

*Nigeria's oil and gas sector enters H2 2026 against a backdrop of higher post-conflict oil prices, a gradual normalization in global energy markets and improving domestic production fundamentals. While stronger upstream output, rising gas utilization, and regulatory reforms support long-term growth prospects, higher crude prices, weak consumer purchasing power, and the growing dominance of Dangote Refinery continue to reshape the downstream landscape. This outlook examines the global and domestic forces likely to define sector performance through the remainder of 2026.*

### Global outlook

#### Higher energy prices from Middle East tensions weigh on global growth expectations

The Middle East conflict significantly weakened the global economic outlook in 2026 by disrupting energy markets and pushing oil prices higher, prompting the World Bank to revise its growth forecast downward to 2.5% from 2.6%, below the 2.9% expansion recorded in 2025. The surge in energy prices triggered inflationary pressures, unexpected interest rate hikes, and heightened sovereign debt vulnerabilities across several economies. Although tensions eased following the signing of the Islamabad Memorandum of Understanding (MoU) on 17 June 2026, with approximately 231 commodity vessels resuming transit through the Strait of Hormuz, supply conditions remain below pre-conflict levels. OPEC expects Gulf exports and production to recover gradually from a May low of 9.6 mb/d to around 12.0 mb/d, supported by ship-to-ship transfers in the Gulf of Oman, although demining operations and broader supply-chain normalization continue to delay a full recovery. Consequently, crude prices remain elevated relative to pre-war levels, with WTI trading at US\$69.22/bbl and Brent at US\$72.78/bbl, compared with pre-conflict ranges of US\$62.33–65.21/bbl and US\$66.87–70.85/bbl, respectively.

#### Global demand expectations remain mixed amid slowing economic activity

Against this backdrop, global oil demand expectations remain mixed. OPEC projects global oil demand to average 106.3 mb/d in 2026, representing an increase of approximately 970,000 b/d from 2025 levels. The organization attributes this outlook to resilient consumer spending, robust industrial activity, and continued growth across emerging markets, particularly non-OECD Asian economies such as India. However, the International Energy Agency (IEA) maintains a more conservative outlook, forecasting global demand of approximately 104.0 mb/d, implying a decline of 1.1 mb/d from prior levels. The IEA expects elevated fuel prices to trigger demand destruction, particularly in transportation and industrial sectors, while slower Chinese economic growth, weaker manufacturing activity, and the accelerating adoption of electric vehicles further constrain consumption.

We believe the IEA's projections appear more realistic under current conditions. China remains the world's largest crude importer, and its ongoing economic challenges continue to weigh on global energy demand. According to projections from the United Nations, global industrial activity is expected to slow by 2.7% in 2026, reflecting weaker consumer demand and rising input costs. This, combined with China's prolonged property downturn and softer manufacturing output, supports a more cautious demand outlook relative to OPEC's expectations.

#### Middle East disruptions continue to constrain global oil supply recovery

On the supply side, non-OPEC producers, particularly the United States, Brazil, Canada, and Argentina, continue to add incremental volumes to global markets. However, the IEA expects global oil supply to decline by 3.9 mb/d to 102.4 mb/d in 2026, rising modestly to 102.8 mb/d after incorporating the 140 million-barrel Iranian waiver, before recovering to 110.3 mb/d in 2027. The agency attributes the slower recovery to operational bottlenecks, extensive demining activities across key shipping

routes, and damaged refinery infrastructure, which are expected to delay full normalization until 2027. At the peak of the conflict, Gulf producers lost between 13.6 mb/d and 14.4 mb/d of output relative to pre-war levels as the closure of the Strait of Hormuz forced storage facilities to fill rapidly, resulting in widespread well shut-ins. Although the peace agreement has eased immediate geopolitical risks, significant operational and logistical challenges continue to constrain the pace of supply restoration.

## Inventory replenishment needs and refining constraints point to a modest market deficit

Global inventories also declined materially during the crisis, with OECD strategic petroleum reserves falling to multi-decade lows following coordinated emergency releases. Importantly, the IEA's demand projections do not fully incorporate the inventory replenishment requirements arising from the conflict. According to the agency, global inventories were depleted at an average pace of 3.8 mb/d over the approximately 123-day conflict period, implying a cumulative drawdown of roughly 467.4 million barrels. Given that supply conditions did not immediately normalize following the 17 June peace agreement, we estimate total inventory depletion at approximately 500 million barrels. Annualizing this replenishment requirement implies an additional 1.37 mb/d of demand in 2026. Consequently, adjusted global oil demand rises from the IEA baseline of 104.0 mb/d to 105.37 mb/d. When compared with adjusted supply of 102.8 mb/d, the market would remain in a net demand position of approximately **2.57 mb/d**.

Nevertheless, several factors could limit the extent to which this deficit materializes. According to Kpler and PetroChina's Planning and Engineering Institute, China's refined oil consumption is projected to decline by 6.4% in 2026, equivalent to approximately 22.15 million tonnes, which translates to an estimated 0.45 mb/d reduction in global oil demand. During the conflict, the IEA estimates that China reduced crude imports by 2.08 mb/d over the approximately 123-day conflict period, implying a cumulative shortfall of 255.84 million barrels. However, Kpler data suggest that only around 90 million barrels were withdrawn from inventories to sustain refinery operations while imports declined. In our view, China is unlikely to replenish the entire 255.84 million barrels in the near term, as an aggressive restocking programme would place further upward pressure on crude prices and increase domestic energy costs. Instead, we expect replenishment efforts to focus on restoring approximately 100 million barrels of critical inventories, equivalent to roughly **0.5 mb/d** over the remaining 180 days of 2026. This implies that around 155.84 million barrels, or approximately **0.87 mb/d** of potential demand, may not materialize during the remainder of the year.

Furthermore, global refining constraints are likely to limit the extent to which additional crude demand can be absorbed. The IEA projects global refinery throughput to average 82 mb/d in 2026, down from 84 mb/d in the previous year. Consequently, our framework removes **1.5 mb/d** from the initial demand adjustment to reflect the industry's reduced processing capacity and the practical limitations on inventory rebuilding.

After incorporating a more moderate Chinese inventory replenishment programme, which removes approximately **0.87 mb/d** of potential demand that we do not expect to materialize during the remainder of 2026, and adjusting for lower global refinery throughput of **1.5 mb/d** to reflect seasonal effects, operational flexibility, and weaker Chinese consumption, we estimate that the effective global oil market imbalance will narrow from our initial estimate of **2.57 mb/d** to a net demand position of approximately **0.20 mb/d** through the remainder of the year. Consequently, with a demand position of 0.20 mb/d, we do not expect crude prices to revert to pre-war levels. Accordingly, we now expect Brent crude to trade within a range of \$72–76/bbl,

revised downward from our previous expectation of \$75–80/bbl, while WTI crude is projected to average between \$71–73/bbl during H2 2026.

Nevertheless, our base-case forecast assumes that the current de-escalation in Middle East tensions is sustained. Any breakdown in the peace agreement or renewed disruptions across critical energy infrastructure and shipping routes could materially widen the global market deficit and reintroduce a substantial geopolitical premium into oil prices. In such circumstances, it would be difficult to dismiss the possibility of Brent crude moving back above \$80/bbl and potentially testing the \$100–120+/bbl range, particularly if supply losses across the Gulf region prove significant or prolonged. Although this remains a tail-risk scenario rather than our central case, it represents the principal upside risk to our H2 2026 oil price outlook.

## Upstream

### Nigeria's production recovery strengthens H2 2026 outlook

Nigeria enters H2 2026 with its strongest production momentum in over a year, having exceeded its 1.50 mbpd OPEC quota for the first time since January 2025. The recovery has been driven by improved pipeline security, higher infrastructure availability, stronger rig activity, and supportive regulatory reforms aimed at attracting upstream investment. While average crude production in 2025 stood at 1.45 mbpd, with total liquids averaging 1.64 mbpd, H1 2026 marked a significant turnaround after Q1 disruptions pushed output down from 1.45 mbpd in January to 1.31 mbpd in February, resulting in an estimated \$839 million in lost revenues during the first four months of the year. Production rebounded strongly in Q2, reaching 1.489 mbpd in April and 1.530 mbpd in May, equivalent to 102% compliance with Nigeria's OPEC allocation, while stable condensate production of 170,446 bpd lifted total liquids output to 1.70 mbpd, the highest level since July 2025

The improvement in output was broad-based across Nigeria's key export terminals. Bonny Terminal contributed approximately 293,870 bpd in May, followed by Forcados at 289,900 bpd and Qua Iboe at 173,360 bpd. The absence of significant outages on the Trans Niger Pipeline (TNP) and other critical evacuation infrastructure enabled operators to sustain production closer to installed capacity levels. From an OPEC perspective, Nigeria has effectively eliminated the persistent underperformance that characterized previous years. Pipeline availability has reportedly approached 100%, suggesting that spare production capacity could now range between 100–200 kbpd if current security conditions are sustained. Consequently, Nigeria has a high probability of maintaining production above its 1.50 mbpd quota through H2 2026 and could strengthen its case for a higher baseline allocation during future OPEC negotiations.

### Rising rig activity and policy reforms support medium-term production growth

Nigeria's medium-term production outlook continues to improve, supported by rising rig activity and ongoing regulatory reforms aimed at accelerating upstream investment. The 2026 Oil and Gas Licensing Round, scheduled for Q3 2026, has attracted interest from over 300 companies across approximately 50 available blocks, providing a strong pipeline for future exploration and development spending. Although most new production volumes are expected from 2027 onward, NUPRC's digital initiatives, including the Petroleum Industry Licensing and Leasing (PILL) platform, faster approval processes, and efforts to secure cheaper financing, could unlock an additional 50–100 kbpd over the medium term. More importantly, rig activity continues to signal improving industry fundamentals. NUPRC data show that Nigeria's rig fleet remained stable at 72–73 rigs during H1 2026, while active rigs increased to 31 units in March and strengthened further in Q2. Broader industry estimates indicate that active rig counts have risen from roughly 40 rigs in 2023 to about 55 rigs by mid-2026, reflecting stronger investor confidence, higher capital deployment, and improving operational economics across the upstream sector.

## Strong fundamentals support a constructive H2 2026 production outlook

Our base-case scenario assumes manageable maintenance activities and limited operational disruptions, supporting crude oil production of **1.50–1.60 mbpd** and total liquids output of 1.70–1.80 mbpd during H2 2026. Under a more optimistic scenario, improved pipeline security, near-zero crude theft, and the reactivation of shut-in wells could lift crude production to **1.70–1.80 mbpd** by year-end, potentially strengthening Nigeria's case for higher OPEC allocations in 2027. Conversely, renewed security challenges or major infrastructure disruptions could pull output back to **1.30–1.40 mbpd**, although current trends suggest this remains a low-probability outcome. Overall, we assign a greater than 75% probability that Nigeria sustains or exceeds its 1.50 mbpd OPEC quota throughout H2 2026, supported by stronger security architecture, rising rig utilization, active farm-out programmes, new licensing rounds, fiscal incentives, and ongoing regulatory reforms, providing a constructive outlook for production growth in H2 2026 and beyond.

## Midstream

### Rising domestic gas utilization underpins H2 2026 earnings growth

Beyond crude oil, Nigeria's gas sector is expected to maintain strong momentum through H2 2026, supported by rising domestic demand, improved processing capacity, and ongoing infrastructure investments. Unlike crude oil, gas production remains unconstrained by OPEC quotas, providing significant growth opportunities for indigenous upstream operators. Key projects, including the 300 MMscfd ANOH Gas Processing Plant and the 2.2 Bscf/d Ajaokuta-Kaduna-Kano (AKK) Pipeline, are expected to strengthen domestic utilization and evacuation capacity over the medium term. The improving economics of the sector are already reflected in operators' performance, with Seplat Energy projecting gas sales volumes of 77.4 Bscf in FY 2026, alongside NGL production of 4.1 million barrels, up from 1.2 million barrels in FY 2025, driven by ANOH and stronger domestic offtake. Similarly, Aradel reported a 58.6% YoY increase in average gas production to 51.4 MMscfd in FY 2025, underscoring the growing importance of gas and gas-linked revenues within Nigeria's upstream industry.

These developments underscore a broader structural shift within the upstream sector, where producers are increasingly leveraging gas assets to diversify earnings and reduce exposure to OPEC-related crude oil constraints. The ongoing repricing of legacy gas contracts, stronger domestic gas prices, and increased investment in processing infrastructure are expected to further enhance returns from gas assets through H2 2026. Additional upside stems from continued progress on NLNG Train-7, which is expected to increase Nigeria's LNG capacity from 22 MTPA to 30 MTPA upon completion, strengthening long-term feedgas demand and export opportunities. Likewise, continued implementation of the Petroleum Industry Act and gas-focused infrastructure investments should support further capital deployment across the upstream and midstream segments.

Our base case assumes stronger domestic gas utilisation, stable realised gas prices around current levels, and incremental contributions from new processing infrastructure through H2 2026. Under this scenario, companies with established gas businesses and integrated processing assets are expected to outperform, with gas increasingly evolving from a supplementary revenue stream into a core driver of earnings growth across Nigeria's oil and gas sector

## Downstream

### Elevated crude prices and weaker consumer demand keep downstream outlook cautious

Our base-case Brent assumption of US\$72–76/bbl suggests a challenging H2 2026 environment for downstream operators, as higher feedstock costs and rising retail fuel prices continue to pressure margins and working capital requirements. While

petroleum products remain relatively inelastic, weaker consumer purchasing power is expected to constrain volume growth, prompting marketers to prioritize cost optimization and balance sheet discipline. PMS demand, however, showed a strong recovery in 2025, averaging 52.15 million litres per day (ml/d) compared with 47.65 ml/d in 2024, with December consumption reaching 63.7 ml/d. The momentum carried into early 2026, with consumption at 60.32 ml/d in January and 56.9 ml/d in February, before higher global oil prices reversed part of the gains. PMS demand subsequently declined by 8.16% YoY to 47.3 ml/d in March 2026, followed by further contractions of 7.43% YoY and 7.58% YoY in April and May, respectively, underscoring the sensitivity of domestic consumption to sustained price increases despite improving local refining capacity and supply conditions.

Although we do not expect average PMS consumption in 2026 to fall below 2024 levels, we anticipate volumes to moderate relative to the 2025 average as elevated crude oil prices continue to filter through to domestic pump prices. Retail PMS prices, which traded around ₦935–₦945/litre in February 2026, rose sharply to above ₦1,330/litre by April and May before easing to approximately ₦1,195/litre towards the end of June. Given the relatively inelastic nature of fuel demand, we do not expect a significant collapse in consumption, however, sustained price pressures are likely to constrain further volume growth in H2 2026. Consequently, we maintain a cautious outlook on downstream marketers, particularly those with sizeable debt obligations and working capital requirements, as higher inventory costs, elevated financing expenses, and softer demand conditions could continue to pressure margins despite improving domestic product availability from local refineries.

### **Supply-side improvements provide partial support to H2 2026 consumption outlook**

Despite our expectation that fuel consumption will remain below 2025 averages, we recognize that stronger domestic supply conditions could partially offset the impact of higher retail prices. Improved crude production and refinery utilization have enhanced product availability across the country, supporting a more balanced demand outlook. Nevertheless, given prevailing pump prices and weak consumer purchasing power, we assign a 55% probability to industry consumption remaining below 2025 levels, versus a 45% probability that supply-side gains lift volumes above last year's average. Within this context, Dangote Refinery remains the dominant force in Nigeria's downstream market. Following the expansion of its vacuum gas oil (VGO) units, effective processing capacity has increased to approximately 700 kbpd, enabling the refinery to produce 53.6 million litres of PMS daily against domestic demand of 50.0–51.1 million litres, 23.6–24.5 million litres of diesel versus demand of 14 million litres, and 21.9–22.9 million litres of aviation fuel and kerosene compared with local requirements of 3.6–4.0 million litres, comfortably meeting domestic needs while sustaining significant export volumes.

Feedstock availability is expected to improve further in H2 2026 as Nigeria's crude production stabilizes within our base-case range of 1.50–1.60 mbpd. Beyond supporting upstream earnings, stronger domestic crude production also improves the effectiveness of the Domestic Crude Supply Obligation (DCSO) framework by increasing the availability of local feedstock for Nigerian refiners and reducing dependence on imports. Current industry estimates indicate that domestic crude accounts for roughly 46.7% of Dangote Refinery's requirements, with NNPC supplying about seven cargoes per month compared with the refinery's estimated demand of at least 15 cargoes. If domestic production continues to recover, this share could rise to between 56% and 66% over the medium term. Greater access to locally produced crude would reduce transportation and logistics costs, and improve refining margins relative to imported alternatives.

## H2 2026 Outlook | SEPLAT: Operational recovery and gas expansion support stronger FY 2026 earnings outlook

Seplat Energy delivered a solid operational recovery in Q1 2026, with production increasing 9% QoQ to 129.8 kboepd from 119.2 kboepd in Q4 2025, despite a marginal 1% YoY decline caused by the Yoho shutdown and disruptions on the Trans Forcados Pipeline. The improvement was largely driven by resilient offshore operations, where output rose 25% QoQ to 79.1 kboepd, supported by stronger crude production and exceptional growth in NGL volumes following the East Area Project upgrade and higher LPG liftings at the Bonny River Terminal. NGL production surged to 9.8 kbpd, increasing its contribution to revenue to 6.1% from 3.8% in the previous quarter, highlighting the growing importance of higher-margin gas liquids within the portfolio. Conversely, gas production declined 9.5% QoQ to 40 mmscfd, leading to a 24% reduction in gas volumes lifted to 12.8 Bscf, as softer output from key offshore assets weighed on performance. Nevertheless, stronger crude prices and recovering volumes drove revenue higher by 53% QoQ to US\$840.7 million, underscoring the company's improving operational momentum and the benefits of its increasingly diversified production mix despite persistent infrastructure constraints.

### H2 2026 outlook

Looking ahead, we expect Seplat Energy's operational performance to strengthen further in 2026, supported by the restart of the Yoho platform, increasing contribution from the ANOH gas plant, and continued success from its idle well restoration programme, with production expected to trend toward the upper end of management's 135–155 kboepd guidance range. We maintain our FY 2026 forecasts for liquids liftings at 38.4 mmbbls (FY 2025: 35.4 mmbbls), gas sales volumes at 77.4 Bscf, and NGL production at 4.1 mmbbls (FY 2025: 1.2 mmbbls), reflecting stronger operational stability, higher gas processing capacity, and growing monetization of higher-margin NGLs. We project FY 2026 revenue of US\$3.5 billion, EBITDA of \$1.52 billion, and profit after tax of \$364 million, compared with \$2.7 billion, \$1.27 billion, and \$159 million, respectively, in FY 2025. We therefore maintain our **BUY** recommendation on Seplat Energy with a target price of **₦13,711.29** per share, underpinned by its improving production outlook, resilient offshore operations, expanding gas business, and robust long-term cash flow generation potential.

Projections \$('000)	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

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

## H2 2026 Outlook | Aradel: ND Western Limited consolidation transforms Aradel's earnings profile but margins remain under pressure

Following the completion of Aradel Holding's additional 40% acquisition in ND Western, Aradel increased its effective ownership in NDW to 81.67% and its stake in Renaissance Africa Energy to 53.3%, marking the company's first full quarter of earnings under the enlarged group structure. Consequently, Aradel delivered a transformational Q1 2026 performance, with revenue surging 301% YoY and 380% QoQ to \$526.5 million from \$131.4 million in Q1 2025 and US\$109.7 million in Q4 2025. The enlarged group averaged 141.1 kboepd, representing a 672% YoY increase, driven by the inclusion of NDW and Renaissance volumes, with crude oil production rising 276% YoY to 56.5 kbpd and gas production surging 2,503% to 507.7 MMscfd, supported by gas plant revamps, improved pipeline availability, and sustained customer demand.

The acquisition has materially reshaped Aradel's revenue profile, with crude oil contributing 66.5% (\$350.2 million) of Q1 2026 revenue compared with 71.1% (\$93.4 million) in Q1 2025, while gas expanded significantly to 25.8% (\$135.8 million) from just 2.2% (\$2.9 million), reinforcing the company's transition toward a more gas-oriented upstream portfolio. Refined products accounted for the remaining 7.7% (\$40.5 million) versus 26.7% (\$35.1 million) in the prior year, as a 21% decline in average daily refined production to 698.3 kltrs, driven by feedstock constraints and weaker offtake, was partly offset by stronger realized prices. Cost pressures also reflected the enlarged operating base, with royalties and statutory expenses accounting for 37.7% of total cost of sales, followed by depreciation and amortisation (33.3%), operational and maintenance expenses (20.1%), and crude handling charges (10.9%), highlighting the structurally higher cost profile associated with the acquired assets and the integration of a significantly larger production portfolio.

Consequently, gross profit increased to \$289.9 million, although gross margin moderated to 54.9% from 57.1% in Q1 2025. Other income of \$150.9 million, comprising \$90.5 million in overlift income and \$52.6 million in crude-handling fees, provided a substantial boost to reported earnings, however, after normalizing for these largely non-recurring items, PBT margin declined to 10.3% in Q1 2026 from 39.5% in Q1 2025, while normalized PAT margin moderated to 4.4% from 23.1% YoY, suggesting that the benefits of scale are being absorbed through a larger cost structure and integration-related expenses. Meanwhile, finance costs increased to \$73.6 million, reflecting borrowings associated with the NDW acquisition and resulting in a net finance loss of \$64.4 million during the quarter. Overall, the results demonstrate the significant expansion in Aradel's production and gas exposure following the acquisitions, while also highlighting the near-term margin and financing pressures associated with integrating a substantially larger asset portfolio.

### H2 2026 outlook

FY 2026 performance is expected to be largely driven by the full-year consolidation of ND Western and Aradel's indirect exposure to Renaissance Africa Energy, which have significantly expanded the company's asset base and increased total reserves to 664.7 mmbae, according to management's fact sheet. The enlarged portfolio is also expected to accelerate Aradel's transition toward a more gas-oriented upstream business, with gas accounting for a growing share of production and reserves over the medium term. Consequently, we forecast total production to average 175.4 kboepd in FY 2026, comprising 71.9 kbpd of crude oil and 621 MMscfd of gas, supported by stronger domestic gas demand, improved infrastructure, and the full-year contribution of the acquired assets. Based on our \$77/bbl Brent assumption, we project crude oil revenue of \$1.51 billion, while gas revenue is expected to reach \$399.9 million, reinforcing the increasing importance of gas monetization within the group's earnings profile. We also expect the higher operating scale observed in Q1 2026 to persist through the year, with total costs rising to \$709.3 million from \$206.5 million in FY 2025, reflecting elevated royalties, operating expenses, and maintenance

Rating	BUY
NGX Ticker	ARADEL
Bloomberg Ticker	ARADEL NL
Target Price	₦1,959.89
Company statistics (Q1' 26)	
Return on Average Asset	1.33%
PAT Margin	16.51%
Debt Ratio	19.65%
Market cap	₦6.5trillion

# Zedcrest Research

requirements associated with the enlarged production base. Nevertheless, stronger volumes and improved earnings diversification should support EBITDA of \$594 million in FY 2026, compared with \$278.3 million in FY 2025, while profit before tax is projected at \$398.7 million (FY 2025: \$291.5 million) and profit after tax at \$279.7 million (FY 2025: \$238.6 million). We maintain a BUY recommendation on Aradel Holdings with a target price of **₦1,959.89 per share**, based on a 65:35 blend of Net Asset Value (NAV) and Discounted Cash Flow (DCF) methodologies, as we believe the market has largely priced in the benefits of the NDW acquisition, the expanded reserve base, and the company's longer-term growth prospects.

Projections \$(000)	2025A	2026F	2027F	2028F	2029F	2030F
Revenue	461,031	1,509,187	1,591,875	1,737,683	1,837,404	2,059,003
EBITDA	278,324	594,434	812,450	858,512	872,657	961,919
PBT	291,482	398,713	647,377	668,535	667,828	736,360
PAT	238,604	279,722	494,322	508,917	495,614	556,430

## H2 2026 Outlook | Total: Margin recovery and domestic sourcing support earnings stabilization in 2026

TotalEnergies Marketing Nigeria delivered a modest operational recovery in Q1 2026, with revenue rising 9.5% QoQ to ₦197.1 billion from ₦180.0 billion in Q4 2025, although still 11.0% below Q1 2025 levels, reflecting persistent demand destruction from elevated fuel prices. The recovery remained largely price-driven, as PMS prices increased 8.3% QoQ to an average of ₦945/litre from ₦872/litre, with prices peaking at ₦1,249/litre in March 2026. Revenue mix continued to shift toward higher-margin segments, with white products contributing 65.7% of revenue, down from 71.1% in Q4 2025, while lubricants and other products increased their share to 34.3% from 28.9%, highlighting the growing importance of less price-sensitive industrial and B2B demand channels. Profitability improved significantly as cost of sales rose by only 4.0% QoQ, well below revenue growth, supported by better inventory management and increased domestic sourcing from the Dangote Refinery, which reduced logistics and financing costs. Consequently, gross margin expanded to 13.7% from 9.1%, while EBITDA increased 33.6% QoQ to ₦10.0 billion, lifting the EBITDA margin to 5.1% from 4.2%. Finance costs also declined 6.0% QoQ to ₦4.77 billion despite higher short-term borrowings, reflecting faster inventory turnover and a more efficient working-capital structure. As a result, the company returned to profitability, with PBT improving to ₦1.9 billion from a ₦580.6 million loss in Q4 2025 and PAT rebounding to ₦1.17 billion from a ₦3.0 billion loss, while inventory levels declined 26.8% QoQ to ₦97.7 billion, reinforcing the transition toward a leaner, domestically sourced supply model. Nevertheless, balance-sheet pressures remain, with shareholders' funds down 41% YoY to ₦44.2 billion, cash balances falling to ₦43.3 billion, and short-term borrowings rising 18.8% QoQ to ₦101 billion, suggesting that despite improving operations, liquidity constraints and higher funding requirements continue to weigh on the company's longer-term valuation outlook.

### 2026 outlook

We expect firmer crude oil prices to keep domestic PMS prices relatively high in FY 2026, supporting nominal revenue growth but limiting a broad-based recovery in fuel consumption due to persistent consumer sensitivity to higher prices. While retail demand remains fragile, we expect resilient B2B demand from telecommunications, manufacturing, logistics, aviation, and other industrial users to continue supporting sales volumes, particularly for diesel and lubricants. Consequently, lubricants and other higher-margin products should remain key earnings stabilizers as white product growth moderates. Reflecting these dynamics, we have revised our FY 2026 revenue forecast lower to ₦775.5 billion, representing 1.0% YoY growth from ₦767.6 billion in FY 2025, compared with our previous expectation of ₦830–850 billion. We forecast gross margin to average 10–11%, EBITDA margin to stabilize at 3.96%, and profit after tax to recover to ₦3.3 billion from a ₦17.2 billion loss in FY 2025. Despite improving operational efficiency and a return to profitability, we believe current market valuations already reflect much of the near-term recovery amid a still challenging macroeconomic backdrop, higher funding requirements, and structurally weak consumer demand. Accordingly, we maintain our **SELL recommendation** on TotalEnergies Marketing Nigeria Plc, with a revised target price of ₦278.38 per share, implying a downside from the prevailing market price.

Rating	SELL
NGX Ticker	TOTAL
Bloomberg Ticker	TOTAL NL
Target Price	₦278.38
Company statistics (Q1' 26)	
Return on Average Asset	0.31%
PAT Margin	0.59%
Debt Ratio	13.54%
Market cap	₦ 217.26 billion

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Income statement (N'million)	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	767,634	775,544	802,856	831,875	862,199	893,471
Gross profit	82,074	84,540	86,679	90,246	93,311	96,812
EBITDA	22,141	30,719	33,298	33,258	33,577	34,112
Profit before tax	- 12,500	4,004	7,598	8,894	16,432	16,104
Profit after tax	- 17,178	3,286	6,450	7,891	15,082	15,617

## H2 2026 Outlook | Conoil: Margin resilience supports earnings growth despite weak volume recovery

Conoil Plc delivered a recovery in Q1 2026, with gross profit rising by 99.6% YoY to ₦10.61 billion despite a 9.8% decline in revenue to ₦71.45 billion. The improvement was largely driven by a lower cost of sales ratio and enhanced operating efficiency, which lifted gross margin to 14.9% from 6.7% in Q1 2025. Consequently, EBITDA expanded by 192.6% YoY to ₦8.67 billion, offsetting the impact of a 79.2% increase in finance costs to ₦4.10 billion. The performance underscores the company's ability to protect margins amid a challenging downstream operating environment and follows a relatively softer FY 2025, when full-year revenue declined by 6.6% to ₦301.7 billion, reflecting weaker petroleum product volumes and heightened consumer sensitivity to elevated pump prices.

### 2026 outlook

For FY 2026, we project revenue of ₦303.3 billion, representing a marginal increase from ₦301.7 billion in FY 2025, as weak consumer purchasing power and elevated fuel costs continue to constrain a meaningful recovery in sales volumes despite improved product availability. Gross profit is forecast to rise by 7.0% YoY to ₦24.3 billion from ₦22.7 billion, while EBITDA is expected to increase by 5.2% YoY to ₦15.0 billion from ₦14.3 billion, reflecting sustained margin resilience and operational efficiency. We also project profit before tax to improve by 47.3% YoY to ₦3.9 billion from ₦2.7 billion, while profit after tax is expected to advance by 42.1% YoY to ₦3.1 billion from ₦2.2 billion, notwithstanding elevated finance costs and persistent working-capital pressures. Consequently, we maintain our **SELL recommendation** on Conoil with a target price of **₦125.23 per share**, reflecting limited upside potential from current market levels despite the company's resilient earnings profile and strong competitive position within Nigeria's downstream petroleum industry. Persistent demand pressures and elevated financing costs are also expected to moderate earnings growth going forward.

Rating	SELL
NGX Ticker	CONOIL
Bloomberg Ticker	CONOIL NL
Target Price	₦125.23
Company statistics (Q1' 26)	
Return on Average Asset	2.81%
PAT Margin	5.45%
Debt Ratio	68.72%
Market cap	₦145billion

Income Statement (N'000)	2025A	2026F	2027F	2028F	2029F	2030F
Revenue	301,720,553	303,320,525	305,809,507	311,861,905	330,145,787	349,518,145
Gross profit	22,677,716	24,265,642	27,019,360	26,417,714	27,057,763	28,673,179
EBITDA	14,260,436	14,995,317	16,429,360	16,680,435	16,551,676	17,758,747
PBT	2,677,669	3,942,773	10,916,489	12,062,657	12,479,047	13,352,348
PAT	2,178,497	3,095,207	8,625,438	9,569,994	9,903,571	10,617,026

# Zedcrest Research

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# Zedcrest Research

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