27 March 2025

Tullow Oil

Initiation – deleveraging targets well within sight

Current price
14p

TICKER
TLW

Market Cap
£204m

Net debt (31 Dec 2024)
US$1.45bn (US$1.15 proforma)

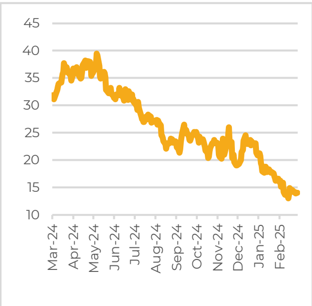
Free Float
82%

3mo Av. Daily Volume
6.7m

Brokers
Barclays
Peel Hunt

Index
FTSE All-Share

Share Price Performance



Source: Bloomberg

Tullow is an independent energy company with deep operating experience building a better future through responsible oil and gas development in Africa.

Colin Smith
+44 20 7082 5522

Email the Analyst

Leading West African deep-water oil and gas operator

Tullow operates the Jubilee and TEN oil fields offshore Ghana and has just announced the sale of its Gabonese assets for US$300m. Current production and reserves are a substantial c55kboed and 165mmboe, including Gabon. Following a disciplined re-focusing of the business and the sale of its Gabonese assets, the company's de-leveraging targets of net debt under US$1bn and leverage under 1x are well within sight with further options to accelerate the process. Tullow has now returned to sustained profitability from 2024, we forecast. We calculate a risked NAV10 valuation of 56p/share of which core NAV represents 49p/share which compares with the current share price of 14p while, on consensus forecasts, Tullow is trading at a 22% discount to the average for peers on EV/EBITDA and a 21% discount on EV/NCG for 2025.

Tullow is nearing the end of a long road repairing an over-leveraged balance sheet with net debt halved to US$1.45bn and leverage cut to 1.3x as at YE24. On a pro forma basis, net of the Gabon disposal, net debt was US$1.15bn with leverage at 1.2x. Besides Gabon, the most obvious further disposal candidate is the residual right to royalties from Tullow's former Ugandan assets, for which we calculate an unrisked NPV10 valuation of US$368m.

Given the relatively high level of net debt to the value of the producing assets, we expect any significant reduction in outstanding net debt to be substantially reflected in equity value.

On our flat US$75/bbl Brent forecast we project average net profit of cUS$215m pa with net debt around target by YE25 and leverage near target by YE27, absent acceleration from any further disposals. Besides its 2P reserves, Tullow has one-and-a-half times its 2P reserves in 2C resources associated with its Ghanaian assets, providing significant opportunity to mature resources to reserves together with nearly 500mmbbl of 2C resources in Kenya.

Tullow is currently recruiting for a new CEO who will take over a company which has been stabilised financially and put on a much more reliable operational footing. The company has and is fulfilling two of its three strategic themes of operational excellence and capital efficiency, putting it in position to target the third theme of business growth based on the reputation it has built over the last four years under Rahul Dhir.

Besides the quality of the asset base, the low rating, and potential to cut debt further, Kosmos flirted with a potential bid for Tullow at the end of last year. At Tullow's current rating and a risked NAV, a fraction of the current share price, further bid interest cannot be ruled out.

At a glance (Yr to Dec)	Production (kboed)	Net profit (US$m)	Net debt (US$m)	Leverage (x)	P/E[1] (x)	EV/Debt Adj CF[1] (x)
FY23A	62.7	(109.6)	1,608.4	1.4	n/a	2.6
FY24A	61.2	54.6	1,452.3	1.3	10.1	2.7
FY25E	45.1	237.3	1,028.0	1.3	1.1	2.0
FY26E	45.6	163.4	1,045.6	1.3	1.6	1.8
FY27E	45.9	226.0	857.4	1.0	1.1	1.6

Source: Bloomberg, Tullow, CAG Research. 1) Uses annual averages for historic share price and EV data.

Contents

Investment thesis

Tullow is a West African oil and gas producer with c55kboed of production and 165mmboe of 2P reserves, including Gabon. Following disciplined action to repair an over-leveraged balance sheet and the announced sale of its Gabonese assets for US$300m, the company is closing in on its target of under US$1bn in net debt with leverage below 1x. We expect further debt reduction is likely to be substantially reflected in equity value. On our forecasts, Tullow has now returned to sustained profitability for the first time since 2018. We calculate a total risked Net Asset Value (NAV) of 56p/share with core NAV of 49p/share at US$75/bbl Brent, multiples above the current share price, while the company trades on discounted ratings relative to peers.

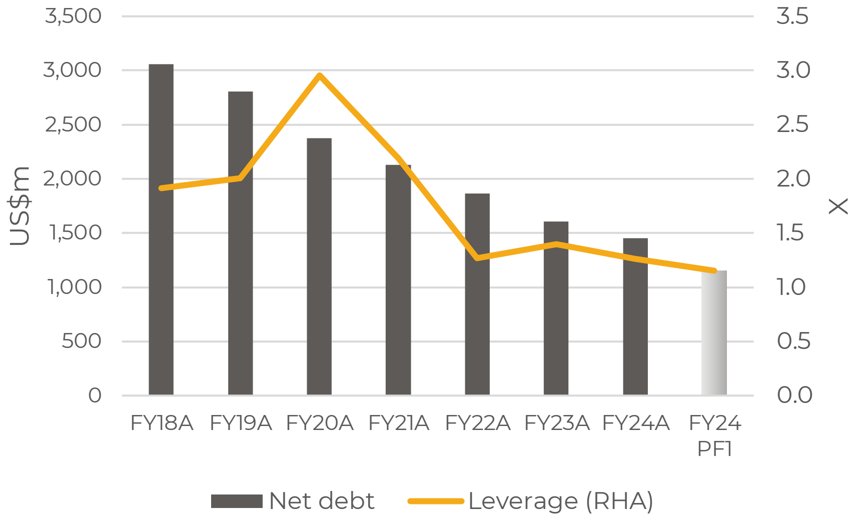
Tullow is an African focused oil and gas production company whose principal assets are interests in the producing Jubilee and TEN fields, offshore Ghana together with c9kbd from its Gabonese assets the sale of which has just been announced for US$300m.

Net Working Interest (WI) production in 2025 is expected to be 50-55kboed, including Gabon, of which around 90% is oil and the company had 165mmboe of proven and probable (2P) reserves together with c700mmboe of 2C contingent resource at YE24. The Gabonese portfolio accounts for c36mmbbl of the 2P reserves.

Tullow has a strong focus on responsible and sustainable operations in contributing to Africa's energy future.

Tullow is nearing the end of a long road repairing an over-leveraged balance sheet that has involved harsh cost cutting, disposals, cleaning up the balance sheet, and a pivot to an absolute focus on extracting the most value from its slimmed down asset portfolio. That has resulted in a halving in net debt and a near-halving in leverage to US$1.45bn and 1.3x respectively as of the end of 2024. On a pro forma basis, net of the Gabon disposal, net debt was US$1.15bn with leverage at 1.2x (Figure 1).

Figure 1: Reduction in net debt and leverage



Source: Tullow, CAG Research. 1) Pro forma for sale of Gabon assets.

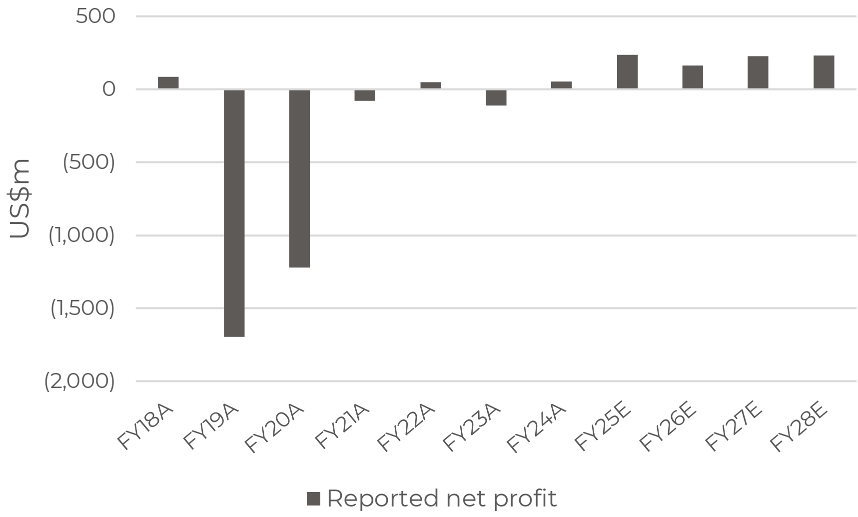
Tullow is targeting net debt of under US$1bn and leverage (net debt excluding leases/adjusted earnings before interest, tax, depletion, and exploration expense (EBITDAX)) of under 1x.

Besides the announced sale of the Gabonese portfolio, Tullow has further options to accelerate the deleveraging process, of which the most obvious is the company's residual right to royalties from the Ugandan assets it sold in 2020 (see Option upsides). We calculate a net present value for these royalty rights on a 10% discount rate (NPV10) of US$368m unrisked and US$129m risked, equivalent to more than half the current market capitalisation.

We expect further debt reduction is likely to be substantially reflected in equity value.

Tullow returned to profitability in 2024 on what we expect will prove to be a sustained basis for the first time since 2018 (Figure 2).

Figure 2: Return to profitability



Source: Tullow, CAG Research.

Free cash flow generation is also set to benefit from a continuing reduction in decommissioning expenditure and a reduction of over US$100m pa in net capital lease repayment costs, once the lease on the TEN Floating Production, Storage, and Offloading (FPSO) vessel is paid off in 2026/27.

On our flat US$75/bbl Brent forecast (see [Oil market outlook]) and based on the asset level operating parameters which drive our NAV calculations, we forecast ongoing net profit averaging cUS$215m pa through 2028 with net debt around US$1bn by YE25 and leverage near target in 2027, absent acceleration from any further disposals (Figure 3 and see [Financials]).

Figure 3: Financial highlights

Highlight	Unit	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
Brent	US$/bbl	82.2	80.3	75.0	75.0	75.0	75.0
Production	kboed	62.7	61.2	45.1	45.6	45.9	43.5
Revenue	US$m	1,634	1,535	1,063	1,076	1,085	1,024
Pre-tax profit	US$m	96	322	419	320	389	386
Net profit	US$m	(110)	55	237	163	226	233
EPS	USc	8.7	11.6	9.2	11.9	16.2	16.7
Net cash generation	US$m	876	759	693	648	653	619
Adj EBITDAX	US$m	1,151	1,152	817	828	833	778
Net debt	US$m	1,608	1,452	1,028	1,046	857	562
Leverage	X	1.4	1.3	1.3	1.3	1.0	0.7

Source: Bloomberg, Tullow, CAG Research.

In terms of sensitivity, our calculations suggest Tullow remains profitable down to around US$64/bbl Brent with net debt flat to falling at US$70/bbl and leverage only becoming a significant issue at a sustained US$60/bbl, excluding any mitigating actions Tullow may take were oil prices to remain at that level for an extended period.

We approach valuation both from a field level net asset value calculation, as is traditional for UK exploration and production companies, but also from a multiples' perspective against peers, with a focus on cash-based multiples.

Assuming the Gabon disposal completes, we calculate a fully risked NAV valuation on a 10% discount rate (NAV10) of 56p/share and 74p/share, unrisked including a risked core value of 49p/share, multiples of the current share price of 14p/share (Figure 4 and see Valuation).

Figure 4: Short form NAV10

Location	Total mmboe	Risked NAV (p/share)	Unrisked NAV (p/share)
Ghana	189	116	116
Côte d'Ivoire	1	(1)	(1)
Producing fields	**191**	**115**	**115**
Net (debt)/cash FY24[1]		(62)	(62)
Gash G&A (2 years)		(4)	(4)
Corporate		**(66)**	**(66)**
Core NAV	**191**	**49**	**49**
Uganda royalty		7	20
Kenya	470	1	5
Guyana residual		0	0
Tangible NAV	**661**	**56**	**74**
Exploration prospects	0	0	0
All sources NAV	**661**	**56**	**74**

Source: Tullow, CAG Research. 1) Pro forma net of Gabon disposal.

On our current forecast, adjusted for the sale of Gabon, Tullow is trading on very modest looking prospective P/E, debt adjusted cash flow, and EV/Adjusted EBITDAX multiples of 2x or less and approaching 1x by 2028 while generating positive free cash flow net of investment averaging US$215m pa through 2028, including the Gabon disposal proceeds (Figure 5).

Figure 5: Valuation multiples – base case US$75/bbl Brent

		FY23A[1]	FY24A[1]	FY25E	FY26E	FY27E	FY28E
P/E	X	n/a	10.1	1.1	1.6	1.1	1.1
Debt adj CF multiple	X	2.6	2.7	2.0	1.8	1.6	1.3
EV/Adj EBITDAX	X	2.4	2.2	2.0	1.8	1.5	1.1
Free cash flow	US$m	168	153	393	(18)	188	295

Source: Bloomberg, Tullow, CAG Research. 1) Uses annual averages for historic share price and EV data.

Tullow also looks lowly rated against UK listed peer companies weighted to African or other emerging market exposure, although it does not currently offer a dividend.

Based on Bloomberg consensus, Figure 6 shows that Tullow is trading at a 22% discount to the average for peers on EV/EBITDA and a 21% discount on EV/Net Cash Generation (NCG) for 2025, consistent with it trading on amongst the lowest ratings of peers.

Figure 6: Peer comparatives

Company	Mkt cap (£m)	EV/FY25 EBITDA	EV/FY25 NCG[1]	Dividend yield[2]
Tullow (consensus)[3]	**204**	**2.0**	**2.7**	**0.0%**
Kosmos	846	3.8	6.6	0.0%
Energean	1,496	4.2	6.5	11.4%
VAALCO	311	1.8	2.1	8.2%
PetroTal	344	1.3	1.9	13.8%
Gulf Keystone	440	4.0	3.6	7.9%
Genel	194	2.5	2.1	0.0%
Capricorn	173	2.3	2.7	25.2%
Pharos Energy	79	1.1	1.5	5.8%
Average exc Tullow		**2.6**	**3.4**	**9.0%**

Source: Bloomberg, Tullow, CAG Research. 1) Net cash generation; 2) Figures include buybacks where relevant. 3) Not adjusted for Gabon sale.

Tullow is currently recruiting for a new CEO, following the resignation of Rahul Dhir, who took over the reigns in 2020, following the enforced resignation of the previous management.

The new CEO will take over a company which has been stabilised financially and put onto a much more reliable operational footing. Leverage is still above target, but Tullow has further options to address that and a key objective this year is to refinance its capital structure. There are still some clouds to navigate, including two remaining tax claims from the Ghanaian authorities (see Risks) but it is to be hoped that the recent arbitration award in Tullow's favour will accelerate a solution on a mutually acceptable basis.

During Mr Dhir's tenure, Tullow has demonstrated intent to inject a clearer growth element into the story, including a potential combination with Capricorn Energy and it pre-empted Oxy's sale of its interests in the Jubilee and TEN fields to Kosmos. For the right opportunity, we believe Tullow would be in a strong position to leverage its current reputation as a reliable operator in Africa with proven offshore capability.

Besides the quality of the asset base, the low rating, and potential to cut debt further, Kosmos flirted with a potential bid for Tullow at the end of last year. At the company's current rating and a risked NAV well above the current share price, further bid interest cannot be ruled out.

Purpose, opportunity, and strategy

Tullow's purpose is to build a better future through responsible oil and gas development in Africa. Following a disciplined transformation, Tullow's balance sheet has been brought under control. The Tullow of today has and is fulfilling two of its three strategic themes of operational excellence and capital efficiency, putting it in position to target the third theme of business growth based on the reputation it has built over the last four years. The company is currently seeking a new CEO, but we expect any changes in strategy are likely to be more of nuance than fundamental.

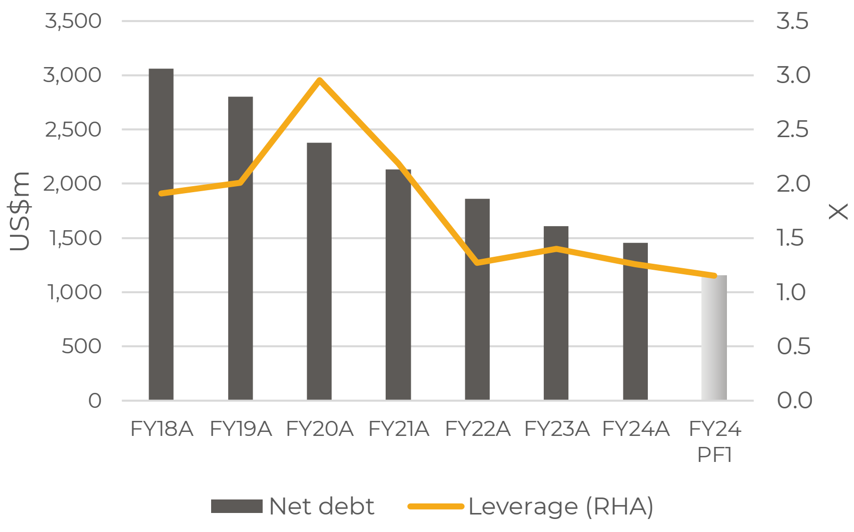
Tullow's purpose under former CEO, Rahul Dhir, is to build a better future through responsible oil and gas development in Africa.

Mr Dhir was appointed CEO in July 2020, following the enforced exit of the previous management, inheriting a company in a parlous financial position whose major assets were underperforming and whose exploration glory days were long behind it.

In that context, Mr Dhir's strategic focus was to improve the operational performance of the group, target development of the major resource in its existing operations, most notably Jubilee, exit longer term, non-core assets with significant capital requirements, cut exploration and right-size the business with a view to getting the balance sheet under control. The transformation has been significant and successful.

Net debt and leverage have been brought under control (Figure 7) while the journey to the company's target net debt of under US$1bn and leverage under 1x is well within sight, especially following the announced sale of Tullow's Gabonese portfolio for US$300m.

Figure 7: Reduction in net debt and leverage



Source: Tullow, CAG Research. 1) Pro forma for sale of Gabon assets.

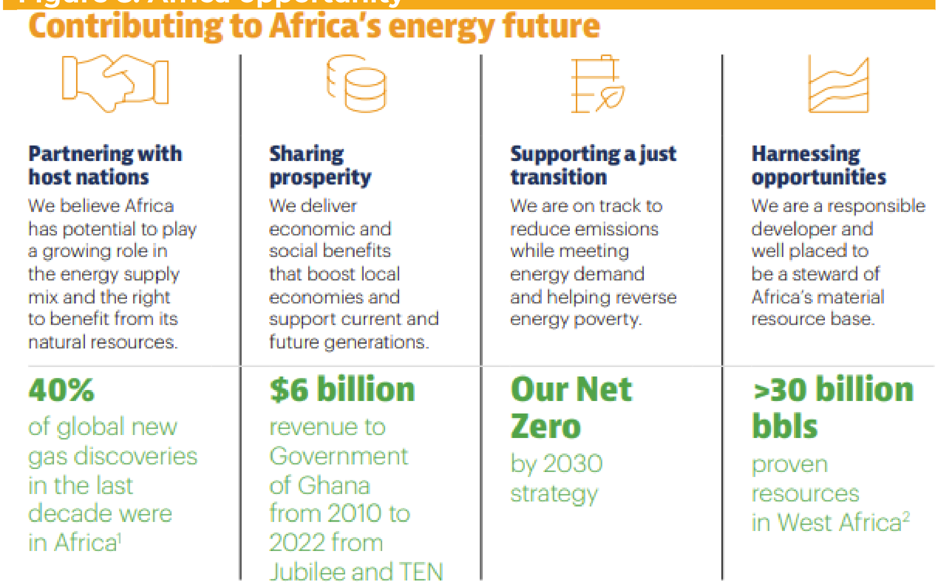
Tullow is currently seeking a new CEO, following the resignation of Mr Dhir who will inherit a company in a much stronger position, better able to leverage its strengths to build out in Africa.

While a new CEO may bring changes to the strategic messaging, given Tullow's obvious strengths, we anticipate that message is more likely to be of nuance than fundamental.

The Tullow of today has and is fulfilling two of its three strategic themes of operational excellence and capital efficiency, putting it in position to target the third theme of business growth based on the reputation it has built over the last four years as a responsible, quality operator in Africa contributing to the continent's energy future.

Tullow has yet to spell out what its broader ambitions will be, but there is clearly a lot of potential in Africa which would be addressable by the company, together with the fundamental need of Africans for low cost energy to fuel their prosperity (Figure 8).

Figure 8: Africa opportunity



Source: Tullow, CAG Research. 1) S&P Global; 2) Welligence.

Business

Tullow is an African focused oil and gas production company with legacy exploration and development assets. Production from the Tullow operated Jubilee and TEN fields cluster dominate the business. Current net production is a substantial c55kboed, including Gabon, of which 90% is oil. Tullow has just announced the sale of its Gabonese portfolio for US$300m which accounted for some 10kboed. In addition to the upside from the contingent resources associated with its producing assets, Tullow has upside potential from its historic and limited current exploration activity, most notably its royalty rights in Uganda.

Tullow completed the initial development of Jubilee South East in 2023 and the field has a significant remaining resource base to be unlocked with further drilling. The TEN fields also have significant upside potential if a development plan can be agreed with the government and the cost structure reset.

Following an asset swap completed last year, Tullow's Gabonese assets provided a long-life low decline source of free cash flow generation after investment in production maintenance and low-risk infrastructure led exploration. Tullow has just announced the sale of these assets for US$300m with the transaction expected to close in mid-2025

In addition to its current producing operations, Tullow has a number of options with upside potential. Besides the further development of the resources around its existing producing operations, the most prominent of these is the potential royalty stream from Uganda, as Total brings its operated and non-operated assets around Lake Albert onstream with potential start-up this year. This could be worth cUS$15m-cUS$50m pa to Tullow and is more likely to be at the upper end, given the potential for oil prices to average above US$70/bbl (see Financials and Oil market outlook).

Longer term, Tullow is looking to leverage its expertise, reputation, and relationships to further develop Africa's oil and gas resource opportunity (see Purpose, opportunity, and strategy). While the company has been more focused on portfolio rationalisation as it has reset the business from 2020, it did attempt a potential combination with Capricorn Energy in 2022, confirming the company's longer term growth intent, and it pre-empted Oxy's sale of its interests in the Jubilee and TEN fields to Kosmos.

Ghana

Ghana is the heart of Tullow's producing operations accounting for c80% of current total production and heavily weighted to oil (90%/10% oil/gas) although there is also significant undeveloped gas resource.

Tullow has two major producing assets in Ghana, the giant Jubilee field and the Tweneboa, Enyenra, Ntomme (TEN) fields cluster. Tullow now holds a 38.98% interest in Jubilee and an 54.84% interest in TEN, both of which it operates. The start-up of production from Jubilee established Ghana as a notable oil producer. Both assets are located offshore in deep water and each is produced through an FPSO with oil loaded offshore and export gas piped onshore to supply Ghana's gas grid where it is mainly used in power generation (Figure 9). Both Jubilee and TEN have substantial undeveloped proven and contingent resources within its total Ghanaian resource base of 327.4mmboe.

Figure 9: Ghana map

Source: Tullow, CAG Research.

Jubilee

The Jubilee field was brought onstream in late 2010 on a very compressed timetable, following its discovery in 2007. Issues with well performance, water injection capacity and gas flaring limitations restricted production below planned production capacity. In 2016, failure of the turret mounting on the Kwame Nkruma FPSO resulted in periods of shut-down, for which Tullow was insured, while the vessel was converted to operate on a fixed mooring basis.

The appointment of Rahul Dhir as CEO (see Structure, management, and shareholders) brought much greater rigour to the maintenance and operation of the Jubilee field with the implementation of an Operational Transformation Plan in 2020. Tullow took over direct operation of the FPSO in 2022. Besides safety of operation, key areas of focus have been on improving the volume and reliability of water injection, which now exceeds 300kbd, and gas handling, which are key to field performance. In addition, Mr Dhir oversaw the implementation of the US$1bn Jubilee South East project which came onstream in July 2023 and involved the drilling of additional wells and installation of new subsea infrastructure to develop largely untouched resource in the southeast of the field.

In Jubilee, Tullow is now partnered with Kosmos Energy (38.61%), GNPC (19.69%), the national oil company of Ghana, and Petro SA (2.72%), the national oil company of South Africa. The field initially straddled the West Cape Three Points and the Deep Water Tano (DWT) licences but has been unitised into a single field unit. Jubilee produces light sweet crude which achieves close to Brent pricing. The FPSO is owned by the partners. The field licence is due to expire in 2036 but there is likely to be significant remaining resource at that time which offers potential value upside, subject to the negotiation of new terms with the Ghanaian authorities.

TEN

The TEN field complex lies wholly within the DWT licence. The Tweneboa gas-condensate field was discovered in 2009 with the Enyenra oil field discovered in 2010 and the Ntomme oil field discovered early in 2011, during the appraisal of Tweneboa.

Development of the TEN complex was sanctioned in mid-2013 and it came onstream in 2016 when it was expected to commercialise an initial 300mmboe of resource of which approximately 80% was expected to be oil. Unfortunately, complex geology and difficulties executing the development drilling programme meant the field only produced at a peak gross annual average rate of 65kbd as compared to the vessel design capacity of 80kboed.

As for Jubilee, Tullow is now also partnered in TEN with Kosmos Energy (20.38%), GNPC (20.95%), and Petro SA (3.82%) and the crude quality is similar to Jubilee. Unlike Jubilee, the Prof John Evans Atta Mills FPSO is leased, rather than owned, but the partners retain a purchase option which may offer substantial cost savings and result in improved economics. The field licence is due to expire in 2034.

Ghanaian fiscal regime

The Ghanaian offshore system is effectively a tax and royalty system with an incremental banded layer of tax, 'Additional Oil Entitlement (AOE)', applying once cash returns exceed specific real return thresholds. Corporation tax is calculated at the country level while AOE is calculated at the licence level. The corporation tax rate is 35% with royalty at 5% which is taken in kind. In practice the higher investment requirements at Jubilee and lower than originally planned performance at Jubilee and TEN mean that AOE is extremely unlikely to be incurred at either field and we do not model any payments to be made.

Non-operated West Africa

Besides the operated Jubilee and TEN fields, Tullow has non-operated producing interests in Gabon and Côte d'Ivoire which account for some 10kboed. The bulk of this production comes from Gabon (c90%) with marginal production of c1kboed from the Espoir field (Tullow 21.33%), offshore Côte d'Ivoire. Espoir is near the end of its field life.

Tullow has just announced Heads of Terms for the sale of its Gabonese portfolio to state owned Gabon Oil Company for US$300m net of tax. The effective date of the disposal is 1 January 2025, and the transaction is expected to complete around mid-2025.

Option upsides

Besides the remaining potential in the established resource base in Ghana, Tullow has sources of potential upside from its historic and limited current exploration activity. These include Tullow's royalty rights in Uganda, its material resource position in Kenya, contingent payment and royalty rights in Guyana, the prospective resource base in Argentina and two exploration licences in Côte d'Ivoire.

Of these, Uganda has the most potential, in our view. From 2004 to 2020 Tullow was instrumental in establishing over 1.7bnbbl of gross recoverable oil resource in the area around Lake Albert. In 2020, Tullow sold its remaining licence and midstream interests to Total for US$575m. Under the terms of the deal, Tullow retains the right to contingent annual payments based on upstream revenues of 1.25% if Brent averages above US$62/bbl or 2.5% if Brent averages over US$70/bbl.

Tullow has previously estimated potential annual Uganda related contingency payments of cUS$15m-cUS$50m, in respect of the 28.3% of production on which it is payable. While information is sparse, Total's website lists start-up of production from Uganda in 2025, so start-up is likely close.

Given current global oil market dynamics, we believe the average Brent price is likely to exceed US$70/bbl prospectively (see Oil market outlook) so payments are likely to be towards the upper end of the guidance range, we expect.

Since 2012, Tullow discovered 470mmbbl of contingent resource in Kenya. The company now holds 100% interests in the licence position, following the withdrawal of its partners in 2023. While the resource position is substantial, export would require significant upfront investment including construction of an 800km, heated pipeline to the coast to transport the waxy crude for export. Securing a strategic partnership has been challenging but discussions on a Field Development Plan with the Kenyan authorities are ongoing.

Tullow exited Guyana in 2023, having made three uncommercial discoveries in acreage proximate to the prolific Stabroek Block. Tullow sold its interests in Guyana to Eco (Atlantic) but retains rights to future potential milestone payments including:

- US$4m in the event of a commercial discovery
- US$10m upon the issuance of a production licence from the Government of Guyana
- Royalty payment on future production of 1.75% of the 60% working interest entitlement revenue net of capital expenditure and lifting cost

Eco (Atlantic) is currently targeting multiple stacked channel target complexes in the Cretaceous and is seeking a farm-out partner.

Besides these potential upside options, Tullow has matured prospect inventories on its acreage in Argentina and its two exploration licences in Côte d'Ivoire.

Financials

Tullow's financial position has been transformed since 2020 as a result of aggressive management action and the company's targets of net debt below US$1bn and leverage below 1x are well within sight accelerated by the announced sale of its Gabonese portfolio for US$300m with additional disposal options that could further advance the process, most notably the Uganda royalty rights. On our base case forecast, which assumes completion of the Gabon disposal in mid-2025, Tullow has now returned to sustained profitability for the first time since 2018 as of 2024 and is strongly free cash flow generative. A key objective of the company is to refinance its debt structure in 2025.

Following the enforced change of management at the end of 2019, Tullow entered 2020 with net debt at cUS$3bn with leverage increasing, despite the new production from TEN, and being forced to recognise a material uncertainty in the accounts as the oil price collapsed with the onset of Covid.

Under the transformation wrought by Mr Dhir, starting in 2020, besides the focus on operational performance (see Business) exploration expenditure was slashed, administrative costs halved and over US$700m received from asset disposals, not including the US$300m due from the sale of the Gabonese portfolio (Figure 10).

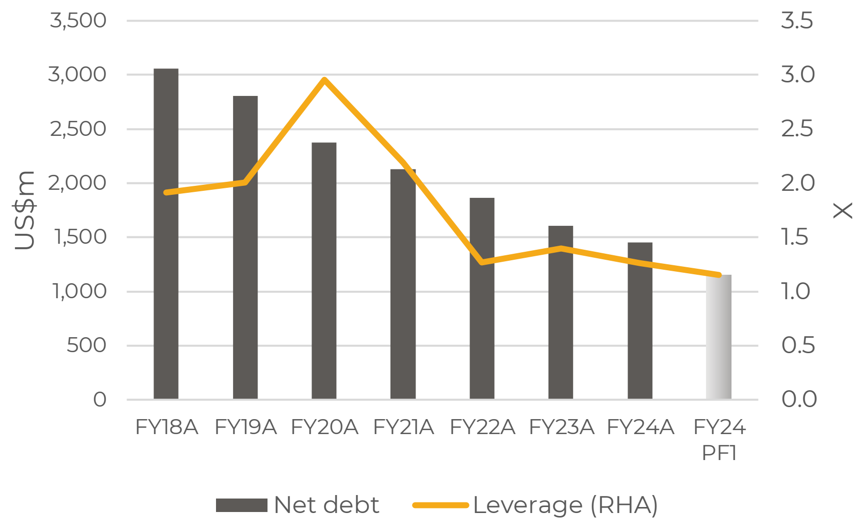
Figure 10: Expenditure reductions, disposal receipts (US$m)

	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A
Exploration expenditure	259	214	86	43	30	28
Admin expense	112	87	64	51	56	53
Disposal receipts	7	513	133	68	1	0

Source: Tullow, CAG Research.

Together with the recovery in oil prices, that has resulted in a halving of net debt and a near-halving in leverage to US$1.45bn and 1.3x respectively as of the end of 2024. On a pro forma basis, net of the Gabon disposal, net debt was US$1.15bn with leverage at 1.2x (Figure 11).

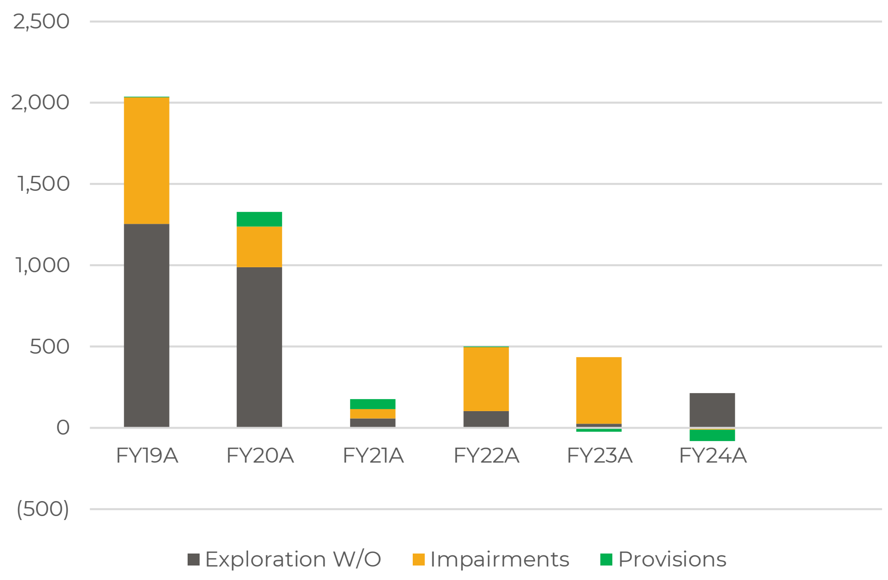
Figure 11: Reduction in net debt and leverage



Source: Tullow, CAG Research. 1) Pro forma for sale of Gabon assets.

That process has included a wholesale clean up of the balance sheet with cUS$5bn in historic, unsuccessful exploration expenditure write-offs, asset impairments, and provisions (Figure 12). We believe that process is now largely over, with only US$109.1m in remaining intangible exploration and evaluation assets following a US$212.6m exploration write-off charge in 2024, the bulk of which was associated with Kenya.

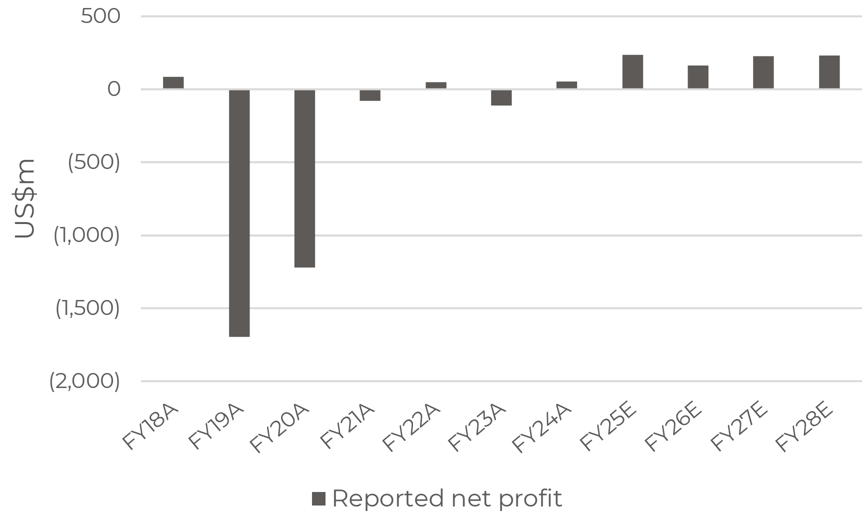
Figure 12: Cleaning up the balance sheet (US$m)



Source: Tullow, CAG Research.

Tullow returned to profitability in 2024, reporting a net profit of US$55m and on our US$75/bbl flat forward Brent forecast, that should mean a return to sustained profitability for the first time since 2018 (Figure 13).

Figure 13: Return to profitability



Source: Tullow, CAG Research.

At the operating level, our forecasts are driven by our individual asset level forecasts for production, realisations, costs, including lease costs, and fiscal terms (see Main terms). We assume the Gabonese disposal completes in mid-2025 generating an estimated gain on sale of US$113m in addition to US$300m in disposal receipts. We model ongoing exploration expenditure of cUS$10m pa which we assume to be expensed under the company's successful efforts accounting policy.

We forecast ongoing investment into operations to be maintained at roughly historical levels with a bump in 2026/27 for a renewed drilling campaign in Jubilee, reflecting the ongoing opportunity in the producing resource base and reflected in our production forecast.

Decommissioning expenditure, which has been running at around US$70m pa, falls steeply to cUS$15m from this year, resulting in an equivalent reduction in the call on net cash generation.

Prospectively, lease capital repayment costs are set to fall by over US$100m pa, once the TEN lease is paid down in 2026/27, leaving an ongoing lease capital repayment cost which we model at US$60m pa. The option to purchase the lease remains though, which may offer substantial cost savings and result in improved economics.

On that basis, and without assuming any change in the cost of finance, we forecast Tullow to be profitable and generating free cash flow averaging cUS$140m pa through 2025-2028, excluding the Gabonese disposal receipts, after allowing for an average net decline in production of 8% pa from 2024 of which c5% reflects the sale of production from Gabon. That results in net debt falling to around Tullow's target of US$1bn by the end of 2025 excluding any further disposal receipts. On that basis, leverage would be near the company's target of 1x by YE27 (Figure 14).

Figure 14: Free cash flow, net debt, and leverage

		FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
FCF	US$m	165	156	393	(18)	188	295
Net debt	US$m	1,608	1,452	1,028	1,046	857	562
Leverage	X	1.4	1.3	1.3	1.3	1.0	0.7

Source: Tullow, CAG Research.

While Tullow has transformed its production reliability and reduced its operating and investment expenditure, the company continues to hedge its price exposure as a key part of its financial risk management process. The company's hedging policy is to protect 60% of expected production for the year ahead, and 30% for the following year while ensuring 50% of production is exposed to oil price upside.

Excluding hedging impacts, which would not currently be material, we set out estimated sensitivities at Brent prices ranging from US$60/bbl to US$80/bbl for net profit, net debt and leverage in Figure 15, Figure 16 and Figure 17, respectively.

Figure 15: Brent price sensitivity – net profit (US$m)

	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
US$75/bbl	(110)	55	237	163	226	233
US$80/bbl	(110)	55	301	234	317	335
US$70/bbl	(110)	55	173	86	135	131
US$60/bbl	(110)	55	54	(70)	(47)	(73)

Source: Tullow, CAG Research.

Figure 16: Brent price sensitivity – net debt (US$m)

	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
US$75/bbl	1,608	1,452	1,028	1,046	857	562
US$80/bbl	1,608	1,452	949	889	609	212
US$70/bbl	1,608	1,452	1,107	1,203	1,105	912
US$60/bbl	1,608	1,452	1,265	1,517	1,602	1,613

Source: Tullow, CAG Research.

Figure 17: Brent price sensitivity – leverage (x)

	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
US$75/bbl	1.4	1.3	1.3	1.3	1.0	0.7
US$80/bbl	1.4	1.3	1.1	1.0	0.7	0.3
US$70/bbl	1.4	1.3	1.5	1.6	1.4	1.3
US$60/bbl	1.4	1.3	2.1	2.4	2.6	2.8

Source: Tullow, CAG Research.

As a company whose production is almost 90% oil, Tullow's financial performance is strongly linked to oil prices. However, our sensitivity calculations suggest the company remains profitable down to around US$64/bbl Brent with net debt flat to falling at US$70/bbl and leverage only becoming a significant issue at a sustained US$60/bbl, excluding any mitigating actions Tullow may take were oil prices to remain at that level for an extended period.

As compared to Tullow's expectations at the start of 2024, we estimate the failure of the J69-P Jubilee development well, which did not have the expected communication with the broader reservoir, has probably reduced revenue by over US$100m, and is the principal reason net debt did not end 2024 below US$1.4bn, as initially expected. However, this has not impacted the estimated oil-in-place at Jubilee and Tullow has just completed a 4D seismic survey to optimise future drilling programmes.

For 2025, Tullow plans to drill two wells in Jubilee (one producer and one water injector) and then to take a break before returning to drilling early in 2026. The 2026 programme could number four-six wells and should result in an increase in production from the field.

The company's debt structure at YE24 comprised US$2.0bn of drawn debt of which US$0.5bn in 2025 notes, US$1.4bn in 2026 notes and US$0.1bn outstanding under a Secured Notes Facility provided by Glencore which has a five-year term expiring in December 2028.

The 2025 notes, of which US$493m remained outstanding were repaid in March 2025, the funding for which was provided from the Glencore facility and cash on hand. Tullow also has a US$250m revolving credit facility in place to 30 June 2025.

A key objective of Tullow is to complete the refinancing and simplification of its debt structure during 2025. We expect the announced disposal of the company's Gabonese portfolio for US$300m which is accretive to both equity and leverage, will support this process.

This January, the successful outcome of the arbitration case with Ghana over the US$320m tax claim in respect of Branch Profit Remittance Tax has cleared away a significant uncertainty. Tullow remains in arbitration with the Ghana Revenue Authority over two further claims totalling US$387m. Arbitration hearings with the International Chamber of Commerce on those claims are scheduled for later this year (see Risks). Although these cases are technically separate, it may be that the ruling in the Branch Profits Remittance Tax claim will accelerate a solution on a mutually acceptable basis and Tullow continues to engage with the Government of Ghana to find such a solution. Removal of those sources of uncertainty would likely improve Tullow's ability to achieve more favourable terms for its refinancing.

Given the lack of control and direct participation, the royalty rights on Uganda (see Option upsides) looks the most obvious additional large-scale asset for potential disposal. At our US$75/bbl Brent forecast, we calculate an NPV10 valuation for the Uganda royalty stream of US$368m. At US$60/bbl the NPV10 value is zero jumping to US$151m at US$65/bbl (Figure 18). The sensitivity also demonstrates, not surprisingly, that the applicable Brent price dependent royalty rate makes a significant difference in valuation.

Figure 18: Uganda royalty valuation sensitivity (US$m)

	NPV10	NPV15
US$85/bbl	435	320
US$80/bbl	402	296
US$75/bbl	368	271
US$/70/bbl	167	123
US$65/bbl	151	111
US$60/bbl	0	0

Source: Tullow, CAG Research.

While Total would be the most obvious purchaser, there are investors in royalty streams who might be interested. In our view, longer term oil price expectations have increased since the transaction with Total was struck which suggests to us that a sale valuation could exceed US$200m, on the basis of the 2.5% net royalty rate applicable above US$70/bbl Brent.

Underlying our royalty valuation calculation, we model net receipts of US$49m pa at plateau from 2027 at our US$75/bbl base price forecast which is not included in our formal forecasts as the timing and scale remain uncertain. However, if Tullow retains the royalty rights, that cash flow would further improve the company's financial position.

Tullow has not paid a dividend since the oil price collapse in 2020 as the focus has been on delivering the operational turnaround and deleveraging, as discussed above. As a result of the impairments and write-offs the company has been forced to take in cleaning up its balance sheet, it had negative retained earnings of US$2.3bn and negative equity of US$0.3bn at YE24. On our forecasts, Tullow will return to a positive equity position in 2026, building rapidly thereafter. Although it would require some restructuring of the reserves, Tullow could be in a position to start some form of shareholder distribution from 2026/27.

At its current valuation (see Valuation), we believe management would likely prioritise share buybacks over dividend.

Tullow has been on a long journey to recover from its over-extended position with the end in sight and it clearly has development and disposal options which should enable it to reach its targets of net debt below US$1bn and leverage below 1x in the near term.

Figure 19 sets out our key forecast parameters for Tullow with our full forecasts in Summary financial statements.

Figure 19: Financial highlights

Highlight	Unit	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E
Brent	US$/bbl	82.2	80.3	75.0	75.0	75.0	75.0
Production	kboed	62.7	61.2	45.1	45.6	45.9	43.5
Revenue	US$m	1,634	1,535	1,063	1,076	1,085	1,024
Pre-tax profit	US$m	96	322	419	320	389	386
Net profit	US$m	(110)	55	237	163	226	233
EPS	USc	8.7	11.6	9.2	11.9	16.2	16.7
Net cash generation	US$m	876	759	693	648	653	619
Adj EBITDAX	US$m	1,151	1,152	817	828	833	778
Net debt	US$m	1,608	1,452	1,028	1,046	857	562
Leverage	X	1.4	1.3	1.3	1.3	1.0	0.7

Source: Bloomberg, Tullow, CAG Research.

Valuation

On our base case forecasts, we calculate a total risked NAV10 of 56p/share with core NAV10 at 49p/share which compares with the current share price of 14p/share. Moreover, Tullow is trading on very modest looking forward multiples of 2x or less for PE, EV/debt adjusted cash flow, and EV/adjusted EBITDAX and approaching 1x by 2028 while it trades on hefty discounts to peers at a 22% discount to consensus peer average EV/EBITDA and a 21% discount to EV/net cash generation, for 2025.

For Tullow, we approach valuation both from a field level net asset value calculation, as is traditional for UK exploration and production companies, and also from a multiples' perspective against peers, with a focus on cash-based multiples.

Following the rationalisation over the past years and on completion of the Gabonese disposal, Tullow's operations will be almost entirely focused on Ghana with a minor near end-of-life interest in the Espoir field in Côte d'Ivoire.

As noted (see Business and Financials), our group level operating forecasts are sourced from our forecasts at the asset level. Our NAV calculations are driven by our asset level calculations for Ghana and Côte d'Ivoire with net debt adjusted pro forma for the Gabon disposal. For TEN, the repayment of the outstanding net lease balance is modelled in the field level cash flow forecast.

At our flat forward US$75/bbl Brent forecast (see Oil market outlook) and on a market standard 10% discount rate, we calculate a total risked value for Tullow's producing assets of US$2.1bn, equivalent to 115p/share. Netting off YE24 pro forma net debt and two years of forward cash administration costs as a proxy for the operation cost of the company we calculate a risked core NAV10 of 49p/share. As all these assets are onstream, the risked and unrisked values are equivalent.

In addition, we include our valuation of the Uganda royalty stream (see Financials) risked at a nominal 35%, equivalent to a carrying value of US$129m, worth 7p/share. While the Kenya resource position is substantial at nearly 500mmbbl, commercialisation is problematic. We include an unrisked nominal value of US$0.2/bbl and apply a 10% Chance of Commerciality (CoC) which amounts to 1p/share. We assign no value to the Guyana residual or relatively minor remaining exploration assets.

On that basis, we calculate a risked NAV10 of 56p/share and 74p/share unrisked (Figure 20 and see NAV) which compares with the current share price of 14p/share.

Figure 20: Short form NAV10

Location	Total mmboe	Risked NAV (p/share)	Unrisked NAV (p/share)
Ghana	189	116	116
Côte d'Ivoire	1	(1)	(1)
Producing fields	**191**	**115**	**115**
Net (debt)/cash FY24[1]		(62)	(62)
Gash G&A (2 years)		(4)	(4)
Corporate		**(66)**	**(66)**
Core NAV	**191**	**49**	**49**
Uganda royalty		7	20
Kenya	470	1	5
Guyana residual		0	0
Tangible NAV	**661**	**56**	**74**
Exploration prospects	0	0	0
All sources NAV	**661**	**56**	**74**

Source: Tullow, CAG Research. 1) Pro forma net of Gabon disposal.

On our forecasts, Tullow is trading on very modest looking prospective P/E, debt adjusted cash flow, and EV/Adjusted EBITDAX multiples of 2x or less and approaching 1x by 2028 while generating positive free cash flow net of investment averaging US$215m pa through 2028, including the Gabon disposal proceeds (Figure 21).

Figure 21: Valuation multiples – base case US$75/bbl Brent

		FY23A[1]	FY24A[1]	FY25E	FY26E	FY27E	FY28E
P/E	X	n/a	10.1	1.1	1.6	1.1	1.1
Debt adj CF multiple	X	2.6	2.7	2.0	1.8	1.6	1.3
EV/Adj EBITDAX	X	2.4	2.2	2.0	1.8	1.5	1.1
Free cash flow	US$m	168	153	393	(18)	188	295

Source: Bloomberg, Tullow, CAG Research. 1) Uses annual averages for historic share price and EV data.

Even at a sustained Brent oil price US$10/bbl lower than our base case, the multiple ratings remain generally very modest throughout the forecast period (Figure 22). That ignores any mitigating action Tullow might take were the oil price expected to remain at such a level.

Figure 22: Valuation multiples – US$65/bbl Brent

		FY23A[1]	FY24A[1]	FY25E	FY26E	FY27E	FY28E
P/E	X	n/a	10.1	2.3	33.4	5.8	8.8
Debt adj CF multiple	X	2.6	2.7	2.5	2.5	2.5	2.4
EV/Adj EBITDAX	X	2.4	2.2	2.6	2.6	2.5	2.4
Free cash flow	US$m	168	153	235	(173)	6	91

Source: Bloomberg, Tullow, CAG Research. 1) Uses annual averages for historic share price and EV data.

Tullow also looks lowly rated against UK listed peer companies weighted to African or other emerging market exposure with available data from Bloomberg, although it does not currently offer a dividend.

Given the vagaries in oil and gas accounting, particularly the wide range in applicable tax rates, we prefer post-tax measures for the most relevant comparison. However, we recognise it is easier to calculate EBITDAX than it is to calculate post tax cash flows, which may result in more consistent consensus forecasts for the former than the latter. Figure 23 shows 2025 multiples for EV/EBITDA and EV/NCG for consensus across the peer group. For Tullow, we include consensus and the rating on our own forecast.

Based on consensus, which will not reflect the Gabonese disposal, Figure 23 shows that Tullow is trading at a 22% discount to the average for peers on EV/EBITDA and a 21% discount on EV/NCG for 2025, consistent with it trading on amongst the lowest ratings of peers.

Figure 23: Peer comparatives

Company	Mkt cap (£m)	EV/FY25 EBITDA	EV/FY25 NCG[1]	Dividend yield[2]
Tullow (CAG fcast)	**204**	**1.6**	**1.9**	**0.0%**
Tullow (consensus)[3]	**204**	**2.0**	**2.7**	**0.0%**
Kosmos	846	3.8	6.6	0.0%
Energean	1,496	4.2	6.5	11.4%
VAALCO	311	1.8	2.1	8.2%
PetroTal	344	1.3	1.9	13.8%
Gulf Keystone	440	4.0	3.6	7.9%
Genel	194	2.5	2.1	0.0%
Capricorn	173	2.3	2.7	25.2%
Pharos Energy	79	1.1	1.5	5.8%
Average exc Tullow		**2.6**	**3.4**	**9.0%**

Source: Bloomberg, Tullow, CAG Research. 1) Net cash generation; 2) Figures include buybacks where relevant. 3) Not adjusted for Gabon sale.

Structure, management, and shareholders

The Board of Tullow currently comprises eight members of whom Richard Miller is the only Executive Director. All the Non-Executive Directors are independent. In addition to his role as CFO, Mr Miller is interim CEO pending the recruitment of a permanent CEO. Tullow complies with the UK Corporate Governance Code. The company is committed to achieving Net Zero (Scope 1 and 2) by 2030. Tullow's largest shareholder is Samuel Dossou-Aworet (17%).

Tullow originally established a reputation as a very successful exploration company, including participation in major discoveries in Ghana, Uganda, and Kenya (see Business). However, subsequent high cost, unsuccessful exploration and significant issues with development programmes left the company over-extended, resulting in an enforced change of management and the appointment of Rahul Dhir in 2020.

Mr Dhir successfully implemented a strategy reset (see Purpose, opportunity, and strategy) but resigned last December after four-and-a-half years as CEO to pursue other business, academic and family interests. Mr Dhir has been succeeded on an interim basis by Richard Miller, who continues in his role as CFO of the company, while Tullow implements a recruitment process for a permanent CEO.

Mr Miller is currently the only Executive Director on the Board which otherwise comprises seven independent non-executive directors (INEDs), including the Chair. Three of the INEDs are female.

Tullow is committed to the highest standards of corporate governance and adheres to the 2018 UK Corporate Governance Code (the Code). For 2023, the company applied the Code Principles and complied with all relevant Provisions of the Code. We expect it will have done so again for 2024. The Board noted the changes to the code published in January 2024 and remains committed to full compliance, as far as practicable.

Within the Industry Classification Benchmark classification system, Tullow is categorised as a crude oil producer nested under the Oil, Gas and Coal subdivision of Energy. Similarly, under the Bloomberg Industry Classification standard, Tullow is classed as a Crude Oil & Natural Gas E&P under Oil & Gas/Oil & Gas Supply Chain/Exploration and Production.

Tullow is committed to achieving Net Zero on its Scope 1 and 2 green house gas emissions on a net equity basis through a combination of decarbonising its operated assets and identifying high-quality, nature-based solutions to offset the company's residual, hard to abate emissions. Tullow reports to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publishes a comprehensive Sustainability Report.

Tullow has four established Board Committees covering Audit, Nominations, Remuneration, and Safety & Sustainability.

The Directors, Board Committees and their current composition are as set out in Figure 24.

Figure 24: Directors, Board Committees, and membership

Member	Position	Date appt	Audit	Committee/membership Nomin-ations	Remuner-ation	Safety & Sustain-ability
Phuthuma Nhleko	Chairman[1]	Oct-21		Chair		
Richard Miller	CFO & interim CEO[2]	Jan-23				
Martin Greenslade	Senior INED	Nov-19	Chair	X	X	
Sheila Khama	INED	Apr-19		X		X
Genevieve Sangudi	INED	Apr-19			Chair	X
Mitchell Ingram	INED	Sep-20			X	X
Roald Goethe	INED	Feb-23	X		X	
Rebecca Wiles	INED	Jun-23	X			X

Source: Tullow, CAG Research. 1) Non-executive; 2) Interim CEO from 14/2/25.

Directors

Phuthuma Nhleko – Non-Executive Chairman

Phuthuma Nhleko has extensive emerging markets experience having worked successfully across Africa over the past three decades, most notably with MTN Group. Mr Nhleko is Chairman of Phembani Group, Chairman of the Johannesburg Stock Exchange and serves as a NED at Engen Petroleum and IHS Towers. Mr Nhleko was appointed Chairman of Tullow on 1 January 2022.

Richard Miller – CFO and interim CEO

Richard Miller joined Tullow in 2011 from Ernst and Young where he worked in the audit and assurance practice. Having gained extensive oil and gas experience including capital markets and M&A activity with Tullow, Mr Miller was appointed CFO on 1 January 2023 and was appointed interim CEO, pending the recruitment of a replacement for Rahul Dhir who stepped down as CEO on 14 February 2025.

Martin Greenslade – Senior INED

Martin Greenslade has extensive corporate and financial experience from a 35-year career in the property, engineering and financial sectors in the UK and across Africa, Scandinavia, and Europe including serving as CFO at Land Securities. Mr Greenslade was appointed as an INED on 1 November 2019.

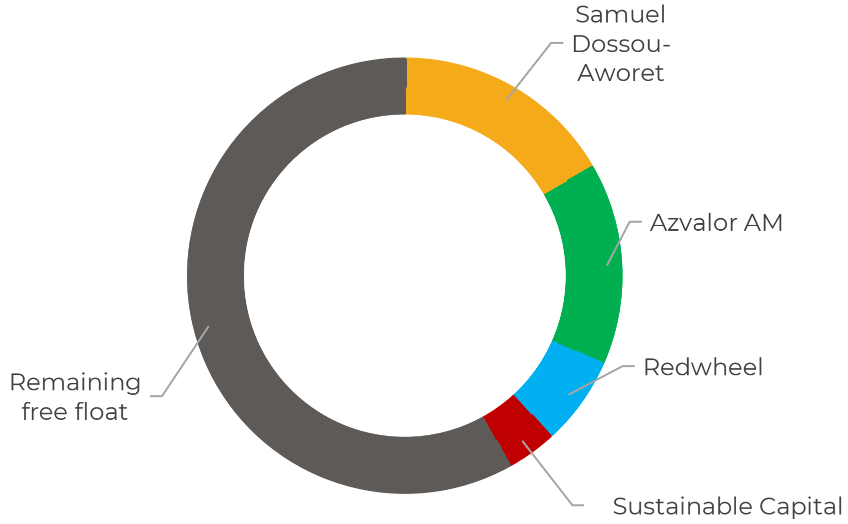
In addition to Messrs Nhleko, Miller and Greenslade, Tullow's Board comprises Sheila Khama, Genevieve Sangudi, Mitchel Ingram, Roald Goethe, and Rebecca Wiles serving as INEDS. Adam Holland is the Company Secretary.

Shareholders

Tullow has 1,459m shares in issue with a total free float of 82%. The company listed four significant shareholders as at March 2024, accounting for c42% of the shares. The somewhat eclectic institutional holdings have an emerging markets and energy theme while the largest single shareholder, Samuel

Dossou-Aworet, is a prominent African businessman and Founding Chairman of Petrolin. Insiders hold an insignificant position.

Figure 25: Shareholders



Source: Tullow, CAG Research.

Risks

Tullow has a well developed risk management framework. The company identifies ten specific risks which we regard as broadly generic for a company operating in the oil and gas industry with Tullow's geographic exposure. Tullow assesses 'compliance/regulatory breach' and 'value not unlocked' to be potentially the most impactful risks. In our view, the top three identified risks around business plan, asset integrity and value not unlocked are strongly linked with maintaining good operational performance and realising value from the option upsides; addressing these risks has been at the heart of the strategy Tullow has pursued over the last four years.

Given the nature of the industry and Tullow's geographical exposure to developing countries, it is not surprising that the company has a well developed risk management framework which is embedded across the company and is driven by the Board (Figure 26).

Figure 26: Risk management framework

Source: Tullow, CAG Research.

Tullow identifies ten principal risks which while relevant are broadly generic to an oil and gas company with its geographic exposure, in our view (Figure 27). Interestingly there is no direct reference to commodity pricing which we expect is considered to be generic by management and is managed through its hedging policy (see Financials) but would feed into the risk of 'insufficient liquidity'. The two risks which Tullow assesses to be potentially the most impactful are 'compliance/regulatory breach', which could threaten its licence to operate, and 'value not unlocked'.

Figure 27: Identified risks			
#	**Identified risk**	**CAG view**	**Risk direction**
1	Business plan not delivered	Generic	No change
2	Asset integrity breach	Generic	No change
3	Value not unlocked	Generic	No change
4	Geopolitical risk	Generic but critical	Increased
5	Climate change	Generic	Decreased
6	Major accident event	Generic to oil industry	Increased
7	Insufficient liquidity	Generic	No change
8	Staffing	Generic	No change
9	Compliance/regulatory breach	Generic	No change
10	Cyber-disruption	Generic	No change

Source: Tullow, CAG Research.

In our view the top three identified risks around 'business plan', 'asset integrity' and 'value not unlocked' are strongly linked with maintaining good operational performance and realising value from the option upsides (see Option upsides). The potential consequences of a failure around any of them could result in a significant loss of revenue and damage to stakeholder relationships. In our view, addressing these risks has been at the heart of the strategy Tullow has pursued over the last four years.

Summary financial statements

December year end, US$m	FY23A	FY24A	FY25E	FY26E	FY27E
Production (kboed)	**62.7**	**61.2**	**45.1**	**45.6**	**45.9**
Brent price (USD/bbl)	**82.18**	**80.30**	**75.00**	**75.00**	**75.00**
Profit & Loss					
Revenue	1,634.1	1,534.9	1,063.5	1,075.7	1,084.6
Cost of sales	(869.2)	(780.9)	(506.1)	(504.8)	(510.7)
Gross profit	**764.9**	**754.0**	**557.4**	**570.9**	**573.9**
Administrative expenses	(56.1)	(53.2)	(48.0)	(45.0)	(45.0)
Other gains/(losses)	0.2	(13.7)	0.0	0.0	0.0
Asset revaluation	0.0	38.9	113.0	0.0	0.0
Exploration costs written of	(27.0)	(212.6)	(10.0)	(10.0)	(10.0)
Impairment charges	(408.1)	11.8	0.0	0.0	0.0
Provisions (reversal)/(expense)	22.0	70.4	0.0	0.0	0.0
Operating profit	**295.9**	**595.6**	**612.4**	**515.9**	**518.9**
(loss)/gain on hedging instruments	(0.4)	0.0	0.0	0.0	0.0
Gain on bond buyback	86.0	0.0	0.0	0.0	0.0
Net finance	(285.6)	(274.1)	(192.9)	(195.4)	(130.0)
Profit before tax	**95.9**	**321.5**	**419.5**	**320.5**	**388.9**
Income tax expense	(205.5)	(266.9)	(182.2)	(157.1)	(162.9)
(loss)/profit for the year	**(109.6)**	**54.6**	**237.3**	**163.4**	**226.0**
Post tax adjusting items	235.2	113.7	(103.0)	10.0	10.0
Adjusted net profit	**125.6**	**168.3**	**134.3**	**173.4**	**236.0**
Basic adjusted EPS (USc/share)	8.7	11.6	9.2	11.9	16.2
Diluted adjusted EPS (USc/share)	8.5	11.4	9.1	11.8	16.0
Basic reported EPS (USc/share)	(7.6)	3.7	16.3	11.3	15.6
Diluted reported EPS (USc/share)	(7.6)	3.6	16.1	11.1	15.3

Source: Tullow, CAG Research.

Summary financial statements (cont)

December year end, US$m	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow					
Profit before tax	95.9	321.5	419.5	320.5	388.9
DD&A	436.6	444.2	302.3	296.6	298.9
Disposal (gains)/losses	0.0	(38.9)	(113.0)	0.0	0.0
Other gains	(0.2)	0.0	0.0	0.0	0.0
Taxes paid in kind	(11.0)	(6.3)	(9.0)	(8.0)	(7.0)
Exploration W/O	27.0	212.6	10.0	10.0	10.0
Impairment of PP&E	408.1	(11.8)	0.0	0.0	0.0
Provisions reversal/(expense)	(22.0)	(63.3)	0.0	0.0	0.0
Payments for provisions	(0.6)	(0.7)	0.0	0.0	0.0
Decommissioning expenditure	(78.1)	(45.0)	(15.0)	(15.0)	(10.0)
Share-based payments	6.0	6.9	5.4	5.4	5.4
(Loss)/gain on hedging instruments	0.4	0.0	0.0	0.0	0.0
Gain on bond buyback	(86.0)	0.0	0.0	0.0	0.0
Net finance	285.6	274.1	192.9	195.4	130.0
Operating cash flow before working capital	**1,061.7**	**1,093.3**	**793.1**	**804.9**	**816.2**
Delta working capital	89.0	25.5	50.0	0.0	0.0
Cash generated from operations	**1,150.7**	**1,118.8**	**843.1**	**804.9**	**816.2**
Tax received/(paid)	(274.5)	(360.3)	(150.0)	(157.1)	(162.9)
Net cash inflow from operating activities	**876.2**	**758.5**	**693.1**	**647.8**	**653.3**
Proceeds from disposals	0.7	0.0	300.0	0.0	0.0
Purchase of additional interest in joint operation	0.0	(8.1)	0.0	0.0	0.0
Purchase of intangible E&A assets	(30.2)	(27.8)	(10.0)	(10.0)	(10.0)
Purchase of PP&E	(262.3)	(196.7)	(202.5)	(265.0)	(265.0)
Finance income	23.3	19.5	0.0	0.0	0.0
Net cash outflow from investing activities	**(268.5)**	**(213.1)**	**87.5**	**(275.0)**	**(275.0)**
Debt arrangement fees	(5.0)	0.0	0.0	0.0	0.0
Repayment of borrowings	(432.2)	(100.0)			
Proceeds from borrowings	129.7	0.0			
Lease liability repayments	(195.0)	(169.0)	(195.0)	(195.0)	(60.0)
Interest paid	(240.0)	(223.2)	(192.9)	(195.4)	(130.0)
Dividend paid	0.0	0.0	0.0	0.0	0.0
Net cash from financing activities	**(742.5)**	**(492.2)**	**(387.9)**	**(390.4)**	**(190.0)**
Implied delta net debt (exc leases)	**(253.7)**	**(153.2)**	**(392.7)**	**17.6**	**(188.2)**
Summary balance sheet					
Total non-current assets	3,178.0	2,827.2	2,727.4	2,695.8	2,661.9
Net assets	(359.4)	(272.7)	(30.0)	138.8	370.2
Total equity	(359.4)	(272.7)	(30.0)	138.8	370.2
Net (cash)/debt (excluding leases)	**1,608.4**	**1,452.3**	**1,028.0**	**1,045.6**	**857.4**

Source: Tullow, CAG Research.

NAV (10% discount rate; pro forma net of Gabon sale)

Location	CoC[1]	Liquids	Gas	Total	Risked NAV			Unrisked NAV		
	(%)	(mmbbl)	(bcf)	mmboe	(US$m)	(US$/boe)	(p/share)	(US$m)	(US$/boe)	(p/share)
Ghana	100%	156	203	189	2,111	11.15	116	2,111	11.15	116
Côte d'Ivoire	100%	1	4	1	(25)	(20.75)	(1)	(25)	(20.75)	(1)
Producing fields		**156**	**206**	**191**	**2,085**	**10.94**	**115**	**2,085**	**10.94**	**115**
Net (debt)/cash FY24 pro forma					(1,121)		(62)	(1,121)		(62)
Gash G&A (2 years)					(78)		(4)	(78)		(4)
Corporate					**(1,199)**		**(66)**	**(1,199)**		**(66)**
Core NAV		**156**	**206**	**191**	**886**	**4.65**	**49**	**886**	**4.65**	**49**
Uganda royalty	35%				129		7	368		20
Kenya	10%	470	n/a	470	9	0.02	1	94		5
Guyana residual	10%				0		0	0		0
Tangible NAV		**627**	**206**	**661**	**1,025**	**1.55**	**56**	**1,349**	**2.04**	**74**
Exploration prospects		0	0	0	0	0	0	0	0	0
All sources NAV		**627**	**206**	**661**	**1,025**	**1.55**	**56**	**1,349**	**2.04**	**74**

Source: Tullow, CAG Research. 1) Chance of Commerciality = Chance of Discovery x Chance of Development.

Oil market outlook

The Brent price has been fairly stable at around the US$80/bbl mark since the end of 2022. In our view that mainly reflects the fact that the OPEC+ group has acted to produce a semi-managed market, and we expect it to continue to do so. We set our forward price forecast at USD 75/bbl for Brent, which is broadly in line with consensus.

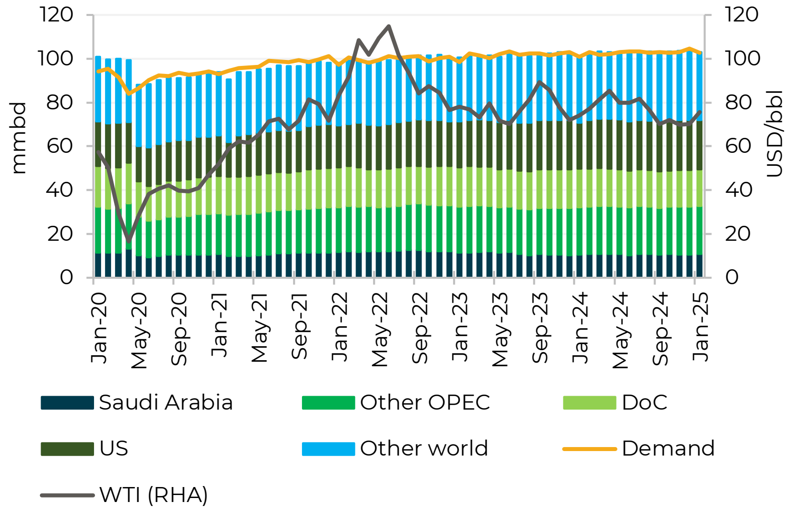
Allowing for transport and quality differentials, crude is a fungible product, traded globally with high price visibility. While there has been significant variation in price since the collapse in early 2020, due to the impact of Covid on demand and the simultaneous decision by Saudi Arabia to flood the market, the price has been fairly stable at around the US$80/bbl mark for Brent since the end of 2022.

In our view, that mainly reflects the fact that the OPEC+ group has acted to produce a semi-managed market, strongly supported by the direction and actions of Saudi Arabia, which accounts for c10% of liquids supply globally and around one third of total OPEC supply. The OPEC+ group has actively increased or decreased its combined production in response to over or under-supply and the resultant price weakness or price strength with core Gulf OPEC member comprising Saudi Arabia, the UAE and Kuwait being particularly diligent in complying with their production targets.

While OPEC leaders eschew the idea of a specific target price, focusing instead on market stability and a fair price, in practice, that has translated into the relatively stable price band seen since 2022.

While we believe that Saudi Arabia is highly supportive of the market management role played by OPEC+, it has acted to collapse the price in 2015 and in 2020. In the first instance, that was in response to surging US supply as the shale revolution took off, and in the second, in response to poor discipline amongst other OPEC+ members and Russia in particular. There are two important points here. First, Saudi Arabia has partially accepted the role of the swing producer within OPEC but there are limits, as it demonstrated most recently in April 2020. So, secondly, for the oil price to remain at around current levels there cannot be such an imbalance between supply and demand that it exceeds OPEC's willingness and ability to respond. Both conditions have been re-established since April 2020 (Figure 28).

Figure 28: Global supply by key source, demand, and oil price



Source: EIA, CAG Research.

We believe there is a reasonable to good chance that the existing status quo will pertain for some time. The reasons for that are that all the major forecasters are projecting continued demand growth of 1-2% at least through 2025. It is evident that the pace of growth in US liquids supply has slackened off sharply having been the most disruptive source of supply growth through 2010-20, notwithstanding historically attractive oil price levels.

OPEC+ has extended its production targets through 2025 at a level of 39.7mmbd in addition certain members had agreed additional voluntary cuts totalling 2.2mmbd. Although these voluntary cuts have started to unwind as of March, the unwinding having being postponed multiple times, OPEC has stressed the potential for the return to be paused or reversed subject to market conditions.

The more important consideration is probably whether or not current low, if steady, rates of growth in demand for oil persist. Given the linkage between energy demand and economic growth, it is likely that they would, in the absence of any other influence. However, there are sharply divergent views on the extent to which the Energy Transition could start to impact demand.

Those forecasters, such as the IEA who are most aligned to Net Zero, expect demand growth to disappear and turn negative by the end of this decade but this is not reflected in projections for, from example, OPEC. As between the large integrated companies, there is a 5mmbd difference in view between ExxonMobil and BP for oil demand in 2030, widening to nearly 20mmbd by 2040.

On that basis we expect the current price range is likely to prove as reliable a guide to the future as any and we set our forward price forecast at USD 75/bbl for Brent (Figure 29).

Figure 29: Brent forecast (US$/bbl)

	2023A	2024A	2025E	2026E	2027E	2028E	Long term
CAG forecast	82.2	80.30	75.0	75.0	75.0	75.0	75.0
Consensus	82.2	80.30	73.4	71.5	73.8	73.6	n/a

Source: Bloomberg, CAG Research.

Main fiscal terms

Fiscal terms	Ghana	Gabon	Cote d'Ivoire	Kenya
Basic fiscal structure	Tax & royalty	PSA	PSA	PSA
Term	Jubilee 2037, TEN 2036	To 2046	n/a	25yr initial development period +10yr extension
Royalty	5% oil,3%/5% gas[1]; taken in kind	10%, cash	None	None
Cost recovery ceiling	n/a	75%	80%	55% 10BB, 65% 13T
Cost treatment	n/a	Full cost recovery	Full cost recovery	Costs recovered without interest; state carry not recovered
Profit oil split	n/a	Banded, av c50% to contractor	Banded, av c50% to contractor	Contractor take 50%-18%[1]
Domestic Market Obligation	At mkt price	n/a	n/a	At net mkt price
Tax rate	35%	n/a	n/a	n/a
Capital allowance	5yr straight line calculated at country level	n/a	n/a	Capex (excluding drilling) for cost recovery available at 5yr straight line
Supplementary tax	Additional Oil Entitlement[2]	n/a	n/a	Windfall profit tax on the delta in profit oil above an escalated base oil price
Crude quality	37° API, sweet	37° API, sweet	33° API, sweet	31° API, waxy
Crude pricing to Brent	c2% discount	c6% discount	c1% discount; cUS$8/mcf	c2% discount
Notes	1) 3% TEN, 5% Jubilee 2) Unlikely to apply			1) Max rate applies <20kbd, min @ >150kbd

Source: Tullow, CAG Research.

This document is a marketing communication which is designed to educate and inform investors about the subject company. The subject company pays CAG a fee to cover the costs of research production and distribution. This report has been commissioned by the subject company and prepared and issued by CAG for publication in the United Kingdom only. The research has not been prepared in accordance with regulatory requirements designed to promote the independence of investment research. This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. Any comments in this report regarding the valuation of a financial security are based on comparisons with similar securities; they are not forecasts of a likely share price. CAG does not undertake to provide updates of any matters discussed in this document.

This document is not an offer to buy or sell, or a solicitation of an offer to buy or sell, the securities mentioned. Capital Access Group does not buy or sell shares, nor does it conduct corporate finance transactions, nor does it undertake investment business either in the UK or elsewhere. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. CAG does not make investment recommendations. Capital Access Group is not regulated by the Financial Conduct Authority ("FCA"). CAG does not offer any investors the ability to trade securities. Our publications are not, therefore, an inducement under MiFID II regulations.

CAG does not hold any positions in the securities mentioned in this report. However, CAG's directors, officers, employees, and contractors may have a position in any or related securities mentioned in this report.

The information contained in this document has been compiled from sources believed to be reliable, but no guarantee whatsoever is given that the information is complete or accurate, or that it is fit for a particular purpose.

This document was issued by Capital Access Group Ltd without legal responsibility and is subject to change or withdrawal without notice. By reading this document, you confirm that you have read and understand the above, and that you shall not hold Capital Access Group Ltd or any of its members and connected companies liable for any loss that you may sustain should you decide to buy or sell any of the securities covered.

Capital Access Group
32 Cornhill
London
EC3V 3SG
www.capitalaccessgroup.co.uk