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Oando

Oil & gas

10 August 2026

Operational recovery gathers pace

Oando's H126 results show the enlarged upstream portfolio translating into stronger earnings and cash flow. Production growth, higher uptime and lower unit costs drove a sharp recovery in gross profit and adjusted EBITDA, while net operating cash flow turned positive. FY26 production guidance was maintained and the drilling programme advanced. Liquidity improved and the debt maturity profile was extended, although gross borrowings and finance costs remain high. The reserve-based valuation discount offers re-rating potential as operational delivery and balance sheet optimisation progress.

Higher production and lower costs drive recovery

Q226 revenue increased by 9% q-o-q to NGN1,074bn, while gross profit more than doubled to NGN71bn and adjusted EBITDA increased to NGN69bn from NGN20bn. H126 production averaged 42,789boepd, within the maintained 40,000–50,000boepd guidance, supported by new wells, restored production and higher facility availability. Production opex declined to US$16.8/boe as volumes increased and transport, logistics and service costs fell. Drilling and interventions are intended to move production towards c 50,000boepd in 2026 and underpin management's medium-term ambition of c 100,000boepd. Crude-trading guidance was revised to 22–26mmbbl following changes to one marketing programme.

Liquidity strengthens as restructuring advances

Cash generated from operations reached NGN179bn in H1, compared with a NGN288bn outflow in H125, while net operating cash flow turned positive at NGN110bn. Closing cash increased to NGN545bn and net debt declined by 5% from year-end to NGN2.16tn. The restructuring of the corporate facility and medium-term loan extended the debt maturity profile. Gross borrowings remained broadly unchanged at NGN2.7tn and interest payments absorbed 55% of operating cash flow. The rights issue and proposed Ebendo disposal could reduce leverage, while the issuance programme could lower funding costs and extend maturities.

Valuation: Operational delivery is key to re-rating

Oando trades at US$2.1/boe of 2P reserves, a 60% discount to Seplat Energy and a 74% discount to Aradel, but its headline trailing 12-month EV/EBITDA multiple of 4.3x is above that of its peers, at 3.5–3.8x. This reflects Oando's higher leverage, smaller earnings base and more gas-weighted reserves, with value dependent on increasing production and utilisation of its gas processing, NGL and power infrastructure. H126 provides initial evidence that the earnings gap is beginning to narrow. Continued operational delivery and margin improvement, coupled with a demonstrable reduction in leverage, could support a gradual re-rating.

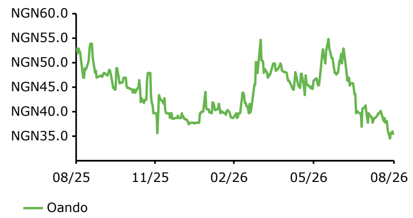
Financial summary

Year end	Revenue (NGNm)	EBITDA (NGNm)	PBT (NGNm)	EPS (NGN)	P/E (x)	EV/EBITDA (x)
12/24	4,086,651.0	640,924.0	383,820.0	18.00	2.0	4.1
12/25	3,180,090.0	339,802.0	135,760.0	23.00	1.6	7.7

Source: Oando. Note: Headline EBITDA is operating profit plus DD&A.

Price	**NGN35.75**
Market cap	**NGN444,423m**

Share price performance



Share details

Code	OANDO
Listing	XNSA
Shares in issue	12,431.4m
Net cash/(debt) at H126	NGN(2,156,717.0)m

Business description

Oando is an African-focused integrated energy company with material upstream oil and gas production, strategic gas and petroleum trading infrastructure, and a fast-growing energy transition platform spanning power and clean energy solutions.

Bull points

- Large reserve and resource base.
- Production recovery and lower unit costs.
- Deleveraging and gas-monetisation upside.

Bear points

- High leverage and interest burden.
- Drilling and restructuring execution risk.
- Oil price, FX and Nigerian operating exposure.

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H126: Operational gains translate into earnings and cash flow

Oando is moving from post-acquisition integration towards operatorship-led growth. H126 provides initial evidence of this shift: production increased by 16%, facility uptime reached 92% and production opex declined by 18%, supporting higher margins and positive operating cash flow. Over the medium term, the focus is on using the drilling and intervention programme, together with existing gas processing and power infrastructure, to increase production and cash generation from the group's large, gas-weighted reserve base, while balance sheet restructuring should reduce the share of cash flow absorbed by finance costs.

Q226: Gross profit and underlying earnings recover

Q226 revenue increased by 9% q-o-q to NGN1,074bn, while gross profit more than doubled to NGN71bn and the margin increased to 6.6% from 3.1%. H126 revenue rose by 20% to NGN2,064bn and gross profit increased to NGN101bn from NGN23bn. The improvement reflected higher upstream production and realised prices, lower production and logistics costs and a reduction in the overlift position. Trading revenue also increased, largely due to higher prices rather than a material change in traded volumes.

We estimate adjusted EBITDA of NGN69bn in Q226, up from NGN20bn in Q126, taking H126 adjusted EBITDA to NGN89bn compared with just c NGN3bn in H125. Our calculation excludes all identified non-cash items above operating profit, including impairment reversals, fair-value movements, foreign exchange revaluations, disposal and lease-modification gains and non-cash provisions. The resulting measure is materially below reported Q2 operating profit of NGN131bn, which included a NGN34bn impairment reversal and, on our calculation, approximately NGN63bn of non-cash foreign-exchange gains. The increase in gross profit therefore represents the clearest indicator of the underlying operating momentum.

Currency movements are a two-sided exposure. While commodity and trading revenues are largely US dollar-linked, a meaningful share of Oando's operating costs is naira-denominated. Naira weakness therefore increases reported naira revenue and lowers local costs in dollar terms, but also raises the naira value and servicing burden of US dollar debt. We note that H126 revenue growth was achieved despite an 11% appreciation of the naira, with the average exchange rate strengthening to NGN1,377/US$ during the period.

The improvement above the operating line was partly offset by higher funding costs. Q226 net finance costs increased to NGN87bn from NGN75bn in Q126, taking H126 net finance costs to NGN161bn compared with net finance income of NGN13bn in H125. This included NGN17bn of non-cash discount unwinding on provisions and deferred consideration. Oando consequently reported an H1 pre-tax loss of NGN33bn despite the return to operating profit. A NGN101bn tax credit, including the reversal of NGN117bn of companies income tax provisions recognised for FY23–25, resulted in PAT of NGN69bn, up 8% y-o-y. Gross profit, adjusted EBITDA and cash generation provide a clearer indication of the underlying improvement than PAT, which continued to benefit from a tax credit.

Cash generated from operations reached NGN179bn in H126, compared with a NGN288bn outflow in H125. A NGN30bn working capital inflow partly offset NGN99bn of interest payments, resulting in net operating cash flow of NGN110bn, versus a NGN357bn outflow in H125. Total capex increased by 69% to NGN81bn, including NGN69bn invested in property, plant and equipment and NGN13bn in intangible assets. The H1 cash flow turnaround is material, although quarterly working-capital movements remain substantial.

Exhibit 1: Summary of Q226 and H126 financial results, NGNbn unless stated

	Q226	Q126	q-o-q	H126	H125	y-o-y
Revenue	1,074.0	989.5	9%	2,063.5	1,720.8	20%
Gross profit	70.7	30.4	132%	101.2	23.5	331%
Gross margin	6.6%	3.1%	3.5pp	4.9%	1.4%	3.5pp
EBITDA*	69.2	20.1	243%	89.3	2.7	n.m.
EBITDA margin	6.4%	2.0%	4.4pp	4.3%	0.2%	4.2pp
Operating profit/(loss)	130.6	(2.8)	n.m.	127.8	(158.7)	n.m.
Net finance costs/(income)	(86.5)	(74.8)	16%	(161.3)	13.0	n.m.
Of which: non-cash discount unwind	(8.6)	(8.3)	4%	(16.9)	(8.5)	99%
PBT	44.5	(77.4)	n.m.	(32.8)	(145.7)	77%
Tax credit/(expense)	(13.4)	114.8	n.m.	101.4	209.1	-52%
Net profit	31.1	37.5	-17%	68.6	63.3	8%
Cash generated from operations	139.7	39.8	251%	179.5	(287.9)	n.m.
Net operating cash flow	535.3	(425.3)	n.m.	110.0	(357.5)	n.m.
Capital expenditure	36.1	45.3	-20%	81.4	48.3	69%

Source: Oando
Note: *EBITDA is calculated as operating profit plus DD&A, adjusted to exclude all identified non-cash operating items, including impairment and fair-value movements, foreign exchange revaluations, disposal and lease-modification gains and non-cash provisions. H125 EBITDA excludes the NGN312bn fair-value loss on modification of financial assets. Q226 cash flow figures are calculated as H126 less Q126. Totals may not sum due to rounding.

The FY25 audit resulted in material revisions to some of the previously reported unaudited figures. Revenue was little changed at NGN3.18tn, but gross profit moved from NGN28bn to a NGN3bn loss, operating profit increased from NGN50bn to NGN241bn and PAT declined from NGN241bn to NGN205bn. Capex was revised upwards from NGN102bn to NGN135bn. The changes principally reflected cost reclassifications and revisions to impairment, finance and tax items.

Higher production and lower costs strengthen the operating base

H126 production increased by 16% to 42,789boepd, with growth across oil, gas and natural gas liquids (NGLs). Oil production increased by 19% to 12,358bopd, gas by 14% to 28,497boepd and NGLs by 28% to 1,935bpd. Production opex declined by 18% to US$16.83/boe, reflecting lower transport, logistics, service and ICT costs, as well as improved absorption of the largely fixed field cost base. Facility uptime increased to 92% from c 85%, while gas utilisation rose to 94.7% from 91.5%.

OMLs 60–63 contributed 40,077boepd, or c 94% of group production, and increased by 18% y-o-y. Oil production from the operated assets rose by 22% to 10,867bopd, supported by new wells, the restoration of 12 previously shut-in wells and higher facility availability. Gas production increased by 16% despite wet gas and flowline constraints, while NGL output rose by 28%. Ebendo production was broadly stable at 2,476boepd, whereas Qua Ibo declined by 38% to 236bopd due principally to natural field decline.

The stronger production performance translated into higher sales volumes. Oil liftings increased by 14% to 2.64mmbbl, gas sales by 31% to 25.1bscf and NGL sales by 70% to 0.34mmbbl. Realised oil and gas prices also increased by 19% and 8%, respectively. The commencement of 11.2mmscfd of long-term gas supply to the new 60MW Bayelsa Independent Power Plant provides an additional domestic outlet and should support further monetisation of the gas-weighted production base.

The oil price backdrop has remained supportive but volatile. Oando's H126 realised oil price increased by 19% y-o-y to US$79.2/bbl, while Middle East supply disruptions subsequently pushed Brent above US$100/bbl in late July before it retreated to the current level of c US$80/bbl as expectations of de-escalation increased. Sustained elevated prices would provide further support to H2 revenue, cash generation and deleveraging, although the reversal would be a potential headwind if the geopolitical risk premium continues to unwind.

Exhibit 2: H126 operating performance

	Unit	H126	H125	Y-o-y
Oil production	bopd	12,358	10,393	19%
Gas production	boepd	28,497	24,929	14%
NGL production	bpd	1,935	1,513	28%
Total production	boepd	42,789	36,836	16%
Production opex	US$/boe	16.8	20.6	-18%
Facility uptime	%	92.0	85.0	7.0pp
Gas utilisation	%	94.7	91.5	3.2pp
Oil liftings	mmbbl	2.6	2.3	14%
Gas sales	bscf	25.1	19.2	31%
NGL sales	mmbbl	0.3	0.2	70%
Realised oil price	US$/bbl	79.2	66.3	19%
Realised gas price	US$/mscf	1.8	1.7	8%
Realised NGL price	US$/bbl	8.8	8.8	0%

Source: Oando

Production guidance maintained; trading outlook reduced

The 2026 development programme progressed during H1, with Idu 6ST drilled, completed and brought onstream and Samabri 4ST drilled and completed. Samabri 7 and Idu 15 were being drilled at period-end, while Idu T, Samabri A and Ogbanbiri are scheduled for H2. Development wells at both Ebendo and Qua Ibo were also brought onstream during Q2. The drilling campaign is supported by approximately 100 planned rigless interventions designed to restore shut-in production, sustain plateau output and offset natural decline. Beyond 2026, management has identified 62 development wells and 55 interventions in support of its medium-term production ambition of c 100,000boepd, subject to execution and funding. Execution of the KON-13 production sharing contract also adds longer-term exploration optionality beyond the core Nigerian production base.

Oando maintained FY26 production guidance of 40,000–50,000boepd and capex guidance of US$90–100m. H1 production of 42,789boepd was within the range, while the remaining drilling and intervention programme should support the company’s aim of moving production towards c 50,000boepd. H1 capex of NGN81bn was equivalent to approximately US$59m, leaving a further c US$31–41m of spending to reach the full-year range.

Trading volumes increased by 2% to 13.15mmbbl, although the number of cargoes rose to 23 from 14 as the division handled a larger number of smaller parcels and increased sourcing from marginal-field producers. Full-year crude trading guidance was reduced to 22–26mmbbl from the 30–35mmbbl indicated with the FY25 results following changes to one crude marketing programme under the Nigerian National Petroleum Company’s new crude-backed financing structure. The revised range implies H2 volumes of 8.9–12.9mmbbl; its midpoint of 10.9mmbbl would be c 17% below H1. While material, management attributes the reduction to the removal of one programme rather than a deterioration in the broader trading platform.

Balance sheet restructuring improves financial flexibility

Gross borrowings were broadly unchanged at NGN2.7tn at end-H126, but cash increased by 29% from year-end to NGN545bn, reducing net debt by 5% to NGN2.2tn. The maturity profile improved, with current borrowings declining by 17% to NGN1.73tn and non-current borrowings increasing by 57% to NGN969bn. This reduces near-term refinancing pressure but primarily represents an extension of tenor rather than a reduction in gross leverage.

The corporate facility and medium-term loan were successfully restructured, with principal and interest arrears settled and both facilities restored to good standing. The proposed NGN200bn rights issue remains under regulatory review, while documentation for the US$1.5bn multi-instrument issuance programme is being updated for resubmission. These initiatives are intended to lower the funding burden; H1 interest paid of NGN99bn absorbed 55% of cash generated from operations, while gross debt was little changed despite the improvement in liquidity.

The proposed disposal of Oando Production and Development Company provides a further potential source of liquidity and represents a step towards portfolio simplification and capital recycling. Oando has agreed to sell a 95% interest in the company holding its 45% interest in OML 56/PML 23 to Energia for a base consideration of US$48.5m plus closing adjustments. A US$9.7m deposit, equivalent to NGN13.3bn, had been received by the end of June, with completion expected within 12 months. However, the transaction would remove Ebendo’s H126 contribution of 2,476boepd, or c 6%

of group output, so its overall benefit will depend on completion and the use of proceeds.

Exhibit 3: Balance sheet developments, NGNbn unless stated otherwise

	H126	FY25	Change
Gross borrowings	2,702	2,695	0%
Cash and cash equivalents	545	423	29%
Net debt	2,157	2,272	-5%
Current borrowings	1,733	2,079	-17%
Non-current borrowings	969	617	57%
Current borrowings/total	64%	77%	(13)pp

Source: Oando, Edison Investment Research

Valuation: Operational delivery is key to re-rating

Ahead of a more detailed initiation report, we compare Oando with its two closest listed Nigerian exploration and production peers, Seplat and Aradel (Exhibit 4). On an in-situ reserve basis, Oando trades at US$2.1/boe of 2P reserves, a 60% discount to Seplat and a 74% discount to Aradel. By contrast, its headline trailing 12-month EV/EBITDA multiple of 4.3x is above Seplat's 3.5x and Aradel's 3.8x. Oando therefore trades at a substantial reserve-based discount but a modest earnings-based premium to its peers.

This valuation pattern reflects the current monetisation profile of the portfolio. Oando has a smaller earnings base and materially higher leverage than its peers, with interest costs absorbing a substantial share of operating cash flow. Its more gas-weighted reserve mix provides long-duration exposure to Nigerian power, industrial and liquefied natural gas demand, but the value of these reserves depends on further production growth, expanded offtake, improved contract pricing and higher utilisation of gas processing, NGL and power infrastructure. Seplat and Aradel have larger earnings bases and greater exposure to liquids that can be monetised more directly at export-linked prices, giving them a shorter route from reserves to free cash flow, particularly in the current supportive oil-price environment.

Nevertheless, H126 provides initial evidence of progress. Double-digit production growth, higher facility uptime and lower production opex supported a material improvement in gross profit, adjusted EBITDA and operating cash generation. Further production growth, higher gas sales, NGL recovery and continued margin improvement would strengthen Oando's earnings and cash flow profile. The scope for re-rating also depends on balance sheet delivery: the rights issue and planned asset sales could reduce leverage, while refinancing should extend maturities and lower the interest burden. We believe consistent progress on both fronts could support a gradual re-rating of the shares.

Exhibit 4: Selected peer group comparison

	Business exposure	Market cap, US$m	EV, US$m	2P reserves, mmboe	EV/2P, US$/boe	Headline TTM EBITDA, US$m	EV/EBITDA, x
Oando	Gas-weighted Nigerian E&P; crude trading and power	386	1,905	928	2.1	447	4.3
Seplat Energy	Onshore and shallow-water E&P; liquids and domestic gas	4,724	5,177	1,001	5.2	1,488	3.5
Aradel Holdings	Upstream, gas, modular refining and power	4,871	5,380	665	8.1	1,434	3.8

Source: Bloomberg Intelligence, company data, Edison Investment Research
Note: Bloomberg for Oando and Seplat and Edison calculation from company data for Aradel. Headline TTM EBITDA is EBIT plus DD&A. TTM stands for trailing 12 months.

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