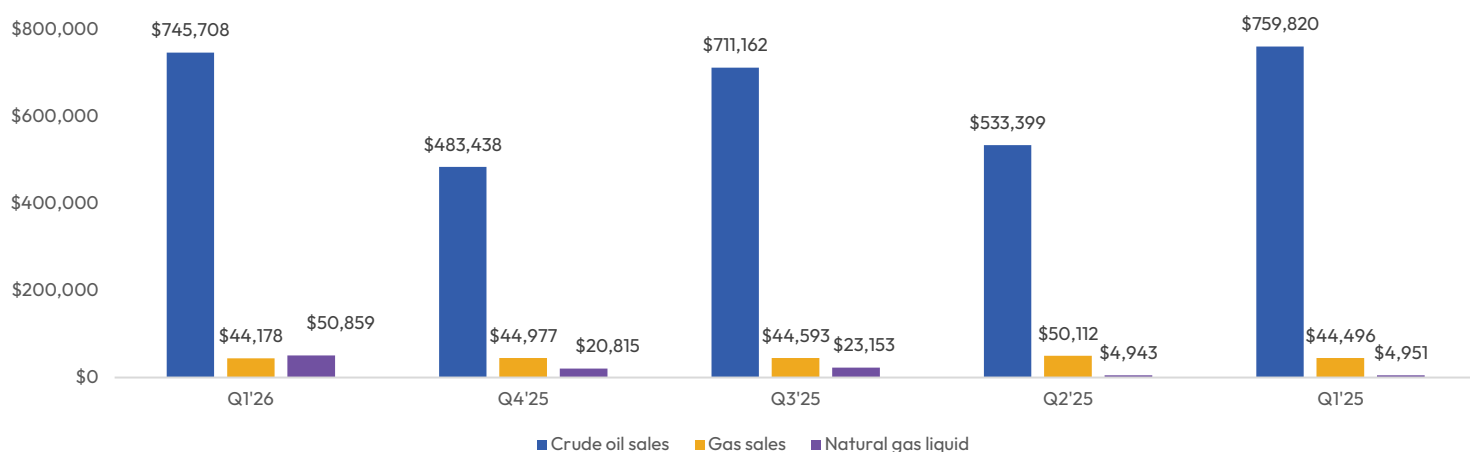
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Seplat Energy reported average production of 129,841 boepd in Q1 2026, representing a 1% year-on-year decline from 131,745 boepd in Q1 2025 due to the Yoho shutdown, but a 9% quarter-on-quarter recovery from 119,200 boepd in Q4 2025, reflecting improved operational uptime following prior disruptions. Onshore production declined 10% YoY to 50,700 boepd in Q1 2026 from 56,267 boepd in Q1 2025, impacted by 38 days of unplanned downtime on the Trans Forcados Pipeline and down 9.46% QoQ from 56 kboepd in Q4 2025, highlighting continued exposure to third-party infrastructure constraints despite signs of recovery. In contrast, offshore output remained resilient, rising 25.16% quarter-on-quarter to 79.1 kboepd in Q1 2026 from 63.2 kboepd in Q4 2025. This was supported by higher crude production, which increased 23.56% QoQ to 62.4 kbopd from 50.5 kbopd, alongside strong NGL (Natural gas liquid) growth, which rose 92.16% QoQ to 9.8 kbpd from 5.1 kbpd. NGLs contribution to revenue also improved, increasing to 6.05% in Q1 2026 from 3.79% in Q4 2025, reflecting stronger monetization. Gas production, however, declined 9.50% QoQ to 40 mmscfd from 44.2 mmscfd, indicating softer output in the quarter.

Rating	BUY
NGX Ticker	SEPLAT
Bloomberg Ticker	SEPLAT NL
LSE Ticker	SEPL
Target Price	₦13,711.29
Company statistics (Q1'26)	
Return on Average Asset	1.10%
Net Profit Margin	4.51%
Debt Ratio	17.18%
Market cap	₦6.89 trillion

Revenue breakdown



Source: Zedcrest research, Company filings

Incremental volumes were supported NGL output of 9,802 bopd, reinforcing natural gas liquid monetization. NGL production rose sharply, increasing 190% YoY to 9,802 bopd and 93% QoQ, driven by the East Area Project's Inlet Gas Exchanger upgrade and higher LPG liftings from the Bonny River Terminal. The growth reflects improved gas processing efficiency and higher liquid recovery rather than crude production gains. NGLs also increased their revenue contribution to 6.05% from 3.79% QoQ, reinforcing their role as a fast-growing, higher-margin segment supported by enhanced processing capacity and monetisation.

### Revenue growth driven by crude price strength and NGL expansion despite gas weakness

Seplat Energy delivered a strong revenue performance in Q1 2026, recording a 53.1% QoQ increase from \$549.2m in Q4 2025 to \$840.7m, driven by a combination of favourable oil prices, production recovery, and significant growth in higher-margin NGLs. Adjusted revenue from overlift rose 31% from \$572.3m in Q4'25 to \$748.7m in Q1'26, indicating a degree of timing-related support to topline performance. Revenue from crude oil rose by 54.25% (\$745.7m in Q1'26 vs \$483.4m in Q4'25), with crude contributing 88.70% to total revenue (vs 88.02% in Q4'25). This was driven by both volume and price effects, as oil volumes lifted increased by 17.57% (8.70 mmbbl vs 7.40 mmbbl) while realized prices surged 31.4% to \$86.16/bbl (vs \$65.57/bbl in Q4 2025), supported by heightened geopolitical tensions in the Middle East, particularly involving Iran, which provided a strong pricing backdrop for upstream earnings.

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Revenue from gas declined by 1.78% QoQ (\$44.2m in Q1'26 vs \$45m in Q4'25), driven by a 23.81% decline in gas volumes lifted (**12.80 Bscf** vs 16.80 Bscf) as lower production at OMLs 67, 68, 70, 104 (offshore) impacted numbers. This was partially offset by a 15.67% increase in realized gas prices (\$3.10 Q1'26 vs \$2.68 Q4'25), although not sufficient to prevent a decline in overall gas revenue, with gas contribution to total revenue easing to 8.19% from 5.25%, reflecting reduced volume throughput.

Growth was underpinned by exceptional performance in NGLs, with revenue increasing 144% QoQ and 927% YoY, alongside a 150% increase in volumes from Q4'25 to Q1'26. This was driven by improved processing efficiency at the East Area Project following the replacement of the Inlet Gas Exchanger, as well as increased contributions from the ANOH gas plant. Notably, this growth came despite a 2.39% decline in NGL prices (\$44.44 vs \$45.53), indicating that volume expansion outweighed pricing pressure, reinforcing the strategic importance of NGLs as a high-growth, higher-margin revenue stream.

## Margin expansion driven by higher revenue and cost discipline, with non-operating losses weighing on profitability

Seplat Energy reported a strong improvement in profitability in Q1 2026, with gross profit margin rising to 60.1% from 39.3% in Q4 2025, driven by higher revenue alongside relatively stable cost levels, reinforcing operating leverage. Consequently, adjusted EBITDA increased by 111.2% QoQ, reflecting improved operational efficiency and cost normalization, while operating profit rebounded sharply to \$213.5m, from a loss of \$35.7m in Q4 2025, supported by revenue recovery following prior disruptions.

Despite the strong top-line and margin expansion, overall profitability was pressured by non-operating items, as other income/loss deteriorated moving from a gain of \$30.9m in Q4 2025 to a loss of \$91.3m in Q1 2026, largely driven by elevated overlift-related costs (about \$92m). In addition, fair value losses widened by 164%, increasing from a loss of \$5.2m to \$13.8m, primarily due to higher hedging-related expenses amid oil price volatility. These factors collectively offset part of the operational gains, indicating that while core business performance strengthened, non-core losses weighed on overall profitability.

## Tax-driven profit compression masks underlying earnings strength despite solid operational momentum

Seplat Energy recorded an approximately 40% QoQ decline in profit in Q1 2026 despite stronger revenue, primarily due to the absence of the tax benefit recognized in Q4 2025. Income tax expense rose sharply, moving from a tax credit of \$136m (amid negative PBT) in Q4 2025 to a tax expense of \$127.6m in Q1 2026, significantly weighing on bottom-line performance. On a more normalized basis (year-on-year), profit after tax increased by 62% YoY from \$23.3m to \$37.9m, indicating underlying improvement in profitability when seasonal distortions are removed. While Q1 2026 reflected stronger revenue and margin dynamics, overall profitability was constrained by higher tax charges, suggesting that core earnings momentum remains intact despite near-term tax-driven volatility.

## Q2 2026 outlook supported by production recovery, gas ramp-up, and elevated oil price tailwinds

Looking ahead, Seplat Energy is expected to deliver a stronger operational performance in Q2 2026, supported by improving production uptime and a gradual recovery toward the upper end of FY 2026 production guidance of 135–155 kboepd. Production growth is expected to be driven by the restart of the Yoho platform, rising contribution from the ANOH gas plant, and continued success from the company's idle well restoration programme, while offshore assets are expected to remain the key production stabilizer as onshore operations normalize following the Trans Forcados Pipeline disruption experienced earlier in the year. Consequently, we maintain our FY 2026 liquids lifting forecast at **38.4 mmbbls**, compared to 35.4 mmbbl in FY 2025, supported by improved production stability from recovering onshore assets and resilient offshore operations. On the gas segment, we project gas sales volumes of **77.4 Bscf** in FY 2026, reflecting a full-year contribution from ANOH alongside stronger domestic gas offtake demand. Similarly, NGL production is projected to increase to **4.1 mmbbl** in FY 2026 from 1.2 mmbbl in FY 2025, supported by sustained operational efficiency at the East Area Project and increased processing capacity.

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Overall, we expect Seplat Energy's near-term earnings performance to improve on a quarterly basis, supported by continued operational recovery, improving production uptime, stronger liquids lifting, and increasing contribution from higher-margin NGL volumes following the normalization of onshore operations and sustained offshore stability. We maintain a base-case Brent assumption of \$80/bbl for FY 2026, supported by geopolitical tensions in the Middle East, ongoing supply-side disruptions across key producing regions, and slower-than-expected normalization in global crude supply. In addition, we expect increased crude purchases by countries seeking to rebuild and reinforce strategic petroleum reserves to further tighten market balances, keeping global oil demand above available supply levels. Given that, we project FY 2026 revenue to increase to **\$3.5 billion** from \$2.7 billion in FY 2025, driven primarily by stronger liquids realization, increased production volumes, and expanding gas processing contribution. Consequently, we forecast EBITDA to rise to **\$1.52 billion** in FY 2026 from \$1.27 billion in FY 2025, supported by improved revenue generation and stronger operating leverage. Profit after tax is projected to settle at **\$364 million** in FY 2026, compared to \$159 million in FY 2025, reflecting stronger earnings generation amid improved operational performance and higher contribution from liquids production.

We assign a **BUY** rating on Seplat Energy with a revised target price of ₦13,711.29 per share. Our valuation is based on a balanced 90:10 blend of a Net Asset Value (NAV) methodology and a Discounted Cash Flow (DCF) framework, reflecting both the intrinsic value of the company's expanded reserve base and its forward cash flow generation capacity. While the stock currently trades broadly around fair value at prevailing market levels, we believe Seplat Energy remains fundamentally attractive given its improving production profile, expanding gas contribution, resilient offshore operations, and strong exposure to a supportive oil price environment. Nonetheless, we expect the stock to remain relatively range-bound in the near term pending further operational catalysts and sustained production delivery.

Projections	2025A	2026F	2027F	2028F	2029F	2030F
Revenue	2,725,859	3,505,381	3,061,555	3,078,716	3,218,311	3,416,259
EBITDA	1,275,725	1,521,865	1,372,041	1,364,821	1,432,366	1,515,622
PBT	497,843	1,137,113	950,506	909,639	949,365	991,753
PAT	159,089	363,876	304,162	291,085	303,797	317,361

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