

Diversified Energy PLC

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

Update

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
GBp1900

80.3%
 Medium

PRICING, VOLUME, GEARING ALL IMPROVING. SHARE PRICE TO FOLLOW

Brisk demand growth from LNG exports and electricity generation (with much of the incremental demand stemming from data centres) are the main reasons for the current upward slope in the gas futures curve to an average of USD4.07/mcf over the five-year period January 2025 to December 2029. This is 71% above the USD2.38/mcf seen in 2024. Meanwhile, interest rate stability has allowed DEC to emerge from the acquisition hiatus of 2023/24 which culminated in a volume decline of 3.5% last year. We expect the five acquisitions made since June 2024 to drive volume up 37% this year. In addition, we expect improved profitability to push net debt/trailing twelve months adjusted EBITDA down to 2.3x by the end of 2025 – in line with the company target of 2.0-2.5x. This metric peaked at 3.0x at year-end 2024. A strengthening balance sheet will allow DEC to continue making acquisitions, but with reduced recourse to the equity capital raises which have crimped recent share price performance. Against this background, the recently announced strategic partnership with Carlyle to invest up to USD2bn in existing U.S. proved developed producing (PDP) natural gas and oil assets looks particularly interesting. We expect the deal to enhance DEC's access to non-dilutive financing, thereby accelerating its growth. DEC is trading at a 36% discount to its peer group based on 2025E EV/adjusted EBITDA, but has a superior growth track record. Applying a multiple of 5.5x to our 2025 adjusted EBITDA forecast (a 20% discount to the peers due to their higher market caps) produces a per share valuation for DEC of GBp1,933. We set a new price target of GBp1,900. Due to sector multiple compression, our new price target is 32% below the price target of GBp2,800 in our most recent note of 29 November 2024, but still offers upside of 80%. We maintain our Buy recommendation.

Acquisitions to drive 37% volume increase this year Due to the five acquisitions completed since June 2024, including Maverick Natural Resources (DEC's largest ever deal), we expect the commodity volume sold by DEC to rise by 37% to 395,144mmcfe this year (see figure 4 on page 5). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024	2025E	2026E
Revenue (\$ m)	1007.6	1919.3	868.3	794.8	1737.0	1882.1
Y-o-y growth	146.5%	90.5%	-54.8%	-8.5%	118.5%	8.4%
AEBITDA (hedged) (\$ m)	343.1	503.4	546.8	472.3	848.6	870.8
AEBITDA margin (hedged)	50.0%	49.3%	52.3%	49.9%	50.8%	51.4%
Net income (\$ m)	-325.5	-625.4	758.0	-88.8	182.5	230.9
EPS (diluted) (\$)	-8.20	-14.82	15.95	-1.84	2.42	2.94
DPS (\$)	3.30	3.45	2.92	1.16	1.16	1.16
FCF (\$m)	270.0	301.7	335.9	293.6	576.1	657.9
Net gearing	n.a.%	n.a.	206.7%	353.2%	209.2%	141.5%
Liquid assets (\$ m)	12.6	7.3	3.8	6.0	8.9	9.7

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. 75% of total production. Ca. 65% of total production derive from the the "Central Region" (Arkansas, Louisiana, Oklahoma, Texas) which DEC entered in 2021 and the balance from the Appalachian Basin.

MARKET DATA

As of 02 Jul 2025

Closing Price	GBp 1054
Shares outstanding	78.28m
Market Capitalisation	GBP 826m
52-week Range	GBp 803.50 / 1393.00
Avg. Volume (12 Months)	208,717

Multiples	2024	2025E	2026E
P/E	n.a.	5.0	4.1
EV/Sales	3.3	1.5	1.4
EV/AEBITDA	5.5	3.1	3.0
Div. Yield	8.1%	8.1%	8.1%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2024

Liquid Assets	\$ 5.99m
Current Assets	\$ 304.26m
Intangible Assets	\$ 15.18m
Total Assets	\$ 4,003.53m
Current Liabilities	\$ 759.66m
Shareholders' Equity	\$ 452.68m

SHAREHOLDERS

EIG Asset Management LLC	18.3%
FS Specialty Lending Fund	4.9%
Blackrock Inc.	4.1%
Ameriprise Financial Inc.	4.0%
Free float and other	68.8%



We expect realised unit pricing to jump 65% this year We also see a shift in the product mix towards more valuable oil (occasioned by the Maverick acquisition) and a sharp rise in the gas price pushing the unit value of DEC's blended commodity mix based on *benchmark pricing* up 54%. We expect the blended commodity price *realised* by DEC to rise even further - by 65% - as the discount between realised unit revenue before hedging and the blended unit commodity mix based on benchmark pricing narrows to 16.2% (2024: 20.9%). The narrowing of this gap is due mainly to gas basis differentials (the price discount DEC receives for its gas at regional hubs in Appalachia and the Central Region to the benchmark Henry Hub price) rising less far than the Henry Hub price.

Access to premium pricing at Transco Zone 5 hub could help profitability further

DEC completed the acquisition of Summit Natural Resources at the end of February. Summit has gas and coal mine methane assets in Virginia, West Virginia, and Alabama. We estimate that Summit will account for only about 1% of 2025 production. However, the pipeline assets acquired with Summit offer access to the Transco Zone 5 sales hub. Unlike all the other hubs through which DEC sells its gas, gas sold at Transco Zone 5 is priced at a premium to Henry Hub. For the remainder of 2025, average pricing at Transco Zone 5 is ca. USD1.25/mcf above Dominion South (the most important hub for DEC in Appalachia). We have not included the impact of this in our forecast as DEC has not stated how much of its volume will be going through Transco Zone 5. However, it is likely that our current numbers overstate the impact of basis differentials on DEC's gas pricing.

We expect unit total revenue to climb 35% despite hedging losses DEC customarily hedges over 80% of its current year commodity volume. On the basis of the current hedge portfolio and a much higher Henry Hub gas price than in 2024, we expect the result from settled hedges to swing to a loss of USD66.1m this year compared with a gain of USD151.3m in 2024. Nevertheless, we still expect unit total revenue after hedging to climb 35% to USD4.39 (2024: USD3.26).

As figure 1 shows, the Western Anadarko Basin (WAB) in Oklahoma and the Texas panhandle accounted for over 60% of Maverick's production during the 12 months to 9M/24. The combination of DEC's and Maverick's assets will create the largest producer in the WAB, marginally ahead of the number two producer, Camino, but over twice as large as the number three, Coterra.

Figure 1: DEC/Maverick production by basin for the 12 months to 9M/24 (Mcf/d)

	DEC	% total	Maverick	% total	Combined	% total
Total	850,000	100%	351,000	100%	1,201,000	100%
by basin:						
Western Anadarko	108,000	13%	216,000	62%	324,000	27%
Permian	0	0%	66,000	19%	66,000	5%
AR/LA/TX+WY +FLA	317,000	37%	69,000	20%	386,000	32%
Appalachia	425,000	50%	0	0%	425,000	35%

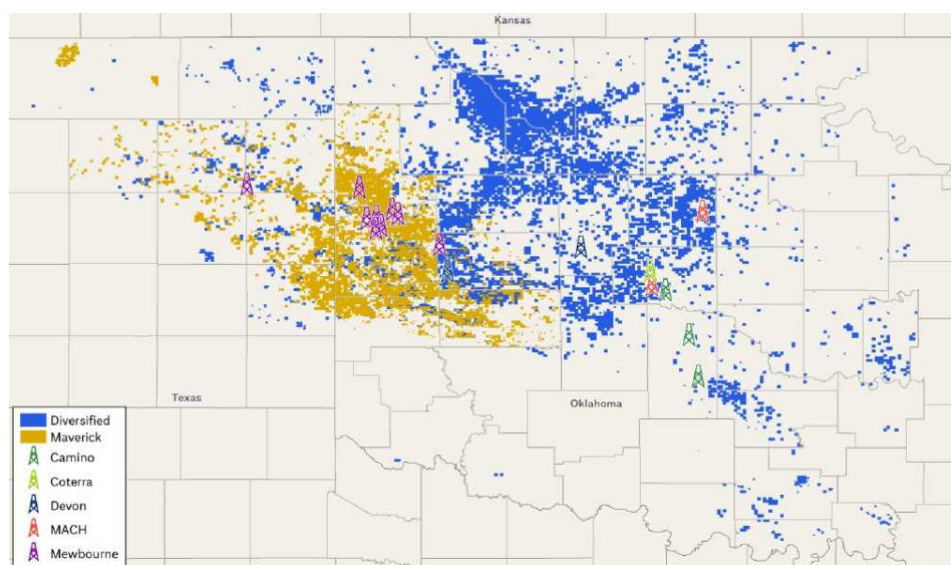
Source: DEC

As figure 2 overleaf shows, Maverick's 750,000 developed acres in the WAB are contiguous with DEC's 450,000 developed acres in the same basin. DEC has identified USD50m in synergies arising from the integration of Maverick. USD35m of these stem from G&A synergies and most of the balance from operating cost reduction due to increased asset density, particularly in the WAB.

We expect unit revenue (+35%) to outpace unit recurring cost (+21%) this year Unit production costs will rise at DEC this year in line with the shift in the commodity mix to more valuable oil and NGL which cost correspondingly more to extract. We expect a 47% rise in unit base lease operating expense. However, we expect overall unit recurring costs to rise by only 22% to USD2.16/mmcf (2024: USD1.78/mmcf) – i.e. well below the above mentioned 35% increase in unit revenue – due mainly to a reduction in recurring unit G&A.



Figure 2: DEC and Maverick's combined Western Anadarko position



Source: DEC

Recent transactions suggest DEC's undeveloped WAB acreage is worth >USD900m

DEC has ca. 727,000 undeveloped acres in the WAB. Recent land sales in Oklahoma indicate a per acre value of ca. USD1,300, implying total value for DEC's undeveloped acreage of >USD900m. Maverick also has significant undeveloped land in the WAB, although DEC has not given a figure for this acreage. The company booked gains on land sales of USD24m and USD41m in 2023 and 2024 respectively. DEC stated in its Q1 report that it expects to generate proceeds of more than USD40m from land sales in H1/25. Over the past two years gains on land sales as a percentage of total proceeds have varied between 0% and 87%. We assume proceeds from land sales of USD80m for both 2025 and 2026 and gains in both years of USD32m (equivalent to 40% of proceeds).

Figure 3: Acquisition history 2020-25

	Net purchase price (USDm)	Next 12 mths. EBITDA multiple (x)	Capacity (mboepd)	Production decline rate year 1 / year 3	Completion date	Announcement date
2020						
EQT	112	3.4	9.0	n.a. / n.a.	26/05/2020	11/05/2020
Carbon	98	3.3	9.1	4% / n.a.	27/05/2020	11/05/2020
Total			18.1			
2021						
Indigo	115	2.9	16.0	14% / n.a.	19/05/2021	30/04/2021
Blackbeard	166	3.5	16.0	8% / n.a.	05/07/2021	20/05/2021
Tanos I	118	2.3	14.0	n.a. / n.a.	18/08/2021	05/07/2021
Tapstone	174	1.8	12.0	17% / 13%	08/12/2021	07/10/2021
Total	573	2.4	58.0	n.a. / n.a.		
2022						
East Texas	50	1.4	3.7	7% / n.a.	26/04/2022	26/04/2022
Conoco Phillips	210	2.5	9.0	8% / 8%	28/09/2022	28/07/2022
Total	260	2.2	12.7	8% / n.a.		
2023						
Tanos II	250	2.3	17.0	32% / 23%	01/03/2023	08/02/2023
2024						
Oaktree assets	377	3.0	20.0	10% / n.a.	07/06/2024	19/03/2024
Crescent Pass assets	101	3.9	6.0	9% / n.a.	16/08/2024	10/07/2024
East Texas assets	49	2.6	4.0	15% / n.a.	30/10/2024	20/08/2024
Total	527		30.0			
2025						
Summit assets	45	3.8	2.0	n.a. / n.a.	28/02/2025	06/01/2025
Maverick Natural Resources	1,275	3.3	58.0	10% / n.a.	14/03/2025	27/01/2025
Total	1,320		60.0			

Source: DEC



We expect 2025 adjusted EBITDA after hedging to reach USD848.6m in 2025 - a 80% increase on the 2024 figure of USD472.3m. For 2026 we expect adjusted EBITDA after hedging to move further ahead to USD870.8m. For 2026 we assume no further acquisitions and model a 0.5% decline in volume as DEC's 10% organic production decline counters the positive impact of the mid-March 2025 consolidation of Maverick. As figure 4 shows, we expect a 9.4% rise in DEC's unit blended realised commodity price before hedging to cancel out a trebling of unit hedging losses.

Average share count set to rise 56% this year To strengthen its balance sheet DEC issued 8.5m shares at in February and a further 21.2m shares to part-finance the Maverick acquisition in March. Assuming no further share issues, we expect DEC's 2025 average share count at 74.9m to be 56% above the 2024 figure of 48.0m. As figure 4 overleaf shows, the increase in the share count restricts growth in 2024 adjusted EBITDA after hedging per share to 15.2%. For 2026 this figure falls by 1.8%. However, we are optimistic that further acquisitions will push 2026 adjusted EBITDA after hedging upwards.

Figure 3 on page 3 shows DEC's acquisition history since the beginning of the current decade. Between late 2021 and late 2023 the US 10-year government bond yield more than trebled to nearly 5% - the fastest rise in US interest rates since the 1980s. DEC is dependent on acquisitions to cancel out the natural 10% annual decline in its annual production. The rapid rise in interest rates in 2022 and 2023 hindered price discovery on the M&A market. For DEC, the consequence of this was that the period between the completion of the Tanos II acquisition in March 2023 and the completion of the Oaktree deal in June 2024 this year was the longest such interval in nearly 5 years. The hiatus in M&A activity caused volume to fall by 3.4% in 2024 – the first such decline since DEC's IPO in 2018. At the same time DEC's unit blended commodity price retreated by 9.3% - a fall which was not cancelled out by the group's hedging portfolio. 2024 hedged adjusted EBITDA fell 13.6% to USD472.3m (2023: USD546.8m) - also the first such fall since the IPO.

Strengthening balance sheet to reduce requirement for fresh equity Net debt/trailing twelve months adjusted EBITDA peaked at 3.0x at year-end 2024. We expect improved profitability to push this metric down to 2.3x by the end of this year – in line with company's target of 2.0-2.5x. A strengthening balance sheet will allow DEC to continue making acquisitions, but with reduced recourse to the equity capital raises which have crimped recent share price performance.



Figure 4: P&L forecast to 2026

	2023	Q1 24	2024	Q1 25	Q2 25E	Q3 25E	Q4 25E	2025E	2026E
Volume (mmcf)	299,632	65,829	289,587	77,724	106,046	106,175	105,199	395,144	393,075
% Δ y-o-y	n.a.	n.a.	-3.4%	18.1%	51.6%	39.2%	35.6%	36.5%	-0.5%
Commodity weighting									
Gas	85.6%	84.7%	84.4%	81.7%	72.4%	72.0%	71.6%	73.9%	71.7%
Oil	2.8%	3.1%	3.3%	6.0%	12.1%	12.4%	12.7%	11.2%	12.7%
NGL	11.7%	12.3%	12.4%	12.3%	15.5%	15.6%	15.7%	15.0%	15.7%
A: Blended commodity market price (USD/mcf)	3.53	3.21	3.20	4.64	4.81	4.88	5.35	4.94	5.37
% Δ y-o-y	n.a.	n.a.	-9.3%	44.6%	72.5%	65.3%	44.1%	54.2%	8.7%
of which:									
Gas	2.93	2.40	2.38	3.75	3.57	3.58	4.25	3.79	4.42
Oil	12.94	12.84	12.62	11.91	10.64	11.09	10.55	10.88	10.31
NGL	5.69	6.38	6.36	6.94	6.06	5.97	6.13	6.20	5.70
B: Blended realised commodity price before hedging (USD/mcf)	2.68	2.70	2.53	4.21	4.00	4.05	4.47	4.18	4.57
% Δ y-o-y	n.a.	n.a.	-5.6%	55.8%	77.1%	79.8%	54.6%	65.4%	9.4%
of which:									
Gas	2.17	2.10	1.90	3.56	2.97	2.95	3.56	3.25	3.85
% Δ y-o-y	n.a.	n.a.	-12.5%	69.3%	90.0%	83.4%	53.5%	70.7%	18.5%
Oil	12.58	12.29	12.45	11.32	10.31	10.75	10.22	10.52	9.98
% Δ y-o-y	n.a.	n.a.	-1.0%	-7.9%	-22.2%	-13.9%	-13.2%	-15.5%	-5.2%
NGL	4.04	4.45	4.19	5.06	3.90	3.80	3.97	4.24	3.54
% Δ y-o-y	n.a.	n.a.	3.9%	13.8%	-1.0%	-3.3%	-11.6%	1.1%	-16.6%
Other/midstream/Next Lvl	0.22	0.24	0.22	0.25	0.21	0.20	0.21	0.21	0.22
Total unit revenue before hedging	2.90	2.94	2.74	4.46	4.21	4.25	4.68	4.40	4.79
A-B (USD/mcf)	0.85	0.50	0.67	0.42	0.81	0.83	0.88	0.76	0.79
% Δ y-o-y	n.a.	n.a.	-20.8%	-16.1%	52.9%	18.7%	7.2%	12.3%	4.8%
of which:									
Gas	0.76	0.29	0.47	0.19	0.59	0.63	0.69	0.54	0.57
Oil	0.36	0.56	0.17	0.59	0.33	0.33	0.33	0.36	0.33
NGL	1.65	1.93	2.17	1.88	2.17	2.17	2.17	1.96	2.17
Total revenue before hedging (USDm)	868.3	193.6	794.8	346.9	446.3	451.7	492.2	1,737.0	1,882.1
% Δ y-o-y	n.a.	n.a.	-8.5%	79.2%	155.0%	142.4%	105.2%	118.5%	8.4%
of which:									
Gas	557.2	117.2	464.6	226.0	228.1	225.2	268.2	947.5	1083.1
% Δ y-o-y	n.a.	n.a.	-16.6%	92.8%	148.5%	118.0%	76.1%	103.9%	14.3%
Oil	103.9	24.8	117.1	53.2	132.3	141.6	136.7	463.7	496.5
% Δ y-o-y	n.a.	n.a.	12.7%	114.1%	322.1%	353.4%	359.8%	295.9%	7.1%
NGL	141.3	36.0	150.5	48.4	64.2	63.1	65.5	241.1	218.0
% Δ y-o-y	n.a.	n.a.	6.5%	34.5%	83.4%	69.5%	54.6%	60.2%	-9.6%
Other/midstream/Next Lvl revenue	65.9	15.6	62.6	19.4	21.8	21.8	21.8	84.7	84.6
% Δ y-o-y	n.a.	n.a.	-5.0%	24.1%	28.5%	49.6%	40.5%	35.3%	-0.1%
Unit settled hedges (USD/mcf)	0.59	0.34	0.52	-0.67	0.09	0.07	-0.29	-0.17	-0.48
Settled hedges (USDm)	178.1	22.1	151.3	-52.3	9.1	7.3	-30.2	-66.1	-186.9
Unit commodity revenue after hedging (USD/mcf)	3.27	3.04	3.05	3.54	4.09	4.12	4.18	4.01	4.10
Commodity revenue after hedging (USDm)	980.5	200.1	883.5	275.3	433.6	437.2	440.2	1586.3	1610.6
Unit total revenue after hedging (USD/mcf)	3.49	3.28	3.27	3.79	4.29	4.32	4.39	4.23	4.31
Total revenue after hedging (USDm)	1,046	216	946	295	455	459	462	1,671	1,695
Total unit recurring costs (USD/mcf)	1.75	1.75	1.78	2.04	2.18	2.21	2.20	2.16	2.18
Total recurring costs (USDm)	523.7	115.2	514.8	158.4	230.8	234.2	231.0	854.4	856.5
% Δ y-o-y	n.a.	n.a.	-1.7%	37.5%	90.9%	73.4%	60.8%	66.0%	0.2%
of which:									
Base lease operating expense	191.8	42.9	212.6	71.1	118.8	118.9	117.8	426.6	440.2
Midstream	69.8	17.7	70.7	18.1	25.5	25.5	25.2	94.3	94.3
Gathering and transportation	96.2	20.3	90.5	26.7	37.1	37.2	36.8	137.8	117.9
Production taxes	61.5	8.2	36.0	16.4	20.1	22.3	21.0	79.9	90.4
Recurring G&A (non-IFRS)	87.0	21.8	86.8	23.2	26.5	27.6	27.4	104.7	102.2
Next Level	17.4	4.4	18.1	2.8	2.8	2.8	2.7	11.0	11.4
Unit gains on land sales (USD/mcf)	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Gain on land sales (USDm)	24.2	1.6	41.0	2.0	14.0	8.0	8.0	32.0	32.0
Unit adj EBITDA (USD/mcf)	1.82	1.55	1.63	1.78	2.25	2.19	2.27	2.15	2.22
Adjusted EBITDA (USDm)	546.8	102.1	472.3	138.2	238.7	232.7	239.0	848.6	870.8
% Δ y-o-y	n.a.	n.a.	-13.6%	35.3%	106.3%	102.3%	71.4%	79.7%	2.6%
Adjusted EBITDA margin on hedged revenue	52.3%	47.3%	49.9%	46.9%	52.4%	50.7%	51.7%	50.8%	51.4%
Adjusted EBITDA per share, diluted (USD)	11.51	2.14	9.83	2.16	3.02	2.97	3.05	11.33	11.12
% Δ y-o-y	n.a.	n.a.	-14.6%	0.8%	23.7%	25.1%	12.3%	15.2%	-1.8%

Source: DEC, First Berlin Equity Research estimates.



VALUATION

Figure 5: DEC and peer group EV/EBITDA multiple comparison

	2025 EV/EBITDA (x) 03.07.25	EBITDA CAGR 2020-25E	2025 production decline rate (%)	Market cap. (USDbn) 03.07.25
Antero	7.4	-3.3%	26.0%	11.6
CNX	6.4	3.8%	25.0%	4.7
Comstock	8.5	16.3%	44.0%	7.3
EQT	7.7	40.4%	22.0%	33.6
Gulfport	4.1	29.1%	35.0%	3.3
Range	6.9	20.8%	24.0%	9.3
Peer group average	6.8	17.8%	29.3%	11.6
DEC	4.3	23.1%	10.0%	1.5
(Discount)/premium to peer group average	-36.2%	29.3%	-65.9%	-86.7%

Source: First Berlin Equity Research estimates

Figure 6: DEC valuation based on average peer group multiples

DEC fair value at peer group average 2025 EV/EBITDA multiple 03.07.25	
EV/EBITDA (x)	6.8
EBITDA	849
EV	5,789
Net debt	2,563
Market capitalisation	3,226
Proforma no. shares outstanding (m)	78.28
Valuation per share (GBP)	3,016

Source: First Berlin Equity Research estimates

Buy recommendation maintained at a price target of GBP1,900 (previously: GBP 2,800)

DEC is trading at a 36% discount to its peer group based on 2025E EV/adjusted EBITDA, but has a superior growth track record. We expect DEC's adjusted EBITDA to have grown at a five-year CAGR of 23.1% by the end of this year compared with 17.8% for its peers. Sharply rising commodity prices, a pick-up in acquisition activity by DEC (five transactions completed since last June) and strengthening balance sheet suggest the company will be able to sustain its historic growth rate going forward. We think DEC should trade on a 2025E EV/adjusted EBITDA multiple closer to the peer group figure of 6.8x. We apply a 20% discount to the peer group – the same figure we used in our most recent update of 29 November 2024. This results in a multiple of 5.5x and generates a per share valuation for DEC of GBP1,933. We set a new price target of GBP1,900 (previously: GBP2,800) and maintain our Buy recommendation. Due to sector multiple compression (the 2024 peer group multiple at the end of November last year was 9.7x), our new price target is 32% below our previous price target, but still equates to upside of 80%. We maintain our Buy recommendation. Figure 7 below shows the sensitivity of our valuation to varying discounts to the peer group.

Figure 7: Sensitivity of DEC valuation to discount to peer group multiple (03.07.2025)

Discount to peer group multiple	0%	10%	20%	30%	40%
EV/EBITDA (x)	6.8	6.1	5.5	4.8	4.1
Fair value per share (GBP)	3,016	2,475	1,933	1,392	851

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in USD '000	2021A	2022A	2023A	2024A	2025E	2026E
Revenues	1,007,561	1,919,349	868,263	794,841	1,737,049	1,882,147
Operating expense	-291,213	-445,893	-440,562	-428,902	-738,680	-742,911
Depreciation and depletion	-167,644	-222,257	-224,546	-256,484	-396,822	-395,275
Gross profit	548,704	1,251,199	203,155	109,455	601,548	743,961
Administrative expenses	-102,326	-170,735	-119,722	-129,119	-130,335	-114,199
Allowance for expected credit losses	4,265	0	-8,478	0	0	0
Gain on oil/gas properties and equipment	-901	2,379	24,146	0	0	0
Gain/loss on sale of equity interest	0	0	18,440	0	0	0
Unrealised gain/loss on investment	0	0	4,610	0	0	0
Gain (loss) on derivative financial instruments	-974,878	-1,758,693	1,080,516	-37,551	-66,071	-186,906
Gain on bargain purchase	58,072	4,447	0	0	0	0
Impairment of proved properties	0	0	-41,616	0	0	0
Operating income (EBIT)	-467,064	-671,403	1,161,051	-43,026	405,142	442,855
Finance costs	-50,628	-100,799	-134,166	-137,643	-176,188	-163,556
Accretion of asset retirement obligation	-24,396	-27,569	-26,926	-30,868	-38,529	-40,411
Other income (expense)	-8,812	269	385	0	0	0
Income before taxation	-550,900	-799,502	1,000,344	-223,952	190,426	238,888
Taxation on income	225,694	178,904	-240,643	136,951	-6,000	-6,000
Non-controlling interest	-303	-4,812	-1,683	-1,822	-1,913	-2,009
Net income / loss	-325,509	-625,410	758,018	-88,823	182,512	230,879
Diluted EPS (in USD)	-8.20	-14.82	15.95	-1.84	2.42	2.94
Adjusted EBITDA (hedged)*	343,145	503,422	546,788	472,309	848,601	870,763
Ratios						
Gross margin	54.5%	65.2%	23.4%	13.8%	34.6%	39.5%
Adjusted EBITDA margin (hedged)	50.0%	49.2%	52.3%	49.9%	50.8%	51.4%
Net margin	-32.3%	-32.6%	87.3%	-11.2%	10.5%	12.3%
Tax rate	41.0%	22.4%	24.1%	61.2%	3.2%	2.5%
Expenses as % of revenues						
Operating expense	28.9%	23.2%	50.7%	54.0%	42.5%	39.5%
Depreciation and depletion	16.6%	11.6%	25.9%	32.3%	22.8%	21.0%
Administrative expenses	10.2%	8.9%	13.8%	16.2%	7.5%	6.1%
Y-Y Growth						
Revenues	146.5%	90.5%	-54.8%	-8.5%	118.5%	8.4%
Adjusted EBITDA (hedged)	14.2%	46.7%	8.6%	-13.6%	79.7%	2.6%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	26.5%

* 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	2021A	2022A	2023A	2024A	2025E	2026E
Assets						
Current assets, total	337,139	354,222	304,598	304,264	520,193	558,717
Cash and cash equivalents	12,558	7,329	3,753	5,990	8,905	9,651
Restricted cash	1,033	7,891	11,195	11,426	16,986	18,410
Receivables	282,922	296,781	190,207	234,421	427,782	463,662
Derivative financial instruments	1,052	27,739	87,659	33,759	33,759	33,759
Other current assets	39,574	14,482	11,784	18,668	32,762	33,235
Non-current assets, total	3,157,070	3,476,706	3,169,424	3,699,261	4,807,030	4,480,975
Oil and gas properties, net	2,530,078	2,555,808	2,490,375	2,905,702	3,882,365	3,545,082
Property, plant & equipment, net	413,980	462,860	456,208	449,540	534,086	543,832
Intangible assets	14,134	21,098	19,351	15,180	30,699	31,142
Restricted cash	18,069	47,497	25,057	34,843	61,149	62,031
Indemnification receivable	0	0	0	0	0	0
Derivative financial instruments	219	13,936	24,401	28,439	28,439	28,439
Deferred tax asset	176,955	371,156	144,860	259,287	259,287	259,287
Other non-current assets	3,635	4,351	9,172	6,270	11,004	11,162
Total assets	3,494,209	3,830,928	3,474,022	4,003,525	5,327,223	5,039,692
Shareholders' equity & debt						
Current liabilities, total	773,600	1,131,630	638,440	759,960	1,027,922	980,934
Short-term debt	58,820	271,096	200,822	209,463	271,260	211,839
Accounts payable	62,418	93,764	53,490	35,013	61,448	62,333
Capital lease	9,627	9,293	10,563	13,776	16,758	16,999
Derivative financial instruments	251,687	293,840	45,836	163,676	163,676	163,676
Other current liabilities	391,048	463,637	327,729	338,032	514,780	526,087
Long-term liabilities, total	2,056,659	2,837,022	2,237,172	2,779,009	3,292,519	2,911,930
Long-term debt	951,535	1,169,233	1,075,805	1,483,779	1,921,532	1,500,608
Capital lease	18,177	19,569	20,559	30,824	56,249	60,967
Asset retirement obligation	522,190	452,554	501,246	642,142	673,521	706,424
Deferred tax liability	0	12,490	13,654	8,011	22,524	24,413
Uncertain tax position	0	0	0	0	0	0
Derivative financial instruments	556,982	1,177,801	623,684	608,869	608,869	608,869
Other non-current liabilities	7,775	5,375	2,224	5,384	9,825	10,649
Shareholders' equity	663,950	-137,724	598,410	464,556	1,006,783	1,146,828
Total consolidated equity and debt	3,494,209	3,830,928	3,474,022	4,003,525	5,327,223	5,039,692
Ratios						
Current ratio (x)	0.44	0.31	0.48	0.40	0.51	0.57
Quick ratio (x)	0.44	0.31	0.48	0.40	0.51	0.57
Net debt	978,695	1,377,612	1,236,622	1,640,983	2,105,753	1,622,354
Net gearing	147.4%	n.a.	206.7%	353.2%	209.2%	141.5%
Adjusted EBITDA	343,145	502,954	546,788	472,309	848,601	870,763
Proforma TTM adjusted EBITDA	490,978	574,414	553,252	548,570	928,601	870,763
Net debt to proforma adjusted EBITDA (x)	2.0	2.4	2.2	3.0	2.3	1.9
Return on equity (ROE)	-42.0%	n.a.	329.1%	-16.7%	24.8%	21.4%



CASH FLOW STATEMENT

All figures in USD '000	2021A	2022A	2023A	2024A	2025E	2026E
Net profit	-325,509	-625,410	759,701	-87,001	184,426	232,888
Depreciation and depletion	167,644	222,257	224,546	256,484	396,822	395,275
Accretion of asset retirement obligation	24,396	27,569	26,926	30,868	38,529	40,411
Impairment of proved properties	0	0	41,616	0	0	0
Income tax (benefit) expense	-225,694	-178,904	240,643	-136,951	6,000	6,000
(Gain)/loss on derivative financial instruments	652,465	861,457	-905,695	189,030	0	0
Asset retirement costs	-2,879	-4,889	-5,961	-8,375	-7,150	-7,508
Gain on oil/gas properties and equipment	901	-2,379	-24,146	-25,678	-32,000	-32,000
(Gain)/loss on sale of equity interest	0	0	-18,440	7,375	0	0
Unrealised (gain) loss on investment	0	0	-4,610	4,013	0	0
Gain on bargain purchase	-58,072	-4,447	0	0	0	0
Finance costs	50,628	100,799	134,166	137,643	176,188	163,556
Loss on early retirement of debt	0	0	0	14,753	0	0
Revaluation of contingent consideration	8,963	0	0	0	0	0
Hedge modifications	-10,164	-133,573	26,686	0	0	0
Cancellation/retirement of debt	0	0	0	0	0	0
Changes in working capital	40,680	138,735	-83,534	-33,363	-8,565	-27,494
Non cash equity compensation	7,400	8,051	6,494	8,286	4,000	4,000
Cash paid for income taxes	-10,880	-26,314	-8,260	-11,421	-6,000	-6,000
Other adjustments	303	4,812	0	0	0	0
Operating cash flow	320,182	387,764	410,132	345,663	752,249	769,128
Oil and gas properties and equipment	-50,175	-86,079	-74,252	-52,100	-176,144	-111,220
Free cash flow	270,007	301,685	335,880	293,563	576,105	657,908
Acquisitions	-574,134	-276,571	-262,329	-288,489	-1,317,000	0
(Increase)/decrease in restricted cash	0	0	0	0	-31,866	-2,306
Proceeds from disposal of assets	88,887	0	99,832	68,723	80,000	80,000
Other acquired intangibles	0	0	0	0	0	0
Deferred consideration payments	0	0	-2,620	-1,050	0	0
Contingent consideration payments	-10,822	-23,807	0	0	0	0
Payments associated with potential acquisitions	-25,002	0	0	0	0	0
Acquisition-related debt and hedge extinguishment	-56,466	0	0	0	0	0
Investment cash flow	-627,712	-386,457	-239,369	-272,916	-1,445,010	-33,527
Repayment of borrowings	-1,432,566	-2,139,686	-1,547,912	-1,653,489	-435,000	-480,345
Proceeds of borrowings	1,727,745	2,587,554	1,537,230	1,844,768	934,550	0
Net proceeds/(repayment) of borrowings	295,179	447,868	-10,682	191,279	499,550	-480,345
Penalty on early retirement of debt	0	0	0	-1,752	0	0
Cash paid for interest	-41,623	-82,936	-116,784	-123,141	-176,188	-163,556
Debt issuance cost	-10,255	-34,234	-13,776	-20,267	0	0
(Increase) decrease in restricted cash	1,838	-36,287	11,792	-3,864	0	0
ABS note hedge modifications	0	-105,316	-6,376	0	0	0
Proceeds from lease modifications	0	0	0	8,568	0	0
Net proceeds from leasing	-8,606	-11,233	-12,169	-14,343	0	0
Proceeds from equity issuance, net	213,844	0	156,788	0	459,000	0
Cancellation of warrants	-1,429	137	0	0	0	0
Dividends to shareholders	-130,239	-143,455	-168,041	-83,864	-66,686	-90,953
Distributions to non-controlling interest owners	0	-6,389	-4,043	-1,996	0	0
Repurchase of shares	0	-34,691	-11,048	-21,130	-20,000	0
Financing cash flow	318,709	-6,536	-174,339	-70,510	695,676	-734,854
Other	0	0	0	0	0	0
Net cash flows	11,179	-5,229	-3,576	2,237	2,915	747
Cash, start of the year	1,379	12,558	7,329	3,753	5,990	8,905
Cash, end of the year	12,558	7,329	3,753	5,990	8,905	9,651
Adjusted EBITDA (hedged)/share (USD)	8.65	11.93	11.59	9.83	11.33	11.12
Y-Y Growth						
Operating cash flow	32.5%	21.1%	5.8%	-15.7%	117.6%	2.2%
Free cash flow	122.9%	111.7%	111.3%	87.4%	196.2%	114.2%
EBITDA/share	26.6%	37.9%	-2.8%	-15.2%	15.2%	-1.8%

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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	GBp1888.00	Buy	GBp2600.00
2...12	↓	↓	↓	↓
13	25 February 2022	GBp2466.00	Buy	GBp3200.00
14	11 October 2022	GBp2622.00	Buy	GBp3600.00
15	20 February 2023	GBp2082.00	Buy	GBp3600.00
16	12 July 2023	GBp1713.00	Buy	GBp3600.00
17	19 September 2023	GBp1661.00	Buy	GBp3600.00
18	6 October 2023	GBp1433.00	Buy	GBp3600.00
19	19 December 2023	GBp1310.50	Buy	GBp3600.00
20	29 November 2024	GBp1240.00	Buy	GBp2800.00
21	Today	GBp1054.00	Buy	GBp1900.00

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- sensitivity of valuation parameters

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