

SM Energy Reports Second Quarter 2019 Results: Solid Earnings And Cash Flow Driven By Continued Execution

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DENVER, Aug. 1, 2019 - [SM Energy Company](#) ("SM Energy" or the "Company") (NYSE: SM) today announced financial and operating results for the second quarter of 2019. Highlights include:

- Better wells at lower costs - As previously reported, second quarter production of 12.4 MMBoe (136.5 MBoe/d), was up from the second quarter of 2018 and up 16% sequentially, as performance from both the Midland Basin and South Texas exceeded expectations. Oil production of 5.4 MMBbls (60 MBbls/d) was up 24% from the second quarter of 2018 sequentially. Second quarter 2019 costs incurred in oil and gas activities was \$269 million and total capital spend (which is a non-GAAP measure; see below for definition and reconciliation) was \$261 million. Total capital spend is in line with guidance and reflects continued cost savings.
- Strong production drove solid earnings and cash flow - Net income was \$50.4 million; EPS was \$0.45 per diluted share, and adjusted EPS was \$0.01 per diluted common share; net cash provided by operating activities was \$250.0 million and adjusted EBITDAX was \$263.0 million, up 41% sequentially (adjusted EPS and adjusted EBITDAX are non-GAAP measures; see below for definition and reconciliation).
- Best in class well performance - The Sarah Connor 1050WA well set SM's record as its top performing Midland Basin well to date, based on a peak 30-day IP rate of 2,426 Boe/d (93% oil) from a 10,366 foot lateral. 27 new RockStar wells in the Midland Basin reached 30-day peak IP rates averaging 1,250 Boe/d per well and 87% oil.
- Value enhancement through successful interval tests - Four new horizons have continued to deliver encouraging results, including the Company's previously announced Austin Chalk wells in South Texas and its first Middle Spraberry, Wolfcamp D tests in RockStar.

MANAGEMENT COMMENTARY

President and Chief Executive Officer Jay Ottoson comments: "Our excellent performance is the result of having some of the best assets in the Midland Basin combined with continued outstanding operational execution. This year, operational efforts included successful interval tests from South Texas and the Midland Basin on four new horizons that, while early, remain encouraging for organic growth and value creation. Adjusted EBITDAX for the second quarter was the highest recorded since 2015, despite low oil and gas and NGL prices. We are generating top tier returns, continuing to drive higher operating margins and are on course to execute our long-term plan to deliver a positive free cash flow yield and de-lever the balance sheet."

SUMMARY WELL RESULTS

New well results include RockStar area wells that reached their 30-day peak IP rates subsequent to the Company's May 2019 update and new interval exploration results in both the RockStar area and South Texas.

- Results from 27 new RockStar wells, having an average lateral length of 10,552 feet, delivered 30-day peak IP rates that averaged 1,250 Boe/d per well and 87% oil. This includes wells across five intervals, 24 of which were fully or partially completed.
- By interval, results included 13 Wolfcamp A wells averaging 1,326 Boe/d per well, two Wolfcamp B wells averaging 1,076 Boe/d per well, and 10 Lower Spraberry wells averaging 1,076 Boe/d per well.
- As previously reported, new interval tests at RockStar targeting the Dean and Wolfcamp D reached 30-day peak IP rates of approximately 1,550 Boe/d (92% oil) and approximately 1,400 Boe/d (80% oil and naturally flowing), respectively. Interval tests at RockStar continue to be encouraging and the Company plans to include additional tests in future development programs.
- All 25 wells that are part of the Merlin Maximus development have now reached their 30-day peak IP rates, averaging approximately 1,400 Boe/d per well and 86% oil.
- As previously reported, the Company's Watson State Austin Chalk test in South Texas continues to show encouraging results with a 30-day peak IP rate that averaged approximately 3,200 Boe/d (3-stream) with approximately 55% liquids from a 10,366 foot lateral. Both Austin Chalk test wells continue to perform well and, based on their success, the Company has announced additional tests, both of which are expected to start producing in the fourth quarter. The Austin Chalk presents the highest margin and higher return wells due to higher liquids content and lower transportation costs per Boe.

SECOND QUARTER 2019 RESULTS

Second quarter of 2019 production was 12.4 MMBoe, or 136.5 MBoe/d, with 44% oil in the commodity mix. Second quarter realized prices (before the effects of hedges) averaged \$32.75 per Boe. The Company realized a \$4.1 million, or \$0.32 per Boe, of net income after the effects of hedges.

Second quarter of 2019 net income was \$50.4 million, or \$0.45 per diluted common share, compared with net income of \$16.8 million, or \$0.15 per diluted common share, in the second quarter of 2018. For the first six months of 2019, net loss was \$36.4 million or (\$1.13) per diluted common share.

Second quarter of 2019 net cash provided by operating activities was \$259.9 million. For the first six months of 2019, net cash provided by operating activities was \$378.4 million.

The following paragraphs discuss adjusted net income (loss), adjusted net income (loss) per diluted common share, and EBITDAX, all of which are non-GAAP measures. Please reference the definitions and reconciliations of these measures to directly comparable GAAP financial measures at the end of this release.

Second quarter of 2019 adjusted EBITDAX was \$263.0 million. Adjusted EBITDAX is up 17% year-over-year and up 4% sequentially. The increase in adjusted EBITDAX year-over-year was primarily driven by a production increase of 19% and operating costs down by 11%, partially offset by lower realized prices (post-hedge). The sequential increase in adjusted EBITDAX was driven by a 16% increase in total production, including a 12% increase in oil production and a 14% decline in per unit costs. For the first six months of 2019, adjusted EBITDAX was \$449.5 million.

Second quarter of 2019 adjusted net income was \$1.3 million, or \$0.01 per diluted common share, compared with adjusted net income of \$16.8 million, or \$0.15 per diluted common share, in the second quarter of 2018. For the first six months of 2019, adjusted net loss was (\$36.4) million, or (\$0.32) per diluted common share.

COMMODITY DERIVATIVES

As of July 31, 2019, the Company had commodity derivatives in place for the third and fourth quarters of 2019 and fiscal year 2020, including:

- WTI oil hedges for approximately 80% of expected second half 2019 and approximately 50% + of expected 2020 production;
- HSC natural gas hedges for approximately 70% of expected second half 2019 production;
- Midland-Cushing differential hedges for approximately 60% of expected second half 2019 and expected 2020 Permian production; and
- WAHA natural gas hedges for approximately 70% of expected second half 2019 Permian residue natural gas production.

Detailed data on derivatives are provided in the accompanying IR presentation and the Company's Quarterly Report on Form 10-Q for the second quarter of 2019.

SCHEDULE FOR SECOND QUARTER REPORTING

This release is accompanied by an investor presentation and pre-recorded call with transcript all of which are posted to the Company's website. Please visit the Company's website at ir.sm-energy.com to access this additional second quarter information.

Please join SM Energy management at 8:00 a.m. Mountain time/10:00 a.m. Eastern time on August 2, 2019 for the second quarter 2019 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 or by telephone at:

- Live (conference ID 3293419) - Domestic toll free/International: 844-343-4183/647-689-5129
- Replay (conference ID 3293419) - Domestic toll free/International: 800-585-8367/416-621-4642

The call replay will be available approximately one hour after the call until August 9, 2019.

UPCOMING CONFERENCE PARTICIPATION

- August 12, 2019 - Enercom's The Oil and Gas Conference. President and Chief Executive Officer Jay Ottoson will present at 2:30 p.m. Mountain time. The presentation will be webcast, accessible from the Company's website, and available for a limited period. An investor presentation for this event will be posted to the Company's website before market open on August 12, 2019.
- September 3, 2019 - Barclay's Global CEO - Energy Power Conference. President and Chief Executive Officer Jay Ottoson will present at 1:45 p.m. Eastern time. The presentation will be webcast, accessible from the Company's website, available for replay for a limited period. An investor presentation for this event will be posted to the Company's website before market open on September 3, 2019.

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. The words "anticipate," "budget," "estimate," "expect," "forecast," "guidance," "plan," "project," "objectives," "target," "will," "on course," "potential" 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: projections for cash flow yield; projections for improved margins; Austin Chalk production and related margin projections; expected inventory growth; expected value creation; and, expected de-levering of the balance sheet. General risk factors include the availability, proximity and capacity of gathering, processing and transportation facilities; the volatility and level of oil, natural gas, and natural gas liquids prices and related differentials, including any impact on the Company's asset carrying values or reserves arising from price declines; uncertainties inherent in projecting future test results and timing and rates of production or other results from drilling and completion activities; the imprecise nature of estimating oil and natural gas reserves; uncertainties inherent in projecting future drilling and completion activities, costs or results; 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 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. 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 natural gas liquids in onshore North America. 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.

SM ENERGY INVESTOR CONTACT

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SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Production Data

	For the Three Months Ended For			
	June 30,			June 30,
	2019	2018	Percent	2019
			Change	
Average realized sales price, before the effects of derivative settlements:				
Oil (per Bbl)	\$ 56.04	\$ 61.02	(8) %	\$ 5
Gas (per Mcf)	\$ 2.31	\$ 3.32	(30) %	\$ 2
NGLs (per Bbl)	\$ 16.42	\$ 27.55	(40) %	\$ 1
Per Boe	\$ 32.75	\$ 38.40	(15) %	\$ 3
Average realized sales price, including the effects of derivative settlements:				
Oil (per Bbl)	\$ 54.07	\$ 55.42	(2) %	\$ 5
Gas (per Mcf)	\$ 2.51	\$ 3.29	(24) %	\$ 2
NGLs (per Bbl)	\$ 20.42	\$ 21.51	(5) %	\$ 2
Equivalent (per Boe)	\$ 33.07	\$ 34.91	(5) %	\$ 3
Production ⁽¹⁾ :				
Oil (MMBbl)	5.4	4.4	24 %	10
Gas (Bcf)	28.3	25.3	12 %	52
NGLs (MMBbl)	2.3	1.9	20 %	4.2
MMBoe	12.4	10.5	19 %	23
Average daily production ⁽¹⁾ :				
Oil (MBbl/d)	59.6	47.9	24 %	56
Gas (MMcf/d)	310.9	278.3	12 %	28
NGLs (MBbl/d)	25.1	20.9	20 %	23
MBoe/d	136.5	115.2	19 %	12
Per Boe data:				
Realized price, before the effects of derivative settlements	\$ 32.75	\$ 38.40	(15) %	\$ 3
Lease operating expense	4.16	4.66	(11) %	4.6
Transportation costs	4.00	4.47	(11) %	4.0
Production taxes	1.30	1.66	(22) %	1.3
Ad valorem tax expense	0.44	0.41	7 %	0.5
General and administrative ⁽²⁾	2.49	2.76	(10) %	2.7
Operating margin, before the effects of derivative settlements	20.36	24.44	(17) %	19
Derivative settlement gain (loss)				

Operating margin, including the effects of derivative settlements	\$ 20.68	\$ 20.95	(1)	% \$ 1
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	\$ 16.61	\$ 14.48	15	% \$ 1

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SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Condensed Consolidated Balance Sheets

(in thousands, except share data)

ASSETS

Current assets:

Cash and cash equivalents

Accounts receivable

Derivative assets

Prepaid expenses and other

June 30,

2019

\$ 12

165,757

114,242

8,723

Total current assets	288,734
Property and equipment (successful efforts method):	
Proved oil and gas properties	7,974,754
Accumulated depletion, depreciation, and amortization	(3,774,54
Unproved oil and gas properties	1,445,985
Wells in progress	257,945
Properties held for sale, net	—
Other property and equipment, net of accumulated depreciation of \$62,372 and \$57,102, respectively	81,193
Total property and equipment, net	5,985,329
Noncurrent assets:	
Derivative assets	30,180
Other noncurrent assets	87,696
Total noncurrent assets	117,876
Total assets	\$ 6,391,99
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 407,883
Derivative liabilities	70,259
Other current liabilities	25,803
Total current liabilities	503,945
Noncurrent liabilities:	
Revolving credit facility	118,000
Senior Notes, net of unamortized deferred financing costs	2,450,737
Senior Convertible Notes, net of unamortized discount and deferred financing costs	152,503
Asset retirement obligations	95,194
Deferred income taxes	190,146
Derivative liabilities	12,431
Other noncurrent liabilities	67,140
Total noncurrent liabilities	3,086,151
Stockholders' equity:	
Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 112,525,633 and 1,125,112,241,966 shares, respectively	

Additional paid-in capital	1,779,665
Retained earnings	1,033,051
Accumulated other comprehensive loss	(11,998)
Total stockholders' equity	2,801,843
Total liabilities and stockholders' equity	\$6,391,93

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	For the Three Months Ended For June 30,		
	2019	2018	2017
Operating revenues and other income:			
Oil, gas, and NGL production revenue	\$ 406,854	\$ 402,558	\$ 770,000
Net gain on divestiture activity	262	39,501	32,000
Other operating revenues	56	1,857	44,000
Total operating revenues and other income	407,172	443,916	846,000
Operating expenses:			
Oil, gas, and NGL production expense	123,050	117,400	240,000
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	206,330	151,765	380,000
Exploration ⁽¹⁾	10,877	14,056	22,000
Abandonment and impairment of unproved properties	12,417	11,935	18,000
General and administrative ⁽¹⁾	30,920	28,920	63,000
Net derivative (gain) loss ⁽²⁾	(79,655)	63,749	97,000
Other operating expenses, net	(934)	(57)	(5,000)
Total operating expenses	303,005	387,768	826,000
Income (loss) from operations	104,167	56,148	(80,000)
Interest expense	(39,627)	(41,654)	(77,000)
Other non-operating income (expense), net	(562)	1,802	(8,000)
Income (loss) before income taxes	63,978	16,296	(165,000)
Income tax (expense) benefit	(13,590)	901	32,000
Net income (loss)	\$ 50,388	\$ 17,197	\$ (133,000)
Basic weighted-average common shares outstanding	112,262	111,701	111,000
Diluted weighted-average common shares outstanding	112,932	113,630	111,000
Basic net income (loss) per common share	\$ 0.45	\$ 0.15	\$ (1.20)

Diluted net income (loss) per common share	\$ 0.45	\$ 0.15	\$ (
Dividends per common share	\$ —	\$ —	\$ 0

(1) Non-cash stock-based compensation included in:

Exploration expense	\$ 1,291	\$ 1,189	\$ 2
General and administrative expense	4,863	4,075	9,4
Total non-cash stock-based compensation	\$ 6,154	\$ 5,264	\$ 1

(2) The net derivative (gain) loss line item consists of the following:

Settlement (gain) loss SM ENERGY COMPANY	\$ (4,090)	\$ 36,665	\$ 8
(Gain) loss on fair value changes FINANCIAL HIGHLIGHTS (UNAUDITED)	(75,565)	27,084	96
Total net derivative (gain) loss June 30, 2019	\$ (79,655)	\$ 63,749	\$ 9

Condensed Consolidated Statements of Stockholders' Equity

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

	Common Stock	Paid-	Additi
	Shares	Amount	Capit
Balances, December 31, 2018	112,241,966	\$ 1,122	\$ 1,76
Net loss	—	—	&mda
Other comprehensive income	—	—	&mda
Cash dividends declared, \$0.05 per share	—	—	&mda
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings	2,579	—	(18)
Stock-based compensation expense	—	—	5,838
Balances, March 31, 2019	112,244,545	\$ 1,122	\$ 1,77
Net income	—	—	&mda
Other comprehensive income	—		&mda
Issuance of common stock under Employee Stock Purchase Plan	184,079	2	1,957
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings	290	—	(2)
Stock-based compensation expense	96,719	1	6,153
Other	—	—	(1)
Balances, June 30, 2019			

112,525,633

	Common Stock		Additions
	Shares	Amount	Paid-in Capital
Balances, December 31, 2017	111,687,016	\$ 1,117	\$ 1,74
Net income	—	—	—
Other comprehensive income	—	—	—
Cash dividends declared, \$0.05 per share	—	—	—
Stock-based compensation expense		—	5,412
Cumulative effect of accounting change	—	—	—
Other	—	—	—
Balances, March 31, 2018	111,687,016	\$ 1,117	\$ 1,74
Net income	—	—	—
Other comprehensive income	—	—	—
Issuance of common stock under Employee Stock Purchase Plan	100,249	1	1,880
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings	1,161	—	(10)
Stock-based compensation expense	58,572	—	5,264
Balances, June 30, 2018	111,846,998	\$ 1,118	\$ 1,75
Balances, June 30, 2019			

Condensed Consolidated Statements of Cash Flows

(in thousands)

	For the Three Months		For the S
	Ended June 30,	June 30,	June 30,
	2019	2018	2019
Cash flows from operating activities:			
Net income (loss)	\$ 50,388	\$ 17,197	\$ (127,18
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Net gain on divestiture activity	(262)	(39,501)	(323)
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	206,330	151,765	384,076
Abandonment and impairment of unproved properties	12,417	11,935	18,755
Stock-based compensation expense	6,154	5,264	11,992
Net derivative (gain) loss			

(79,655)

Derivative settlement gain (loss)	4,090	(36,665)	(879)
Amortization of debt discount and deferred financing costs	3,844	3,884	7,633
Deferred income taxes	13,766	(861)	(33,237)
Other, net	1,243	225	(1,287)
Net change in working capital	41,613	(5,609)	21,454
Net cash provided by operating activities	259,928	171,383	378,430
Cash flows from investing activities:			
Net proceeds from the sale of oil and gas properties ⁽¹⁾	6,406	251,435	12,520
Capital expenditures	(326,787)	(421,798)	(576,127)
Acquisition of proved and unproved oil and gas properties	28	(24,615)	319
Net cash used in investing activities	(320,353)	(194,978)	(563,288)
Cash flows from financing activities:			
Proceeds from credit facility	524,500	—	696,500
Repayment of credit facility	(453,000)	—	(578,500)
Net proceeds from sale of common stock	1,959	1,881	1,959
Dividends paid	(5,612)	(5,584)	(5,612)
Other, net	(1,026)	(133)	(1,044)
Net cash provided by (used in) financing activities	66,821	(3,836)	113,303
Net change in cash, cash equivalents, and restricted cash	6,396	(27,431)	(71,555)
Cash, cash equivalents, and restricted cash at beginning of period	14	643,337	77,965
Cash, cash equivalents, and restricted cash at end of period ⁽¹⁾	\$ 6,410	\$ 615,906	\$ 6,410
Less: Restricted cash ⁽¹⁾	(6,398)	—	(6,398)
Cash and cash equivalents	\$ 12	\$ 615,906	\$ 12

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DEFINITIONS OF NON-GAAP MEASURES AS CALCULATED BY THE COMPANY

The following non-GAAP measures are presented in addition to financial statements as 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. Non-GAAP measures should not be considered in isolation or as a substitute for the related 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 or measures 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, 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. Adjusted EBITDAX is a non-GAAP measure that the Company presents because management believes it provides useful additional information to investors and analysts, as a performance measure, for analysis of our ability to internally generate funds for exploration, development, acquisitions, and to service debt. Adjusted EBITDAX is also important as it is considered among financial covenants under the Company's Credit Agreement, a material source of liquidity for the Company. Please reference the Company's second quarter of 2019 Form 10-Q and 2018 Form 10-K for discussion of the Credit Agreement and its covenants.

Adjusted net income (loss): Adjusted net income (loss) 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, and accruals for non-recurring matters. Adjusted net income (loss) is presented because management believes it provides useful additional information to investors for analysis of the Company's fundamental business on a recurring basis. In addition, management believes that adjusted net income (loss) attributable to common shareholders is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of upstream oil and gas companies.

Total capital spend: Total capital spend is calculated as costs incurred, less asset retirement obligations ("ARO"), capitalized interest and acquisitions. Total capital spend is presented because management believes that it provides useful information to investors in the analysis of [SM Energy Company](#) and is widely used by professional research analysts and others in the valuation, comparison and investment recommendations of companies in the oil and gas exploration and production industry. Total capital spend should not be used in isolation or as a substitute to costs incurred or other capital spending measures under GAAP.

Discretionary cash flow: Discretionary cash flow is calculated as net cash provided by operating activities excluding changes in current assets and current liabilities, and exploration. Exploration expense is added back in the calculation because, for peer comparison purposes, this number is included in our total capital spend. The Company believes this measure is important to investors because it provides useful additional information to investors for analysis of the Company's ability to generate cash to fund exploration and development, and to service indebtedness. In addition, management believes that discretionary cash flows is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of upstream oil and gas companies.

FORWARD-LOOKING NON-GAAP MEASURES

The Company is unable to present a reconciliation of forward-looking Total Capital Spend because components of the calculation, such as potential acquisitions, are inherently unpredictable. Moreover, estimating the most directly comparable GAAP measures with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort.

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Adjusted EBITDAX Reconciliation⁽¹⁾

(in thousands)

Reconciliation of net income (loss) (GAAP) and net cash provided by operating activities (GAAP) to adjusted For the TH
EBITDAX (non-GAAP) June 30,

	2019
Net income (loss) (GAAP)	\$ 50,388
Interest expense	39,627
Income tax expense (benefit)	13,590
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	206,330
Exploration ⁽²⁾	9,586
Abandonment and impairment of unproved properties	12,417
Stock-based compensation expense	6,154
Net derivative (gain) loss	(79,655)
Derivative settlement gain (loss)	4,090
Net gain on divestiture activity	(262)
Other, net	691
Adjusted EBITDAX (non-GAAP)	262,956
Interest expense	(39,627)
Income tax (expense) benefit	(13,590)
Exploration ⁽²⁾	(9,586)
Amortization of debt discount and deferred financing costs	3,844
Deferred income taxes	13,766
Other, net	552
Net change in working capital	41,613
Net cash provided by operating activities (GAAP)	\$ 259,928

See
"Definitions
of Stock-based
compensation
Measures
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SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Adjusted Net Income (Loss) Reconciliation⁽¹⁾

(in thousands, except per share data)

Reconciliation of net income (loss) (GAAP) to adjusted net income (loss) (non-GAAP): For the Three Months Ended For

	June 30,		
	2019	2018	2017
Net income (loss) (GAAP)	\$ 50,388	\$ 17,197	\$ (1,000)
Net derivative (gain) loss	(79,655)	63,749	97,000
Derivative settlement gain (loss)	4,090	(36,665)	(8,000)
Net gain on divestiture activity	(262)	(39,501)	(3,000)
Abandonment and impairment of unproved properties	12,417	11,935	18,000
Other, net ⁽²⁾	699	2	91,000
Tax effect of adjustments ⁽³⁾	13,608	104	(2,000)
Adjusted net income (loss) (non-GAAP)	\$ 1,285	\$ 16,821	\$ (1,000)
Diluted net income (loss) per common share (GAAP)	\$ 0.45	\$ 0.15	\$ (0.01)
Net derivative (gain) loss	(0.71)	0.56	0.80
Derivative settlement gain (loss)	0.04	(0.32)	(0.01)
Net gain on divestiture activity	—	(0.35)	—
Abandonment and impairment of unproved properties	0.11	0.11	0.10
Other, net ⁽²⁾	0.01	—	0.00
Tax effect of adjustments ⁽³⁾	0.11	—	(0.01)
Adjusted net income (loss) per diluted common share (non-GAAP)	\$ 0.01	\$ 0.15	\$ (0.01)
Basic weighted-average common shares outstanding	112,262	111,701	111,000
Diluted weighted-average common shares outstanding	112,932	113,630	111,000

Note:

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SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2019

Total Capital Spend Reconciliation⁽¹⁾

(in millions)

Reconciliation of costs incurred in oil & gas activities (GAAP) to total capital spend (non-GAAP) For the Three Months Ended June 30,

	2019
Costs incurred in oil and gas activities (GAAP):	\$ 268.5
Asset retirement obligations	(0.3)
Capitalized interest	(5.0)
Proved property acquisitions ⁽²⁾	—
Other	(2.0)
Total capital spend (non-GAAP):	\$ 261.3

Note: Amounts may not sum due to rounding.

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

⁽²⁾ The Company completed several primarily non-monetary acreage trades in the Midland Basin during the first half of 2019 totaling \$66.6 million of value attributed to the properties transferred. This non-monetary consideration is not reflected in the costs incurred or capital spend amounts presented above.

Discretionary Cash Flow Reconciliation⁽¹⁾

(in millions)

Reconciliation of net cash provided by operating activities (GAAP) to discretionary cash flow (non-GAAP) For the Three Months Ended June 30,

	2019
Net cash provided by operating activities (GAAP):	\$ 259.9
Net change in working capital	(41.6)
Exploration ⁽²⁾⁽³⁾	9.6
Discretionary cash flow (non-GAAP):	\$ 227.9

(1)

See

Definitions

Exploration

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