Aradel Holdings Plc Reports Revenues of ₦123.1 billion for Nine Months Ended 30 September 2023, up 238.8% Year-on-Year

Lagos, Nigeria – 09 November 2023 – Aradel Holdings Plc (“Aradel”, “Aradel Holdings”, “the Company” or “the Group”), a publicly owned integrated indigenous energy Company, announces its unaudited results for the period ended 30 September 2023.

Group Financial Highlights

	30 Sept 2023	30 Sept 2022	Change (y-o-y)
	₦’billion	₦’billion	%
Revenue	123.1	36.3	238.8
Gross Profit	70.3	22.4	213.4
Operating Profit	40.2	15.9	152.2
Operating Profit Margin	32.7%	43.9%	(1120bps)
EBITDA	62.3	25.4	145.1
EBITDA Margin	50.7%	70.0%	(1930bps)
Operating Cashflow	98.7	22.0	348.7
Profit Before Tax	37.4	17.2	117.4
Profit After Tax	19.2	7.1	170.1
Capital Expenditure	32.5	5.3	508.5
Free Cashflow	66.2	16.7	297.5
Earnings per Share	88.2	32.7	169.7
Total Assets[1]	805.2	473.4	70.1
Total Equity[1]	580.1	326.8	77.5

Operational Highlights

- Commenced production in Well-12 and Well-13.
- Production and refining:
    - Crude oil production of 8,893 bbl/day up 148.1% y-o-y (9M 2022: 3,584 bbl/day)
    - Gas production of 22.4 mmscfd (3,949 boepd) up 25.1% y-o-y (9M 2022: 17.8

mmscfd (3,157 boepd)
    - Refined petroleum products sold 126.2 mmlitres up 66.7% y-o-y (9M 2022: 75.7 mmlitres)
- Average realised oil price per barrel of $77.0; there were no crude sales in 9M 2022.
- Average realised gas price per mscf of $1.9 (9M 2022: $1.9)
- Underlying cash operating cost (boe) of $21 (9M 2022: $21)
- 18 years of continuous production.

The Chief Executive Officer/Managing Director, Mr Adegbite Falade, comments:

"The first nine months of 2023 have been a period of significant progress and growth for our Company, despite the challenging macro-economic environment. We commenced production in two new wells (Well-12 and Well-13) during the period, which has significantly boosted our crude oil and gas production. This, coupled with an increase in refined product output, has led to a year-on-year increase in our overall production volumes.

Our revenue for the period increased by 238.8%, reflecting the higher production, the combined utilisation of the Trans Niger Pipeline and the Alternative Crude Evacuation channel, as well as improved revenues from the Refinery. This remarkable growth in revenue is a testament to the effectiveness of our strategic initiatives allied with the Company's focus on execution.

We also experienced exchange losses due to foreign exchange volatility and a formal devaluation of the Naira, symptomatic of the general business environment. These have, however, been offset by our increased operational performance and strong revenue growth. I am delighted to report that our profit after tax increased by 170.1% during the period. This significant increase in profitability, despite the higher depreciation and exchange losses, demonstrates the underlying strength of our operations and the success of our growth strategy.

We remain committed to delivering value to our stakeholders and are confident in our ability to continue to grow and succeed in the future."

Financial Review

Revenue increased by 238.8% to ₦123.0 billion (9M 2022: ₦36.3 billion). This was driven by the following:

- Crude oil revenue (45.5% of total revenue) increased to ₦55.9 billion: there were no crude sales for the corresponding period in 2022. This significant improvement is attributed to the improved utilisation of the Trans Niger Pipeline (TNP), an impact from reduced crude theft losses through the TNP in addition to the value captured through the Alternative Crude Evacuation (ACE) channel.
- Gas revenue recorded a 67.8% increase, amounting to ₦6.3 billion (5.1% of total revenue), reflecting increased production volumes (9M 2022: ₦3.7 billion; 10.3% of total revenue).
- 7% increase in refined products (49.4% of total) to ₦60.8 billion (9M 2022: ₦32.6 billion; 89.7% of total revenue), due to increased sales volumes of 126.2 mmlitres up by 66.7% (9M 2022: 75.7 mmlitres).
- Average realised price of US$96.7 per bbl from crude oil operations (refining plus crude export).

Cost of sales (COS) increased by 279.9% to ₦52.7 billion (9M 2022: ₦13.9 billion). This increment was mainly due to:

- Crude handling charges (28.6% of COS) increased by 2750.4% to ₦1 billion (9M 2022: ₦0.5 billion) arising from higher activity levels across the TNP and ACE operations.
- Depreciation, (40.3% of COS) up by 138.6% to ₦21.3 billion (9M 2022: ₦8.9 billion) resulting from additions to assets during the year and higher hydrocarbon production.
- Royalties (15.6% of COS) rose by 537.0% to ₦8.2 billion (9M 2022: ₦1.3 billion). This is attributable to higher production levels as of 9M 2023 vs 9M 2022 and a rise in crude oil royalty rates following the onset of the Petroleum Industry Act (PIA) in February 2023.
- Materials and supplies (2.5% of COS) increased by 674.0% from ₦0.2 billion in 9M 2022 to ₦1.3 billion in 9M 2023 due to price inflation and higher activity levels.

Gross profit increased to ₦70.3 billion (9M 2022: ₦22.4 billion) which resulted in an **operating profit** of ₦40.2 billion (9M 2022: ₦15.9 billion). There was a decline of 19.5% in other income to ₦0.3 billion (9M 2022: ₦0.4 billion) due to exchange losses recorded from the fluctuation in FX rate.

General and Administrative (G&A) expenses increased by 342.6% to ₦30.5 billion (9M 2022: ₦6.8 billion)

- The major driver of this growth was the exchange loss (58.2% of G&A expenses) which increased to ₦7 billion (9M 2022: Nil) arising from the official devaluation of the Naira.
- Other expenses (10.1% of G&A expenses), which comprises of crude oil hedge and community-related expenses, increased by 325.8% to ₦3.0 billion (9M 2022: ₦7 billion).
- Permits and subscriptions (2.3% of G&A expenses) increased to ₦7 billion, up 371.7% y-o-y (9M 2022: ₦0.14 billion) due to statutory license renewal arising from the implementation of the PIA and ongoing drilling activities.

Finance cost increased by 226.0% to ₦10.2 billion (9M 2022: ₦3.1 billion) driven by ₦1.3 coupon payment on Bonds and an increase in interest expense by ₦3.9 billion due to additional borrowings in 9M 2023, as well as ₦1.9 billion increase in provisions for the unwinding of discounts. **Finance Income** increased by 788.4% to ₦3.6 billion (9M 2022: ₦0.4 billion) resulting from increased money market activity.

Profit before tax of ₦37.4 billion, up 117.4% y-o-y (9M 2022: ₦17.2 billion). **Income tax expense** estimate of ₦18.2 billion (cash tax of ₦6.6 billion and deferred tax of ₦11.6 billion)

Profit after tax increased by 170.1% to ₦19.2 billion (9M 2022: ₦7.1 billion)

Year-to-date growth in **total assets** of 70.1% to ₦805.1 billion (FY 2022: ₦473.4 billion) driven by:

- Property plant and equipment which increased by 72.5% to ₦8 billion (FY 2022: ₦223.7 billion). This was impacted mainly by increased capital expenditure and higher FX rates.
- Increase in investment in associate assets-(ND Western) to ₦1 billion, up 75.2% y-t-d (FY 2022: ₦132.5 billion) due to share of profit and other comprehensive income for the period.
- Increase in financial assets by 157.0% to ₦7 billion (FY 2022: ₦2.2 billion). This growth was driven mainly by a rise in the fair value of available-for-sale securities.

Total liabilities rose by 53.5% to ₦225.1 billion (FY 2022: ₦146.6 billion). This increment is attributable to the ₦10.3 billion Bond raised and an additional US$10 million facility drawn down during the period under consideration. The Naira devaluation yielded a substantial increase in translation differences.

Total equity increased by 77.5% year-to-date to ₦579.9 billion (FY 2022: ₦326.8 billion) primarily due to the retention of total comprehensive income over the period.

Cash flows from operating activities

The Company generated cash flows from operations of ₦104.6 billion as of 9M 2023, a y-o-y increase of 384.8% (9M 2022: ₦21.6 billion), and net cash flows from operating activities of ₦98.7 billion was up 348.7% (9M 2022: ₦22.0 billion).

Other Financing Updates

- The Company made a drawdown of US$10 million in June 2023 from its existing US$120 million Field Development Facility (FDF) obtained in March 2022. This was to fund the ongoing Ogbele field development campaign.
- The Company secured a ₦10 billion Bond Issue in December 2022, part of a ₦20 billion bond series. The proceeds from the issue will be utilised in funding critical NGN-denominated projects. The Bond Issue was 3.18% oversubscribed, and proceeds were received by the Company in January 2023.

Click here to see the full nine months 2023 results.