

Alvopetro Announces First Quarter 2021 Results, Dividend Policy and Earnings Call

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CALGARY, May 12, 2021 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTC: ALVOF) announces our first quarter 2021 financial results, the formalization of our dividend policy and upcoming plans for a small lot common share buy-back.

All references herein to \$ refer to United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

Dividend Policy and Small Lot Common Share Buyback

Alvopetro's Board of Directors has formally adopted a dividend policy and strategy. We expect to commence paying dividends to our shareholders denominated in US\$ as early as Q1 2022. Once the Company completes its 2021 exploration drilling and finalizes the 2022 capital budget, the value and frequency of the dividend will be finalized.

To ensure dividends are promptly and efficiently paid to all shareholders it is strongly recommended that all registered shareholders migrate their registered shares to a brokerage account. Instructions to assist with this migration process are available at info@alvopetro.com.

To further facilitate the cost-effective administration of the dividend program, and to create cost-effective liquidity for small lot shareholders, the Company also plans to conduct a one-time small lot common share repurchase which is expected to be facilitated through a consolidation, buyback or other alternative. Based on Alvopetro's current share price, the small lot repurchase is expected to cost less than \$1.0 million. The repurchase will be implemented at the Company's sole discretion, subject to the required regulatory, court and shareholder approvals. Accordingly, we plan to move our AGM date to incorporate the repurchase voting on this matter and will include additional information on the small lot repurchase with the meeting materials.

Corey Ruttan, President and Chief Executive Officer, commented:

"We look forward to our upcoming exploration drilling campaign. With our recent amendment to our credit agreement and continuing strong operating and financial results from our Caburé project we are excited to accelerate our balanced strategic return and reinvestment model. Our objective is to balance accretive organic growth with a sustainable and attractive dividend yield."

Financial and Operating Highlights - First Quarter of 2021

- We averaged daily natural gas sales in the quarter of 12.5 mmcfpd with associated natural gas liquids sales from 98 bopd bringing our overall sales volumes in the quarter to 2,175 boepd, an 11.5% increase from the fourth quarter.
- We had an average realized natural gas sales price of \$5.68/mcf, a 6% increase from the average realized price of \$5.35/mcf in the fourth quarter.
- We generated natural gas and condensate revenues of \$6.9 million, with an operating netback of \$28.52/boe, an improvement from \$27.96/boe from the fourth quarter.
- Our funds flow from operations improved to \$4.8 million (\$0.05 per basic share and \$0.04 per diluted share) in the quarter compared to \$4.3 million in the fourth quarter.
- We reported a net loss of \$1.1 million in the quarter compared to net income of \$2.8 million in the fourth quarter, or a net loss of \$1.1 million compared to an unrealized foreign exchange gain of \$1.8 million in the fourth quarter.
- Capital expenditures of \$0.9 million included \$0.4 million in long lead purchases and \$0.2 million in civil construction and preliminary costs for our two exploration wells to be drilled in 2021.
- As at March 31, 2021, we had a net working capital surplus of \$5.8 million, including \$5.0 million in cash and cash equivalents. During the quarter we repaid \$2.5 million of advances outstanding under our credit facility (the "Credit Facility") reducing the balance outstanding to \$13.0 million as of March 31, 2021 and the Company's net debt to \$7.3 million, an improvement of \$2.6 million from December 31, 2020. In April we completed an amendment to our Credit Facility extending the maturity date by one year to October 8, 2023 and eliminating the 3% per annum interest payable in kind as of March 31, 2021.
- Leverage remains low with net debt to annualized funds flow from operations of just 0.4 times.

Summary of Q1 2021 Financial and Operating Results

The following table provides a summary of Alvopetro's financial and operating results for the three months ended March 31, 2021 and March 31, 2020. As Alvopetro had not yet commenced commercial operations in the three months ended March 31, 2020, the following table provides a summary of Alvopetro's financial and operating results for the three months ended March 31, 2021 and March 31, 2020.

supplemental financial information has been presented for the fourth quarter of 2020 to enhance comparability. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alcan.com and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

	As at and the Three Months Ended		
	Q1 2021	Q4 2020	Q1 2020
Financial			
(\$000s, except where noted)			
Natural gas, oil and condensate sales	6,939	5,887	61
Net (loss) income	(1,088)	2,754	(2,363)
Per share - basic (\$)	(0.01)	0.03	(0.02)
Per share - diluted (\$) ⁽¹⁾	(0.01)	0.03	(0.02)
Cash flows from operating activities	4,304	3,124	(904)
Per share - basic (\$)	0.04	0.03	(0.01)
Per share - diluted (\$) ⁽¹⁾	0.04	0.03	(0.01)
Funds flow from operations ⁽²⁾	4,756	4,252	(637)
Per share - basic (\$)	0.05	0.04	(0.01)
Per share - diluted (\$) ⁽¹⁾	0.04	0.04	(0.01)
Capital expenditures ⁽³⁾	864	452	1,610
Total assets	76,022	80,388	65,969
Cash and cash equivalents	4,983	5,159	6,221
Net working capital surplus ⁽²⁾	5,775	5,539	303
Net debt ⁽²⁾	7,254	9,884	12,783
Weighted average shares outstanding (000s)			
Basic	99,705	99,260	98,308
Diluted ⁽¹⁾	114,503	105,095	98,308

	As at and the Three Months Ended		
	Q1 2021	Q4 2020	Q1 2020
Operations			
Natural gas, crude oil and natural gas liquids sales:			
Natural gas (mcfpd)	12,464	11,163	-
NGLs - condensate (bopd)	98	89	5
Oil (bopd)	-	-	6
Total (boepd)	2,175	1,950	11
Average realized prices:			
Natural gas (\$/mcf)	5.68	5.36	-
NGL - condensate (\$/bbl)	64.41	46.97	70.54
Oil (\$/bbl)	-	-	50.66
Company total (\$/boe)	35.45	32.82	60.10
Operating netback (\$/boe) ⁽²⁾			
Realized sales price	35.45	32.82	60.10
Royalties	(3.30)	(1.51)	(7.88)
Production expenses	(3.63)	(3.39)	(43.35)
Operating netback	28.52	27.92	8.87

Notes:

(1) In determining the weighted average number of diluted common shares outstanding for the three months ended March 31, 2021 and 2020, all stock options, warrants and restricted share units (RSUs) have been excluded in the computation of net loss per share for the three months ended March 31, 2021 and 2020 and in the computation of funds flow from operations and cash flows from operating activities per share for the three months ended March 31, 2020 because the effect would be anti-dilutive.

(2) Non-GAAP measure - see "Non-GAAP Measures" section within this news release.

(3) Includes non-cash capital expenditures of \$0.05 million for the three months ended March 31, 2020.
Q1 2021 Results Webcast

A quarterly results webcast will be held on Thursday May 13, 2021 to discuss our Q1 2021 results including a question and answer period at the conclusion of the webcast. Questions can be sent in advance or during the webcast to socialmedia@alvopetro.com. An archived recording of the webcast will be available on Alvopetro's website at www.alvopetro.com.

Webcast Details:

Date: Thursday May 13, 2021

Time: 9:00 a.m. MDT (11:00 a.m. EDT)

Webcast: https://youtu.be/0ZylUE_zNJs

Corporate Presentation

Alvopetro's updated corporate presentation is available on our website at:

<http://www.alvopetro.com/corporate-presentation>.

Social Media

Follow Alvopetro on our social media channels at the following links:

Twitter - <https://twitter.com/AlvopetroEnergy>

Instagram - <https://www.instagram.com/alvopetro/>

LinkedIn - <https://www.linkedin.com/company/alvopetro-energy-ltd>

[Alvopetro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and our strategic midstream infrastructure.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

All amounts contained in this new release are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

Non-GAAP Measures. This news release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as funds flow from operations, funds flow per share, net working capital, net debt, and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities excluding changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Net working capital consists of current assets less current liabilities and is used to evaluate the Company's financial resources. Net debt is computed as the carrying amount of the Company's credit facility decreased by net working capital surplus or increased by net working capital deficit and is used by management to assess the Company's overall debt position and borrowing capacity. Operating netback is determined by dividing natural gas, oil and condensate sales (after sales taxes) less royalties, transportation and production expenses by sales volumes. Management considers operating netback important as it is a measure of profitability per barrel of oil equivalent sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, net working capital, net debt and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS. For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of the Company's MD&A which may be accessed through the SEDAR website at www.sedar.com.

Forward-Looking Statements and Cautionary Language. This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "expect", "plan", "intend" and other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning the plans relating to the Company's operational activities and the Company's dividend policy and plans for dividends in the future. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to the extent of future gas sales under the Company's long-term gas sales agreement, the timing of regulatory licenses and approvals, the success of future drilling, completion, testing, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the impact of the COVID-19 pandemic, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil

and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvopetro believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvopetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof and Alvopetro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

SOURCE [Alvopetro Energy Ltd.](#)

Contact

Corey C. Ruttan, President, Chief Executive Officer and Director, or Alison Howard, Chief Financial Officer,
Phone: 587.794.4224, Email: info@alvopetro.com, www.alvopetro.com, TSX-V: ALV, OTCQX: ALVOF

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