Tullow Oil PLC

18:16 09 Sep 2020

Tullow Oil confirms its minimising exploration as it writes off US$1.4bn

Tullow Oil PLC (LON:TLW) has confirmed it is minimising exploration spend in the short-term due to a 'challenging external environment' and continues to explore options to rebalance its portfolio.

The move comes as Tullow's interim results revealed US$1.4bn of exploration write-offs and impairments.

Results for the six months ended June 30, 2020, comprised a US$1.3bn loss after-tax, with production in line with expectations at 77,700 barrels of oil per day (bopd) and US$731mln of revenue, down compared to the US$872mln generated in the same period a year ago.

READ: Tullow warns of potential US$1.4bn - US$1.7bn in write-offs

Gross profit was marked at US$164mln, down from US$527mln in the first half of 2019. Cash flow turned negative, at minus US$213mln versus a US$181mln inflow, and net debt is up slightly year-on-year at just over US$3bn.

The capex budget remains unchanged at US$300mln for the year.

Tullow recently agreed the US$500mln divestment of its business in Uganda, meanwhile, it continues to target a total of US$1bn via 'portfolio sales'.

Exploration and rebalancing

As it reshapes the portfolio under new management, in July, Tullow exited the high potential but early-stage Walton-Morant licence offshore Jamaica - with AIM-quoted United Oil & Gas PLC (LON:UOG) taking up 100% of the exploration asset in the wake of its partner's departure.

Tullow, nonetheless, described its exploration portfolio as 'high quality' with 'high potential opportunities' seen in both Africa and South America.

Price: 31.9

Market Cap: £451.99 m

1 Year Share Price Graph

Share Information

Code:		TLW
Listing:		LSE
52 week	**High**	**Low**
	142.5	**7.168**
Sector:		**Energy**
Website:		**www.tullowoil.com**

Company Synopsis:
Tullow Oil PLC is a leading independent oil and gas, exploration and production group and is quoted on the London and Irish Stock Exchanges. The group has interests in over 90 production and exploration licences in 22 countries and focuses on four core areas: Africa, Europe, South Asia and South America.

action@proactiveinvestors.com.au

Some activity remains, for example, the Venus-1 well will be drilled offshore Namibia by partner Total in the coming months, it is on the slate as 'Q4 2020', meanwhile, a well is planned in Q1 2021 at Block 47 in Suriname.

Tullow noted that results from recent discovery wells in Guyana continue to be reprocessed and evaluated, to support future drilling activity. Here, the firm is the operator of the Orinduik project - holding 60% of the asset - alongside partners Eco Atlantic Oil & Gas PLC (LON:ECO) and Total, which have stakes of 15% and 25% respectively.

In Argentina, it expects to resume a seismic programme that was paused amid the pandemic. Similarly, the coronavirus (COVID-19) pandemic lockdown saw seismic acquisition stall in Côte d'Ivoire and the company is evaluating the gathered data to decide upon next steps.

Investors must wait until Capital Markets Day

Investors may need to wait until Tullow's planned Capital Markets Day, before end of 2020, when chief executive Rahul Dhir intends to layout management's plans for its assets - so that they can "deliver on Tullow's true potential."

"The quality of Tullow's assets remains robust," Dhir said in the results statement. "Since my arrival as CEO, we have been developing new plans for our business, with the support of our Joint Venture Partners and expert advisors. These plans will deliver enhanced value from our assets to benefit all our stakeholders including our host countries and investors."

Dhir, meanwhile, added: "Despite the very tough conditions in the first half of this year, we have successfully delivered reliable production and major, sustainable reductions to our cost base."

In London, Tullow shares fell 7.24% to trade at 18.03p which gives it a market valuation of around £254mln.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.