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The Analyst Note.

Oando Plc **H1 2025** Result: **Reflects Balanced Financial Strategy Amid Market Dynamics.**

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Key **Highlights.**

H1 2025 performance reflected a challenging operating environment, marked by a -15.27% drop in revenue and a sharper -28.06% decline in gross profit. Upstream volumes grew significantly, rising 63% year-on-year to 37,012 boepd with Crude oil production increasing by 77%, gas volumes rising by 54%, and NGL output surging by 375%, reflecting the full consolidation of Nigerian Agip Oil Company's (NAOC) assets following the acquisition.

The NAOC acquisition has significantly increased Oando's operational footprint and working interest in key oil and gas assets, strengthening production visibility and control over operational outcomes. While the company already held joint venture interests in several of the NAOC assets, the enhanced ownership and operatorship position now offers greater control over day-to-day operations, with the potential to drive production volumes, improve cost efficiency, and extract stronger economic value across the portfolio. These structural improvements provide a foundation for operational upside; however, the full realization of these benefits remains dependent on consistent execution and a supportive macroeconomic and regulatory environment.

Despite this uplift, weaker oil prices and reduced PMS import volumes amid local refinery activity and tighter market spreads constrained margins. These trading headwinds, combined with persistent Nigerian macroeconomic headwinds in the oil and gas sector, impacted overall earnings quality. Oando's management made headway in cost optimization with a 50% reduction in administrative expenses, signaling improved cash management and cost discipline.

Oando's shareholders' equity remained negative (-N305.88bn), though the company has outlined a multi-instrument capital restructuring programme intended to restore solvency over time. The rise in finance costs (+106.93%) and borrowings (+15.25%) reflects the capital demands of the recent acquisitions and operational scaling. Despite posting a marginal 1.05% increase in profit after tax and maintaining Earnings Per Share (EPS) at N5.00, current earnings continue to be supported by non-recurring gains, underscoring the need for ongoing operational strengthening. (*see table 1*).

Notably, Oando is proceeding with the phased distribution of 1.28 billion ordinary shares to shareholders, following its Board and SEC approval. The disbursement of the first tranche, comprising approximately 642 million shares was completed in August. While not a cash dividend, this equity distribution reflects the ccompany's intent to reward shareholders through alternative means during a period of financial repositioning. It may also signal a degree of confidence in the Group's long-term strategic direction, despite ongoing earnings volatility and recapitalisation efforts.

Table 1:

OANDO'S KEY HIGHLIGHT

Key Highlights	H1 2024 (N'bn)	H1 2025 (N'bn)	Growth Rate (%)
Revenue	2,030.96	1,720.80	-15.27%
Cost of sales	1,948.66	1,661.59	-14.73%
Gross Profit	82.30	59.21	-28.06%
Finance income	17.39	158.99	814.26%
Finance Costs	93.81	194.12	106.93%
Administrative expenses	233.35	117.16	-49.79%
Profit Before Tax	45.52	-145.74	-420.17%
Profit After Tax	62.65	63.31	1.05%
Earnings per share (Naira)	5.00	5.00	0.00%
Total Assets	6,434.16	6,761.47	5.09%
Shareholder's Equity	-360.98	-305.88	-15.26%
Borrowings	2,771.88	3,194.57	15.25%
Cash and Cash equivalents	155.04	194.24	25.28%
Inventories	46.85	49.94	6.60%
Receivables	750.26	582.14	-22.41%

Source: Financial statement, **Proshare** Research **Proshare.**

Ratios.

Oando Plc's financial ratios for H1 2025 reflect pressure on operational efficiency and financial stability. The gross profit margin fell to 3.44% in H1 2025 from 4.05%, indicating ongoing pressure on core profitability, likely due to margin compression driven by higher upstream costs and weaker trading spreads. Interestingly, the net profit margin improved to 3.68%, suggesting that non-operating income, such as finance income, helped boost the bottom line. However, this raises earnings sustainability issues, as the increase was not driven by core business strength and underscores the need for stronger contributions from core business segments going forward.

Liquidity remains a significant concern since the current ratio of 0.24x and quick ratio of 0.23x indicate a shortfall in short-asset coverage, increasing its exposure to cash flow volatility. The debt-to-equity ratio of -10.44 indicates a highly leveraged position and a negative net worth. Additionally, the cash interest coverage ratio of -1.84x suggests that Oando's operating cash flow is insufficient to meet interest payments. These ratios highlight the importance of Oando's ongoing balance sheet repair strategy, anchored on deleveraging, equity recapitalization, and improved operating cash generation, as a pathway to restoring financial stability and investor confidence (*see table 2*).

Table 2:

OANDO'S RATIOS

Ratios	H1 2024	H1 2025
Gross profit margin	4.05%	3.44%
Net profit Margin	3.08%	3.68%
Return on equity	-17.36%	-20.70%
Return on assets	0.97%	0.94%
Current Ratio	0.25x	0.24x
Quick Ratio	0.24x	0.23x
Inventory Turnover Ratio	0.02x	0.03x
Debt-to-equity ratio	-7.68	-10.44
Cash Interest Coverage	-3.52x	-1.84x

Source: Financial statement, **Proshare** Research **Proshare.**

Valuation.

Oando Plc's price-to-earnings (P/E) ratio increased to 10.99x from 2.50x in H1 2024. This rise in P/E suggests that the market is assigning a higher premium to current earnings, possibly due to expectations of stronger future performance supported by increased production volumes or the stabilization of EPS amid volatile profit dynamics. The price-to-book (P/B) ratio deteriorated to -2.23x from -0.43x, highlighting Oando's significantly negative book value and reduced shareholder equity (*see table 3*).

Table 3:

OANDO'S VALUATION

Valuation	H1 2024	H1 2025
Price to Earnings (P/E)	2.50x	10.99x
Price to Book (P/B)	-0.43x	-2.23x

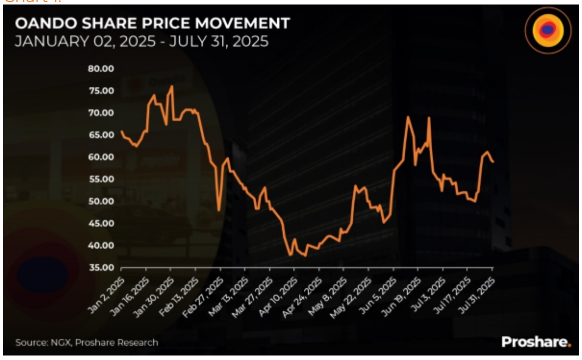
Source: Financial statement, **Proshare** Research **Proshare.**

Share Price Movement

Share Price **Movement.**

Oando Plc's stock experienced notable volatility, reflective of the company's underlying financial instability and market sentiment. The share price started at N65.80 on January 2, 2025, peaked at N76.00 on January 30, 2025, but then saw a significant downward trend, falling to a low of N37.65 on April 16, 2025, a 42.9% decline from the January peak. The stock later staggered a partial recovery in June, reaching N69.00 on June 13, 2025, possibly fueled by short-term speculative interest or broader market movements. However, by the end of July, it closed at ₦59.00, still down 10.3% from the year's opening price (*see chart 1*).

Chart 1:



Closing **Thoughts.**

As Oando Plc navigates the remaining quarters of 2025, its financials and market performance show a company in the midst of a strategic recovery. Persistent challenges such as negative shareholders' equity, a high debt-to-equity ratio of -10.44, and liquidity constraints (current and quick ratios below 0.3x) continue to weigh on financial resilience. While there was a modest improvement in net profit margin and EPS remained relatively stable, these gains were underpinned mainly by non-operational activities and do not yet reflect the full impact of ongoing efforts to restore core profitability.

Looking ahead to H2 2025, Oando is focused on balance sheet optimization through ongoing deleveraging efforts, equity capital initiatives, and refinancing activities, some of which are subject to shareholder approval at the upcoming EGM. Improved market confidence will depend on continued transparency around its debt structure, a rebound in operating cash flows, and steady progress on recapitalization. The broader Nigerian oil and gas landscape offers opportunities through the Petroleum Industry Act (PIA), local content reforms, and rising demand for refined products. Oando's ability to capitalize on these sectoral tailwinds will be underpinned by financial stabilization and disciplined execution, positioning the company to strengthen its competitiveness in an evolving energy environment.

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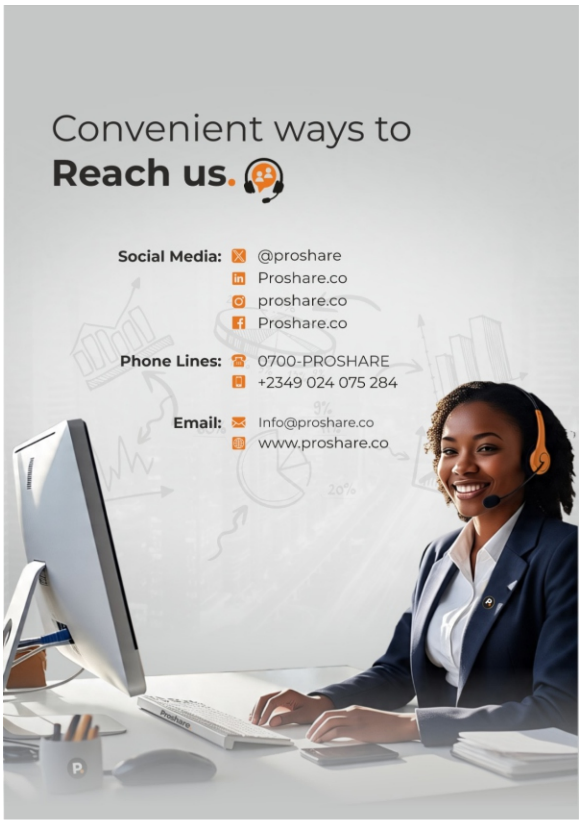

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