

# Financial strength and flexibility

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We have continued to carefully manage our finances, making focused investments across the portfolio and optimising our capital structure to finance our ambitious future growth plans. Alongside this we have kept downward pressure on our cost base to enhance margins.



## Strong profitability, high margin cash flow and dividend reinstated

Seplat recorded strong financial performance in 2018 with revenue up 65% year-on-year at US\$746 million and gross profit standing at US\$391 million, representing a 52% margin. Profit before tax increased by 480% year-on-year to US\$263 million and, after adjusting for non-cash corporate tax and non-cash deferred tax of US\$117 million, profit after tax stood at US\$147 million.

Alongside this, cash generated from operations in 2018 was US\$502 million while capital investments were US\$88 million. This translated into a significant strengthening of the balance sheet with cash at bank of US\$585 million at end 2018 and gross debt of US\$450 million, placing Seplat in a net cash position of US\$135 million at year end. In light



**52%**  
Gross profit margin

**US\$585m**  
Cash at bank at 31 December 2018

of these significant improvements in Seplat's liquidity and financial position, the Board reinstated dividend payments and in April the Company declared a special dividend of US\$0.05 per share to help normalise returns to shareholders after the Board had suspended dividends for 2016 and 2017. This was followed by an interim dividend of US\$0.05 per share declared in October which boosted the total dividend return in the calendar year to US\$0.10 per share. A final dividend of US\$0.05 has been proposed by the Board subject to shareholder approval at the AGM.

## Successful refinancing and debut bond issue

In March 2018 Seplat successfully completed a debut issuance of US\$350 million 9.25% senior notes due 2023 and refinanced an existing US\$300 million revolving credit facility with a new four-year US\$300 million revolving credit facility due June 2022 carrying initial interest of LIBOR +6%.

This successful re-financing is a strong endorsement of the quality of Seplat's underlying asset base and ability to proactively manage the business in what can be a challenging macro backdrop and operating environment. Our debut bond issuance in particular further

diversifies our capital base and along with the new RCF strengthened our liquidity position which will allow us to scale up our work programme in 2019 and focus on delivering our growth strategy.

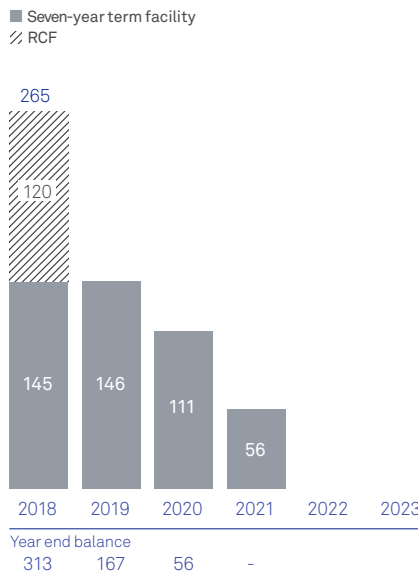
## Flexibility and discretion over spend

As operator of our core production and development projects we have been able to retain discretion over the majority of capital expenditures and a level of operational and budget control that has afforded us the necessary flexibility to scale our investments appropriately to live within our means. Having pulled back on capital expenditures in 2016 and 2017 owing to the extended period of force majeure at the Forcados terminal, in 2018 we scaled up our capital investments to US\$88 million which was directed mainly towards the gas business and facilities upgrade projects.

Looking ahead into 2019, we will seek to further scale up our investment programme, taking account of the prevailing operating environment and availability of crude export terminals, oil price and the influence of these factors on free cash generation within the underlying business. We will maintain our strict discipline of only allocating capital to the opportunities that offer the greatest returns to deliver shareholder value.

[See our financial review on page 58](#)

### Pre refinancing debt maturity profile (US\$ million)



<sup>1</sup> Based on US\$100 million debt drawn on four-year RCF. Note that the RCF was paid down to nil at the end of February 2019.

### Debt maturity profile at 31/12/18<sup>1</sup> (US\$ million)

