August 5, 2021

Diversified Energy Company Announces Interim Results

BIRMINGHAM, AL / ACCESSWIRE / August 5, 2021 / London LSE-quoted Diversified Energy Company PLC (LSE:DEC)("DEC" or "the Company") is pleased to announce its Interim Results for the six months ended June 30, 2021 and other recent highlights.

Period Highlights, Announced Capital Markets Day & Declared Dividend

- Declared 2Q21 interim dividend of $0.0400 per share (2Q20: $0.0375 per share, +7%)
- Record average net daily production: 106 MBoepd (11% vs 1H20: 95 MBoepd); Exit rate of 116 MBoepd
- 1H21 Hedged Adjusted EBITDA[1] of $151 million (+3% vs 1H20: $146 million) generating Free Cash Flow[1] of $117 million with Cash Margin[1] of more than 50%
- Net Income & Adjusted Net Income[1] (which excludes $278 million ($371 million, pre-tax) of non-cash hedge valuation losses)
    - Net loss of $84 million or $0.11 per fully diluted share (1H20: +$18 million, +$0.03/share)
    - Adjusted Net Income[1] of $204 million or $0.28 per fully diluted share (1H20: +$112 million, +$0.17/share)
    - Net Income includes an estimated $81 million tax credit earned on wells producing >90 Mcf/day
- Announced upcoming Capital Markets Day in early October with an emphasis on outlining the Company's near and longer-term ESG initiatives

Central Region Acquisition Highlights

- Strategic entry into a new producing area acquiring three separate asset packages with net purchase prices totaling $342 million[2]
    - Indigo Minerals LLC ("Indigo"): ~2.9x multiple producing 8 MBoepd (net) in the Cotton Valley (closed May 2021)
    - Blackbeard Operating LLC ("Blackbeard"): ~3.5x multiple producing 16 MBoepd (net) producing in the Barnett shale (closed July 2021)
    - Tanos Energy Holding III LLC ("Tanos"): ~2.8x multiple[3] producing 14 MBoepd (net) in the Cotton Valley and Haynesville Shale (expected to close mid-August 2021)
    - Oaktree Capital Management L.P. ("Oaktree") co-invests in the geographically overlapping Indigo & Tanos packages while contributing 2.5% of its working interesting as an up-front promote to DEC shareholders
    - Healthy balance sheet and financing capacity optimally positions DEC for additional non-dilutive growth using organic cash flow and financing capacity following a successful $225 million (gross) equity raise to part fund the

    acquisitions
- Quickly building scale to drive synergies; 27% of the Company's consolidated production will come from the Central Region pro forma for closing the three acquisitions
- Successful integration underway on Indigo and Blackbeard assets; Implementing Smarter Asset Management programs

Other Operational Highlights

- Environmental, Social and Governance ("ESG") progress
    - Published 2020 Sustainability Report with expanded disclosure of ESG performance including TCFD reporting
    - Created executive management position to enhance accountability and drive ESG and Sustainability efforts
    - Improved emissions monitoring and reporting through significant progress on data warehouse and asset inventory
- Established an internal team dedicated to permanently retiring wells, reducing reliance on third-party services and driving further process quality and efficiencies
    - Permanently retired 14 wells in West Virginia at an average cost per well of ~$19 thousand, 25% below typical third-party costs
- Permanently retired 65 wells in Appalachia at an average cost of ~$19 thousand per well
    - Represents > 80% of annual state agreement required retirements

Other Financial Highlights

- Stakeholder distributions including $62 million of dividends and $34 million of debt repayments
- Leverage ratio[4] of 1.9x[1] at June 30, 2021 (Net Debt[1] of $633 million)
- In April (Spring redetermination): Unanimous 16-bank Credit Facility syndicate vote to fully reaffirm the $425 million borrowing base with no changes to terms
- In August (Special post-acquisition redetermination): Lead lenders within the Credit Facility conditionally committing to increase the Facility's borrowing base to $625 million (+$200 million) following completion of Central Region acquisitions and satisfactory diligence
- Significantly improved pricing outlook for natural gas creates an opportunity to hedge at levels that support higher cash operating margins. Disciplined hedging strategy protects cash flows and provides dividend and debt repayment stability
- ~90% of 2021 natural gas production protected by hedges, with current forward hedge positions including
    - ~90% of 2H21 natural gas hedged at a weighted average price of $2.98/Mcfe[5] ($2.76/MMBtu)
    - ~67% of 2022 natural gas hedged at a weighted average floor price of $2.91/Mcfe[5] ($2.69/MMBtu)

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

"I am thrilled with the progress we made in this active first half of 2021*, successfully delivering on a number of key strategic initiatives in line with our long-term growth strategy.*

Our entry into a new operating region complements our continued focus in Appalachia and introduces a geographic diversity capable of providing improved margins from higher realized pricing and a significant new runway for further value accretive and synergistic opportunities. With a business model centered on an asset profile rather than a defined geologic region, we are confident in our ability to replicate our Appalachian success in the Central Region by delivering the same operating efficiencies and cost controls that result in strong margins and consistent shareholder returns. Of course, we remain committed to tangible shareholder returns, and are delighted to once again declare an additional $0.04 dividend of the second quarter, which will add an additional ~$34 million to the already more than $62 million we have paid so far this year.

"As we step into a new region that presents significant consolidation opportunities, we welcome Oaktree's participation in both the Indigo and Tanos acquisitions. Not only does their investment validate our views of the asset quality within the Central Region, it affirms their belief in the Diversified strategy grounded in stewardship, as we continue to focus on accretive, responsible growth and operatorship of primarily natural gas assets. Our balance sheet remains healthy as we continue into the second half of 2021 *with ample financing capacity to consider further complementary growth opportunities.*

"We have already delivered significant progress in the second half of the year by the closing of Blackbeard, announcing the Tanos acquisition and our near-term focus on the seamless integration and optimization of all the Central Region acquisitions. Simultaneously, we are making great progress on a number of ESG initiatives as we strive to establish our baseline for emissions reporting, expand our TCFD disclosure efforts and define our path to a net zero carbon position by 2050 or sooner. To that end, I am pleased to announce our plans to host a Capital Markets Day in October when we will continue to provide greater detail about both our short and longer-term ESG efforts while also highlighting the importance in our growth strategy and Central Region integration and operations. We will provide additional details in the coming weeks, including a specific date, and hope you will join us."

Conference Call and Webcast

DEC will host a conference call today at 12:00pm BST (7:00am EDT) 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		https://www.div.energy/news-events/ir-calendarevents
Replay Information		https://ir.div.energy/financial-info

A mid-year results presentation will be posted to the Company's website before the conference call and webcast. The presentation can be found at the Web Audio location noted above or **https://ir.div.energy/presentations**.

For more information regarding the Company's interim results, please refer to the Interim Report available at https://ir.div.energy/financial-info

Later today, at 6:00pm BST (1:00pm EDT), DEC will host an investor webinar during which management will discuss the interim results and the second half 2021 outlook. To register for the webinar, please contact Yellowstone Advisory at info@yellowstoneadvisory.com.

Footnotes:

1. This non-IFRS alternative performance measure referenced throughout is defined and reconciled within our Interim Results under the caption "Alternative Performance Measures".
2. Sum of previously announced net purchase price for Indigo at 51.25% proportionate working interest ($58 million), Blackbeard at 100% proportionate working interest ($166 million) and Tanos at 51.25% proportionate working interest, excluding assumed hedges ($118 million).
3. Calculated using estimated next 12 months Unhedged Adjusted EBITDA of $51 million and total consideration of approximately $142 million, inclusive of anticipated net purchase price of $118 million and assumed mark-to-market hedge losses valued at $24 million at the time of the acquisition announcement.
4. Leverage ratio defined as Net Debt-to-Hedged Adjusted EBITDA.
5. MMBtu hedges have been converted to Mcf using a conversion factor of 1.08 (reflective of our estimated Btu factor following asset integration of Central Region acquisitions).

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

For further information, please contact:

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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