6 August 2025

Tullow Oil

1HFY25 results – Results belie strategic progress

Current price
15p

TICKER
TLW

Market Cap
£214m

Net debt (30 June 2025)
US$1.6bn

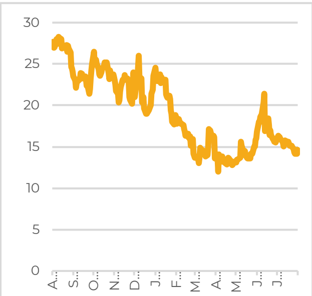
Free Float
82%

3mo Av. Daily Volume
5.0m

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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Leading West African deep-water oil and gas operator

Tullow reported sharply reduced results for 1H25, on lower production and weaker oil prices. However, the financial performance belies the underlying strategic progress the company made in the half towards refinancing its debt. That includes generating US$380m in 2025 disposal proceeds, with US$300m already received in July, together with significant reductions in costs and interest which will benefit the second half, as well as entering a MoU to extend the Ghana licences to 2040. Production guidance, excluding Gabon is unchanged, at 40-45kboed as is expected net debt at YE25 of c.US$1.1bn with gearing at 1.3x at US$65/bbl Brent. Moreover, despite a difficult return from maintenance at Jubilee, the first well in the current six well programme on the field is performing well with another due onstream towards the end of the year. Management remain confident that it will complete the refinancing of the capital structure before the end of the year.

Underlying production, excluding Gabon, fell 24% YoY to 40.6kboed, impacted by higher than expected water cut at Jubilee, affecting riser stability following 15 days of planned maintenance. Remedial action has been taken to restore and stabilise production with the introduction of riser base gas lift on the eastern side of the field, which has also been sanctioned for installation on the western side. Tullow expects FY25 production towards the lower end of guidance.

The reported net loss for 1H25 was US$60.7m (1H24 net profit US$196.0m) generating a loss per share of USc4.2 (1H24 EPS of USc13.5). Net cash generated from operations fell to US$85.0m (1H24 US$231.4m), mainly reflecting the weaker profit performance. Capex for the half was US$103m (1H24 US$157m) and full year guidance, excluding Gabon, was revised to US$185m with US$20m for decommissioning. Net debt at end period was US$1,639.9m (1H24 US$1,734.9, YEFY24 US$1,452.3m) (Figure 1) and year-end guidance is unchanged at c.US$1.1bn. Tullow expects to deliver US$10m of admin cost savings, cutting the 2025 run rate for G&A to US$40m, and is targeting US$50m of savings over the next three years compared to 2024. We will review our forecasts following the interim presentation.

Tullow will publish its 1H25 reserves report in September which is expected to show a reduction after incorporating actual field performance in 1H25. New drilling enabled by the licence extension and the implementation of riser based gas lift are expected to offset the reduction over time.

In January, Tullow won its US$320m arbitration case with Ghana over Branch Profit Remittance Tax. The first arbitration hearing on the loan arbitration case, due in June, was postponed to allow more time to continue settlement negotiations, which looks encouraging, and the case on Business Interruption Insurance proceeds remains listed for November 2025.

While these results were negatively impacted by the performance at Jubilee, remedial action has been taken and the new drilling campaign has started strongly. Tullow has received the US$300m from the Gabon disposal and has also signed the sale and purchase agreement for the US$120m Kenya disposal. Together with ongoing cost cutting measures and an extended horizon for further drilling in Ghana, the company is set for a much better second half as it works towards refinancing its capital structure.

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)
FY24A	61.2	54.6	1,452.3	1.3	9.9	2.6
FY25E	45.1	186.4	1,014.1	1.4	1.4	2.0
FY26E	45.6	133.2	1,061.9	1.3	2.0	1.8
FY27E	45.9	223.3	876.3	1.1	1.2	1.5

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

Figure 1: Interim operational and financial highlights

Line item	Unit	1H15A	1H24A	FY24A
Production	kboed	40.6	53.5	-24%
Sales volume	kboed	30.2	45.3	-33%
Realised oil price	US$/bbl	69.7	77.7	-10%
Revenue	US$m	410.6	665.5	-38%
(Overlift)/underlift	US$m	(17.7)	5.4	n/a
Operating income	US$m	89.4	394.6	-77%
Profit before tax	US$m	(49.9)	254.3	n/a
Net income	US$m	(80.4)	106.2	n/a
Reported basic EPS	USc/share	(5.5)	7.3	n/a
Adjusted EBITDAX (LTM)	US$m	768	1,083	-29%
Net cash from ops	US$m	85.0	231.4	-63%
Capital investment	US$m	103	157	-40%
Net debt	US$m	1,639.9	1,734.9	-5%
Leverage	X	1.9	1.4	40%

Source: Tullow, CAG Research. Gabon treated as a discontinued operation

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