Sm Energy Announces Highly Accretive $2.0 Billion Uinta Basin Acquisition, 11% Increase To Fixed Dividend And Reloaded $500 Million Share Repurchase Program

27.06.2024 | PR Newswire

DENVER, June 27, 2024 - SM Energy Company (the "Company" or "SM Energy") (NYSE: SM) today announces that it has entered into an agreement to acquire the Uinta Basin oil and gas assets owned by certain entities affiliated with XCL Resources, LLC ("XCL"), a private company backed by EnCap Investments L.P. ("EnCap") and Rice Investment Group ("Rice"), for an unadjusted purchase price of $2.55 billion. Concurrently, Northern Oil and Gas Inc. (NYSE: NOG) ("Northern") will acquire an undivided twenty percent (20%) of the oil and gas assets of XCL for $510 million, resulting in a $2.04 billion purchase price net to the Company for an undivided 80% interest of the assets (the "XCL Acquisition"). SM Energy intends to serve as the operator of the assets currently operated by XCL. The Company plans to finance the acquisition through a combination of debt and cash on hand.

XCL ASSETS EXPAND SM ENERGY'S TOP-TIER PORTFOLIO ADDING (NET TO THE COMPANY):

- ~37,200 net acres (~99% operated), increasing the Company's core net acreage ~14%
- 43 MBoed/38 MBod (88% crude oil),(1) increasing the Company's 2025E net production to ~195 MBoed and oil mix to greater than 50%
- ~390(2) net locations with breakevens $43 - $57/Bbl,(4) increasing the Company's inventory life by 2 years to 12+ years(5)
- $50.45/Boe 2025E cash production margin,(4) increasing the Company's 2025E cash production margin by ~11%; and
- 107 million Boe preliminary proved reserves,(7) increasing the Company's estimated net proved reserves by ~18%(8)

TRANSACTION BENEFITS

This value-driven acquisition meets SM Energy's strategic objectives:

- Expected to be immediately accretive to key metrics: Acquired for 2.9x NTM Adjusted EBITDAX(6) ($78.00/Bbl and $3.25/MMBtu), the acquisition is expected to be immediately accretive to key financial metrics. Based on 2025E projections, 2025E Adjusted EBITDAX(6) is expected to increase ~35%, 2025E Adjusted free cash flow(6) is expected to increase ~45%, and 2025E cash production margin(6) is expected to increase ~11%.

- Expands the Company's top-tier asset portfolio with accretive scale, significantly increases oil volumes, and extends low-breakeven inventory life: Pro forma 2025E net production is expected to increase to ~195 MBoed, oil production is expected to increase to 52% of commodity mix, reinvestment ratio is expected to decrease by 5%, and inventory is expected to increase by approximately 390(2) net quality locations competitive with current portfolio to add two years of inventory life(5).

- Significant resource upside in Core Uinta driven by the Company's technical expertise: The Uinta Basin has stacked pay potential and high oil content that combine to result in top-tier well performance and inventory with upside. The Company's track record in full stack co-development offers the potential to drive differential value across as many as 17 benches.

- Increasing return of capital while maintaining strong balance sheet: Highly accretive Adjusted free cash flow(6) metrics support a Board of Directors approved 11% increase in the Company's fixed quarterly dividend policy from $0.18 to $0.20 per share, expected to commence in the fourth quarter 2024 while projecting a reduction in post-acquisition leverage from ~1.3x net debt-to-Adjusted EBITDAX(6) to less than 1.0x by mid-2025 (assuming current commodity prices). The Board of Directors has also authorized a new $500 million share repurchase program through 2027, replacing the remaining existing program.

- High margin barrels competitive with Midland Basin due to higher oil content, lower operating costs, and sufficient contracted transportation capacity: SM Energy's 2025E cash production margin(6) is projected to increase approximately 11% as the Uinta Basin cash production margin(6) slightly exceeds the Company's Midland Basin cash production margin(6) due to higher oil content and lower operating costs.

- Continued leader in environmental stewardship: The Company remains committed to environmental stewardship, sustainability, and strong corporate governance and intends to apply its standards to these new operations.

President and Chief Executive Officer Herb Vogel comments: "Our differentiated technical team has again demonstrated what sets us apart, having identified a unique opportunity to add top-tier assets with significant upside for a reasonable multiple. We believe that this transaction checks the boxes for our acquisition criteria, and we expect to demonstrate value creation through performance optimization, inventory expansion and growth in adjusted free cash flow."

FINANCING:

SM Energy plans to finance the acquisition through a combination of debt and cash on hand. To assist in financing this all-cash transaction, SM Energy has received firm commitments from J.P. Morgan, Bank of America and Wells Fargo for an aggregate $1.2 billion 364-day unsecured bridge facility.

TIMING AND APPROVALS:

The Company's Board of Directors has approved the XCL Acquisition. Consideration at closing will be subject to customary purchase price adjustments. The effective date of the XCL Acquisition is May 1, 2024, and closing is anticipated to occur in September 2024, subject to customary closing conditions.

INVESTOR CALL INFORMATION:

June 27, 2024 - Please join SM Energy management at 6:30 a.m. Mountain time/8:30 a.m. Eastern time to discuss the acquisition. This discussion will be accessible via:

- Webcast (available live and for replay) - on the Company's website at sm-energy.com/investors (replay accessible approximately 1 hour after the live call); or
- Telephone - join the live conference call by registering at: http://event.choruscall.com/mediaframe/webcast.html?webcastid=CxddlT5K. Dial-in for domestic toll free/International is 877-407-6050 / +1 201-689-8022.

ADVISORS:

Kirkland & Ellis LLP is serving as legal counsel to SM Energy. Jefferies LLC is serving as sole financial advisor to XCL. Vinson & Elkins LLP is serving as legal counsel to XCL.

FOOTNOTES:

(1) Q3 2024 estimated.
(2) Locations normalized for 10K foot lateral length.
(3) Based on $78.00/Bbl and $3.25/MMBtu flat pricing.
(4) PV-10 Flat oil breakeven prices with gas valued at 20:1 WTI:HH.

(5) The Company's inventory assessment as of 1/1/2024 plus XCL preliminary estimated inventory for XCL assets as estimated by the Company.
(6) Indicates a non-GAAP measure or metric. Please refer to the "Definition of Non-GAAP Measures and Metrics as Calculated by the Company" section below.
(7) XCL preliminary unaudited estimated net proved reserves are as of May 2024 at $75/Bbl and $2.75/MMBtu flat.
(8) The Company's "Proved Reserves" are estimated net proved reserves as of year-end 2023.

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. The words "anticipate," "assume," "believe," "budget," "estimate," "expect," "forecast," "guidance," "intend," "plan," "project," "will" and similar expressions are intended to identify forward-looking statements. 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. Forward-looking statements in this release include, among other things, expectations regarding growth strategy, consummation and timing, as well as plans and expectations with regards to the XCL Acquisition, the anticipated impact of the XCL Acquisition on the Company's financial condition and results of operations, including anticipated growth in Adjusted free cash flows and Adjusted EBITDAX, the expected benefits, financing sources and timing of the XCL Acquisition; certain operational and financial projections, including: the number of acres to be acquired and growth in future locations and inventory, projected production metrics and oil mix, expected proved reserves to be acquired and the increase in total Company estimated net proved reserves, expectations regarding break-even price and inventory life, the Company's expectation to serve as operator of the acquired assets, cash production margins, projected operating costs associated with the assets to be acquired, the number of benches of productive drilling opportunities, expectations regarding post-closing leverage and net debt, the Company's expected reinvestment rate and the Company's expected timing for the increased fixed quarterly dividend. General risk factors include the uncertain nature of acquisitions, and the ability to complete any such transactions; the uncertain nature of expected benefits from the actual or expected acquisition; the uncertainty of negotiations to result in an agreement or a completed transaction; the availability of and access to capital markets; the availability, proximity and capacity of gathering, processing and transportation facilities; the volatility and level of oil, natural gas, and natural gas liquids prices, including any impact on the Company's asset carrying values or reserves arising from price declines; uncertainties inherent in projecting future rates of production or other results from drilling and completion activities; the imprecise nature of estimating oil and gas reserves; uncertainties inherent in projecting future drilling and completion activities, costs or results, including from pilot tests; the availability of additional economically attractive exploration, development, and acquisition opportunities for future growth and any necessary financings; unexpected drilling conditions and results; unsuccessful exploration and development drilling results; the availability of drilling, completion, and operating equipment and services; the risks associated with the Company's commodity price risk management strategy; and other such matters discussed in the "Risk Factors" section of SM Energy's 2024 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. The forward-looking statements contained herein speak as of the date of this announcement. 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.

ABOUT THE COMPANY

SM Energy Company is an independent energy company engaged in the acquisition, exploration, development, and production of crude oil, natural gas, and NGLs currently 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 http://www.sm-energy.com.

SM ENERGY INVESTOR CONTACTS

Jennifer Martin Samuels, jsamuels@sm-energy.com, 303-864-2507

DEFINITION OF NON-GAAP MEASURES AND METRICS AS CALCULATED BY THE COMPANY

To provide investors with additional information in connection with our results as determined in accordance with U.S. generally accepted accounting principles (GAAP), this presentation includes certain non-GAAP measures and metrics, 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 measures and metrics are widely used by the investment community, including investors, research analysts and others, to evaluate and compare recurring financial results among upstream oil and gas companies in making investment decisions or recommendations. These measures and metrics, as presented, may have differing calculations among companies and investment professionals and may not be directly comparable to the same measures and metrics 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. Our presentation of non-GAAP measures may not be comparable to similarly titled measures used by other companies.

The Company is unable to provide a reconciliation of forward-looking non-GAAP measures as components of forward-looking calculations are inherently unpredictable. The inability to project certain components of the calculations would significantly affect the accuracy of a reconciliation. These measures may not be comparable to similarly titled measures of other companies.

Adjusted EBITDAX: Adjusted EBITDAX is calculated as net income 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 and can exclude items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. Adjusted EBITDAX is a non-GAAP measure that the Company believes provides useful additional information to investors and analysts, as a performance measure, for analysis of 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, a material source of liquidity for the Company, based on Adjusted EBITDAX ratios. Please reference the Company's first quarter 2024 Form 10-Q and the most recent Annual Report on Form 10-K for discussion of the Credit Agreement and its covenants.

Adjusted free cash flow or FCF: Adjusted free cash flow is calculated as net cash provided by operating activities before net change in working capital less capital expenditures before changes in accruals. The Company uses this measure as representative of the cash from operations, in excess of capital expenditures that provides liquidity to fund discretionary obligations such as debt reduction, returning cash to stockholders or expanding the business.

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

Net debt: Net debt is calculated as the total principal amount of outstanding senior 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.

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 metric 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.

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