

Diversified Closes Securitized Financing and Borrowing Base Redetermination

BIRMINGHAM, AL / ACCESSWIRE / May 31, 2022 /Diversified Energy Company PLC (LSE:DEC) ("Diversified" or "the Company") pleased to announce that on May 27, 2022 it closed an asset backed securitization ("ABS") of substantially all remaining unsecuritized upstream producing natural gas and oil Appalachia assets (the "Assets"). This financing is linked to key performance indicators (KPI) based on emissions reduction targets and represents the Company's third ESG-aligned ABS in 2022. The Assets were previously pledged as collateral under the Company's Revolving Credit Facility ("RBL"). In conjunction with the closing of the \$445 million ABS and reflective of the transfer of the collateral, Diversified's 16-member bank group, led by KeyBank National Association, redetermined the Company's RBL borrowing base at \$300 million. Diversified will use the ABS proceeds to repay all outstanding borrowings under its RBL and for general corporate purposes, resulting in liquidity^(a) of approximately \$500 million pro forma as of March 31, 2022.

Transaction Highlights

- Key terms:
 - ABS note amount of \$445 million (\$423 million, net of a certain fees and approximately \$15 million in restricted cash interest reserve)
 - Fixed coupon of 5.78% (notes issued at par)
 - A rating of BBB (Fitch Ratings, Inc.)
 - Fully-amortized maturity of December 2030^(b)
- Sustainable Fitch provided an assessment and Second Party Opinion of Diversified's KPI-linked framework and determined the notes align with the ICMA's framework for sustainability-linked bond principles
 - The KPI-linked notes include certain emissions reduction targets based on targets from the Company's 2021 Sustainability Report^(c)
- Favorable hedge structure:
 - Long-dated natural gas swaps at a weighted average price of \$3.91/MMBtu
 - Long-dated NGL swaps at a weighted average price of \$43.27/bbl
 - Purchased natural gas put spreads in the outer years, providing downside price protection while preserving exposure to higher natural gas prices. The Company includes the fair market value of the put spreads on its balance sheet.
- Redetermined borrowing base and increased liquidity:
 - Undrawn RBL borrowing base of \$300 million
 - \$150 million increase in the Company's liquidity since its 1Q22 trading statement^(d)
 - Liquidity^(a) of approximately \$500 million, as of March 31, 2022 and pro forma for recent acquisitions, comprised of RBL availability and approximately \$200 million in cash on hand

Rusty Hutson, Jr., CEO of the Company, commented:

"We are pleased to close another fixed-rate, fully-amortizing and liquidity-enhancing ABS, at a tighter spread to prevailing interest rates than our prior ABS notes despite a rising rate environment. We are especially excited to include many new investors as we further expand the investor universe for high-quality E&P securitizations, and we look forward to working with these financial institutions including those that have invested in our prior securitizations. We plan to remain active in the ABS market given the supportive commodity price backdrop, strong investor demand for seasoned-issuers like Diversified and our desire to transition long-term assets from our RBL into low fixed-rate, fully-amortizing notes."

Citigroup Global Markets Inc. acted as Sole Structuring Agent, Sole Ratings Advisor, and Left Lead Placement Agent. Donovan Ventures, LLC acted as Joint Lead Placement Agent and Sole ESG Structuring Advisor. Truist Securities, Inc. acted as Joint Placement Agent for the transaction.

Footnotes (for Company-specific items, refer also to the Glossary of Terms and/or Alternative Performance Measures found in the Company's 2020 Annual Report):

(a) Calculated as the revised borrowing base of \$300 million and inclusive of cash on hand and letters of credit

(b) Legal final maturity of May 2039

(c) The notes' coupon can increase if emissions targets are not met starting with the first measurement period in 2026

(d) Published via RNS on May 16, 2022

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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.

SOURCE: Diversified Energy Company PLC

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