

Acquisition of East Texas Assets

BIRMINGHAM, AL / ACCESSWIRE / April 26, 2022 /Diversified Energy Company PLC (LSE:DEC) ("Diversified", or the "Company") announces the acquisition of certain East Texas upstream assets and related facilities ("the Assets") from a private seller (the "Acquisition"). The Acquisition builds on Diversified's 2021 entry into the Central Region and expands its progress to replicate the Company's proven business model with high margin, low-decline production that is geographically proximate to its existing assets.

Under the previously announced Strategic Participation Agreement, funds managed by Oaktree Capital Management, L.P. ("Oaktree") will make a non-operated working interest investment in the Acquisition and Oaktree will promote Diversified with 5% of its interest in the Acquisition. Accordingly, Diversified will obtain a 52.5% working interest in the Acquisition for contributing 50%, or \$50 million (prior to customary purchase price adjustments), of the purchase price.

Acquisition Highlights - Diversified's Interest

- Cash consideration of \$50 million funded entirely with cash on hand and borrowings on the Company's revolving credit facility ("Purchase Price")
- Represents a 1.4x multiple based on net Purchase Price and \$35 million of estimated next twelve months' ("NTM") Adjusted EBITDA^(a) before potential synergies
- ~10% accretive to the Company's 2021 Hedged Adjusted EBITDA^(b)
- Net Purchase Price approximates a >PV40 valuation at the effective date of 1 April 2022, with net Proved Developed Producing ("PDP") reserves of 18 MMBoe (110 Bcfe) and PV10 of ~\$102 million as of the effective date and based on 19 April 2022 NYMEX strip prices
- Current production (100% natural gas) of 3.7 MBoepd (22 MMcfepd) from 691 gross (346 net) operated PDP wells with an estimated engineered NTM PDP decline rate of ~7%
- High cash margins^(c) of ~60% reflective of favorable realized hedged pricing and a competitive cost structure
- Acquisition builds scale within Diversified's Central Region footprint, expanding opportunities for synergies
- Represents the Company's fifth acquisition in the Central Region within the last twelve months and demonstrates Diversified's success sourcing high quality, attractively-priced targets that meet its defined asset profile
- Geographic proximity to previously acquired assets in East Texas and Northwest Louisiana from Tanos Energy Holdings III LLC and Indigo Minerals LLC; increases asset density within the operating region and enhances the potential for development of operating efficiencies
- The Company will implement its Smarter Asset Management program to optimize well performance, reducing labor and vendor costs, returning wells to production, optimizing

artificial lift systems and lowering overhead expenses

- Following a customary transition service period, Diversified has the opportunity to retain experienced personnel from the Seller to complement the continuity and consistency of operations and to facilitate the implementation of Smarter Asset Management opportunities

Stifel served as exclusive financial advisor to Diversified in connection with the Acquisition.

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

"With a compelling purchase multiple of 1.4 times net cash flow, this acquisition represents another accretive, fully cash and debt-financed acquisition that further demonstrates our status as a capable consolidator of low-decline producing assets within the Central Region. Our enlarged regional footprint complements our portfolio of high-quality assets and provides additional scale from which we can derive operational synergies as we optimize asset performance and the associated costs. We are pleased to once again partner with Oaktree to acquire assets with material upside potential available through Smarter Asset Management. Having emerged as a significant operator in the Central Region with a proven track record of execution in Appalachia and a strong balance sheet, we are well positioned to capitalize on additional opportunities."

Footnotes (for Company-specific items, refer also to the Glossary of Terms and/or Alternative Performance Measures found in the Company's 2021 Annual Report):

- (a) Multiple based on estimated net purchase price of \$50 million and Acquisition's forecast Next Twelve Months Adjusted EBITDA (hedged), where Adjusted EBITDA assumes historical cost structure (not reflective of synergies that the Company may realize following post-acquisition integration) and engineered production levels for the period
- (b) Based on the Company's 2021 reported Adjusted Hedged EBITDA of \$343MM and the Acquisition's forecast Next Twelve Months Adjusted EBITDA (hedged) of ~\$35 million
- (c) Cash Margin calculated as Adjusted EBITDA (Hedged) as a percentage of Adjusted Total Revenue (which includes natural gas, natural gas liquids and crude oil commodity revenue, midstream revenue and other revenue) plus settled net hedging gains (losses) as applicable; calculated on a Next Twelve Months basis using 19 April 2022 strip prices

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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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