

22 May 2025

Current price

14p

TICKER

TLW

Market Cap

£204m

Net debt (31 March 2025)

US\$1.6bn

Free Float

82%

3mo Av. Daily Volume

6.4m

Brokers

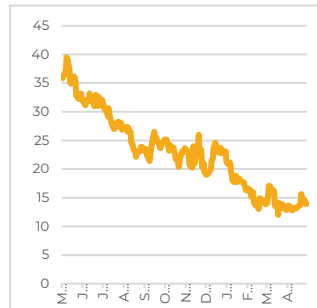
Barclays

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.

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Tullow Oil

AGM update – strengthening the balance sheet

Leading West African deep-water oil and gas operator

Tullow has released an AGM update which confirms the strong progress the company has made in strengthening the balance sheet with completion of the US\$300m Gabon disposal expected imminently and a potential acceleration of receipts from Kenya with US\$80m now expected this year. Previous production guidance was reiterated and the first well in the Jubilee programme has just spudded. The revolving credit facility (RCF) has been extended from the end of June to the end of October when it is expected to be repaid and cancelled. Tullow has provided new guidance for free cash flow of US\$400m at US\$65/bbl oil with projected YE25 net debt of US\$1.1bn. The process to find a new CEO is progressing.

Tullow remains focused on refinancing its balance sheet. So far in 2025, the company has announced the disposal of its Gabonese assets, now formally agreed and with Ministerial approval, with completion expected mid-year, and of its Kenyan assets for a potential US\$120m, at a large premium to market expectations. The company now anticipates receipt of US\$80m of the Kenyan proceeds this year, implying approval of a Field Development Plan sooner than expected.

Production in 1Q25 averaged 52.9kboed, affected by the planned Jubilee field maintenance programme which was completed on budget. Tullow reiterated existing production guidance of 50-55kboed, gross of Gabon; our 2025 forecast is for 45.1kboed, which excludes Gabon production. The Jubilee drilling programme has started on schedule and is expected onstream in 3Q25. The 4D seismic programme was completed ahead of schedule and under budget. Analysis of the survey is underway and will support future well locations to drive reserves growth.

The RCF has been extended to October from the end of June, with all lenders participating, and sized down to US\$150m from US\$250m to reflect Tullow's current working capital requirements. The facility is expected to be repaid and cancelled on completion of the Gabon disposal.

Net debt at 31 March was US\$1.6bn, reflecting the timing of liftings and before receipt of any of the disposal proceeds. We have updated our forecasts purely to reflect disposal proceeds and currently maintain our US\$75/bbl price deck, albeit there is clearly downside risk. However, given YtD Brent at over US\$71/bbl we believe there is a good chance that the 2025 average will exceed US\$65/bbl. Running US\$65/bbl through our model indicates net debt at US\$1,093m at YE25, consistent with Tullow's guidance of US\$1.1bn, and well below the US\$1.5bn at YE24. The company has c.70% of production hedged, allowing for completion of the Gabon disposal, and has indicated potential material additional savings in G&A in addition to the US\$10m already identified, following completion of the announced disposals.

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	250.3	935.0	1.1	1.0	1.9
FY26E	45.6	178.6	937.4	1.1	1.4	1.7
FY27E	45.9	243.6	731.6	0.9	1.0	1.5

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

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)	(179.9)	(180.2)	(112.4)
Profit before tax	95.9	321.5	432.5	335.6	406.5
Income tax expense	(205.5)	(266.9)	(182.2)	(157.1)	(162.9)
(loss)/profit for the year	(109.6)	54.6	250.3	178.6	243.6
Post tax adjusting items	235.2	113.7	(103.0)	10.0	10.0
Adjusted net profit	125.6	168.3	147.3	188.6	253.6
Basic adjusted EPS (USc/share)	8.7	11.6	10.1	13.0	17.5
Diluted adjusted EPS (USc/share)	8.5	11.4	10.0	12.8	17.2
Basic reported EPS (USc/share)	(7.6)	3.7	17.2	12.3	16.8
Diluted reported EPS (USc/share)	(7.6)	3.6	17.0	12.1	16.5

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	432.5	335.6	406.5
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	179.9	180.2	112.4
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	380.0	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)	167.5	(275.0)	(275.0)
Debt arrangement fees	(5.0)	0.0	0.0	0.0	0.0
Repayment of borrowings	(432.2)	(100.0)	0.0	0.0	0.0
Proceeds from borrowings	129.7	0.0	0.0	0.0	0.0
Lease liability repayments	(195.0)	(169.0)	(195.0)	(195.0)	(60.0)
Interest paid	(240.0)	(223.2)	(179.9)	(180.2)	(112.4)
Dividend paid	0.0	0.0	0.0	0.0	0.0
Net cash from financing activities	(742.5)	(492.2)	(374.9)	(375.2)	(172.4)
Implied delta net debt (exc leases)	(253.7)	(153.2)	(485.7)	2.5	(205.9)
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)	(17.0)	167.0	416.0
Total equity	(359.4)	(272.7)	(17.0)	167.0	416.0
Net (cash)/debt (excluding leases)	1,608.4	1,452.3	935.0	937.4	731.6

Source: Tullow, CAG Research.

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