March 8, 2021

Diversified Gas & Oil PLC Announces 2020 Full Year Results

BIRMINGHAM, AL / ACCESSWIRE / March 8, 2021 /London LSE-quoted Diversified Gas & Oil PLC (LSE:DGOC) ("DGO" or "the Company") is pleased to announce its annual results for the full-year ended December 31, 2020.

Key Highlights

- December exit rate production of 103 MBoepd (617 MMcfepd), 8% higher than 2019 exit (95 MBoepd)
  - Exceptionally low corporate annual decline rate of ~7% including both conventional and unconventional wells
  - DGO stands as the largest independent producer on the London Stock Exchange ("LSE")
- Hedged Adjusted EBITDA[1] of $301 million (up 10% over $273 million in 2019) bolstered by hedge cash settlements of $145 million that significantly offset low natural gas prices
  - Indicative of the improved natural gas pricing outlook that creates a non-cash pre-tax mark-to-market hedge valuation loss of $239 million, the Group reported a net loss of $23 million in 2020 (2019: $99 million net income inclusive of a pre-tax non-cash mark-to-market hedge valuation gain of $20 million)
  - Adjusted Net Income of $175 million represents an 83% increase over prior year (2019: $96 million) and excludes the mark-to-market valuation change and other non-cash and non-recurring items
- Adjusted Total Revenue (which includes $145 million of cash hedge settlements) of $553 million was 8% higher in 2020 vs 2019 ($512 million including $49 million of hedge cash settlements)
  - Total revenue (which excludes hedge settlements) of $409 million in 2020 vs. $462 million in 2019 due to lower commodity prices in 2020 partially offset by higher production from our acquired production (Carbon and EQT assets)
- Cash Margin[1] of 54% driven by a 10% reduction in total cash expenses[2] to $1.15/Mcfe ($6.92/Boe) and hedge cash settlements
- Dividend increased >14% with two consecutive quarterly raises during 2020
- Recommending a final quarterly dividend of $0.04/share, bringing the full-year 2020 dividend to $0.1525/share, 10% higher than 2019 ($0.1392/share), supported by accretive growth of its low-decline, long-life assets

Other Operational Highlights

- Record full-year average daily net production of ~100 MBoepd, up 18% vs 2019 (85 MBoepd)
  - Average daily production from conventional (Legacy[3]) assets consistent with

2019 at ~69 MBoepd reflective of effective Smarter Asset Management

- Acquired and fully integrated ~$243 million (gross) of assets which expand scale and reduce unit costs:
  - May 2020 conventional upstream and midstream assets from Carbon ($110 million) and primarily unconventional upstream assets from EQT ($125 million)
  - 4Q20 acquisition of five unconventional wells in Ohio for $8 million
- ESG enhancements included broader leak detection and repair program and progress on further refining the Group's comprehensive facilities inventory contributing to lower reported emissions
- Exceeded our 80-well annual well retirement commitment by retiring 92 wells averaging ~$25K each
  - Proactively worked with regulators in Ohio to extend our retirement agreement to 10-year term

Other Financial Highlights

- Remain proactive and opportunistic to protect cash flows and provide dividend stability through hedging:
  - ~90% of 2020 production protected by natural gas hedges, with current forward hedge positions including:
    - ~90% of 2021 natural gas hedged at a weighted average floor price of $2.94/Mcfe ($2.67/MMBtu)
    - ~65% of 1H2022 natural gas hedged at a weighted average floor price of $2.84/Mcfe ($2.59/MMBtu)
- Significant field operating efficiencies reduced total unit cash costs inclusive of higher Adjusted G&A[1]. The additional administrative expense supports the enlarged business, positions the Group with a scalable corporate platform for additional growth and reflects enhanced corporate governance following its transition from AIM to the Premium Segment of the Main Market:
  - Base lease operating expense down 24%: $0.42/Mcfe ($2.53/Boe) (2019: $0.55/Mcfe ($3.31/Boe)
  - Total operating expense down 15%: $0.93/Mcfe ($5.58/Boe) (2019: $1.09/Mcfe ($6.54/Boe)
  - Adjusted G&A[1] expense up 14%: $0.22/Mcfe ($1.33/Boe) (2019: $0.19/Mcfe ($1.17/Boe)
- Distributions benefiting shareholders in 2020 totaled $115 million
  - Dividends paid in 2020: $99 million ($0.1425/share), up 5% (2019: $0.1362/share)
  - Share repurchases: $16 million (~13 million shares) (2019: $53 million)
- Net Debt of $725 million resulting in Net Debt-to-Hedged Adjusted EBITDA[1] of 2.2x at December 31, 2020
  - Debt reductions in 2020, adjusted for acquisitions, total $82 million, driven largely by repayments of scheduled amortizing debt structures
- Year-end liquidity >$210 million
  - Full reaffirmation of $425 million borrowing base twice during 2020, despite volatile commodity price market, with no changes to terms and full support of 17 lenders in the Credit Facility

Corporate Highlights

- Successful move to the Main Market of the London Stock Exchange
- Inclusion in FTSE250 Index
- Established strategic partnership with Oaktree Capital Management, L.P. who committed $1 billion to jointly identify and fund future proved developed producing ("PDP") acquisition opportunities as a non-operating working interest partner
    - For completed acquisitions, the Agreement compensates DGO through an upfront promote and includes reversion interest opportunities to the Group
- Successful financings support growth platform: $200 million (gross) asset securitization to term out a portion of the Group's revolving Credit Facility and the combination of an $85 million (gross) share placing and $160 million (gross) 10-year amortizing secured term loan to primarily fund acquisitions during 2020
- Significant ESG initiatives reflect stewardship emphasis and transparency:
    - Published inaugural year 2019 Sustainability Report with plans to issue the Group's 2020 Sustainability Report in April 2021
    - Initiated comprehensive Enterprise Risk Management reviews
    - Initiated Task Force for Climate-related Disclosure reporting practices
    - Adopted new corporate policies on human rights, environmental, health and safety and corporate responsibility

1. This non-IFRS alternative performance measure referenced throughout is defined and reconciled within the Group's Final Results under the caption "Alternative Performance Measures".
2. Total cash expenses represent total operating expense plus recurring general and administrative costs. Total operating expense includes base lease operating expense, production taxes, midstream operating expense and transportation expense. Recurring administrative expenses is a non-IFRS financial measure defined as total administrative expenses excluding non-recurring acquisition & integration costs and non-cash equity compensation.
3. Legacy Assets owned as at December 31, 2018 and excluding the Group's 2020 acquisitions of Carbon and EQT and 2019 acquisitions of HG Energy and EdgeMarc.

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

"I am exceptionally pleased with our results in 2020 as they reflect the resilience of our business model and its proven ability to consistently deliver shareholder value and returns, even in the most challenging of markets. Our commitment to value-accretive growth, operational excellence, cost discipline, and risk mitigation drove the Group's solid performance through turbulent times. Our long-standing strategy of focusing on low-risk assets and reliable cash flows position DGO for further growth, and enables us to maintain our firm commitment to shareholder returns, evidenced by the increase in our per-share dividend, which we raised twice, or 14%, during the year.

"With a business model grounded in asset and environmental stewardship, we made significant strides in developing plans and adopting disclosure frameworks aimed at improving our environmental footprint. Additionally, we strengthened our track record of accretive growth with the successful acquisitions of both upstream and midstream assets, contributing to a consistent, strong cash margin and enlarging our portfolio of Smarter Asset Management opportunities on a base of assets with an exceptionally low corporate decline rate of ~7%. Our commitment to acquire low-decline assets enables us to replace production

declines with approximately 10% of our Adjusted EBITDA while meeting our operating and ESG commitments, reducing our debt and making consistent quarterly dividend payments to shareholders.

"Our move in May 2020 to the premium segment of the Main Market and subsequent inclusion in FTSE250 reflects the evolution of our business and enables us to solidify our position as the leading independent producer on the LSE. Even so, with the shifting market dynamics of the last few years, we are seeing a generational opportunity to accelerate our accretive consolidation strategy, and our strategic partnership with Oaktree Capital uniquely positions us to capitalize on these opportunities, whether within or outside the Appalachian Basin. The positive fundamentals and outlook for US natural gas are creating a supportive tailwind, which gives us confidence in our ability to sustain our dividend and create value for our stakeholders."

Results Presentation and Audiocasts

DGO will host a conference call today at 2:00pm GMT (9:00am EST) to discuss these results. The conference call details are as follows:

US (toll-free)	+ 1 877 407 5976
UK (toll-free)	+ 44 (0)800 756 3429
Web Audio	www.dgoc.com/news-events/events
Replay Information	https://ir.dgoc.com/financial-info

Additionally, on March 10, 2021 at 6:00pm GMT (1:00pm EST), DGO is pleased to host an investor webinar featuring CEO Rusty Hutson, COO Brad Gray and CFO Eric Williams during which management will discuss the full-year results. To register for the webinar, please contact Yellowstone Advisory at info@yellowstoneadvisory.com, or refer to the following link:

https://us02web.zoom.us/webinar/register/5816106105281/WN_u6UZAWCXTXaT_8uqF9rPE

For further information please contact:

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About Diversified Gas & Oil PLC

Diversified Gas & Oil 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.

For Complete 2020 Full Year Results Please Click Here

SOURCE: Diversified Gas & Oil PLC