

November 5, 2020



Penn Virginia Reports Third Quarter 2020 Results

--- Generated Net Cash Provided by Operating Activities of \$61 Million and Free Cash Flow of \$34 Million for the Third Quarter 2020 ---

HOUSTON, Nov. 05, 2020 (GLOBE NEWSWIRE) -- Penn Virginia Corporation ("Penn Virginia" or the "Company") (NASDAQ:PVAC) today announced its financial and operational results for the third quarter 2020.

Recent Significant Highlights

- Entered into strategic agreements with certain affiliates of Juniper Capital Advisors, L.P. ("Juniper") whereby Juniper would acquire equity in Penn Virginia for (1) a cash investment of \$150 million and (2) the contribution of \$38.4 million of complementary oil and gas assets;
- Generated net cash provided by operating activities of \$61 million and free cash flow ("FCF")⁽¹⁾ of \$34 million for the third quarter of 2020;
- Sold 18,383 barrels of oil per day ("BOPD") and 24,295 barrels of oil equivalent per day ("BOEPD") for the third quarter of 2020;
- Realized oil price for the third quarter of 2020 of \$48.28 per barrel including hedge settlements;
- Reported net loss of \$243 million (includes a non-cash impairment of oil and gas properties of \$236 million and non-cash unrealized losses on derivatives of \$7 million), or \$16.03 per share, and adjusted net income⁽²⁾ of \$17 million, or \$1.14 per diluted share, for the third quarter of 2020;
- Generated adjusted EBITDAX⁽³⁾ of \$64 million for the third quarter of 2020;
- Reduced debt by \$35 million; and
- Recorded a mark-to-market value of the Company's commodity hedge position of approximately \$27.8 million as of November 4, 2020.

"Generating free cash flow is a top priority for Penn Virginia. To achieve that goal, we continue to focus on driving down our capital costs, increasing operational efficiencies, and protecting our margins by prudent risk management," said Darrin Henke, President and Chief Executive Officer of Penn Virginia. "During the third quarter, we generated significant free cash flow, and we judiciously used that cash to reduce our outstanding debt. Given our Gulf Coast pricing, low-cost structure, strong hedge positions, and resumption of our drilling program, we anticipate living within cash flow in the fourth quarter."

Mr. Henke continued, "Our history of solid performance and premier asset base in the Eagle Ford make Penn Virginia an attractive investment opportunity as evidenced by the recently announced pending transaction with Juniper. Once completed, the transaction will immediately improve the Company's balance sheet as it will allow us to more than double

our equity market capitalization, pay down well over \$100 million of debt, extend the maturity of our second-lien term loan by two years to September 2024, and reduce annual interest expense by an estimated 20%. We are also excited about the opportunities provided by folding in Juniper's adjacent acreage, which includes complementary oil and gas assets that add production, cash flow, and additional drilling locations. Finally, this transaction will allow us to more effectively maneuver through a potential "lower for longer" oil price environment. As we have shown consistently throughout 2020, we strive to leverage our robust hedge book to mitigate lower oil prices while maintaining significant upside exposure to an eventual oil price recovery. We look forward to working closely with the Juniper team as we continue to focus on long-term value creation for all of our shareholders."

Third Quarter 2020 Operating Results

Total sales volumes for the third quarter of 2020 were 2.24 MMBOE, or 24,295 BOEPD (76% crude oil). During the third quarter of 2020, the Company did not spud any wells but turned to sales five gross (4.8 net) wells.

Third Quarter 2020 Financial Results

Operating expenses were \$300.0 million (includes a non-cash impairment of oil and gas properties of \$236.0 million), or \$134.23 per barrel of oil equivalent ("BOE"), in the third quarter of 2020. Total cash direct operating expenses, which consist of lease operating expenses ("LOE"), gathering, processing, and transportation ("GPT") expenses, production and ad valorem taxes, and cash general and administrative ("G&A") expenses, were \$26.2 million, or \$11.73 per BOE, in the third quarter of 2020. Total G&A expenses for the third quarter of 2020 were \$3.84 per BOE, which included \$2.7 million of non-cash share-based compensation and non-recurring organizational restructuring costs, of which \$0.8 million was non-cash. For the third quarter of 2020, adjusted cash G&A expenses⁽⁴⁾, which excludes non-cash share-based compensation and non-recurring G&A items, were \$2.65 per BOE. LOE was \$3.70 per BOE for the third quarter of 2020.

Net loss for the third quarter of 2020 was \$243.4 million (includes a non-cash impairment of oil and gas properties of \$236.0 million and non-cash unrealized losses on derivatives of \$6.9 million), or \$16.03 per share, compared to a net income of \$54.4 million, or \$3.59 per diluted share, in the third quarter of 2019. Adjusted net income⁽²⁾ was \$17.3 million, or \$1.14 per diluted share, in the third quarter of 2020 versus \$29.5 million, or \$1.94 per diluted share in the third quarter of 2019.

Adjusted EBITDAX⁽³⁾ was \$63.7 million in the third quarter of 2020, compared to \$86.7 million in the third quarter of 2019, down primarily due to the effect of lower oil sales volumes and oil prices.

During the third quarter of 2020, the Company incurred \$8.0 million of capital expenditures, of which 89% was associated with drilling and completion capital.

As of September 30, 2020, the Company had a net debt to LTM Adjusted EBITDAX ratio of approximately 1.66x⁽⁵⁾. As of October 30, 2020, the Company had \$314.4 million outstanding on its credit facility and \$51.2 million of liquidity.

Acreage

As of September 30, 2020, the Company had approximately 98,300 gross (86,200 net) acres. Approximately 93% of Penn Virginia's acreage is held by production.

Outlook

The table below sets forth the Company's operational and financial guidance:

4Q 2020

Sales (BOPD)	15,000 – 17,000
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D&C Capital Expenditures (millions)	\$35 – \$39
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D&C capital expenditure guidance anticipates spudding approximately 8.5 net wells and completing approximately four net wells. Turn-in line dates may not occur until the beginning of the first quarter of 2021. The Company will monitor the commodity price environment, given recent volatility, and may revise its capital spending plans.

Third Quarter 2020 Conference Call

A conference call and webcast discussing third quarter 2020 financial and operational results is scheduled for Friday, November 6, 2020 at 10:00 a.m. ET. Prepared remarks will be followed by a question and answer period. Investors and analysts may participate via phone by dialing (844) 707-6931 (international: (412) 317-9248) five to 10 minutes before the scheduled start time, or via webcast by logging on to the Company's website, www.pennvirginia.com, at least 15 minutes before the scheduled start time to download supporting materials and install audio software, as necessary. The webcast can also be accessed at <https://services.choruscall.com/links/pvc201106.html>.

An on-demand replay of the webcast will be available on the Company's website beginning shortly after the webcast. The replay will also be available from November 6, 2020 through November 13, 2020 by dialing (877) 344-7529 (international (412) 317-0088) and entering the passcode 10149126.

Juniper Transaction Overview

On November 2, 2020, Penn Virginia entered into agreements with Juniper whereby Juniper would acquire 59% of the equity in Penn Virginia's new structure in exchange for: (1) a cash investment of \$150 million at \$8.75 per share, a 13% premium to the Company's closing share price on November 2, 2020 and (2) a contribution of complementary oil and gas assets valued at approximately \$38.4 million. Juniper will make its investment in Penn Virginia through an up-C structure, which will be implemented at the closing of the transaction. As part of the transaction, Juniper will be restricted from selling any of its equity securities in Penn Virginia for six months following the closing of the transaction.

Penn Virginia expects to use \$50.0 million of the cash proceeds to pay down and restructure its second-lien term loan (balance of \$200.0 million as of October 30, 2020), with the

balance of the cash proceeds used to significantly reduce the amount outstanding under the Company's credit facility (balance of \$314.4 million as of October 30, 2020) and to pay transaction fees and expenses.

Following the closing, Edward Geiser, Juniper's Managing Partner, will serve as Penn Virginia's Chairman of the Board, and Juniper will appoint four additional members to the nine-member Board. Darrin Henke, Penn Virginia's President and Chief Executive Officer, and the other members of Penn Virginia's senior management are expected to continue in their roles, and the Company's current directors, including Mr. Henke, will remain on the Board immediately following the closing.

In connection with the closing of the transaction, holders of Penn Virginia's second-lien term loan have agreed to extend the maturity date from September 2022 to September 2024, in addition to other modifications to the term loan agreement.

The transaction is expected to close in the first quarter of 2021, subject to the satisfaction of customary closing conditions, including obtaining the requisite shareholder and regulatory approvals as well as approval under the Company's revolving credit facility. For additional information, please read the Company's Current Report on Form 8-K filed on November 5, 2020.

About Penn Virginia Corporation

Penn Virginia Corporation is a pure-play independent oil and gas company engaged in the development and production of oil, natural gas liquids, or NGLs, and natural gas, with operations in the Eagle Ford shale in south Texas. For more information, please visit our website at www.pennvirginia.com. The information on the Company's website is not part of this release.

Cautionary Statements Regarding Guidance

The estimates and guidance presented in this release are based on assumptions of current and future capital expenditure levels, prices for oil, natural gas, and NGLs, impact of hedges, available liquidity, indications of supply and demand for oil, well results, and operating costs. The guidance provided in this release does not constitute any form of guarantee or assurance that the matters indicated will be achieved. While we believe these estimates and the assumptions on which they are based are reasonable as of the date on which they are made, they are inherently uncertain and are subject to, among other things, significant business, economic, operational, and regulatory risks, and uncertainties, some of which are not known as of the date of the statement. Guidance and estimates, and the assumptions on which they are based, are subject to material revision. Actual results may differ materially from estimates and guidance. Please read the "Forward-Looking Statements" section below, as well as "Risk Factors" in our annual report on Form 10-K and our quarterly reports on Form 10-Q, which are incorporated herein.

Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact,

included in this communication that address activities, events or developments that Penn Virginia expects, believes or anticipates will or may occur in the future are forward-looking statements. Words such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “potential,” “create,” “intend,” “could,” “would,” “may,” “plan,” “will,” “guidance,” “look,” “goal,” “future,” “build,” “focus,” “continue,” “strive,” “allow” or the negative of such terms or other variations thereof and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements include, but are not limited to, (1) Penn Virginia’s future production and capital expenditures, its ability to maintain low cost structure, the impact of Gulf Coast pricing, the benefits of its hedge positions and resumption of the drilling program, and its ability to manage leverage and operate within cash flow, and (2) statements regarding the transactions with Juniper described herein (the “Transaction”) and pro forma descriptions of the post-Transaction company and its operations, integration, debt levels, acreage, well performance, development plans, per unit costs, ability to maintain production within cash flow, production, cash flows, synergies, opportunities and anticipated future performance. Pro forma information should not be considered a forecast of future results. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication. These include the expected timing and likelihood of completion of the Transaction, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the Transaction that could reduce anticipated benefits or cause the parties to abandon the Transaction; the ability to successfully integrate the assets to be acquired in the Transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the contribution agreements related to the Transaction; the possibility that shareholders of Penn Virginia may not approve the issuance of equity in the Transaction or there may be a delay in receiving expected shareholder approval; the risk that the parties may not be able to satisfy the conditions to the Transaction in a timely manner or at all; the risk that any announcements relating to the Transaction could have adverse effects on the market price of Penn Virginia’s common stock; the risk that changes in Penn Virginia’s capital structure and governance, including its status as a controlled company, could have adverse effects on the market value of its securities; the ability of Penn Virginia to retain customers and retain and hire key personnel and maintain relationships with its suppliers and customers and on Penn Virginia’s operating results and business generally; the risk the pending Transaction could distract management from ongoing business operations or cause Penn Virginia to incur substantial costs; the risk that the expanded acreage footprint does not allow for longer laterals, lower per unit operating expenses, and increased number of wells per pad as expected; the ability of Penn Virginia to develop drilling locations, which do not represent oil and gas reserves, into production or proved reserves; the risk that Penn Virginia may be unable to reduce expenses or access financing or liquidity; the risk that the Company does not realize expected benefits of its hedges; the impact of the COVID-19 pandemic, the related economic downturn and the related substantial decline in demand for oil and natural gas; and other important factors that could cause actual results to differ materially from those projected. All such factors are difficult to predict and are beyond Penn Virginia’s control, including those detailed in Penn Virginia’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that are available on Penn Virginia’s website at www.pennvirginia.com and on the website of the Securities and Exchange Commission (the “SEC”) at www.sec.gov. All forward-looking statements are based on assumptions that Penn Virginia

believes to be reasonable but that may not prove to be accurate. Any forward-looking statement speaks only as of the date on which such statement is made, and Penn Virginia undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Additional Information and Where to Find It

In connection with the Transaction, Penn Virginia will file a proxy statement and other documents with the SEC. Investors and security holders are urged to carefully read the definitive proxy statement when it becomes available because it will contain important information regarding the Transaction.

A definitive proxy statement will be sent to shareholders of Penn Virginia relating to the approval of, among other things, the issuance of Penn Virginia equity securities in the Transaction. This communication is not a substitute for any proxy statement or any other document which Penn Virginia may file with the SEC in connection with the proposed Transaction. INVESTORS AND SECURITY HOLDERS OF PENN VIRGINIA ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the definitive proxy statement (when available) and other documents filed by Penn Virginia with the SEC at the SEC's website, www.sec.gov. The definitive proxy statement (when available) and such other documents relating to Penn Virginia may also be obtained free-of-charge by directing a request to Penn Virginia, Attn: Clay Jeansonne, 16285 Park Ten Place, Suite 500, Houston, TX 77084, or from Penn Virginia's website, www.pennvirginia.com.

Penn Virginia and certain of its directors, executive officers and other members of management and employees may, under the rules of the SEC, be deemed to be "participants" in the solicitation of proxies in connection with the proposed Transaction. Information concerning the interests of the persons who may be "participants" in the solicitation will be set forth in the definitive proxy statement when it is filed with the SEC. Information about Penn Virginia's executive officers and directors can be found in the above-referenced proxy statement when it becomes available and in Penn Virginia's proxy statement relating to its 2020 Annual Meeting of Shareholders filed with the SEC on April 7, 2020 and Penn Virginia's Current Report on Form 8-K filed with the SEC on August 21, 2020.

Footnotes

1) Free cash flow is a non-GAAP financial measure. Definitions of non-GAAP financial measures and reconciliations of non-GAAP financial measures to the closest GAAP-based financial measures appear at the end of this release.

2) Adjusted net income is a non-GAAP financial measure. Definitions of non-GAAP financial measures and reconciliations of non-GAAP financial measures to the closest GAAP-based

financial measures appear at the end of this release.

3) Adjusted EBITDAX is a non-GAAP financial measure. Definitions of non-GAAP financial measures and reconciliations of non-GAAP financial measures to the closest GAAP-based financial measures appear at the end of this release. Also please read “Special Note about Presentation” regarding a change in the definition of Adjusted EBITDAX effective with third quarter of 2020.

4) Adjusted Cash G&A expense is a non-GAAP financial measure. Definitions of non-GAAP financial measures and reconciliations of non-GAAP financial measures to the closest GAAP-based financial measures appear at the end of this release.

5) Net Debt to LTM Adjusted EBITDAX is a ratio of the Company's Net Debt to LTM Adjusted EBITDAX, which are non-GAAP measures defined and reconciled at the end of this release.

PENN VIRGINIA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
and SELECTED OPERATING STATISTICS - unaudited
(in thousands, except per share, production and price data)

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020 2019	
Revenues					
Crude oil	\$ 63,227	\$ 41,197	\$ 110,618	\$ 190,732	\$ 319,461
Natural gas liquids (NGLs)	2,824	1,578	3,546	6,295	12,596
Natural gas	2,563	2,020	4,215	7,273	13,782
Total product revenues	68,614	44,795	118,379	204,300	345,839
Gain on sales of assets, net	—	8	77	14	118
Other revenues, net	797	679	848	1,958	1,342
Total revenues	69,411	45,482	119,304	206,272	347,299
Operating expenses					
Lease operating	8,275	9,094	11,868	27,901	33,234
Gathering, processing and transportation	5,760	5,593	6,600	16,797	16,937
Production and ad valorem taxes	4,368	2,630	7,401	13,152	20,672
General and administrative	7,810	7,035	5,830	21,219	17,072
Total cash direct operating expenses	26,213	24,352	31,699	79,069	87,915
Share-based compensation - equity classified awards	775	951	1,046	2,582	3,101
Depreciation, depletion and amortization	37,038	37,135	46,519	114,891	129,687

Impairments of oil and gas properties	235,989	35,509	—	271,498	—
Total operating expenses	300,015	97,947	79,264	468,040	220,703
Operating income (loss)	(230,604)	(52,465)	40,040	(261,768)	126,596
Other income (expense)					
Interest expense, net	(7,497)	(8,536)	(8,736)	(24,213)	(27,270)
Derivatives	(6,891)	(34,349)	24,248	109,879	(30,166)
Other, net	21	(55)	(248)	(42)	(134)
Income (loss) before income taxes	(244,971)	(95,405)	55,304	(176,144)	69,026
Income tax benefit (expense)	1,558	690	(942)	1,110	(1,736)
Net income (loss)	\$(243,413)	\$(94,715)	\$ 54,362	\$(175,034)	\$ 67,290

Net income (loss) per share:

Basic	\$ (16.03)	\$ (6.24)	\$ 3.60	\$ (11.54)	\$ 4.45
Diluted	\$ (16.03)	\$ (6.24)	\$ 3.59	\$ (11.54)	\$ 4.44

Weighted average shares outstanding:

Basic	15,183	15,167	15,110	15,168	15,105
Diluted	15,183	15,167	15,160	15,168	15,165

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Sales Volumes					
Crude oil (MBbls)	1,691	1,719	1,937	5,291	5,409
NGLs (MBbls)	307	303	415	917	1,119
Natural gas (MMcf)	1,421	1,311	1,899	4,206	5,377
Total (MBOE)	2,235	2,240	2,668	6,909	7,425
Average sales volumes (BOEPD)	24,295	24,617	29,003	25,214	27,196
Prices					
Crude oil (\$ per Bbl)	\$ 37.39	\$ 23.97	\$ 57.12	\$ 36.05	\$ 59.06
NGLs (\$ per Bbl)	\$ 9.20	\$ 5.21	\$ 8.54	\$ 6.86	\$ 11.25
Natural gas (\$ per Mcf)	\$ 1.80	\$ 1.54	\$ 2.22	\$ 1.73	\$ 2.56
Aggregate (\$ per BOE)	\$ 30.70	\$ 20.00	\$ 44.37	\$ 29.57	\$ 46.58
Prices - Adjusted for derivative settlements					
Crude oil (\$ per Bbl)	\$ 48.28	\$ 50.37	\$ 56.71	\$ 51.05	\$ 57.38

Natural gas (\$ per Mcf)	\$	1.88	\$	1.79	\$	2.22	\$	1.86	\$	2.56
Aggregate (\$ per BOE)	\$	38.99	\$	40.41	\$	44.07	\$	41.14	\$	45.36

PENN VIRGINIA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS - unaudited
(in thousands)

	September 30, 2020	December 31, 2019
Assets		
Current assets	\$ 109,796	\$ 88,339
Net property and equipment	835,500	1,120,425
Other noncurrent assets	7,878	9,474
Total assets	<u>\$953,174</u>	<u>\$ 1,218,238</u>
Liabilities and shareholders' equity		
Current liabilities	71,206	129,274
Other noncurrent liabilities	15,378	13,191
Total long-term debt, net	518,858	555,028
Total shareholders' equity	347,732	520,745
Total liabilities and shareholders' equity	<u>\$953,174</u>	<u>\$ 1,218,238</u>

PENN VIRGINIA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - unaudited
(in thousands)

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020 2019	
Cash flows from operating activities					
Net income (loss)	\$(243,413)	\$ (94,715)	\$ 54,362	\$(175,034)	\$ 67,290
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation, depletion and amortization	37,038	37,135	46,519	114,891	129,687
Impairments of oil and gas properties	235,989	35,509	—	271,498	—
Derivative contracts:					
Net (gains) losses	6,891	34,349	(24,248)	(109,879)	30,166

Cash settlements and premiums received (paid), net	6,418	59,146	(423)	65,295	(4,330)
Deferred income tax (benefit) expense	(1,565)	(786)	942	(31)	2,972
Gain on sales of assets, net	—	(8)	(77)	(14)	(118)
Non-cash interest expense	799	1,714	796	3,336	2,544
Share-based compensation (equity-classified)	775	951	1,046	2,582	3,101
Other, net	9	6	13	23	39
Changes in operating assets and liabilities	17,887	(16,879)	10,921	17,056	12,862
Net cash provided by operating activities	60,828	56,422	89,851	189,723	244,213
Cash flows from investing activities					
Acquisitions, net	—	—	(5,956)	—	(5,956)
Capital expenditures	(26,183)	(50,812)	(115,792)	(139,010)	(291,733)
Proceeds from sales of assets, net	—	8	186	83	215
Net cash used in investing activities	(26,183)	(50,804)	(121,562)	(138,927)	(297,474)
Cash flows from financing activities					
Proceeds from credit facility borrowings	5,000	—	30,400	51,000	62,400
Repayment of credit facility borrowings	(40,000)	(40,000)	—	(89,000)	(13,000)
Debt issuance costs paid	(6)	(72)	(98)	(78)	(2,616)
Other, net	(1,068)	1,068	—	—	—
Net cash provided by (used in) financing activities	(36,074)	(39,004)	30,302	(38,078)	46,784
Net increase (decrease) in cash and cash equivalents	(1,429)	(33,386)	(1,409)	12,718	(6,477)
Cash and cash equivalents - beginning of period	21,945	55,331	12,796	7,798	17,864
Cash and cash equivalents - end of period	\$ 20,516	\$ 21,945	\$ 11,387	\$ 20,516	\$ 11,387

PENN VIRGINIA CORPORATION
CERTAIN NON-GAAP FINANCIAL MEASURES - unaudited

Readers are reminded that non-GAAP measures are merely a supplement to, and not a replacement for, or superior to financial measures prepared according to GAAP. They should be evaluated in conjunction with the GAAP financial measures. It should be noted as

well that our non-GAAP information may be different from the non-GAAP information provided by other companies.

Special Note About Presentation

Effective with our reporting for the period ended September 30, 2020, and for future periods, the Company is changing the manner in which settlements from interest rate swap derivatives are presented in the Non-GAAP financial measure “Adjusted EBITDAX.” Previously, our presentation of such interest rate swap settlements were commingled with commodity derivative settlements in the caption titled “Realized settlements, net.” Because these interest rate swap derivative financial instruments represent hedges of the interest expense attributable to our variable-rate debt instruments, we believe that the related gain or loss on our Consolidated Statements of Operations should be treated similarly to the exclusion of interest expense in the determination of “Adjusted EBITDAX.” In order to mitigate the potential for any confusion and to align our reporting with what we believe to be the dominant presentation methodology regarding such Non-GAAP financial metrics in our industry, which is also consistent with the treatment afforded such derivative financial instruments in our debt agreements, we will exclude the effect of such settlements in our Non-GAAP financial measure “Adjusted EBITDAX”. We have applied the aforementioned presentation methodology to all prior periods presented herein.

Effective with our reporting for the period ended March 31, 2020, and for future periods, the Company is changing the manner in which settlements from derivatives are presented in the Non-GAAP financial measures “Adjusted net income” and “Adjusted EBITDAX.” Previously, our presentations of such settlements were based upon the actual amount of cash paid or received during the periods presented. Because derivative financial instruments settle in cash during the month immediately following the month for which the underlying production is hedged, there exists a potential for confusion regarding our actual derivative-adjusted financial performance in the reporting period. In order to mitigate the potential for any confusion and to align our reporting with what we believe to be the dominant presentation methodology regarding such Non-GAAP financial metrics in our industry, we will present our oil derivative settlements in our Non-GAAP financial measures “Adjusted net income” and “Adjusted EBITDAX” on a realized basis whereby such settlements are matched to the periods for which the underlying production is hedged. We have applied the aforementioned presentation methodology to all prior periods presented herein.

Reconciliation of GAAP “Net income (loss)” to Non-GAAP “Adjusted net income”

Adjusted net income is a non-GAAP financial measure that represents net income (loss) adjusted to include net realized settlements of derivatives and exclude the effects, net of income taxes, of non-cash changes in the fair value of derivatives, impairments of oil and gas properties, net gains and losses on the sales of assets, acquisition, divestiture and strategic transaction costs, organizational restructuring, including severance, other net items and income tax effect of adjustments. We believe that Non-GAAP adjusted net income and non-GAAP adjusted net income per share amounts provide meaningful supplemental information regarding our operational performance. This information facilitates management’s internal comparisons to the Company’s historical operating results as well as to the operating results of our competitors. Since management finds this measure to be useful, the Company believes that our investors can benefit by evaluating both non-GAAP and GAAP results. Adjusted net income non-GAAP is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an

alternative to net income (loss).

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020 2019	
	(in thousands, except per share amounts)				
Net income (loss)	\$ (243,413)	\$ (94,715)	\$ 54,362	\$ (175,034)	\$ 67,290
Adjustments for derivatives:					
Net losses (gains)	6,891	34,349	(24,248)	(109,879)	30,166
Realized settlements, net	17,623	45,285	(788)	78,607	(9,061)
Impairments of oil and gas properties	235,989	35,509	—	271,498	—
Gain on sales of assets, net	—	(8)	(77)	(14)	(118)
Acquisition, divestiture and strategic transaction costs	525	—	—	525	800
Organizational restructuring, including severance	1,372	—	—	1,372	—
Other, net	—	—	228	—	228
Income tax effect of adjustments	(1,669)	(833)	—	(1,526)	—
Adjusted net income	\$ 17,318	\$ 19,587	\$ 29,477	\$ 65,549	\$ 89,305
Net income (loss), per diluted share	\$ (16.03)	\$ (6.24)	\$ 3.59	\$ (11.54)	\$ 4.44
Adjusted net income, per diluted share	\$ 1.14	\$ 1.29	\$ 1.94	\$ 4.32	\$ 5.89

Reconciliation of GAAP “Net income (loss)” to Non-GAAP “Adjusted EBITDAX”

Adjusted EBITDAX represents net income (loss) before interest expense, income taxes, impairments of oil and gas properties, depreciation, depletion and amortization expense and share-based compensation expense, further adjusted to include the net commodity realized settlements of derivatives and exclude the effects of gains and losses on sales of assets, non-cash changes in the fair value of derivatives, and special items including acquisition, divestiture and strategic transaction costs, and organizational restructuring, including severance and other items. We believe this presentation is commonly used by investors and professional research analysts for the valuation, comparison, rating, investment recommendations of companies within the oil and gas exploration and production industry. We use this information for comparative purposes within our industry. Adjusted EBITDAX is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an alternative to net income (loss). Adjusted EBITDAX as defined by Penn Virginia may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with net income (loss) and other measures prepared in accordance with GAAP, such as operating income or cash flows from operating activities. Adjusted EBITDAX should not be considered in isolation or as a substitute for an analysis of Penn Virginia’s results as reported under GAAP.

	Three Months Ended			LTM
	September		September	September
	30, 2020	June 30, 2020	30, 2019	30, 2020
	(in thousands, except per unit amounts)			
Net income (loss)	\$ (243,413)	\$ (94,715)	\$ 54,362	\$ (171,735)
Adjustments to reconcile to Adjusted EBITDAX:				
Interest expense, net	7,497	8,536	8,736	32,754
Income tax (benefit) expense	(1,558)	(690)	942	(709)
Impairments of oil and gas properties	235,989	35,509	—	271,498
Depreciation, depletion and amortization	37,038	37,135	46,519	159,773
Share-based compensation expense (equity-classified)	775	951	1,046	3,563
(Gain) loss on sales of assets, net	—	(8)	(77)	99
Adjustments for derivatives:				
Net losses (gains)	6,891	34,349	(24,248)	(71,914)
Realized commodity settlements, net	18,542	45,721	(788)	78,454
Adjustment for special items:				
Acquisition, divestiture and strategic transaction costs	525	—	—	525
Organizational restructuring, including severance	1,372	—	—	1,372
Other, net	—	—	228	4
Adjusted EBITDAX	\$ 63,658	\$ 66,788	\$ 86,720	\$ 303,684
Net income (loss) per BOE	\$ (108.90)	\$ (42.28)	\$ 20.37	\$ (17.88)
Adjusted EBITDAX per BOE	\$ 28.48	\$ 29.81	\$ 32.50	\$ 31.62

Reconciliation of GAAP “General and administrative expenses” to Non-GAAP “Adjusted cash general and administrative expenses”

Adjusted cash general and administrative expenses is a supplemental non-GAAP financial measure that excludes certain non-recurring expenses and non-cash share-based compensation expense. We believe that the non-GAAP measure of Adjusted cash general and administrative expenses is useful to investors because it provides readers with a meaningful measure of our recurring G&A expense and provides for greater comparability period-over-period.

Three Months Ended			Nine Months Ended	
September	September	September	September 30,	
30, 2020	June 30, 2020	30, 2019	2020	2019
(in thousands, except per unit amounts)				

General and administrative expenses - direct	\$ 7,810	\$ 7,035	\$ 5,830	\$ 21,219	\$ 17,072
Share-based compensation - equity-classified awards	775	951	1,046	2,582	3,101
GAAP General and administrative expenses	8,585	7,986	6,876	23,801	20,173
Less: Share-based compensation - equity-classified awards	(775)	(951)	(1,046)	(2,582)	(3,101)
Significant special charges:					
Acquisition, divestiture and strategic transaction costs	(525)	—	—	(525)	(800)
Organizational restructuring, including severance	(1,372)	—	—	(1,372)	—
Adjusted cash-based general and administrative expenses	\$ 5,913	\$ 7,035	\$ 5,830	\$ 19,322	\$ 16,272
GAAP General and administrative expenses per BOE	\$ 3.84	\$ 3.56	\$ 2.58	\$ 3.45	\$ 2.72
Adjusted cash general and administrative expenses per BOE	\$ 2.65	\$ 3.14	\$ 2.18	\$ 2.80	\$ 2.19

Definition and Explanation of Free Cash Flow

Free Cash Flow is a non-GAAP financial measure that management believes illustrates our ability to generate cash flows from our business that are available to be returned to our providers of financing capital represented primarily by our debt holders as we do not currently have a dividend or share repurchase program. We present Free Cash Flow as the excess (deficiency) of Discretionary cash flow over Capital additions, net. Discretionary cash flow is defined as Adjusted EBITDAX (non-GAAP measure defined and reconciled to GAAP net income above) less interest expense and debt issue costs and adjustments for income taxes (paid) refunded and changes for working capital. Capital additions represent our committed capital expenditure and acquisition transactions, net of any proceeds from the sales or disposition of assets. Free Cash Flow is also defined as net cash provided by operating activities less net cash used in investing activities and debt issuance costs paid, plus other, net. We believe Free Cash Flow is commonly used by investors and professional research analysts for the valuation, comparison, rating, investment recommendations of companies in many industries. Free Cash Flow should be considered as a supplement to net income as a measure of performance and net cash provided by operating activities as a measure of our liquidity.

Three Months Ended	Nine Months Ended	Twelve Months Ended
September 30, 2020	September 30, 2020	September 30, 2020

	(in thousands)		
GAAP Net cash provided by operating activities	\$ 60,828	\$ 189,723	\$ 265,704
GAAP Net cash used in investing activities	(26,183)	(138,927)	(210,497)
Debt issuance costs paid	(6)	(78)	(78)
Other, net	\$ (1,068)	\$ —	\$ —
Non-GAAP Free cash flow	\$ 33,571	\$ 50,718	\$ 55,129
Adjusted EBITDAX, as reported	\$ 63,658	\$ 208,938	\$ 303,684
Interest expense, as reported, less non-cash interest	(7,375)	(22,944)	(31,577)
Income taxes refunded	—	2,471	4,942
Debt issue costs paid	(6)	(78)	(78)
Working capital and other, net	(14,665)	(39,772)	(60,283)
Discretionary cash flow	41,612	148,615	216,688
Capital expenditures, as reported	(8,042)	(97,981)	(162,604)
Proceeds from asset sales	1	84	84
Sales and use tax refunds applied to capital additions	—	—	961
Capital additions, net	(8,041)	(97,897)	(161,559)
Non-GAAP Free cash flow	\$ 33,571	\$ 50,718	\$ 55,129
Net debt at beginning of period	\$ 537,455	\$ 554,602	\$ 559,013
Less: Net debt at end of period	(503,884)	(503,884)	(503,884)
Non-GAAP Free cash flow	\$ 33,571	\$ 50,718	\$ 55,129

Net Debt

Net debt, excluding unamortized discount and debt issuance costs is a non-GAAP financial measure that is defined as total principal amount of long-term debt less cash and cash equivalents. The most comparable financial measure to net debt, excluding unamortized discount and debt issuance costs under GAAP is principal amount of long-term debt. Net debt is used by management as a measure of our financial leverage. Net debt, excluding unamortized discount and debt issuance costs should not be used by investors or others as the sole basis in formulating investment decisions as it does not represent the Company's actual indebtedness.

	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Credit Facility	\$ 324,400	\$ 359,400	\$ 362,400	\$ 370,400
Second lien term loan, excluding unamortized discount and issue costs	200,000	200,000	200,000	200,000
Cash and cash equivalents	(20,516)	(21,945)	(7,798)	(11,387)
Net Debt	\$ 503,884	\$ 537,455	\$ 554,602	\$ 559,013

Contact

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Source: Penn Virginia Corporation