

Diversified Gas & Oil PLC Announces 3Q20 Trading Update

BIRMINGHAM, AL / ACCESSWIRE / October 29, 2020/ London LSE-quoted Diversified Gas & Oil PLC (LSE:DGOC) ("DGO" or the "Company"), the U.S. based owner and operator of natural gas, natural gas liquids and oil wells as well as midstream assets, is pleased to announce the following operations and trading update for the quarter ended September 30, 2020.

Highlights

Operating Highlights

- 3Q20 total net daily production, including a full quarter of production from the May 2020 Carbon Energy ("Carbon") and EQT asset acquisitions, averaged 107 MBoepd (640 MMcfepd) (+8% vs. 2Q20, +17% vs. 3Q19)
- DGO's Smarter Well Management program continues to successfully offset natural production declines:
 - Production from Legacy^(a) assets maintained at 69 MBoepd (415 MMcfepd), delivering a 9th consecutive quarter of consistent production
- Carbon and EQT assets performing strong and in-line with expectations:
 - Asset and personnel integration efforts largely complete
 - Actively implementing Smarter Asset Management initiatives to optimize production and lower costs
 - Expect to bring two PDNP unconventional wells onto production in December 2020 with aggregate estimated net initial production of 4 MMcfpd
- Since the pandemic's outbreak, the Company has safely operated its assets essentially with no impact from COVID as its employees continue to enact social distancing and safe operating practices

Financial Highlights

- 3Q20 Adjusted EBITDA^(b) of \$75 million, hedged (2Q20: \$68 million, 3Q19: \$64 million)
 - 52% margin (34% unhedged) consistent with 2Q20 (52%) and 3Q19 (51%) hedged margins, demonstrating the effectiveness of the Company's robust and proactive hedging program
 - 3Q20 average realized natural gas price of \$2.24/mcf, hedged (\$1.58/mcf, unhedged)(2Q20: \$2.21/mcf hedged, \$1.47/mcf unhedged; 3Q19: \$2.28/mcf hedged, \$1.91/mcf unhedged)
- 3Q20 total unit cash expenses^(c) of \$7.10/Boe (\$1.18/Mcfe), in line with 2Q20 and 4% lower than 3Q19
 - Base Lease Operating Expense^(d) of \$2.39/Boe (\$0.40/Mcfe) down 7% and 26%

- vs 2Q20 and 3Q19, respectively (2Q20: \$2.57/Boe; 3Q19: \$3.21/Boe)
- Recurring capital expenditures just \$5 million in 3Q20 (\$13 million year-to-date "YTD") or 7% of Adj. EBITDA (6% YTD) reflective of DGO's low capital requirements and complementary to its strong free cash flow generation
- \$221 million of available liquidity^(e)
 - Net debt to Adjusted EBITDA of 2.2x (net debt of \$730 million)^(f)
 - Repaid \$33 million of debt in 3Q20 through scheduled amortization and elective credit facility payments (\$71 million repaid YTD)^(g)
 - DGO's semi-annual borrowing base redetermination process is currently underway, benefiting from an improved natural gas price outlook since the spring redetermination that enhances the Company's long-life, low-decline reserve base. DGO expects to complete the RBL redetermination in November and will provide an additional update upon its conclusion.
- Paid \$25 million dividend (3.5¢/share; \$72 million paid YTD)
- Declared 3Q20 dividend of 4.0¢/share attributable to the 3Q20 operating period, payable on March 26, 2021
 - Declared dividend represents 7% increase of the Company's 3.75¢ declared 2Q20 dividend (+14.3% in 2020), reflective of a full quarter contribution from the recently acquired assets from Carbon and EQT
- Announced acquisition participation agreement with Oaktree Capital Management, L.P. ("Oaktree")
 - Oaktree committed funding of \$1 billion to jointly identify and fund future upstream acquisitions
 - Promote structure creates value for DGO investors including the up-front (5% of Oaktree's interest) and back-end (15% of Oaktree's interest) promotes
 - Enhances the Company's ability to capture scalable value opportunities in the current market cycle
 - Reduces reliance on the Company's equity and balance sheet to realize transformative growth opportunities
 - Creates a potential pipeline of future acquisition opportunities through the back-end promote and when Oaktree seeks to monetize its investment (DGO has the right of first offer)
- Admitted to the FTSE250 and FTSE All-Share indices in September 2020 following the Company's successful transition from AIM to the Premium segment of the Main Market in 2Q20

Positive Commodity Outlook Complements Hedging Program and Cash Flow

Reflective of significantly improved prices for 2021, positive sentiment continues to build for natural gas as markets formulate a longer-term view inclusive of:

- continued low oil prices,
- a post-COVID recovery and
- moderating supply as drilling-oriented companies voice tempered growth strategies and industry consolidation reduces the number of drillers.

DGO continues to actively manage its hedging program, opportunistically layering on hedges to secure favorable prices, limit downside risk and commodity price volatility. The Company has recently taken advantage of the significant increase in 2021 U.S. natural gas prices by

locking in additional fixed pricing, and as such is currently positioned to enter 2021 with ~80%^(h) of estimated natural gas hedged through financial contracts at an average NYMEX floor price of \$2.66/MMBtu on a consolidated basis, or ~\$2.80/MMBtu when excluding long-term hedge structures.

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

"We are pleased to report another solid quarter as we continue to execute our proven and resilient business model, which remains differentiated in the current climate. Our integration of the assets acquired from Carbon and EQT is progressing nicely while the assets perform in line with our expectations. Our field teams continue to deliver exceptional results underpinned by our diligent Smarter Asset Management program, evidenced by yet another quarter of consistent production from our Legacy assets. Holistically, across all our conventional and unconventional assets, the effectiveness of our operating methods is further evidenced by an exceptionally low ~6% corporate decline rate.

"The outlook for natural gas is looking increasingly positive, and while we maintain good visibility of our future cash flows with stable production and a strong hedge position, we continue to monitor the forward price curve and remain opportunistic as we look ahead to further secure and enhance our cash flow profile.

"We are very proud of our continued solid financial performance in what is generally perceived to be the most challenging operating environment in the history of the sector, and our ability to increase our dividend an additional 7% in this climate emphasizes the unique strength of our business. Including the increase we delivered last quarter, we have now increased our dividend by nearly 15% this year in an environment where companies across every sector have suspended or significantly reduced their distributions. Always looking forward to create additional shareholder value, we remain agile in our approach to business development. The recent agreement with Oaktree not only validates our strategy by partnering with an investor of such standing but demonstrates that we are extremely well placed to capitalize on accretive opportunities. We remain on track to meet full-year expectations and are confident that we will end the year with a strong financial and operational foundation from which we can deliver more growth next year and beyond."

Investor Webinar

DGO is pleased to host an investor webinar, featuring CEO Rusty Hutson and CFO Eric Williams, on November 3, 2020 at 1:00 p.m. GMT (7:00 a.m. CST) to discuss these results. To register for the webinar, please contact Yellowstone Advisory at info@yellowstoneadvisory.com. An updated investor presentation has been posted to the Company's website and can be found at <https://ir.dgoc.com/presentations>.

Footnotes:

(a) Legacy assets defined as assets owned at December 31, 2018 and prior to acquisitions made in 2019 and 2020.

(b) Adjusted EBITDA represents earnings before interest, taxes, depletion, depreciation and amortization and adjustments for non-recurring items such as gain on the sale of assets, acquisition related expenses and integration costs, mark-to-market

adjustments related to the Company's hedge portfolio, non-cash equity compensation charges and items of a similar nature.

(c) Total cash expenses represent total operating costs plus recurring administrative costs. Total operating costs include base lease operating expense, owned gathering and compression (midstream) expense, third-party gathering and transportation expense, and production taxes. Recurring administrative expenses is a non-IFRS financial measure defined as total administrative expenses excluding non-recurring acquisition & integration costs and non-cash equity compensation.

(d) Base lease operating expense is defined as the sum of employee and benefit expenses, well operating expense (net), automobile expense and insurance costs.

(e) Based on September 30, 2020 revolving credit facility balance and inclusive of cash on the balance sheet, excluding letters of credit.

(f) Net debt of \$730 million assumes total debt less cash and restricted cash. Adjusted EBITDA of \$327 million assumes trailing twelve month hedged EBITDA margin and average hedged revenue per unit applied to annualized 3Q20 total production to adjust for timing of the Carbon and EQT acquisitions.

(g) Includes total debt principal reductions adjusted for acquisition-related payments made on the revolving credit facility during the period

(h) Illustrative percent hedged, calculated using the FY2019 average daily rate of production, pro forma for Carbon and EQT acquisitions, assuming an annual decline rate of 6%.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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