

March 2, 2023



Diversified Energy Announces Completion of Acquisition & Credit Facility Upsize

BIRMINGHAM, AL / ACCESSWIRE / March 2, 2023 /Diversified Energy Company PLC (LSE:DEC) ("Diversified", "DEC" or the "Company") announces the closing of its acquisition of certain upstream assets and related facilities (the "Assets") in Texas, within the Company's Central Region, from Tanos Energy Holdings II LLC, a portfolio company of Quantum Energy Partners ("Tanos") (the "Seller") (collectively with the Assets, the "Acquisition"). Concurrently, the Company also completed an acquisition-related redetermination of the borrowing base of its Sustainability Linked Loan ("SLL") resulting in a 50% or \$125 million increase in the borrowing base to \$375 million.

Acquisition Highlights

- Purchase price of \$250 million before customary purchase price adjustments
- Acquisition net purchase price of \$244 million after customary purchase price adjustments
 - PDP reserves of ~25 MMBoe (152 Bcfe) and a PDP PV10 of ~\$312 million^(a)
- Current net production of ~17 MBoepd (76% natural gas)
- Substantial potential upside from ~50 undeveloped locations with ~PV10 of ~\$280 million^(b)
- Cash margins of ~80%^(c) on estimated Adjusted EBITDA of ~\$107 million^(d)
- Purchase price multiple of ~2.3x^(d) on PDP-only assets
- Results in uplift of Free Cash Flow of 20%^(e) and Adjusted EBITDA of ~19%^(e)
- Acquisition of hedges of ~60% of 2023 production at an average floor price of ~\$3.80 per Mcf
 - Complements DEC current 2023 hedge portfolio of 80% of production at ~\$3.65 per Mcf

Diversified funded the Acquisition with the proceeds from the recently completed \$163 million equity fundraise, cash on hand and existing availability on the Company's enlarged borrowing base of the SLL. Post-transaction leverage, as measured by pro forma Net Debt to Adjusted EBITDA, is ~2.1x^(f).

Commenting on the Acquisition, CEO Rusty Hutson, Jr. said:

"We are excited to complete another Central Region acquisition of accretive, high-quality assets, further increasing our operational scale in the region. Leveraging the recent reduction in natural gas prices, the net purchase price equates to a low multiple of the assets' net annual cash flows and approximates a PV17 value. Having acquired the assets with a foundation of hedge protection, we will begin our usual asset-optimization work while opportunistically adding to the hedge portfolio with an eye towards protecting and expanding

already strong margins that underpin our tangible returns for shareholders through commodity price cycles and create long-term value. I would like to thank our lenders for their continued support, demonstrated by a 50% increase in the borrowing base of our Sustainability Linked Loan, and our investors for their support during the concurrent equity raise, which collectively enhance our balance sheet and position us for continued success."

Stifel Nicolaus Europe Limited, Tennyson Securities (a trading name of Shard Capital Partners LLP), and Peel Hunt LLP acted as advisors and joint global coordinators and book runners in connection with the equity fundraise.

RBC Capital Markets acted as advisor to Tanos on the sale of the assets.

Footnotes (for Company-specific items, refer also to the Glossary of Terms and/or Alternative Performance Measures found in the Company's 2022 Interim Report):

- (a) PDP reserves values (including volumes, PV10 and approximate PV value) calculated using effective date of February 1, 2023 and based on full NYMEX strip pricing as of January 12, 2023
- (b) As of December 12, 2022; Undeveloped reserves exclude reserves associated with wells scheduled for completion before or immediately following the closing date
- (c) Cash Margin calculated as the Acquisition's estimated Adjusted EBITDA, see footnote (d), as a percentage of Adjusted Total Revenue (which includes as applicable natural gas, NGLs and crude oil commodity revenue, midstream revenue and other revenue)
- (d) Acquisition estimated next twelve months ("NTM") Adjusted EBITDA (unhedged) for the period ended January 31, 2024 for PDP wells and wells scheduled for completion before or immediately following the closing date, as previously announced and assumes historical cost structure using NYMEX strip pricing as of January 12, 2023. Estimate is not reflective of synergies that may be realized following post-acquisition integration; this figure is not intended in any way to constitute a projection of actual results attributable to the Acquisition or consolidated pro-forma Company; Purchase price multiple based on estimated Purchase Price and Acquisition's estimated NTM Adjusted EBITDA (unhedged)
- (e) Adjusted EBITDA and Free Cash Flow based on the trailing 12-month from 1H 2022 announced interim results, August 8, 2022; adjusted for the pro-forma, annualized impact of the Company's previously announced East Texas and ConocoPhillips acquisitions
- (f) Pro-forma Net Debt / Adjusted EBITDA ("leverage") calculated as estimated post-closing Net Debt / 1H22 reported Last Twelve Month's Pro Forma Adjusted EBITDA (hedged), adjusted for the estimated impact of the Acquisition; this figure is not intended in any way to constitute a projection of actual results attributable to the Acquisition or the consolidated pro-forma Company

For further information, please contact:

Diversified Energy Company PLC

+1 973 856 2757

Doug Kris

dkris@dgoc.com

www.div.energy

FTI Consulting

DEC@fticonsulting.com

US & UK Financial Public Relations

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.

SOURCE: Diversified Energy Company PLC

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