



| PRODUCTION BY OPERATING AREA                    |                |                |                |
|---|----------------|----------------|----------------|
|   | Midland Basin  | South Texas    | Total          |
| Oil (MBbl / MBbl/d)                             | 4,908 / 53.9   | 1,231 / 13.5   | 6,140 / 67.5   |
| Natural Gas (MMcf / MMcf/d)                     | 15,973 / 175.5 | 15,544 / 170.8 | 31,517 / 346.3 |
| NGLs (MBbl / MBbl/d)                            | 4 / -          | 1,945 / 21.4   | 1,949 / 21.4   |
| Total (MBoe / MBoe/d)                           | 7,575 / 83.2   | 5,767 / 63.4   | 13,342 / 146.6 |
| Note: Totals may not calculate due to rounding. |                |                |                |

- Production volumes are approximately 57% from the Midland Basin and 43% from South Texas and were approximately 39% oil, 39% natural gas, and 15% NGLs.
- Second quarter production volumes of 13.3 MMBoe (146.6 MBoe/d) were up 7% compared with the same period in 2021, down 3% sequentially. Second quarter 2022 volumes reflect strong base production performance as a result of the stimulation design employed in certain Midland Basin wells as well as from South Texas. Sequentially, production increased from both South Texas and the Midland Basin, in accordance with expectations that reflect the planned timing of completions over the past year in each region.

| REALIZED PRICES BY OPERATING AREA               |               |             |                                 |
|---|---------------|-------------|---------------------------------|
|   | Midland Basin | South Texas | Total                           |
|   |               |             | (Pre/Post-hedge) <sup>(1)</sup> |
| Oil (\$/Bbl)                                    | \$108.99      | \$107.28    | \$108.64 / \$79.45              |
| Natural Gas (\$/Mcf)                            | \$8.61        | \$6.68      | \$7.66 / \$5.96                 |
| NGLs (\$/Bbl)                                   | nm            | \$42.11     | \$42.08 / \$37.96               |
| Per Boe   | \$88.80       | \$55.10     | \$74.23 / \$56.20               |
| Note: Totals may not calculate due to rounding. |               |             |                                 |

In the second quarter, the average realized price before the effect of hedges was \$74.23 per Boe and the average realized price after the effect of hedges (post-hedge) was \$56.20 per Boe.<sup>(1)</sup>

- Benchmark pricing for the quarter included NYMEX WTI at \$108.41/Bbl, NYMEX Henry Hub natural gas at \$7.17/MMBtu, and Hart Composite NGLs at \$50.05/Bbl.
- The effect of commodity derivative settlements for the second quarter was a loss of \$18.03 per Boe, or \$240.6 million.

For additional operating metrics and regional detail, please see the Financial Highlights section below and the accompanying slide deck.

#### NET INCOME (LOSS), NET INCOME (LOSS) PER SHARE AND NET CASH PROVIDED BY OPERATING ACTIVITIES

Second quarter 2022 net income was \$323.5 million, or \$2.60 per diluted common share, compared with a net loss of \$223.0 million, or \$1.88 per diluted common share, for the same period in 2021. The current year period included a 76% increase in total oil, gas, and NGL production revenue and other income due to a 7%

increase in production and a 64% increase in the average commodity price per Boe compared with the same period in 2021. This increase is partially offset by a derivative settlement loss of \$240.6 million in the current year period versus a derivative settlement loss of \$158.8 million in the prior year period and a recorded \$67.2 million loss on extinguishment of debt related to the early redemption in June 2022 of the 10% Senior Secured Notes due 2025. The current year period also benefited from a 30% decline in DD&A per Boe. For the first six months of 2022, net income was \$372.2 million, or \$3.00 per diluted common share, compared with a net loss of \$474.3 million, or \$4.07 per diluted common share, in the same period in 2021.

Second quarter 2022 net cash provided by operating activities of \$542.6 million before net change in working capital of \$(28.2) million totaled \$514.4 million,<sup>(1)</sup> which was up \$300.5 million, or 140%, from the same period in 2021 with net cash provided by operating activities of \$296.4 million before net change in working capital of \$(82.5) million totaling \$213.9 million.<sup>(1)</sup> For the first six months of 2022, net cash provided by operating activities of \$884.7 million before net change in working capital of \$109.7 million totaled \$994.4 million, which was up \$623.5 million from the same period in 2021. The increase in net cash provided by operating activities before net change in working capital for both the second quarter and first six months of 2022 compared with the same periods in 2021 was primarily due to the increases in both production volumes and realized prices after the effect of hedges.

#### ADJUSTED EBITDAX,<sup>(1)</sup> ADJUSTED NET INCOME (LOSS),<sup>(1)</sup> AND NET DEBT-TO-ADJUSTED EBITDAX<sup>(1)</sup>

Second quarter 2022 Adjusted EBITDAX<sup>(1)</sup> was \$559.7 million, up \$302.8 million, or 118%, from \$256.9 million for the same period in 2021. For the first six months of 2022 Adjusted EBITDAX<sup>(1)</sup> was \$1.1 billion compared with \$471.9 million in the same period in 2021. The increase in Adjusted EBITDAX<sup>(1)</sup> was due to the increases in both production volumes and realized prices after the effect of hedges.

Second quarter 2022 Adjusted net income<sup>(1)</sup> was \$272.8 million, or \$2.19 per diluted common share, which compares with Adjusted net income<sup>(1)</sup> of \$1.0 million, or \$0.01 per diluted common share, for the same period in 2021. For the first six months of 2022, Adjusted net income was \$518.8 million, or \$4.17 per diluted common share, compared with an Adjusted net loss of \$4.7 million, or \$0.04 per diluted common share, for the same period in 2021.

At June 30, 2022, Net debt-to-Adjusted EBITDAX<sup>(1)</sup> was 0.72 times.

#### FINANCIAL POSITION, LIQUIDITY AND CAPITAL EXPENDITURES

On June 30, 2022, the outstanding principal amount of the Company's long-term debt was \$1.59 billion with zero drawn on the Company's senior secured revolving credit facility, and cash and cash equivalents of \$267.1 million. Net debt<sup>(1)</sup> was \$1.32 billion.

On August 2, 2022, the Company and its lenders entered into a Seventh Amended and Restated Credit Agreement ("New Credit Agreement"). The New Credit Agreement provides for a senior secured revolving credit facility with an increased initial borrowing base of \$2.5 billion and initial aggregate lender commitments totaling \$1.25 billion. The maturity date is August 2, 2027 (absent certain early maturity events, as described in the Company's second quarter 2022 Form 10-Q and the credit agreement filed as Exhibit 10.1), and customary covenants include, but are not limited to, a maximum total funded debt to 12-month trailing adjusted EBITDAX ratio of 3.50 to 1.00 and a minimum adjusted current ratio of 1.00 to 1.00. See the Company's second quarter 2022 Form 10-Q for additional detail.

Second quarter 2022 capital expenditures of \$215.6 million adjusted for increased capital accruals of \$22.2 million were \$237.8 million.<sup>(1)</sup> During the second quarter 2022, the Company drilled 23 net wells, of which 10 were in South Texas and 13 were in the Midland Basin, and added 9 net flowing completions, of which 2 were in South Texas and 7 were in the Midland Basin. The Company projected 20 flowing completions in the second quarter and, while all wells were fracture stimulated, drill out operations on certain wells took longer than anticipated, pushing 11 flowing completions into early July.

#### COMMODITY DERIVATIVES

As entered into as of July 27, 2022, commodity derivative positions for the second half of 2022 include:

- Oil - Approximately 48% of expected oil production is hedged to WTI at an average price of \$55.29/Bbl (weighted collar ceilings and swaps).
- Oil, Midland Basin differential - Approximately 4,900 MBbls are hedged to the local price point at a positive \$1.15/Bbl.
- Natural gas - Approximately 45% of expected natural gas production is hedged. 13,916 BBtu is hedged to HSC at a price of \$2.42/MMBtu, and 6,152 BBtu is hedged to WAHA at an average price of \$2.21/MMBtu.
- NGL hedges are by individual product and include propane swaps and collars.

The Company expects to hedge less than 30% of 2023 production.

A detailed schedule of these and other derivative positions are provided in the 2Q22 accompanying slide deck.

## 2022 OPERATING PLAN AND GUIDANCE

The Company is unable to provide a reconciliation of forward-looking non-GAAP capital expenditures because components of the calculation are inherently unpredictable, such as changes to, and timing of, capital accruals. The inability to project certain components of the calculation would significantly affect the accuracy of a reconciliation.

### GUIDANCE FULL YEAR 2022:

- Capital expenditures (net of the change in capital accruals): \$870-900 million. The increase incorporates higher third quarter and fourth quarter 2022 guidance and the decision to maintain current rig and pressure pumping crews through the end of the year to better ensure continuous and efficient operations in a supply-constrained environment. The Company expects to drill 98 net wells in 2022, of which 24 are planned for the first half and 74 are planned for the second half. The Company expects to complete 100 wells in 2022, of which 24 are planned for the first half and 76 are planned for the second half. The Company expects to release 100 wells, of which 24 are planned for the first half and 76 are planned for the second half.
- Production: 3.2-3.6 MMBbls per day. This represents a 4% increase at the mid-point and is a result of volume growth in the Midland Basin and South Texas. Full year production is expected to be 46%-47% oil.
- Production costs: LOE: \$4.75-\$4.90/Boe. The increase reflects increasing costs for labor, fuel and power in the second half of the year.
- Transportation: Unchanged at ~\$3.00/Boe. This reflects higher South Texas volumes and second half of the year.
- Production and ad valorem taxes: \$3.75-\$3.90/Boe, increased due to higher commodity prices.

### UPCOMING EVENTS:

- Earnings Call: August 4, 2022 at 8:00 a.m. Mountain time/10:00 a.m. Eastern time
- Earnings Q&A Webcast and Conference Call: August 4, 2022 at 8:00 a.m. Mountain time/10:00 a.m. Eastern time

August 4, 2022 - Please join SM Energy management at 8:00 a.m. Mountain time/10:00 a.m. Eastern time for the second quarter 2022 financial and operating results Q&A session. This discussion will be accessible via webcast (available live and for replay) on the Company's website at [ir.sm-energy.com](https://ir.sm-energy.com) or by telephone. To join the live conference call, please register at the link below for dial-in information.

- Live Conference Call Registration: <https://conferencingportals.com/event/pAjDSntN>
- Replay (conference ID 11299) - Domestic toll free/International: 800-770-2030/647-362-9199

The call replay will be available approximately one hour after the call and until August 18, 2022.

### CONFERENCE PARTICIPATION

- August 8, 2022 - EnerCom Denver - The Energy Conference - President and Chief Executive Officer Herb Vogel will participate at 2:20 pm Mountain time/4:20 pm Eastern time. The event will be webcast, accessible from the Company's website and available for replay for a limited period. The Company will post an investor presentation to its website the morning of the event.
- September 8, 2022 - Inaugural Wells Fargo Leveraged Finance Conference - Chief Financial Officer Wade Purse will participate at 2:30 pm Central time/3:30 pm Eastern time. The event will be webcast, accessible from the Company's website and available for replay for a limited period. The Company will post an investor presentation to its website the morning of the event.

### DISCLOSURES

### FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. The words "estimate," "expect," "goal," "generate," "plan," "target," and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this release include, among other things, projections for the full year and third quarter 2022, including guidance for capital expenditures, production, production costs, DD&A, exploration expense, G&A, reinvestment rate, the percent of future production to be hedged, and the number of wells the Company plans to drill and complete in 2022. These statements involve known and unknown risks, which may cause SM Energy's actual results to differ materially from results expressed or implied by the forward-looking statements. Future results may be impacted by the risks discussed in the Risk Factors section of SM Energy's most recent Annual Report on Form 10-K, as such risk factors may be updated from time to time in the Company's other periodic reports filed with the Securities and Exchange Commission, specifically the second quarter 2022 Form 10-Q and the 2021 Form 10-K. The forward-looking statements contained herein speak as of the date of this release. Although SM Energy may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so, except as required by securities laws.

#### FOOTNOTE 1

Indicates a non-GAAP measure. Please refer below to the section "Definitions of non-GAAP Measures as Calculated by the Company" in Financials Highlights for additional information.

#### ABOUT THE COMPANY

[SM Energy Company](#) is an independent energy company engaged in the acquisition, exploration, development, and production of oil, gas, and NGLs in the state of Texas. SM Energy routinely posts important information about the Company on its website. For more information about SM Energy, please visit its website at [www.sm-energy.com](http://www.sm-energy.com).

#### SM ENERGY INVESTOR CONTACTS

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|                                       |           |
|---------------------------------------|-----------|
| <a href="#">SM Energy Company</a>     |           |
| FINANCIAL HIGHLIGHTS (UNAUDITED)      |           |
| June 30, 2022                         |           |
| Condensed Consolidated Balance Sheets |           |
| (in thousands, except share data)     | June 30,  |
| ASSETS                                | 2022      |
| Current assets:                       |           |
| Cash and cash equivalents             | \$ 267,08 |
| Accounts receivable                   | 333,944   |
| Derivative assets                     | 18,308    |
| Prepaid expenses and other            | 13,792    |
| Total current assets                  | 633,133   |

|   |            |
|---|------------|
| Property and equipment (successful efforts method):   |            |
| Proved oil and gas properties   | 9,694,92   |
| Accumulated depletion, depreciation, and amortization   | (5,944,40  |
| Unproved oil and gas properties   | 577,854    |
| Wells in progress   | 290,407    |
| Other property and equipment, net of accumulated depreciation of \$62,203 and \$62,359, respectively                                      | 33,199     |
| Total property and equipment, net   | 4,651,98   |
| Noncurrent assets:  |            |
| Derivative assets   | 8,236      |
| Other noncurrent assets   | 45,775     |
| Total noncurrent assets   | 54,011     |
| Total assets  | \$ 5,339,1 |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |            |
| Current liabilities:  |            |
| Accounts payable and accrued expenses   | \$ 583,23  |
| Derivative liabilities  | 425,041    |
| Other current liabilities   | 5,476      |
| Total current liabilities   | 1,013,75   |
| Noncurrent liabilities:   |            |
| Revolving credit facility   | -          |
| Senior Notes, net   | 1,570,64   |
| Asset retirement obligations  | 100,296    |
| Deferred income taxes   | 102,371    |
| Derivative liabilities  | 36,347     |
| Other noncurrent liabilities  | 70,809     |
| Total noncurrent liabilities  | 1,880,47   |
| Stockholders' equity:   |            |
| Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 121,959,282 and 121,862,248 shares, respectively | 1,220      |
| Additional paid-in capital  | 1,850,60   |

|  |            |
|--|------------|
| Retained earnings                          | 605,564    |
| Accumulated other comprehensive loss       | (12,485)   |
| Total stockholders' equity                 | 2,444,90   |
| Total liabilities and stockholders' equity | \$ 5,339,1 |

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

## Condensed Consolidated Statements of Operations

(in thousands, except per share data)

For the Three Months Ended

June 30,

2022

2021

Operating revenues and other income:

Oil, gas, and NGL production revenue

\$ 990,377

\$ 562,569

Other operating income

1,725

1,280

Total operating revenues and other income

992,102

563,849

Operating expenses:

Oil, gas, and NGL production expense

165,593

125,456

Depletion, depreciation, amortization, and asset retirement obligation liability accretion

154,823

204,714

Exploration <sup>(1)</sup>

20,868

8,714

Impairment

4,389

8,750

General and administrative <sup>(1)</sup>

28,291

24,639

Net derivative loss <sup>(2)</sup>

104,236

370,348

Other operating expense, net

1,096

1,852

Total operating expenses

479,296

744,473

Income (loss) from operations

512,806

(180,624)

Interest expense

(35,496)

(39,536)

Loss on extinguishment of debt

(67,226)

(2,144)

Other non-operating income (expense), net

112

(853)

Income (loss) before income taxes

410,196

(223,157)

Income tax (expense) benefit

(86,711)

162

Net income (loss)

\$ 323,485

\$ (222,995)

Basic weighted-average common shares outstanding



121,910









|  |            |            |    |
|--|------------|------------|----|
| Diluted weighted-average common shares outstanding               | 124,343    | 118,357    | 1  |
| Basic net income (loss) per common share                         | \$ 2.65    | \$ (1.88)  | \$ |
| Diluted net income (loss) per common share                       | \$ 2.60    | \$ (1.88)  | \$ |
| Dividends per common share                                       | \$ -       | \$ -       | \$ |
| (1) Non-cash stock-based compensation included in:               |            |            |    |
| Exploration expense  | \$ 974     | \$ 812     | \$ |
| General and administrative expense                               | 3,505      | 3,144      | 6  |
| Total non-cash stock-based compensation                          | \$ 4,479   | \$ 3,956   | \$ |
| (2) The net derivative loss line item consists of the following: |            |            |    |
| Derivative settlement loss                                       | \$ 240,598 | \$ 158,822 | \$ |
| <a href="#">SM Energy Company</a>                                |            |            |    |
| (Gain) loss on fair value changes                                | (136,362)  | 211,526    | 1  |
| FINANCIAL HIGHLIGHTS (UNAUDITED)                                 |            |            |    |
| Total net derivative loss  | \$ 104,236 | \$ 370,348 | \$ |
| June 30, 2022  |            |            |    |

## Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data and dividends per share)

|  | Common Stock |          | Addit<br>Paid-<br>Capit |
|--|--------------|----------|-------------------------|
|  | Shares       | Amount   |                         |
| Balances, December 31, 2021  | 121,862,248  | \$ 1,219 | \$ 1,8                  |
| Net income   | -            | -        | -                       |
| Other comprehensive income   | -            | -        | -                       |
| Cash dividends declared, \$0.01 per share  | -            | -        | -                       |
| Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings | 1,929        | -        | (24)                    |
| Stock-based compensation expense   | -            | -        | 4,274                   |
| Balances, March 31, 2022   | 121,864,177  | \$ 1,219 | \$ 1,8                  |
| Net income   | -            | -        | -                       |
| Other comprehensive income   | -            | -        | -                       |
| Issuance of common stock under Employee Stock Purchase Plan                            | 65,634       | 1        | 1,644                   |

|  |                            |              |            |
|--|----------------------------|--------------|------------|
| Stock-based compensation expense   | 29,471                     | -            | 4,479      |
| Balances, June 30, 2022  | 121,959,282                | \$ 1,220     | \$ 1,8     |
|  |                            |              |            |
|  |                            |              |            |
|  | Common Stock               |              | Addit      |
|  | Shares                     | Amount       | Paid-Capit |
| Balances, December 31, 2020  | 114,742,304                | \$ 1,147     | \$ 1,8     |
| Net loss   | -                          | -            | -          |
| Other comprehensive income   | -                          | -            | -          |
| Cash dividends declared, \$0.01 per share  | -                          | -            | -          |
| Stock-based compensation expense   | -                          | -            | 5,737      |
| Balances, March 31, 2021   | 114,742,304                | \$ 1,147     | \$ 1,8     |
| Net loss   | -                          | -            | -          |
| Other comprehensive income   | -                          | -            | -          |
| Cash dividends, \$0.01 per share   | -                          | -            | -          |
| Issuance of common stock under Employee Stock Purchase Plan                                | 252,665                    | 3            | 1,312      |
| SM Energy Company  |                            |              |            |
| Stock-based compensation expense   | 57,795                     | 1            | 3,955      |
| FINANCIAL HIGHLIGHTS (UNAUDITED)   |                            |              |            |
| Issuance of common stock through cashless exercise of Warrants                             | 5,918,089                  | 59           | (59)       |
| June 30, 2022  |                            |              |            |
| Balances, June 30, 2021  | 120,970,853                | \$ 1,210     | \$ 1,8     |
|  |                            |              |            |
| Condensed Consolidated Statements of Cash Flows  |                            |              |            |
| (in thousands)   | For the Three Months Ended |              |            |
|  | June 30,                   |              |            |
|  | 2022                       | 2021         | 2          |
| Cash flows from operating activities:  |                            |              |            |
| Net income (loss)  | \$ 323,485                 | \$ (222,995) | \$         |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:   |                            |              |            |
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | 154,823                    | 204,714      | 3          |
| Impairment   | 4,389                      | 8,750        | 5          |
| Stock-based compensation expense   | 4,479                      | 3,956        | 8          |
| Net derivative loss  |                            |              |            |

104,236



370,348







|  |            |           |     |
|--|------------|-----------|-----|
| Derivative settlement loss   | (240,598)  | (158,822) | (4) |
| Amortization of debt discount and deferred financing costs         | 3,597      | 4,722     | 7   |
| Loss on extinguishment of debt                                     | 67,226     | 2,144     | 6   |
| Deferred income taxes  | 81,000     | (162)     | 9   |
| Other, net   | 11,718     | 1,215     | 1   |
| Net change in working capital                                      | 28,214     | 82,529    | (1) |
| Net cash provided by operating activities                          | 542,569    | 296,399   | 8   |
|  |            |           |     |
| Cash flows from investing activities:                              |            |           |     |
| Capital expenditures   | (215,618)  | (222,614) | (3) |
| Other, net   | -          | 292       | -   |
| Net cash used in investing activities                              | (215,618)  | (222,322) | (3) |
|  |            |           |     |
| Cash flows from financing activities:                              |            |           |     |
| Proceeds from revolving credit facility                            | -          | 504,000   | -   |
| Repayment of revolving credit facility                             | -          | (586,500) | -   |
| Net proceeds from Senior Notes                                     | -          | 393,583   | -   |
| Cash paid to repurchase Senior Notes                               | (480,176)  | (385,296) | (8) |
| Net proceeds from sale of common stock                             | 1,645      | 1,315     | 1   |
| Dividends paid   | (1,218)    | (1,178)   | (1) |
| Other, net   | -          | (1)       | (2) |
| Net cash used in financing activities                              | (479,749)  | (74,077)  | (8) |
|  |            |           |     |
| Net change in cash, cash equivalents, and restricted cash          | (152,798)  | -         | (1) |
| Cash, cash equivalents, and restricted cash at beginning of period | 419,887    | -         | 3   |
| Cash, cash equivalents, and restricted cash at end of period       | \$ 267,089 | \$ -      | \$  |

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

| Condensed Consolidated Statements of Cash Flows (Continued)   |                            |             |                          |             |
|---|----------------------------|-------------|--------------------------|-------------|
| (in thousands)  | For the Three Months Ended |             | For the Six Months Ended |             |
|   | June 30,                   |             | June 30,                 |             |
|   | 2022                       | 2021        | 2022                     | 2021        |
| Supplemental schedule of additional cash flow information:    |                            |             |                          |             |
| Operating activities:   |                            |             |                          |             |
| Cash paid for interest, net of capitalized interest           | \$ (26,671)                | \$ (21,415) | \$ (90,875)              | \$ (74,864) |
| Investing activities:   |                            |             |                          |             |
| Increase (decrease) in capital expenditure accruals and other | \$ 22,153                  | \$ (8,422)  | \$ 37,780                | \$ 28,987   |
| Other information:  |                            |             |                          |             |
| Net cash paid for income taxes                                | \$ (10,452)                | \$ (1,247)  | \$ (10,502)              | \$ (621)    |

## DEFINITIONS OF NON-GAAP MEASURES AS CALCULATED BY THE COMPANY

To supplement the presentation of its financial results prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides certain non-GAAP measures, which are used by management and the investment community to assess the Company's financial condition, results of operations, and cash flows, as well as compare performance from period to period and across the Company's peer group. The Company believes these metrics and performance measures are widely used by the investment community, including investors, research analysts and others, to evaluate and compare investments among upstream oil and gas companies in making investment decisions or recommendations. These measures, as presented, may have differing calculations among companies and investment professionals and may not be directly comparable to the same measures provided by others. A non-GAAP measure should not be considered in isolation or as a substitute for the most directly comparable GAAP measure or any other measure of a company's financial or operating performance presented in accordance with GAAP. A reconciliation of each of these non-GAAP measures to the most directly comparable GAAP measure is presented below. These measures may not be comparable to similarly titled measures of other companies.

**Adjusted EBITDAX:** Adjusted EBITDAX is calculated as net income (loss) before interest expense, interest income, income taxes, depletion, depreciation, amortization and asset retirement obligation liability accretion expense, exploration expense, property abandonment and impairment expense, non-cash stock-based compensation expense, derivative gains and losses net of settlements, gains and losses on divestitures, gains and losses on extinguishment of debt, and certain other items. Adjusted EBITDAX excludes certain items that the Company believes affect the comparability of operating results, including items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. The Company believes that Adjusted EBITDAX provides useful information for internal analysis and for investors and analysts, as a performance and liquidity measure, to evaluate the Company's ability to internally generate funds for exploration, development, acquisitions, and to service debt. The Company is also subject

to financial covenants under the Company's Credit Agreement and New Credit Agreement, a material source of liquidity for the Company, based on Adjusted EBITDAX ratios. Please reference the Company's 2021 Form 10-K and second quarter 2022 Form 10-Q for discussion of the Credit Agreement and New Credit Agreement and its covenants.

Adjusted net income (loss) and adjusted net income (loss) per diluted common share: Adjusted net income (loss) and adjusted net income (loss) per diluted common share excludes certain items that the Company believes affect the comparability of operating results, including items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. These items include non-cash and other adjustments, such as derivative gains and losses net of settlements, impairments, net (gain) loss on divestiture activity, gains and losses on extinguishment of debt, and accruals for non-recurring matters. The Company uses these measures to evaluate the comparability of the Company's ongoing operational results and trends and believes these measures provide useful information to investors for analysis of the Company's fundamental business on a recurring basis.

Net debt: Net debt is calculated as the total principal amount of outstanding senior secured notes and senior unsecured notes plus amounts drawn on the revolving credit facility less cash and cash equivalents (also referred to as total funded debt). The Company uses net debt as a measure of financial position and believes this measure provides useful additional information to investors to evaluate the Company's capital structure and financial leverage.

Free cash flow: Free cash flow is calculated as net cash provided by operating activities before net change in working capital less capital expenditures before increase (decrease) in capital expenditure accruals and other. The Company uses this measure as representative of the cash from operations, in excess of capital expenditures that provides liquidity to fund non-discretionary obligations such as debt reduction, returning cash to shareholders or expanding the business.

- Forward-looking free cash flow: Guidance or projected measures are not reconciled to the most comparable GAAP measure because components of the GAAP calculation are inherently difficult to project. Specifically, the timing of cash receipts and disbursements could not be projected with accuracy.

Net debt-to-Adjusted EBITDAX: Net debt-to-Adjusted EBITDAX is calculated as Net Debt (defined above) divided by Adjusted EBITDAX (defined above) for the trailing twelve-month period (also referred to as leverage ratio). A variation of this calculation is a financial covenant under the Company's Credit Agreement. The Company and the investment community may use this measure in understanding the Company's ability to service its debt and identify trends in its leverage position. The Company reconciles the two non-GAAP measure components of this calculation.

- Forward-looking Net-debt-to-Adjusted EBITDAX: Guidance or projected measures are not reconciled to the most comparable GAAP measure because components of the GAAP calculation are inherently difficult to project. Specifically, non-cash components of earnings such as derivative gains and losses, gains and losses on divestitures, gains and losses on extinguishment of debt and unknown future events could not be projected with accuracy.

Adjusted operating margin: Adjusted operating margin is calculated as oil, gas, and NGL production revenues (before the effects of commodity derivative settlements), less operating expenses (specifically, LOE, transportation, production taxes, ad valorem taxes, and G&A). This calculation, when shown before the effect of derivative settlements, excludes derivative settlements, exploration expense, and DD&A and is reflected on a per BOE basis using net equivalent production for the period represented. This measure includes non-cash items in G&A, specifically stock compensation expense. The Company believes this metric provides management and the investment community with an understanding of the Company's recurring operating margin before DD&A, which is helpful to compare period-to-period and across peers.

Post-hedge: Post-hedge is calculated as the average realized price after the effects of commodity derivative settlements. The Company believes this metric is useful to management and the investment community to understand the impacts of commodity derivative settlements on average price realized.

Reinvestment rate: Reinvestment rate is calculated as capital expenditures before increase (decrease) in capital expenditure accruals and other divided by net cash provided by operating activities before net change in working capital. The Company believes this metric is useful to management and the investment community to understand the Company's ability to generate sustainable profitability and may be used to compare over periods of time across industry peers.

- Forward-looking Reinvestment rate: Guidance or projected measures are not reconciled to the most comparable measure because components of the GAAP calculation are inherently difficult to project. Specifically, changes to assets and liabilities, the timing of change in capital accruals, and unknown future events. The inability to project components of the calculation would significantly affect the accuracy of a reconciliation.

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

|                 |                            |           |          |
|-----------------|----------------------------|-----------|----------|
|                 |                            |           |          |
| Production Data |                            |           |          |
|                 | For the Three Months Ended |           |          |
|                 | June 30,                   | March 31, | June 30, |
|                 | 2022                       | 2022      | 2021     |

Realized sales price (before the effect of derivative settlements):

|                      |           |          |          |
|----------------------|-----------|----------|----------|
| Oil (per Bbl)        | \$ 108.64 | \$ 94.03 | \$ 65.34 |
| Gas (per Mcf)        | \$ 7.66   | \$ 5.42  | \$ 3.34  |
| NGLs (per Bbl)       | \$ 42.08  | \$ 38.56 | \$ 28.41 |
| Equivalent (per Boe) | \$ 74.23  | \$ 62.25 | \$ 45.28 |

Realized sales price (including the effect of derivative settlements):

|                      |          |          |          |
|----------------------|----------|----------|----------|
| Oil (per Bbl)        | \$ 79.45 | \$ 74.03 | \$ 45.23 |
| Gas (per Mcf)        | \$ 5.96  | \$ 4.56  | \$ 2.87  |
| NGLs (per Bbl)       | \$ 37.96 | \$ 32.89 | \$ 19.19 |
| Equivalent (per Boe) | \$ 56.20 | \$ 50.06 | \$ 32.50 |

Net production volumes: <sup>(1)</sup>

|                    |      |      |      |
|--------------------|------|------|------|
| Oil (MMBbl)        | 6.1  | 6.5  | 6.7  |
| Gas (Bcf)          | 31.5 | 31.4 | 26.5 |
| NGLs (MMBbl)       | 1.9  | 2.1  | 1.3  |
| Equivalent (MMBoe) | 13.3 | 13.8 | 12.4 |

Average net daily production: <sup>(1)</sup>

|                           |       |       |       |
|---------------------------|-------|-------|-------|
| Oil (MBbls per day)       | 67.5  | 71.8  | 73.4  |
| Gas (MMcf per day)        | 346.3 | 348.4 | 290.9 |
| NGLs (MBbls per day)      | 21.4  | 23.4  | 14.6  |
| Equivalent (MBoe per day) | 146.6 | 153.3 | 136.5 |



|   |          |          |          |
|---|----------|----------|----------|
| Per Boe data:   |          |          |          |
| Realized price (before the effect of derivative settlements)                              | \$ 74.23 | \$ 62.25 | \$ 45.28 |
| Lease operating expense   | 5.11     | 4.25     | 4.62     |
| Transportation costs  | 2.87     | 2.74     | 3.01     |
| Production taxes  | 3.75     | 2.93     | 2.03     |
| Ad valorem tax expense  | 0.69     | 0.58     | 0.45     |
| General and administrative <sup>(2)</sup>   | 2.12     | 1.81     | 1.98     |
| Adjusted operating margin (before the effect of derivative settlements) <sup>(1)(3)</sup> | \$ 59.70 | \$ 49.94 | \$ 33.20 |
| Derivative settlement loss  | (18.03)  | (12.19)  | (12.78)  |
| Adjusted operating margin (including the effect of derivative settlements) <sup>(3)</sup> | \$ 41.67 | \$ 37.75 | \$ 20.42 |
| Depreciation, amortization and asset impairment   | \$ 11.60 | \$ 11.56 | \$ 16.48 |
| See "Definitions of non-GAAP Measures as Calculated by the Company" above.                |          |          |          |

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

Adjusted EBITDAX Reconciliation <sup>(1)</sup>

(in thousands)

|  |  |
|--|--|
| Reconciliation of net income (loss) (GAAP) and net cash provided by operating activities (GAAP) to Adjusted EBITDAX (non-GAAP) | For the Three Months Ended June 30, 2022 |
|--|--|

2022

Net income (loss) (GAAP)

\$ 323,48

Interest expense

35,496

Income tax expense (benefit)

86,711

Depletion, depreciation, amortization, and asset retirement obligation liability accretion

154,823

Exploration <sup>(2)</sup>

19,894

Impairment

4,389

Stock-based compensation expense

4,479

Net derivative loss

104,236

Derivative settlement loss

(240,598)

Loss on extinguishment of debt

67,226

Other, net

(426)

Adjusted EBITDAX (non-GAAP)

\$ 559,71

Interest expense

(35,496)

Income tax (expense) benefit

(86,711)

Exploration <sup>(2)(3)</sup>

(7,911)

Amortization of debt discount and deferred financing costs

3,597

Deferred income taxes

81,000

Other, net

161

Net change in working capital

28,214

Net cash provided by operating activities (GAAP)

\$ 542,56

See "Definitions of non-GAAP Measures as Calculated by the Company" above.

Stock-based compensation expense is a component of the exploration expense and general and administrative expense line items on the accompanying unaudited condensed consolidated statements of operations. Therefore, the exploration line items shown in the reconciliation above will vary from the amount shown on the accompanying unaudited condensed consolidated statements of operations for the component of stock-based compensation expense recorded to exploration expense.

Amount is net of certain capital expenditures related to unsuccessful exploration efforts outside of our core areas of operations.

## [SM Energy Company](#)

### FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

|  |                            |              |     |
|--|----------------------------|--------------|-----|
| Adjusted Net Income (Loss) Reconciliation <sup>(1)</sup>                             |                            |              |     |
| (in thousands, except per share data)  |                            |              |     |
| Reconciliation of net income (loss) (GAAP) to adjusted net income (loss) (non-GAAP): | For the Three Months Ended |              |     |
|  | June 30,                   |              |     |
|  | 2022                       | 2021         |     |
| Net income (loss) (GAAP)   | \$ 323,485                 | \$ (222,995) | \$  |
| Net derivative loss  | 104,236                    | 370,348      | 5   |
| Derivative settlement loss   | (240,598)                  | (158,822)    | (4) |
| Impairment   | 4,389                      | 8,750        | 5   |
| Loss on extinguishment of debt   | 67,226                     | 2,144        | 6   |
| Other, net   | 69                         | 1,566        | 1   |
| Tax effect of adjustments <sup>(2)</sup>   | 14,035                     | (48,605)     | (4) |
| Valuation allowance on deferred tax assets   | -                          | 48,605       | -   |
| Adjusted net income (loss) (non-GAAP)  | \$ 272,842                 | \$ 991       | \$  |
| Diluted net income (loss) per common share (GAAP)                                    | \$ 2.60                    | \$ (1.88)    | \$  |
| Net derivative loss  | 0.84                       | 3.13         | 4   |
| Derivative settlement loss   | (1.93)                     | (1.34)       | (3) |
| Impairment   | 0.04                       | 0.07         | 0   |
| Loss on extinguishment of debt   | 0.54                       | 0.02         | 0   |

|  |         |         |         |
|--|---------|---------|---------|
| Other, net   | (0.01)  | 0.01    | -       |
| Tax effect of adjustments <sup>(2)</sup>                       | 0.11    | (0.41)  | (0.30)  |
| Valuation allowance on deferred tax assets                     | -       | 0.41    | -       |
| Adjusted net income (loss) per diluted common share (non-GAAP) | \$ 2.19 | \$ 0.01 | \$ 2.18 |
|  |         |         |         |
| Basic weighted-average common shares outstanding               | 121,910 | 118,357 | 118,357 |
| Diluted weighted-average common shares outstanding             | 124,343 | 118,357 | 118,357 |
|  |         |         |         |
| Note: Amounts may not calculate due to rounding.               |         |         |         |
|  |         |         |         |

See "Definitions of non-GAAP Measures as Calculated by the Company" above.

The tax effect of adjustments for each of the three and six months ended June 30, 2022, and 2021, was calculated using a tax rate of 21.7%. This rate approximates the Company's statutory tax rate for the respective periods, as adjusted for ordinary permanent differences.

## [SM Energy Company](#)

### FINANCIAL HIGHLIGHTS

June 30, 2022

#### Adjusted Operating Margin Reconciliation <sup>(1)</sup>

Reconciliation of oil, gas, and NGL production revenue (GAAP) and income (loss) from operations (GAAP) to For the T  
adjusted operating margin (non-GAAP):

|  |           |
|--|-----------|
|  | 2022      |
|  | (in thous |
| Oil, gas, and NGL production revenue (GAAP)  | \$ 990,37 |
| Operating expenses:  |           |
| Lease operating expenses   | 68,138    |
| Transportation costs   | 38,258    |
| Production taxes   | 50,031    |
| Ad valorem tax expense   | 9,166     |
| General and administrative <sup>(2)</sup>  | 28,291    |
| Adjusted operating margin (before the effect of derivative settlements) (non-GAAP)         | \$ 796,49 |
| Derivative settlement loss   | (240,598  |
| Adjusted operating margin (including the effect of derivative settlements) (non-GAAP)      | \$ 555,89 |
|  |           |
| Add: Other operating income  | 1,725     |
| Derivative settlement loss   | 240,598   |
| Less: Operating expenses   |           |
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | 154,823   |
| Exploration  | 20,868    |
| Impairment   | 4,389     |
| Net derivative loss  |           |













|  |           |
|--|-----------|
| Other operating expense, net                     | 1,096     |
| Income (loss) from operations (GAAP)             | \$ 512,80 |
|  |           |
| Net equivalent production volumes (MBOE)         | 13,342    |
|  |           |
| Note: Amounts may not calculate due to rounding. |           |
|  |           |

See "Definitions of non-GAAP Measures as Calculated by the Company" above.

Includes non-cash stock-based compensation expense per Boe of \$0.26 and \$0.25 for the three months ended June 30, 2022, and 2021, respectively.

## [SM Energy Company](#)

### FINANCIAL HIGHLIGHTS

June 30, 2022

#### Adjusted Operating Margin Reconciliation <sup>(1)</sup>

Reconciliation of oil, gas, and NGL production revenue (GAAP) and income (loss) from operations (GAAP) to For the S  
adjusted operating margin (non-GAAP):

2022

(in thous

Oil, gas, and NGL production revenue (GAAP) \$ 1,849,6

Operating expenses:

Lease operating expenses 126,701

Transportation costs 75,994

Production taxes 90,445

Ad valorem tax expense 17,144

General and administrative <sup>(2)</sup> 53,287

Adjusted operating margin (before the effect of derivative settlements) (non-GAAP) \$ 1,485,5

Derivative settlement loss (408,781

Adjusted operating margin (including the effect of derivative settlements) (non-GAAP) \$ 1,076,7

Add: Other operating income 2,780

Derivative settlement loss 408,781

Less: Operating expenses

Depletion, depreciation, amortization, and asset retirement obligation liability accretion 314,304

Exploration 29,914

Impairment 5,389

Net derivative loss 522,757

|  |           |
|--|-----------|
| Other operating expense, net                     | 1,401     |
| Income (loss) from operations (GAAP)             | \$ 614,54 |
|  |           |
| Net production volumes equivalent (MMBOE)        | 27,136    |
|  |           |
| Note: Amounts may not calculate due to rounding. |           |
|  |           |

See "Definitions of non-GAAP Measures as Calculated by the Company" above.

Includes non-cash stock-based compensation expense per Boe of \$0.25 and \$0.34 for the six months ended June 30, 2022, and 2021, respectively.

[SM Energy Company](#)

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2022

Reconciliation of Total Principal Amount of Debt to Net Debt <sup>(1)</sup>

(in thousands)

As of June 30, 2022

Principal amount of Senior Unsecured Notes <sup>(2)</sup>

\$ 1,585,144

Revolving credit facility <sup>(2)</sup>

-

Total principal amount of debt (GAAP)

1,585,144

Less: Cash and cash equivalents

267,089

Net Debt (non-GAAP)

\$ 1,318,055

<sup>(1)</sup> See "Definitions of non-GAAP Measures as Calculated by the Company" above.

<sup>(2)</sup> Amounts are from Note 5 - Long-term Debt in Part I, Item I of the Company's Form 10-Q for the six months ended June 30, 2022.

| Free Cash Flow <sup>(1)</sup>                                  |                            |                 |                          |                    |
|--|----------------------------|-----------------|--------------------------|--------------------|
| (in thousands)   |                            |                 |                          |                    |
|  | For the Three Months Ended |                 | For the Six Months Ended |                    |
|  | June 30,                   |                 | June 30,                 |                    |
|  | 2022                       | 2021            | 2022                     | 2021               |
| Net cash provided by operating activities (GAAP)               | \$ 542,569                 | \$ 296,399      | \$ 884,661               | \$ 402,023         |
| Net change in working capital                                  | (28,214)                   | (82,529)        | 109,748                  | (31,092)           |
| Cash flow from operations before net change in working capital | 514,355                    | 213,870         | 994,409                  | 370,931            |
|  |                            |                 |                          |                    |
| Capital expenditures (GAAP)                                    | 215,618                    | 222,614         | 365,745                  | 370,177            |
| Increase (decrease) in capital expenditure accruals and other  | 22,153                     | (8,422)         | 37,780                   | 28,987             |
| Capital expenditures before accruals and other                 | 237,771                    | 214,192         | 403,525                  | 399,164            |
|  |                            |                 |                          |                    |
| <b>Free cash flow (non-GAAP)</b>                               | <b>\$ 276,584</b>          | <b>\$ (322)</b> | <b>\$ 590,884</b>        | <b>\$ (28,233)</b> |

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**See Definitions of non-GAAP Measures as Calculated by the Company, above.**

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