

October 28, 2021



Diversified Energy Announces 3Q21 Trading Statement

BIRMINGHAM, AL / ACCESSWIRE / October 28, 2021 /Diversified Energy Company PLC (LSE:DEC)(OTCQX:DECPF) ("Diversified" or the "Company") is pleased to announce the following operations and trading update for the quarter ended September 30, 2021 affirming that the Company is trading in line with current market forecasts.

Highlights and Declared Dividend

- Declared 3Q21 interim dividend of 4.25 cents per share (+13% vs 3Q20: 3.75 cents per share);
- Record average net daily production: 128 Mboepd (20% vs 3Q20: 107 Mboepd);
- 3Q21 exit rate of 133 MBoepd (798 MMcfepd);
- 3Q21 Hedged Adjusted EBITDA^(a) of \$92 million (+22% vs 3Q20: \$75 million); Free Cash Flow^(b) of \$72 million (+20% vs 3Q20: \$60 million) representing a 23% annualized Free Cash Flow yield^(b);
- Cash Margins^(c) of nearly 50% (Unhedged: 65%) driven by higher revenue realizations;
- Pro-forma leverage ratio post the recently announced Tapstone acquisition of 2.2x^(d);
- Higher commodity prices and favorable outlook support hedging strategy;
- Capital Markets Day scheduled for November 17 in Houston with an emphasis on the Company's ESG initiatives;
- Retired ~115 Appalachian wells year-to-date at an average cost of ~\$22 thousand per well^(e), representing 144% of the annual state agreement requirements of 80 per year;
- Appointed Sylvia Kerrigan to the Board of Directors as an independent non-executive director, effective 11 October 2021.

Operations Update

Following its closing of the Indigo acquisition in May, Diversified is pleased to have successfully closed its Blackbeard and Tanos acquisitions in early July and August, respectively (together, the "Central Region Acquisitions"). The Company is progressing its highly structured integration efforts of both the acquired assets and retained personnel. Teams within the Central Region are swiftly deploying the Company's Smarter Asset Management program designed to optimize compression and production. The addition of these assets in harmony with Diversified's disciplined management of its legacy assets underpinned the Company's 3Q21 average net daily production and exit rate of 128 Mboepd (768 MMcfepd; +18% vs 2Q21 and +20% vs 3Q20) and 133 MBoepd (798 MMcfepd), respectively, including a full quarter of production from the May 2021 Indigo and early July 2021 Blackbeard acquisitions and a partial contribution from the Tanos acquisition completed in August.

Environmental, Social and Governance (ESG) Update

Demonstrating its commitment to responsibly retire wells, Diversified has completed approximately 115 well retirements in 2021, 44% more than the 80 per year required under contractual agreements with the respective states and attributable in part to the Company's continuing investments in in-house plugging capabilities. Diversified retired these wells at an average cost of ~\$22 thousand per well^(e), highlighting the Company's ability to plug wells effectively, efficiently and within cost estimates. The Company will provide additional information regarding its well retirement program and emission reduction initiatives at its upcoming Capital Markets Day event.

As previously announced, Diversified's Board of Directors (the "Board") appointed Sylvia Kerrigan to join as an independent non-executive director, effective October 11, 2021. Sylvia's appointment increased the size of the Board to eight members, of which 37% are female and 63% are independent. Sylvia brings to the Board a range of professional experience, most importantly her expertise in ESG, merger and acquisition, regulatory, risk management, cybersecurity and information privacy matters.

Financial Update

The Company reported 3Q21 Hedged Adjusted EBITDA^(a) of \$92 million (2Q21: \$73 million; 3Q20: \$75 million) demonstrating Diversified's continued ability to generate significant cash flow. Cash Margins^(c) of nearly 50% (Unhedged: 65%) reflect the contribution of favourable Central Region differential pricing with 3Q21 average realized price (hedged) of \$15.90/Boe (\$2.65/Mcfe) and Total Cash Costs^(f) of \$8.14/Boe (\$1.36/Mcfe) inclusive of higher third-party gathering and transportation costs (primarily within the Central Region) and production taxes (reflective of higher commodity prices). The Company remains on track to deliver full year 2021 Cash Margins of 50% or greater, reflecting favorable realizations within the Central Region and continued cost discipline. In 3Q21, Diversified generated Free Cash Flow^(b) of \$72 million (+20% vs 3Q20: \$60 million), which represents an annualized Free Cash Flow yield^(b) of 23%.

Diversified increased its quarterly dividend to 4.25 cents per share in relation to the 3Q21 operating period (+13% vs 3Q20; +6% vs 2Q21) demonstrating the accretive value of its Central Region Acquisitions to cash flows and high operating margins. This dividend increase represents the tenth per-share increase since Diversified went public in 2017 and spotlights the Company's unique ability to consistently provide shareholder returns, reduce debt and fund expanded ESG initiatives and accretive growth.

Diversified continues to perform due diligence on its pending Tapstone Acquisition and expects to close the transaction in December. Following the Tapstone Acquisition, the Company estimates its consolidated corporate production decline will approximate an industry-leading, low decline of approximately 9%. The Company plans to fund the Tapstone Acquisition with borrowings on its revolving credit facility concurrent with the semi-annual redetermination of the facility resulting in an approximate pro-forma leverage ratio of 2.2x.^(c) The Company continues to evaluate long-term financing options.

Hedging Update

Diversified continues to protect its cash flows by taking advantage of a strong macro outlook and the recent commodity price upswing. Since June 30, 2021, the Company has hedged an additional 5% and 25% (nominal) of 2022 and 2023 natural gas production at average floor prices of \$3.93/Mcf^(g) and \$3.30/Mcf^(g), respectively. Diversified's incremental hedging has increased total hedged production to 75%^(h) at a floor price of \$3.02/Mcf^(g) for 2022 and 55%^(h) at a floor price of \$2.87/Mcf^(g) for 2023, within Diversified's targeted hedge ranges of forecasted production.

Rusty Hutson, Jr., CEO of Diversified, commented:

"We continue to deliver strong operational and financial results through the third quarter demonstrated by consistently strong Cash Margins and higher production from our recently acquired assets. The integration and diligence of our Central Region acquisitions are progressing nicely, giving us heightened confidence in our ability to execute our growth strategy and to increase our quarterly dividend to a new high of 4.25 cents per share. As we realize synergies, progress our Smarter Asset Management programs and proactively hedge in a higher commodity price environment, we expect to achieve even higher margins. Importantly and demonstrating our commitment to continuously improve our sustainability performance, we have not only met our annual state-required well retirements, we have exceeded that level by more than 40% thanks in part to the hard work and diligence of our in-house well retirement team. I look forward to sharing similar accomplishments along with providing a comprehensive overview of the Company's ESG-related initiatives at our upcoming Capital Markets Day."

Footnotes:

- (a) Hedged Adjusted EBITDA includes adjustments for non-recurring and non-cash items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to DEC's hedge portfolio, non-cash equity compensation charges and items of a similar nature
- (b) Free Cash Flow calculated as Hedged Adjusted EBITDA, less recurring capital expenditures, asset retirement costs, cash interest expense and cash paid for income taxes; Free Cash Flow yield represents Free Cash Flow as a percentage of Diversified's total market capitalization
- (c) Cash Margin is measured as Hedged Adjusted EBITDA, as a percentage of Adjusted Total Revenue, which includes the impact of settled derivative instruments
- (d) Leverage calculated as Net Debt-to-Adjusted EBITDA, where Net Debt is as of September 30, 2021 pro forma for the estimated net purchase price of the Tapstone acquisition and Adjusted EBITDA represents annualized 3Q21 Hedged Adjusted EBITDA pro forma for the annualized impact of the previously announced Tanos and Tapstone acquisitions, which is not reflective of synergies that may be realized following post-acquisition integration and is not intended in any way to constitute a projection of actual results attributable to these acquisitions or the consolidated pro forma company
- (e) Average cost per well calculated using fully accumulated costs for 109 of ~115 wells plugged, year-to-date, representing ~95% of total plugging activity. Remaining ~5% of wells do not have sufficient accumulated costs to include in average cost calculation as used herein
- (f) Total Cash Cost per Boe/Mcfe is a metric which allows the Company to measure the cumulative operating cost it takes to produce each Boe/Mcfe. This metric includes operating expense and Adjusted G&A, both of which include fixed and variable cost components
- (g) Average hedge floor converted from MMBtu to Mcf using a Company-average Btu richness factor of 1.08 MMBtu per Mcf
- (h) Percent of production hedged for the presented periods calculated using financial derivatives portfolio as of October 25, 2021; presented as a percent of the illustrative annual natural gas production for the relevant period; illustrative annual production figures calculated using announced September 2021 exit rate and pro forma corporate declines (annual) as described herein and assumes natural gas comprises 90% of total production (net)

For Company-specific items, refer also to the Glossary of Terms and/or Alternative Performance Measures found in the Company's 2020 Annual Report and Interim Results for the Six Months Ended 30 June 2021

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About Diversified Energy Company PLC

Diversified Energy Company PLC is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic US onshore upstream and midstream assets.

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