

Diversified Energy PLC

United States / Energy
 London Stock Exchange
 Bloomberg: DEC LN
 ISIN: GB00BYX7JT74

Update

RATING
BUY

PRICE TARGET
GBp180.00

Return Potential 107.7%
 Risk Rating Medium

LNG EXPORT GROWTH TO DRIVE MULTI-YEAR GAS PRICE RALLY

DEC looks set to be a prime beneficiary of a multi-year LNG-driven gas price rally, which is currently in its early stages, but will likely be sustained for the rest of this decade and beyond. In its Annual Energy Outlook published in March, the U.S. Energy Information Administration forecast U.S. dry gas production to move ahead 2% by 2030 and 15% by 2050 with the LNG export sector the fastest growing part of the market. As an established industry consolidator, and by virtue of its extensive and growing footprint in the "Central Region" in proximity to the Gulf Coast LNG terminals, we expect DEC to clearly outperform these growth rates. Natural gas pricing has been rising in recent weeks as increased demand for gas in electricity generation and flattening production growth due to reduced drilling have pared swollen spring inventories. Q2/23 was the weakest quarter for NYMEX gas pricing (average of USD2.10/MMBtu) since the pandemic-hit Q2/20, but the NYMEX futures strip shows pricing rallying to an average of USD2.92/MMBtu in H2/23. Growing demand from LNG exporters (incremental capacity of 3.36 bcf/d in 2024 (+23%) and 2.74 bcf/d in 2025 (+15%)) is likely to tighten the market further. The NYMEX futures strip shows pricing of USD3.54/MMBtu and USD3.95/MMBtu in 2024 and 2025 respectively. 85% of DEC's 2023 gas production is hedged at USD3.54/MMBtu (2022: 90% at USD3.24/MMBtu). DEC thus looks set to achieve an adjusted EBITDA margin of ≥50% for the sixth year in a row in 2023. The stock's current yield of 15.7% is very attractive, as is the upside potential to our price target of GBp180.

European LNG imports sparked strong gas price rally in the U.S. in 2022
 The NYMEX natural gas future averaged USD6.64/MMBtu in 2022 – 73% above the 2021 level of USD3.84/MMBtu and 134% above the average 2023 strip of USD2.84/MMBtu. The high 2022 price was driven by strong LNG demand from Europe. According to data from Gas Infrastructure Europe's (GIE) Aggregated Gas Storage Inventory (AGSI+), European natural gas inventories at the close of the 2021/22 winter heating season were 26% full... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022	2023E
Revenue (\$ m)	289.77	462.26	408.69	1007.56	1910.14	862.52
Y-o-y growth	593.6%	59.5%	-11.6%	146.5%	89.6%	-54.8%
Adj. EBITDA (hedged) (\$ m)	146.22	273.27	300.59	343.15	503.42	527.63
Adj. EBITDA margin (hedged)	53.3%	53.4%	54.3%	50.0%	49.6%	50.8%
Net income (\$ m)	201.12	99.40	-23.47	-325.21	-629.81	138.30
EPS (diluted) (\$)	0.52	0.15	-0.03	-0.41	-0.74	0.14
DPS (\$)	11.23	13.92	15.25	16.50	17.25	17.50
FCF (\$m)	68.05	246.84	219.76	270.01	301.69	447.12
Net gearing	66.0%	67.7%	81.7%	152.1%	n.a.	136.3%
Liquid assets (\$ m)	1.37	1.66	1.38	12.56	7.33	4.57

RISKS

Acquisitions are a vital part of DEC's strategy for protecting and growing its cashflow. There can be no guarantee that the group will be able to continue to source acquisitions at attractive valuations.

COMPANY PROFILE

Diversified Energy PLC is an established, independent owner and operator of producing natural gas & oil wells in the United States. Natural gas accounts for ca. 85% of total production. Ca. 60% of total production derive from the Appalachian Basin and the balance from the "Central Region" (Arkansas, Louisiana, Oklahoma, Texas) which DEC entered in 2021.

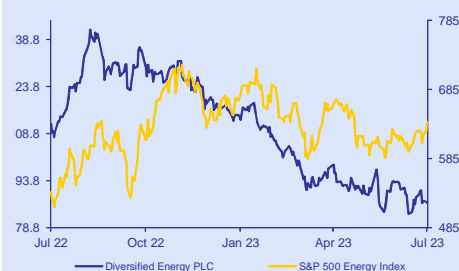
MARKET DATA

As of 11 Jul 2023

Closing Price GBp 86.65
 Shares outstanding 971.21m
 Market Capitalisation GBP 831.93m
 52-week Range GBp 83.15 / 142.00
 Avg. Volume (12 Months) 2,343,670

Multiples	2021	2022	2023E
P/E	n.a.	n.a.	7.7
EV/Sales	2.4	1.2	2.8
EV/EBITDA	6.9	4.7	4.5
Div. Yield	14.8%	15.4%	15.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2022

Liquid Assets \$ 7.33m
 Current Assets \$ 354.22m
 Intangible Assets \$ 21.10m
 Total Assets \$ 3,830.93m
 Current Liabilities \$ 1,131.63m
 Shareholders' Equity \$ 152.69m

SHAREHOLDERS

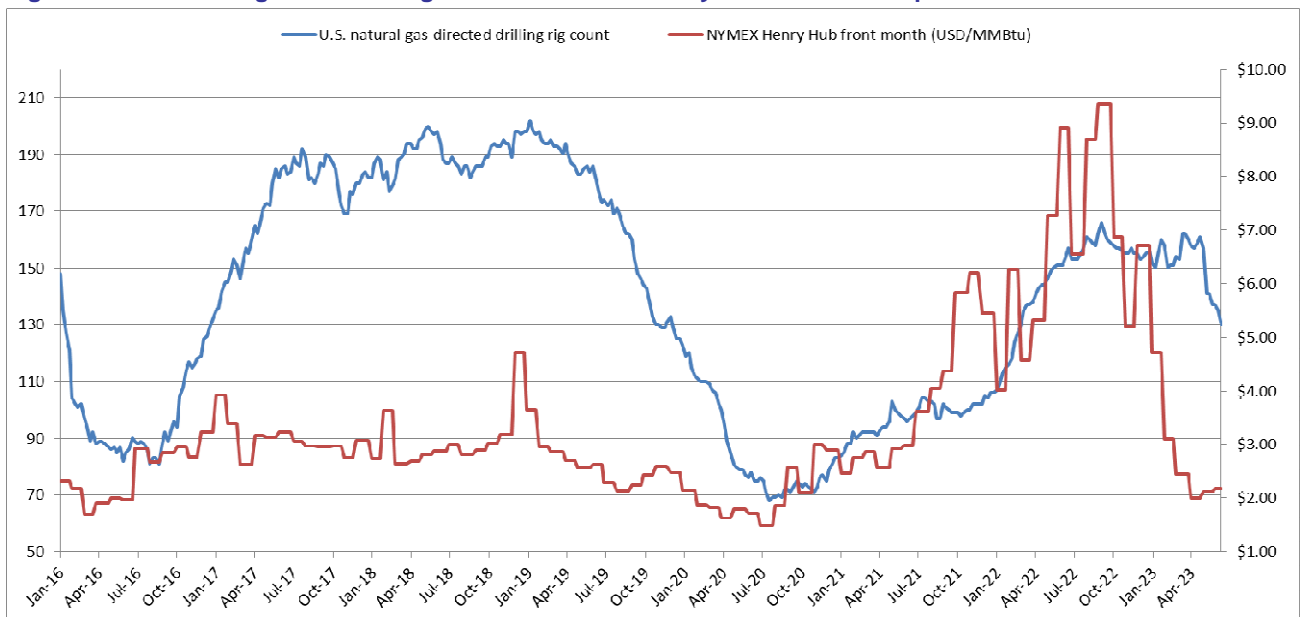
Pendal Group Ltd. 5.0%
 Hargreaves Lansdown 4.8%
 Blackrock Inc. 4.5%
 abrln plc 3.9%
 Free float and other 81.7%



...compared with the five year average of 34%. Uncertainty about the availability of natural gas pipeline imports from Russia prompted Europe to import record amounts of LNG to refill inventory ahead of winter 2022/23. U.S. LNG exports to Europe (the EU 27 plus the UK) jumped by 4 bcf/d or 141% to 6.8 bcf/d and accounted for 64% of the country's overall exports of the commodity. Gas pricing would have risen even further in the U.S. last year had it not been for the non-availability of ca. 2bcf/d of LNG capacity at the Freeport LNG terminal in Texas following a fire in June. The U.S. was only able to increase overall LNG exports by 9% (0.8 bcf/d) to 10.6 bcf/d due to the start of operations at the Calcasieu Pass 1.3 bcf/d liquefaction facility in Louisiana in Spring 2022.

Warm winter weather, absence of Freeport LNG capacity, swelled Spring 2023 gas inventory The winter of 2022/23 was exceptionally warm in both the U.S. and Europe. In the U.S. the first two months of 2023 combined were among the three warmest for that period going back to 1895 while in Europe winter 2022/23 was the second warmest on record. The mild winter weather and the non-availability of the Freeport LNG terminal capacity meant that gas storage levels were still high in both Europe and the U.S. at the end of the winter. At the end of the storage withdrawal season in March, U.S. storage reached 1,856 bcf, 19% above the average for the five year period 2018-22. On 1 April natural gas storage in Europe was 2,020 bcf, exceeding the previous record of 1,980 bcf at the end of winter 2019–20 as well as the five-year (2018–22) average of 1,210 bcf. The high level of storage negatively impacted pricing. During Q2/23 NYMEX natural gas averaged USD2.10/MMBtu, the lowest level since the pandemic-hit Q2/20.

Figure 1: U.S. natural gas-directed rig count vs. NYMEX Henry Hub front month price



Source: Baker Hughes

Q2/23 looks set to be the low point for the year as regards U.S. gas pricing The NYMEX strip shows gas pricing improving to USD2.66/MMBtu for Q3/23 and USD3.19 for Q4/23, taking the 2023 average to USD2.84/MMBtu. The improvement is based on flattening production growth due to reduced natural gas-directed drilling in response to lower prices as well as rising natural gas use in the electricity generating sector. Pricing is also benefitting from the restart of production at the Freeport LNG facility in March. According to the oil field services company, Baker Hughes, the U.S. natural-gas directed rig count fell by 16% from 160 at end March to 135 on 7 July (see figure 1 above).



The rig count typically drops whenever the NYMEX gas price falls below USD3.00/MMBtu. Recent history suggests that the rig count will fall further.

Figure 2: U.S. dry gas production and consumption (bn cubic feet per day)

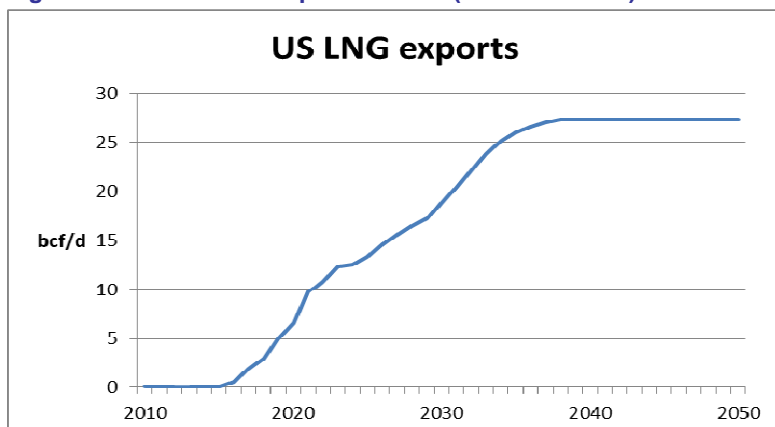
	2016	2017	2018	2019	2020	2021	2022
Total dry gas production	72.29	73.55	83.39	93.06	91.36	93.55	98.13
LNG gross imports	0.24	0.21	0.21	0.14	0.13	0.06	0.07
LNG gross exports	0.51	1.94	2.97	4.98	6.53	9.76	10.59
LNG net exports	0.27	1.73	2.76	4.84	6.4	9.7	10.52
Pipeline gross imports	7.97	8.12	7.70	7.37	6.84	7.63	8.22
Pipeline gross exports	5.87	6.74	6.92	7.77	7.91	8.47	8.31
Pipeline net exports	-2.10	-1.38	-0.78	0.40	1.07	0.84	0.09
Supplemental gaseous fuels	0.16	0.15	0.19	0.17	0.17	0.16	0.18
Net inventory withdrawals	0.99	0.78	0.89	-1.37	-0.46	0.24	0.75
Total supply	75.27	74.13	82.49	86.62	83.60	83.41	88.45
Balancing items	-0.16	0.07	-0.42	-1.41	-0.35	-0.46	0.09
Total primary supply	75.11	74.20	82.07	85.20	85.20	82.97	88.53
US natural gas consumption by segment							
Residential	12	12.12	13.63	13.74	12.7	12.75	13.67
% total	16.0%	16.3%	16.6%	16.1%	14.9%	15.4%	15.4%
Commercial	8.53	8.7	9.52	9.62	8.6	8.94	9.66
% total	11.4%	11.7%	11.6%	11.3%	10.1%	10.8%	10.9%
Industrial	25.36	26.04	27.51	28.13	27.56	27.51	28.59
% total	33.8%	35.1%	33.5%	33.0%	32.3%	33.2%	32.3%
Electric power generation	27.28	25.34	29.11	30.98	31.74	30.88	33.2
% total	36.3%	34.2%	35.5%	36.4%	37.3%	37.2%	37.5%
Other	1.94	2.00	2.30	2.73	4.60	2.89	3.41
% total	2.6%	2.7%	2.8%	3.2%	5.4%	3.5%	3.9%
Total consumption	75.11	74.20	82.07	85.20	85.20	82.97	88.53

Source: Energy Information Administration

EIA expects U.S. LNG exports to jump 74% by 2030 and 152% by 2050 As figure 2 above shows, U.S. dry gas production grew by 36% between 2016 and 2022 with growth in LNG exports and electricity generation respectively accounting for ca. half and a quarter of the growth. In its Annual Energy Outlook, published in March this year, the U.S. Energy Information Administration (EIA) forecasts a marked slowdown in U.S. dry gas production growth. U.S. dry gas production is forecast to move ahead by 2% by 2030 and by 15% by 2050. The forecast slowdown in production growth is based on declining natural gas supply for domestic electricity generation as wind and solar gain market share. Supply to this segment is expected to fall by 35% by 2030 and then remain flat out to 2050. The decline in supply to the domestic electricity generating sector is balanced by increasing supply to all other sectors. The EIA expects supply to industry to grow 4% by 2030 and 18% by 2050. Supply to the residential and commercial sectors is flat until 2030 but shows 3% growth by 2050. LNG exports are expected to increase 74% by 2030 and 152% by 2050.



Figure 3: EIA U.S. LNG export forecast (reference case)



Source: Energy Information Administration

Figure 4 below shows likely LNG capacity additions until the end of 2027. The decision to construct an LNG project is typically only taken once long-term firm contracts are in place for at least 70% of the capacity. The capacity additions shown below are thus highly likely to translate into demand. The increase in the average NYMEX gas futures price to USD3.54/MMBtu in 2024 and USD3.95/MMBtu in 2025 reflects the increases in LNG capacity of 23% and 15% in 2024 and 2025 respectively.

Figure 4: U.S. LNG capacity to 2027

Company	Project	Status	State	Production start	New capacity (bcf/d)	Running capacity total (bcf/d)
						YE/22: 14.50
New Fortress	New Fortress floating LNG	Under construction	Louisiana	Q3/23	0.40	14.90
						YE/23: 14.90
Golden Pass	Golden Pass I	Under construction	Texas	Q1/24	0.80	15.70
Golden Pass	Golden Pass II	Under construction	Texas	Q3/24	0.80	16.50
Venture Global	Plaquemines	Under construction	Louisiana	Q4/24	1.76	18.26
						YE/24: 18.26
Golden Pass	Golden Pass III	Under construction	Texas	Q1/25	0.80	19.06
Sempra	Costa Azul	Under construction	California	Q3/25	0.43	19.49
Cheniere	Corpus Christi	Under construction	Texas	Q3/25	1.51	21.00
						YE/25: 21.00
Venture Global	Calcasieu Pass II	Awaiting final investment decision	Louisiana	Q2/26	2.92	23.92
Venture Global	Plaquemines II	Final investment decision taken	Louisiana	Q3/26	0.88	24.70
						YE/26: 24.70
Sempra	Cameron IV	Awaiting final investment decision	Louisiana	Q1/27	0.92	25.62
Sempra	Port Arthur I	Final investment decision taken	Texas	Q1/27	1.78	27.40
						YE/27: 27.40

Additional potential projects: Texas LNG, Magnolia LNG, Commonwealth LNG, Penn America LNG, Lake Charles LNG, Rio Grande LNG, Freeport 4, Delfin floating LNG

Source: companies

The projects we show for 2026 and 2027 are being developed by Venture Global and Sempra who along with Cheniere are considered “The Big Three” in U.S. LNG project development. We thus believe these projects have a high probability of realisation. The additional projects shown in figure 4 are under development by companies outside “The Big Three” and represent additional potential capacity.



Figure 5: Changes to our forecasts

USD 000s	2022A		2023E		New vs. Old % Δ	2023 vs. 2022 % Δ
	Actual	FBe Old	FBe New			
Mboe	49,355	51,874	51,013	-1.7%	3.4%	
Total revenue (unhedged)	1,910,140	1,085,457	862,523	-20.5%	-54.8%	
Natural gas	1,544,658	730,577	554,712	-24.1%	-64.1%	
NGLs	188,733	164,192	136,833	-16.7%	-27.5%	
Oil	139,620	163,189	137,478	-15.8%	-1.5%	
Total commodity revenue	1,873,011	1,057,957	829,023	-21.6%	-55.7%	
Midstream revenue	32,798	26,000	26,000	0.0%	-20.7%	
Other	4,331	1,500	7,500	400.0%	73.2%	
Base lease operating expenses	173,140	191,565	201,667	5.3%	16.5%	
Gathering & compression, owned	71,154	76,490	74,911	-2.1%	5.3%	
Gathering & transportation, 3rd party	118,073	112,385	99,275	-11.7%	-15.9%	
Production taxes	73,849	66,481	64,072	-3.6%	-13.2%	
Recurring admin. expenses	77,172	88,161	70,952	-19.5%	-8.1%	
Total recurring expenses	513,388	535,081	510,878	-4.5%	-0.5%	
Gain on land sale	2,472	0	0	n.a.	n.a.	
Adjusted EBITDA (unhedged)	1,399,224	550,376	351,646	-36.1%	-74.9%	
	73.3%					
Settled hedges	-895,802	1,948	175,980	8933.5%	-119.6%	
Natural gas	-782,525	40,702	161,536	296.9%	-120.6%	
NGLs	-85,549	-34,639	14,233	-141.1%	-116.6%	
Oil	-27,728	-4,114	211	-105.1%	-100.8%	
Total revenue (hedged)	1,014,338	1,087,405	1,038,504	-4.5%	2.4%	
Adjusted EBITDA (hedged)	503,422	552,324	527,626	-4.5%	4.8%	
<i>margin (%)</i>	49.6%	50.8%	50.8%	0.0%	2.4%	
per BOE (USD)						
Total revenue (unhedged)	38.70	20.92	16.91	-19.2%	-16.32	
Settled hedges	-18.15	0.04	3.45	9086.0%	n.a.	
Total revenue (hedged)	20.55	20.96	20.36	-2.9%	-0.9%	
Total recurring expenses	10.40	10.31	10.01	-2.9%	-3.7%	
of which:						
Base LOE	3.51	3.69	3.95	7.1%	12.7%	
Gathering & compression, owned	1.44	1.47	1.47	-0.4%	1.9%	
Gathering & transportation, 3rd party	2.39	2.17	1.95	-10.2%	-18.7%	
Production taxes	1.50	1.28	1.26	-2.0%	-16.1%	
Recurring admin. expenses	1.56	1.70	1.39	-18.2%	-11.0%	
Adjusted EBITDA (hedged)	10.20	10.65	10.34	-2.9%	1.4%	
<i>margin (%)</i>	49.6%	50.8%	50.8%	-	-	
Av. no shares (000s)	849,145	953,512	953,342	0.0%	12.3%	
Adj EBITDA (hedged) per share (USD)	0.59	0.58	0.55	-4.5%	-6.6%	

Source: First Berlin Equity Research forecasts

Changes to our 2023 unhedged revenue forecast since our most recent note of 20 February reflect a 17% decline in the average level of the March to December 2023 gas futures strip. We have raised our 2023 unit LOE (lease operating expense) forecast following a higher than expected figure in the Q1 trading update. But we have lowered our 3rd party gathering and transportation cost and production tax projections because these are linked to the commodity price. Recurring administration expense was USD19.2m in Q1/23. We gather that cost control is likely to push this number lower during Q2/23 - Q4/23 and so now model a full-year figure of USD71m. We expect a positive swing in the realised hedging result as well as lower operating costs to push adjusted EBITDA above the 2022 level and the margin again to reach 50%.



VALUATION MODEL

Figure 6: Dividend payout and return on capital employed

USD 000s	2019A	2020A	2021A	2022A	2023E
Adjusted EBITDA (hedged)	273,266	300,590	343,145	503,422	527,626
Recurring capital expenditures	-17,255	-15,981	-35,490	-60,000	-70,000
Cash interest expenses	-32,715	-34,335	-41,623	-82,936	-89,278
Asset retirement (plugging)	-2,541	-2,442	-2,879	-4,889	-5,476
Cash paid for income taxes	-1,989	-5,850	-10,880	-26,314	-15,000
Free cashflow (adjusted)	218,766	241,982	252,273	329,283	347,873
Net fixed assets	1,816,982	2,137,188	2,944,058	3,018,668	3,103,992
Net working capital	-18,573	-42,499	-135,110	-247,162	-264,457
Total capital employed	1,798,409	2,094,689	2,808,948	2,771,506	2,839,535
Average capital employed	1,614,279	1,946,549	2,451,819	2,790,227	2,805,520
Free cashflow (adjusted) ROCE	13.6%	12.4%	10.3%	11.8%	12.4%
Dividends paid and declared	86,605	104,305	132,333	150,541	169,997
as % free cashflow (adjusted)	39.6%	43.1%	52.5%	45.7%	48.9%
Dividends paid and declared per share (USD)	0.1382	0.1475	0.1558	0.1772	0.1750
Dividends declared per share (USD)	0.1392	0.1525	0.1650	0.1725	0.1750

Source: First Berlin Equity Research estimates

We have updated our dividend discount valuation of DEC which is based on the formula:

$$p^0 = d^1 / (r - g) \text{ where:}$$

p^0 is our assessment of the fair value of the DEC share today

d^1 is the value of dividends over the next year

r is the required rate of return

g is the expected long term organic growth rate

GBP180 price target unchanged. Buy rating maintained We derive g from ROCE adjusted for the production decline rate and payout ratio. Adjusting our average return on capital employed forecast for 2022-23 of 12.1% by the 8.0% production decline rate gives a return of 3.1%. If we then reduce this number by 30% to reflect the dividend payout, we arrive at a sustainable growth rate in free cashflow (adjusted) of 2.2%. Our valuation also takes into account the ca. 50 undeveloped locations with a PV10 of USD280m acquired through the recent Tanos acquisition. We value these assets on a PV11 basis (in keeping with our estimated return requirement) at USD268m or USD0.28/GBP0.23 per share. Plugging our estimates for d^1 (USD0.175), r (11.0%) and g (2.2%) into the formula above produces an unchanged valuation (see figures 7 and 8 below) for the DEC share of GBP175. We maintain our Buy recommendation and price target of GBP180.

Figure 7: Sensitivity of valuation to growth rates and return requirements (GBP)

		return requirement						
		8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%
growth rate	0.2%	195	175	160	147	136	127	120
	1.2%	221	195	175	160	147	136	127
	2.2%	255	221	195	175	160	147	136
	3.2%	304	255	221	195	175	160	147
	4.2%	378	304	255	221	195	175	160
	5.2%	505	378	304	255	221	195	175

Source: First Berlin Equity Research



Figure 8: Sensitivity of valuation to growth rates and return requirements (USc)

		return requirement						
		8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%
growth rate	0.2%	252	226	206	190	176	164	154
	1.2%	285	252	226	206	190	176	164
	2.2%	329	285	252	226	206	190	176
	3.2%	392	329	285	252	226	206	190
	4.2%	487	392	329	285	252	226	206
	5.2%	651	487	392	329	285	252	226

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in USD '000	2018A	2019A	2020A	2021A	2022A	2023E
Revenues	289,769	462,256	408,693	1,007,561	1,910,140	862,523
Operating expense	-107,793	-202,385	-203,963	-291,213	-445,893	-439,925
Depreciation and depletion	-41,988	-98,139	-117,290	-167,644	-222,257	-257,894
Gross profit	139,988	161,732	87,440	548,704	1,241,990	164,703
Administrative expenses	-40,524	-55,889	-77,234	-102,326	-170,735	-70,952
Allowance for expected credit losses	0	-730	-8,490	4,265	0	0
Gain on oil/gas programme and equipment	4,079	0	-2,059	-901	2,379	0
Gain (loss) on derivative financial instruments	17,981	73,854	-94,397	-974,878	-1,758,693	175,980
Gain on bargain purchase	173,473	1,540	17,172	58,072	4,447	0
Operating income (EBIT)	294,997	180,507	-77,568	-467,064	-680,612	269,732
Finance costs	-17,743	-36,667	-43,327	-50,628	-100,799	-89,278
Loss on early retirement of debt	-8,358	0	0	0	0	0
Accretion of asset retirement obligation	-7,101	-12,349	-15,424	-24,396	-27,569	-27,153
Other income (expense)	0	0	-421	-8,812	269	0
Income before taxation	261,795	131,491	-136,740	-550,900	-808,711	153,301
Taxation on income	-60,676	-32,091	113,266	225,694	178,904	-15,000
Net income / loss	201,119	99,400	-23,474	-325,206	-629,807	138,301
Diluted EPS (in USD)	0.52	0.15	-0.03	-0.41	-0.74	0.14
Adjusted EBITDA (hedged)*	146,217	273,266	300,590	343,145	503,422	527,626
Ratios						
Gross margin	48.3%	35.0%	21.4%	54.5%	65.0%	19.1%
Adjusted EBITDA margin (hedged)	53.3%	53.4%	54.3%	50.0%	49.6%	50.8%
Net margin	69.4%	21.5%	-5.7%	-32.3%	-33.0%	16.0%
Tax rate	23.2%	24.4%	82.8%	41.0%	22.1%	9.8%
Expenses as % of revenues						
Y-Y Growth						
Revenues	593.6%	59.5%	-11.6%	146.5%	89.6%	-54.8%
Adjusted EBITDA (hedged)	734.9%	86.9%	10.0%	14.2%	46.7%	4.8%
Net income/ loss	632.6%	-50.6%	n.m.	n.m.	n.m.	n.m.

* adjusted 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.



BALANCE SHEET

All figures in USD '000	2018A	2019A	2020A	2021A	2022A	2023E
Assets						
Current assets, total	111,596	160,360	94,474	337,139	354,222	233,451
Cash and cash equivalents	1,372	1,661	1,379	12,558	7,329	4,569
Restricted cash	1,730	1,207	250	1,033	7,891	4,919
Receivables	78,451	73,924	66,991	282,922	296,781	187,599
Derivative financial instruments	17,573	73,705	17,858	1,052	27,739	27,739
Other current assets	12,470	9,863	7,996	39,574	14,482	8,625
Non-current assets, total	1,445,376	1,845,580	2,196,208	3,157,070	3,476,706	3,530,194
Oil and gas properties, net	1,092,951	1,496,029	1,755,085	2,530,078	2,555,808	2,597,177
Property, plant & equipment, net	327,749	320,953	382,103	413,980	462,860	506,815
Intangible assets		15,981	19,213	14,134	21,098	22,473
Restricted cash	0	6,505	20,100	18,069	47,497	15,525
Indemnification receivable	2,133	2,133	1,837	0	0	0
Derivative financial instruments	21,745	3,803	717	219	13,936	13,936
Deferred tax asset		0	14,777	176,955	371,156	371,156
Other non-current assets	798	176	2,376	3,635	4,351	3,112
Total assets	1,556,972	2,005,940	2,290,682	3,494,209	3,830,928	3,763,645
Shareholders' equity & debt						
Current liabilities, total	84,471	126,855	196,506	773,600	1,131,630	1,009,176
Short-term debt	286	23,723	64,959	58,820	271,096	247,619
Accounts payable	9,383	17,053	19,366	62,418	93,764	69,002
Capital lease	842	798	5,013	9,627	9,293	10,580
Derivative financial instruments	0	0	15,858	251,687	293,840	293,840
Other current liabilities	73,960	85,281	91,310	391,048	463,637	388,136
Long-term liabilities, total	723,638	940,950	1,207,518	2,056,659	2,837,022	1,782,740
Long-term debt	482,528	598,778	652,281	951,535	1,169,233	1,067,979
Capital lease	2,694	1,015	13,865	18,177	19,569	25,876
Asset retirement obligation	140,190	196,871	344,242	522,190	452,554	513,706
Deferred tax liability	95,033	124,112	15,746	0	12,490	0
Uncertain tax position	2,133	2,133	1,837	0	0	0
Derivative financial instruments	0	15,706	168,524	556,982	1,177,801	168,524
Other non-current liabilities	1,060	2,335	11,023	7,775	5,375	6,656
Shareholders' equity	748,863	938,135	886,658	663,950	-137,724	971,728
Total consolidated equity and debt	1,556,972	2,005,940	2,290,682	3,494,209	3,830,928	3,763,645
Ratios						
Current ratio (x)	1.32	1.26	0.48	0.44	0.31	0.23
Quick ratio (x)	1.32	1.26	0.48	0.44	0.31	0.23
Net debt	493,998	635,039	724,757	1,010,005	1,435,449	1,324,702
Net gearing	66.0%	67.7%	81.7%	152.1%	n.a.	136.3%
Book value per share (in GBP)	1.08	1.09	1.04	0.63	-0.13	0.80
Return on equity (ROE)	46.9%	11.8%	-2.6%	-41.9%	-239.4%	33.2%



CASH FLOW STATEMENT

All figures in USD '000	2018A	2019A	2020A	2021A	2022A	2023E
Net profit	201,119	99,400	-23,474	-325,206	-629,807	138,301
Depreciation and depletion	41,988	98,139	117,290	167,644	222,257	257,894
Accretion of asset retirement obligation	7,101	12,349	15,424	24,396	27,569	27,153
Deferred income taxes	60,676	32,091	-113,266	-225,694	-178,904	15,000
(Gain)/loss on derivative financial instruments	-32,768	-20,270	238,795	652,465	861,457	0
Asset retirement, plugging	-1,171	-2,541	-2,442	-2,879	-4,889	-2,800
Gain on oil/gas properties and equipment	-4,079	0	1,356	901	-2,379	0
Gain on bargain purchase	-173,473	-1,540	-17,172	-58,072	-4,447	0
Finance costs	17,743	36,677	43,327	50,628	100,799	89,278
Revaluation of contingent consideration	0	0	0	8,963	0	0
Hedge modifications	0	0	0	-10,164	-133,573	0
Cancellation/retirement of debt	8,358	0	0	0	0	0
Changes in working capital	-39,713	21,786	-10,129	40,680	138,735	17,295
Non cash equity compensation	783	3,065	5,007	7,400	8,051	0
Cash paid for income taxes	0	-1,989	-5,850	-10,880	-26,314	-15,000
Other adjustments	0	1,989	-7,156	0	9,209	0
Operating cash flow	86,564	279,156	241,710	320,182	387,764	527,121
Oil and gas properties and equipment	-18,515	-32,313	-21,947	-50,175	-86,079	-80,000
Free cash flow	68,049	246,843	219,763	270,007	301,685	447,121
Acquisitions	-750,256	-439,272	-223,091	-574,134	-276,571	-257,000
Increase in restricted cash	-986	-5,302	-12,637	1,838	0	34,944
Proceeds from disposal of assets	4,079	10,000	3,712	88,887	0	0
Other acquired intangibles	0	0	-2,900	0	0	0
Contingent consideration payments	0	0	-893	-10,822	-23,807	0
Payments associated with potential acquisitions	0	0	0	-25,002	0	0
Acquisition-related debt and hedge extinguishment	0	0	0	-56,466	0	0
Investment cash flow	-765,678	-466,887	-257,756	-627,712	-386,457	-302,056
Repayment of borrowings	-280,890	-618,010	-705,314	-1,432,566	-2,139,686	-124,731
Proceeds of borrowings	581,221	765,236	799,650	1,727,745	2,587,554	0
Financing expense	-15,433	-32,715	-34,335	-41,623	-82,936	-89,278
Cost incurred to secure financing	-17,176	-11,574	-7,799	-10,255	-34,234	0
(Increase) decrease in restricted cash	0	0	0	1,838	-36,287	0
ABS note hedge modifications	0	0	0	0	-105,316	0
Proceeds from capital lease	4,401	0	0	0	0	0
Principal element of lease payments	-1,093	-1,724	-3,684	-8,606	-11,233	0
Proceeds from equity issuance, net	425,601	221,860	81,407	213,844	0	156,400
Cancellation of warrants	0	0	0	-1,429	137	0
Dividends to shareholders	-31,313	-82,151	-98,527	-130,239	-143,455	-169,997
Distributions to non-controlling interest owners	0	0	0	0	-6,389	0
Repurchase of shares	0	-52,902	-15,634	0	-34,691	-220
Financing cash flow	665,318	188,020	15,764	318,709	-6,536	-227,825
Other	0	0	0	0	0	0
Net cash flows	-13,796	289	-282	11,179	-5,229	-2,760
Cash, start of the year	15,168	1,372	1,661	1,379	12,558	7,329
Cash, end of the year	1,372	1,661	1,379	12,558	7,329	4,569

Y-Y Growth

Operating cash flow	1164.8%	222.5%	-13.4%	32.5%	21.1%	35.9%
Free cash flow	1776.3%	362.7%	89.0%	122.9%	111.7%	148.2%
EBITDA/share	159.5%	12.6%	3.0%	-1.4%	37.1%	-6.6%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	30 June 2020	GBp94.40	Buy	GBp130.00
2...8	↓	↓	↓	↓
9	15 November 2021	GBp103.20	Buy	GBp150.00
10	24 November 2021	GBp108.20	Buy	GBp150.00
11	15 February 2022	GBp113.80	Buy	GBp150.00
12	1 April 2022	GBp118.60	Buy	GBp150.00
13	5 May 2022	GBp125.00	Add	GBp150.00
14	25 May 2022	GBp122.30	Buy	GBp160.00
15	11 October 2022	GBp131.10	Buy	GBp180.00
16	20 February 2023	GBp104.10	Buy	GBp180.00
17	Today	GBp86.65	Buy	GBp180.00

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