16 April 2025

Current price
14p

TICKER
TLW

Market Cap
£201m

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

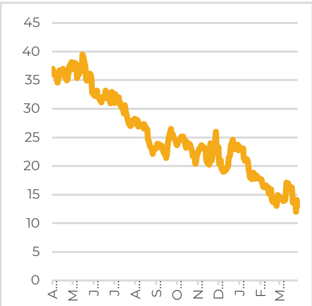
Free Float
82%

3mo Av. Daily Volume
8.2m

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

Tullow Oil

Kenya disposal on attractive terms

Leading West African deep-water oil and gas operator

Tullow has announced the disposal of its Kenyan assets for US$120m plus potential future royalties and retains a zero-cost back-in right for 30%. The disposal should cut leverage by around 10%, further improving the chances of completing a successful refinancing while removing the drain on management time and cost involved in endeavouring to achieve a commercial development. We were carrying a de-minimis US$9m risked NAV10 worth 1p per share in our valuation for Kenya so the disposal is at a large premium and takes our risked NAV10 to 61p/share (from 56p) which compares with the current share price of 14p.

Tullow has signed a heads-of-terms for the sale of its entire Kenyan position in a corporate sale to Gulf Energy Ltd, a leading Kenyan energy and infrastructure company involved in fuel supply, power generation, and infrastructure. Tullow expects to complete the sale and receive initial payment in 2025 subject to regulatory approvals and satisfactory payment guarantees.

The cash consideration of US$120m is structured in three tranches with an initial US$40m payable on completion, a Tranche B payment due not later than 30 June 2026 or on approval of a Field Development Plan, and an oil price linked Tranche C payment of US$40m payable over five years from 3Q28 with a bullet payment for any remaining outstanding amount due on 30 June 2033. In addition, a conditional royalty may become due at US$0.5/bbl on 80% of total production. Besides the cash consideration and potential royalty, Tullow has a zero-cost back-in right for 30% in potential future development phases.

Updating our model purely for the cash receipts expected in 2025 and 2026 results in a c10% reduction in leverage. Taking a very conservative view that the Tranche C payment is all received in 2033, results in a discounted value of the transaction of US$106m, using a 10% discount rate which we risk at 80%. That results in a revised carrying value for Kenya of US$85m from our prior US$9m estimate, adding 5p to valuation and we now carry a risked NAV10 of 61p for Tullow (Figure 1). Tullow had a remaining carrying value for Kenya of US$103m so there is also the potential for a book gain on the sale.

Consistent with our own estimates, we believe the market was carrying a minimal value for Tullow's Kenyan position, notwithstanding the large resource base it represents. Subject to completion, Tullow has now achieved a substantial cash consideration of US$120m plus potential future royalties and a zero cost back-in right while removing the drain on management time and resource, further improving the company's prospects of achieving a successful refinancing in 2025. This disposal follows hard on the heels of the sale of Tullow's Gabonese assets for US$300m.

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	243.8	981.5	1.2	1.0	1.9
FY26E	45.6	177.5	945.0	1.1	1.4	1.7
FY27E	45.9	242.4	740.4	0.9	1.0	1.5

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

Figure 1: 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		5	5
Guyana residual		0	0
Tangible NAV	**191**	**61**	**74**
Exploration prospects	0	0	0
All sources NAV	**191**	**61**	**74**

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

CAPITAL ACCESS

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