



# ASX Announcement

## Beach Energy FY20 Half Year Results

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Reference #005/20

Date

11 February 2020

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### **Growth program execution progressing well**

- 105 wells drilled in H1 FY20 at 83% success rate
- Western Flank operated oil production above 22,000 bopd
- Victorian Otway drilling program underway with Black Watch-1
- Ocean Onyx rig expected to arrive in March for offshore drilling program

### **Exploration/appraisal success**

- Bauer appraisal confirms further field extension
- Cooper Basin exploration/appraisal success rate of 66%
- Beharra Springs Deep-1 gas discovery in Perth Basin, flow tested at 46 MMscfd<sup>1</sup>
- Dombey-1 gas discovery in SA Otway
- Easternwell 106 rig contracted to appraise SA Otway, Perth Basin discoveries

### **Operational excellence program delivering results**

- Facility reliability averaged 98% across operated asset base in H1 FY20
- Kupe shutdown completed safely, on time and on budget
- H1 FY20 production 13.0 MMboe, oil production on track

### **Financial strength**

- Underlying EBITDA \$622 million
- Underlying NPAT \$274 million<sup>1</sup>, +9% versus Pro Forma H1 FY19 Underlying NPAT<sup>2</sup>
- Strong balance sheet position with \$60 million net cash at 31 December 2019
- Interim dividend 1.0 cps

### **Full year FY20 guidance updated**

- Production guidance has been updated to 27 – 28 MMboe (prior 27 - 29 MMboe)
- Capital expenditure guidance has been updated to \$875 – 950 million (prior \$750 – 850 million)
- Underlying EBITDA guidance has been updated to \$1.275 – 1.35 billion (prior \$1.25 – 1.4 billion)

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<sup>1</sup> Statutory NPAT \$279 million. Please refer to FY20 half year report and FY20 half year results presentation for more information.

<sup>2</sup> Pro Forma H1 FY19 Underlying NPAT is calculated as \$250 million, equal to H1 FY19 Underlying NPAT of \$278.8 million less \$28.6 million NPAT contribution from a 40% interest in the Vic Otway Basin assets in H1 FY19.

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## **Operational excellence delivers an Underlying NPAT of \$274m as growth campaign commences**

Beach Energy has today released its FY20 Half Year results, in which the company delivered a strong underlying NPAT of \$274 million.

Pro forma for the 40% Otway Sale, which completed late in FY19, underlying NPAT was up 9 per cent on the corresponding half.

Managing Director Matt Kay said the financial performance in the first half of FY20 was further evidence of the robustness of Beach's portfolio of assets.

"In a year in which we are undertaking a record level of growth investment, I am extremely proud to see the Beach team maintain a razor-sharp focus on execution and sustain a discipline towards cost management across the business," Mr Kay said.

"Of particular note has been our ability to generate value through safe, reliable and efficient operations.

"The Kupe plant statutory shutdown was completed on time and on budget in November - with more than 80,000 hours of work executed with no recordable HSE incidents. Our focus on performance has seen average facility reliability improve to 98 per cent across the business."

On the drilling front, Mr Kay said the first-half of FY20 was extremely active across the Cooper, Perth and Otway basins, with 105 wells drilled at a success rate of 83 per cent.

"Of note, the Beharra Springs Deep-1 well made a material gas discovery in the Perth Basin, Dombey-1 delivered a gas discovery in the SA Otway Basin and appraisal work in the Bauer Field confirmed another field extension," Mr Kay said.

"It is this sort of success from our drilling team that supports the decision to increase our investment in FY20.

"We're undertaking further infrastructure expansion in the Western Flank to support higher levels of oil production, as well as additions such as participation in the large Tawhaki exploration prospect in offshore New Zealand and a new two-well appraisal campaign in the SA Otway Basin."

The additional activity has led Beach to update its FY20 capital expenditure guidance to \$875 – 950 million from \$750 – 850 million.

Beach has also updated its underlying EBITDA guidance to \$1.275 – 1.35 billion and its production guidance to 27 –28 MMboe.

Mr Kay said Beach's attention is focussed on the back end of the year – in which the Victorian Otway campaign continues to ramp up.

"Our Victorian Otway drilling program has now commenced, with Black Watch-1 expected to reach target depth in early March. The Ocean Onyx rig is currently scheduled to arrive in March, to kick off our 9 well offshore drilling program with the Artisan-1 exploration well," Mr Kay said.

"In the Cooper Basin we will continue our Western Flank exploration and appraisal campaign with a view to increasing oil and gas production, and we will also support facility upgrades at Port Bonython to deliver improved capacity."

“In the Perth Basin we are targeting FID for Waitsia Stage 2 by the end of the financial year and in New Zealand we are keenly awaiting the results of the Tawhaki exploration well which is currently drilling.”

### Updated FY20 guidance

The following table summarises the prior and updated guidance for FY20:

Item	Prior FY20 guidance	Updated FY20 guidance
Production	27 – 29 MMboe	27 – 28 MMboe
Capital Expenditure	\$750 – 850 million	\$875 – 950 million
Underlying EBITDA	\$1.25 – 1.4 billion	\$1.275 – 1.35 billion
DD&A	\$17 – 18 / boe	\$17 – 17.5 / boe

**FY20 production guidance** has been updated from 27 - 29 MMboe to 27 – 28 MMboe. The updated guidance range reflects first half actuals and the most up to date estimates for second half. Below we highlight the key changes relative to initial guidance:

- **Completion of H1 FY20 reporting** has reduced the uncertainty in relation to production outlook for FY20 and therefore narrowed the production guidance range.
- **Customer demand.** After strong gas demand and high customer nominations in FY19, customer demand has been lower in the first half of FY20, primarily from our East Coast assets (Victorian Otway, BassGas and Cooper Basin). Beach is ensuring its gas remains available to supply into the market through achieving an average operated asset facility reliability above 98% in H1 FY20.
- **Updated Black Watch-1 timing.** Black Watch-1 development well spudded on 6 January 2020 and is currently anticipated to be tied into the Otway Gas Plant in the June quarter 2020. Original FY20 guidance anticipated the well to be tied into the Otway plant in the March quarter 2020. The two month delay in tie-in is due to the late arrival of the rig on site after longer than anticipated drilling operations at Haselgrove-4 and Dombey-1 in the SA Otway Basin and weather-related rig move delays.
- **Oil production on track.** FY20 oil production is on track to meet prior guidance of 8.7 – 9.2 MMbbl. Operated Western Flank oil production has reached 22,700 bopd (gross) by the end of H1 FY20.

**FY20 capital expenditure guidance** has been updated from \$750 – 850 million to \$875 – 950 million. The updated guidance range reflects first half actuals, the most up to date estimates for second half and approved additions to the FY20 capital program. Below we highlight the key changes, noting most of the incremental investment is targeting production growth beyond the current financial year.

- **Execution of growth strategy is on track.** Successful execution of our growth program in FY20 year-to-date has resulted in capital expenditure associated with our initial work program tracking towards the upper end of our prior guidance range of \$750 – 850 million.
- **Additional Western Flank infrastructure investment to support sustained higher oil output (~\$30 million).** After the successful appraisal programs at Bauer, Callawonga, Parsons and Butlers oil fields, additional work including further artificial lift installations, water handling and intra field flow lines and roads have been approved to support higher oil production rates beyond FY20.

- **Tawhaki-1 participation (~\$25 million).** In December 2019, Beach acquired a 30% interest in exploration permit PEP50119 containing the Tawhaki-1 exploration prospect, located in the Great South Basin, offshore New Zealand (refer ASX release #045/19 on 19<sup>th</sup> December 2019). The well spudded in early January 2020 and is expected to be completed this quarter.
- **Additional SA Otway and Perth Basin drilling (~\$25 million).** Beach has exercised an option to secure the Easternwell 106 rig to drill two additional appraisal wells in the Haselgrove Field in SA Otway Basin (Beach 100% interest) in FY20 and in FY21 undertake a Perth Basin drilling campaign including a combination of Beharra Springs Deep appraisal wells and further Perth Basin exploration wells, subject to joint venture approval. Long lead items associated with this program are being ordered to facilitate this drilling program.
- **Cooper Basin JV stay in business expenditure (~\$20 million).** Operator Santos has provided Beach with a calendar 2020 budget which includes stay in business capital expenditure approximately \$20 million more than Beach's original estimate. Continued strong production throughput in the Cooper Basin has resulted in higher integrity-related capital works planned in 2020. The works are anticipated to reduce future Cooper Basin joint venture maintenance requirements and also support higher-for-longer liquids processing, handling and shipping from Port Bonython.
- **Cost overrun in SA Otway drilling program (~\$10 million).** Drilling operations at both Haselgrove-4 and Dombey-1 took longer than anticipated in H1 FY20, resulting in an increase of approximately \$10 million.

**FY20 Underlying EBITDA guidance** has been updated from \$1.25 – 1.4 billion to \$1.275 – 1.35 billion.

- This incorporates the impact of actual year to date commodity prices and revised H2 FY20 Brent oil price (prior: US\$62.50/bbl, updated: US\$60.00/bbl) and AUD/USD (prior: 0.70, updated: 0.68) assumptions.
- The revised range includes an estimated \$50 million "other revenue" (unchanged vs prior) associated with unwinding of GSA liabilities and an estimated \$20 million positive impact from the application of AASB16 (lease) accounting standard (prior: \$30 million).

**FY20 DD&A guidance** has been updated from \$17 – 18 / boe to \$17 – 17.50 / boe, primarily due to updated asset production contribution and updated estimate of the impact of AASB16 (lease) accounting standard (prior: \$30 million; updated: \$20 million).

## **Authorisation, disclaimer and other information**

### **Authorisation**

This release has been authorised for release by Matt Kay, Managing Director and CEO of Beach Energy.

### **Comparable periods**

In FY19 Beach accounted for its Victorian Otway interests at 100% until 31 May 2019 when the Otway Sale completed and 60% thereafter.

In FY20 Beach accounted for its Beharra Springs interests at 67% until 30 November and 50% thereafter.

### **Disclaimer**

This release contains forward looking statements that are subject to risk factors associated with oil, gas and related businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Underlying results in this release are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. The information has been extracted from the reviewed financial statements.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated. References to "Beach" may be references to Beach Energy Limited or its applicable subsidiaries. Unless otherwise noted, all references to reserves and resources figures are as at 30 June 2019 and represent Beach's share.

References to planned activities in FY20 and beyond FY20 may be subject to finalisation of work programs, government approvals, joint venture approvals and board approvals.

### **Assumptions**

FY20 guidance is uncertain and subject to change. FY20 guidance has been estimated on the basis of actual results achieved in H1 FY20 and the following assumptions in H2 FY20: 1. US\$60/bbl Brent oil price; 2. 0.68 AUD/USD exchange rate; 3. various other economic and corporate assumptions; 4. assumptions regarding drilling results; and 5. Expected future development, appraisal and exploration projects being delivered in accordance with their current expected project schedules.

These future development, appraisal and exploration projects are subject to approvals such as government approvals, joint venture approvals and board approvals. Beach expresses no view as to whether all required approvals will be obtained in accordance with current project schedules.