



# **BASE DIVIDEND GROWTH PLAN**

**December 15, 2021**

**NYSE American: NOG**

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## NOG Provides a Strong and GROWING Dividend

Base Dividend Growth Plan (~20% Avg Growth per Quarter) Through 2023 Takes Yield to >6.5%<sup>(1)</sup>

Achieved with a Conservative Structure – Based on \$50 WTI / \$3.00 Henry Hub

Accretive Acquisitions Provide Upside to both Free Cash Flow and Future Base Dividend Growth

Optionality: Buybacks (\$68MM Authorized), Special Dividends, and Additional Debt Paydown

## A SUPERIOR TOTAL RETURN PLATFORM

1) Yield based on a \$20 share price. As of December 14, 2021, Northern shares closed at \$18.45 per share. Under Delaware law, the Board may not declare a dividend more than 60 days before the record date for such dividend. Northern can give no assurances that the Board will approve any future dividends. Northern reserves the right to make changes to the Base Dividend Growth Plan based on any factors it deems relevant, including commodity prices, business strategy or market changes.

## Assumptions:

- ✓ Based on \$50 WTI oil and \$3.00 NYMEX Henry Hub Gas through 2023 (“Base Commodity Pricing,” or “BCP”)
- ✓ Reasonable downside case for oil and natural gas prices
- ✓ Assumed no reductions to drilling or Ground Game costs in Base Commodity Pricing scenario
- ✓ Company expects to still achieve zero bank borrowings by RBL maturity through continued deleveraging efforts in the BCP scenario

## Upside:

- ✓ Higher than Base Commodity Pricing realizations and accretive bolt-on acquisitions could accelerate dividend growth
- ✓ Liquidity and retained cash flow available to be used for the following purposes:
  - Retirement of bank borrowings
  - Accretive bolt-on acquisitions
  - Retirement of term debt securities
  - Potential common and preferred stock repurchases<sup>(1)</sup>
  - Potential special dividends

1) Northern has a common stock buyback program with approximately \$68 million remaining authorization

# NOG'S BASE DIVIDEND GROWTH PLAN



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*Superior Investment Proposition: The S&P 500 Has a Current Dividend Yield of 1.2% with a 3-Year Trailing Annual Dividend Growth Rate of 4.1%<sup>(1)</sup>*

## NOG plans, assuming Base Commodity Pricing or higher, to raise its common dividend by \$0.03 or greater each quarter through Year-End 2023

	Q1: 22	Q2: 22	Q3: 22	Q4: 22	Q1: 23	Q2: 23	Q3: 23	Q4: 23
Proposed Dividend <sup>(2)</sup>	\$ 0.12	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.24	\$ 0.27	\$ 0.30	\$ 0.33
Implied Annualized Yield - \$20 Price	2.4%	3.0%	3.6%	4.2%	4.8%	5.4%	6.0%	6.6%
Implied Annualized Yield - \$30 Price	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%	4.4%
Implied Annualized Yield - \$40 Price	1.2%	1.5%	1.8%	2.1%	2.4%	2.7%	3.0%	3.3%
Record Date	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Quarter over Quarter Growth	<b>50%</b>	<b>25%</b>	<b>20%</b>	<b>17%</b>	<b>14%</b>	<b>13%</b>	<b>11%</b>	<b>10%</b>

**NOG's Plan Achieves ~20% Average Growth Per Quarter at \$50 Oil, Terminal Yield of >6.5%<sup>(3)</sup> on Base Dividend Alone by YE2023, While Still Reducing Leverage and Providing Additional Growth Potential from Future Bolt-ons and Higher Prices than BCP**

1) Source: Bloomberg Financial as of December 14, 2021.

2) Upon closing of the Veritas Acquisition, Management plans to recommend a \$0.12 per share dividend to the Board of Directors for Q1:22. Under Delaware law, the Board may not declare a dividend more than 60 days before the record date for such dividend. Northern can give no assurances that the Board will approve these or any future dividends. Northern reserves the right to make changes to this plan based on any factors it deems relevant, including commodity prices, business strategy or market changes.

3) Based on a \$20 NOG per share price. NOG's closing price as of December 14, 2021 was \$18.45 per share.

# VISUALIZATION OF STRUCTURE – SIGNIFICANT UPSIDE REMAINS



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## Structure Provides Strong Cash Returns with Upside Growth Potential

WTI Oil Price (\$/Bbl)

\$100

\$90

\$80

\$70

\$60

\$50

\$40

\$30

\$20

\$10

\$0



NOG Free Cash Flow Stream

- ✓ Accelerate Increases to Base Dividend
- ✓ Accelerate Reduction of Bank Borrowings
- ✓ Term Debt Retirement
- ✓ Additional Bolt-on and Ground Game Acquisitions
- ✓ Common and Preferred Stock Repurchases
- ✓ Special Dividends
  
- ✓ Base Dividend Represents ~1/3<sup>rd</sup> of Free Cash Flow after Maintenance Capital at BCP Pricing by 2023
- ✓ Equates to >6.5% Yield by 2023 at a \$20.00 Share Price
  
- ✓ Debt Repayment to Reach Target <1.0x Net Leverage Ratio
- ✓ Bolt-On Transactions and Ground Game for Growth

1) Source: Bloomberg Financial as of December 14, 2021.

## *“Non-Op Discount” Should Be and Will Become a “Working Interest Premium”*

### ➤ **Operator in Shale 3.0:**

- Dividend payout in no-growth era dictated by commodity price swings in a “special payout” structure
- A fiercely competitive and crowded acquisitions market, turns an M&A strategy into a low returns proposition
- Consolidation creates risk of capital misallocation as competing operating teams must fight to be allocated capital for respective areas
- Enter “Inventory Preservation Mode” as most large contiguous blocks of land in core regions are already owned and in development
- Minimal needle moving ground game opportunities
- Cannot grow organically without adding incremental supply into the oil market or without facing ire of investors
- Best case scenario is minimal growth for long term total return with high (~2/3) Free Cash Flow Payout structure

### ➤ **Mineral / Royalty Company in Shale 3.0:**

- Paying out 75 - 100% of distributable cash flow, yet still requires inventory replacement, ultimately dependent then on the capital markets for any future growth
- Faces highly competitive market with lower return prospects, with small fractional interests that are difficult to build scale
- Investment and timing risks significant: still a non-operated business with development timing risks, but must pay full purchase price all up front, rather than as wells are being developed

### ➤ **NOG in Shale 3.0** .....

- ✓ NOG’s free cash flow and base dividend poised to grow faster than sector with continuation of its accretive bolt-on strategy
- ✓ Non-op acquisition pipeline for both small- and large-scale deals remains robust and competition limited
- ✓ Low G&A model, with unit costs that continue to decrease with scale; NOG remains a ROCE leader in the space
- ✓ One “Capital Allocation Funnel” where drilling decisions are made by competing with each other for capital based on maximizing returns
- ✓ Continual pick up of fractional acreage and drilling opportunities in the best areas of the best L48 shale plays, the true “core of the core”