Cardinal Energy Ltd. Announces Third Quarter 2019 Results

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CALGARY, Nov. 12, 2019 - (TSX: CJ) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the quarter ended September 30, 2019.

The Company's unaudited financial statements and management's discussion and analysis for the quarter ended September 30, 2019, will be available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on Cardinal's website at www.cardinalenergy.ca.

Highlights from the third quarter of 2019:

- Cardinal generated free cash flow of $6.4 million during the third quarter increasing our total free cash flow for the first nine months of 2019 to $36.4 million. We are utilizing our free cash flow to decrease net debt and provide shareholder returns by reducing our outstanding shares and continue with our sustainable dividend, which was increased in the third quarter.
    - Cardinal's debt reduction strategy continued by decreasing third quarter 2019 closing net debt by 8% or $22 million over debt levels at December 31, 2018.
    - Since the announcement of our normal course issuer bid ("NCIB") in July 2019, Cardinal has repurchased and cancelled 1.4 million shares and has also purchased 2.3 million shares in 2019 through an independent trust for settlement of vesting of restricted awards at our option to avoid issuing treasury shares.
    - Increased our dividend during the quarter by 50% while keeping the year-to-date total payout ratio at 61%.
    - Invested in projects that will show further operating cost reductions in 2020 and beyond.
- Through the third quarter of 2019, CO_2 injection at the Cardinal operated long life Midale enhanced oil recovery project has sequestered substantially more CO_2 than the Company has directly emitted corporately year to date.

Financial and Operating Highlights

($ 000's except shares, per share and operating amounts)	Three months ended Sept 30,			Nine months ended Sept 30		
	2019	2018	% Chg	2019	2018	% Chg
Financial						
Petroleum and natural gas revenue	95,483	113,551	(16)	295,699	320,177	(8)
Cash flow from operating activities	24,836	28,074	(11)	88,265	81,799	8
Adjusted funds flow (1)	27,571	27,072	2	92,946	79,708	17
per share (2)	0.24	0.24	-	0.80	0.70	14
Earnings (loss)	417	9,068	(95)	(19,188)	(24,216)	(21)
per share (2)	-	0.08	n/m	(0.17)	(0.21)	(19)
Dividends declared	5,372	12,467	(57)	12,597	37,107	(66)
per share	0.045	0.105	(57)	0.105	0.315	(67)
Net debt (1)	247,760	250,728	(1)	247,760	250,728	(1)
Development capital expenditures (1)	15,789	21,280	(26)	43,982	48,139	(9)
Other capital expenditures	443	449	(1)	1,268	1,482	(14)
Acquisitions (Dispositions), net	52	(10,928)	n/m	284	(28,170)	n/m
Total capital expenditures	16,284	10,801	50	45,534	21,451	112
Common shares, net of treasury shares (000s)	114,333	116,039	(1)	114,333	116,039	(1)
Operating						
Average daily production						

Light oil and NGL (bbl/d)	8,822	9,321	(5)	9,003	9,536	(6)
Medium/heavy oil (bbl/d)	8,733	8,842	(1)	8,744	8,718	-
Natural gas (mcf/d)	15,022	16,718	(10)	15,616	16,619	(6)
Total (boe/d)	20,059	20,949	(4)	20,350	21,024	(3)
Netback ($/boe) (1)						
Petroleum and natural gas revenue	51.74	58.92	(12)	53.23	55.79	(5)
Royalties	9.76	10.94	(11)	8.70	9.79	(11)
Net operating expenses (1)	20.57	19.94	3	21.15	20.42	4
Transportation	0.36	0.30	20	0.35	0.24	46
Netback	21.05	27.74	(24)	23.03	25.34	(10)
Realized loss on commodity contracts	2.27	9.96	(77)	2.37	7.46	(68)
Netback after risk management(1)	18.78	17.78	6	20.66	17.88	16
Interest and other	1.82	1.59	14	1.82	1.57	16
G&A	2.02	2.14	(6)	2.10	2.42	(13)
Adjusted funds flow netback(1)	14.94	14.05	6	16.74	13.89	21

1. See non-GAAP measures
2. Weighted average diluted shares

Third Quarter Overview

Cardinal’s third quarter results were highlighted by continued strong adjusted funds flow due to relatively narrow Canadian oil price differentials. The Company recorded $27.6 million, ($0.24 per diluted share) of adjusted funds flow, an increase of 2% over the same period in 2018. The Alberta Government’s mandatory curtailment program combined with a planned Company owned major facility turnaround and unplanned third party facility outages limited our average daily production for the third quarter of 2019 to 20,059 boe/d. During the third quarter of 2019, the Alberta government announced the relaxation of certain aspects of the oil production curtailment program, which resulted in the Company's Alberta oil production no longer being curtailed effective October 2019.

Operationally, Cardinal drilled and completed two (2.0 net) Viking oil wells in the Forestburg, Alberta area to take advantage of our available facility capacity and reduce our per boe operating costs in the area through economies of scale. In addition, Cardinal drilled ten (10.0 net) wells in the Bantry, Alberta area of which nine were stratigraphic test wells to de-risk future locations. The Company continues to spend capital to focus on operating cost reductions including our successful electrical generation initiatives in which we expect to have six power generation projects online by the end of 2019 removing three to four megawatts of power consumption off the grid. A priority of the Company is to reduce our environmental footprint by proactively adding pipeline liners in all of our areas and with our enhanced oil recovery scheme with CO_2 injection at Midale. In addition, during the third quarter, we spent $1.2 million for a total of $3.6 million in the first nine months of 2019 on asset retirement obligations ("ARO") activities. For the first nine months of 2019, as part of our ARO program, the Company has abandoned 54 (50.3 net) wells, 14 (11.3 net) facilities and reclaimed 38 (33.2 net) leases.

In the third quarter of 2019, reduced production, remediation of the previously disclosed discharge and a major facility turnaround in the House Mountain, Alberta area slightly increased Cardinal’s net operating expenses per boe by 1% over the second quarter of 2019. Excluding the impact of the discharge remediation and turnaround, the Company's net operating expenses were trending to approximately $19.75/boe. Cardinal continues to focus on reducing its operating costs per boe through internal projects for power generation, reduced environmental exposure and increased production in areas where there is available Company owned facility capacity which will decrease our fixed costs per boe. In addition, we continue to investigate opportunities to utilize our spare facility capacity bringing in third party volumes to reduce our fixed costs.

During the third quarter, Cardinal continued with its debt reduction strategy by reducing net debt by $1.9 million over the prior quarter. The Company has now reduced our net debt by 8% or $21.9 million in 2019 through a portion of our free cash flow. The debt repayment has taken the form of the maximum allowable buyback and cancellation of $5 million of convertible debentures through the normal course issuer bid in the first quarter and the repayment of approximately $16.9 million of net bank debt in the first nine months of 2019. During the third quarter, the TSX approved the Company's application for an NCIB as announced in our July 30, 2019 press release. Since the commencement of the NCIB, Cardinal has repurchased and cancelled approximately 1.4 million common shares at an average price of $2.31. In addition, Cardinal's independent trustee has acquired 2.3 million common shares for the optional settlement of vesting restricted awards which the Company currently estimates could cover all restricted award vesting until the second quarter of 2021. The combination of these two share purchase programs represents approximately 3% of our outstanding common shares. During the third quarter, Cardinal also increased its monthly dividend by 50%, which we feel is a sustainable level as shown by the 77% total payout ratio in the third quarter of 2019. In aggregate, Cardinal has generated $36.4 million (39% of adjusted funds flow) of free cash flow in the first nine months of 2019, which was used to repay debt, repurchase common shares and to decrease our future ARO.

During the third quarter, West Texas Intermediate (“WTI”) oil prices decreased approximately 6% over the second quarter of 2019 but the Alberta oil production curtailment program kept Canadian oil differential pricing relatively consistent and stronger than historical average differential pricing. The Western Canadian Select ("WCS") to WTI pricing differential averaged US$12.24/bbl while the Edmonton Light ("MSW") differential averaged approximately US$4.80/bbl. As a result, the Company's third quarter commodity pricing decreased 9% over the second quarter of 2019 with our light oil price averaging $62.63/bbl and medium/heavy oil price averaging $59.21/bbl.

Cardinal’s risk management program is an important component of our business strategy as it is designed to mitigate the volatility in oil and gas prices experienced throughout the year and fix the downside of commodity prices to support our capital program and dividend. The Company was opportunistic with the Canadian oil pricing increases experienced in early 2019 and the spikes caused by international geopolitical events in the third quarter of 2019. During the third quarter, the Company entered into new contracts for 1,000 bbl/d of oil production fixed at an average price of US$60/bbl for the fourth quarter of 2019 and first quarter of 2020. Cardinal also has 3,500 bbl/d hedged with WTI-WCS pricing differential hedges averaging approximately US$17/bbl and 3,250 bbl/d at an average wellhead CAD$52/bbl WCS pricing for the remainder of 2019. The Company has also protected the downside with pricing floors averaging over CAD$69/bbl but retained upside on WTI pricing by locking in 4,750 bbl/d of our light oil with an average ceiling price of over CAD$85/bbl or with no ceiling at all through various puts. This risk management program has given Cardinal the ability to achieve its budgeted capital expenditures and fund its ARO while continuing to support our dividend program and reduce our debt or acquire our common shares on the open market.

Outlook

Strong realized pricing, our low production decline asset base and disciplined spending combined with a successful commodity risk management program has allowed Cardinal to execute our debt reduction strategy through the first nine months of 2019. In 2019, the Company has also provided its shareholders with returns by purchasing approximately 3.7 million common shares on the open market for approximately $9.6 million and has increased its dividend by 50% effective July 2019.

Cardinal has been subject to regulated curtailment of its oil production for the past nine months, which was relaxed in October 2019. Our curtailed oil production levels limited our total production to a range of 20,000 to 20,500 boe/d. Through 2019, Cardinal has acquired access to several townships of land, on attractive royalty terms by committing to drill development wells. These lands are in our Bantry core area directly offsetting our infrastructure in Southern Alberta. Late in the third quarter, the Company commenced a multi-well drilling program to fulfill land earning farm-in commitments and take advantage of these additional drilling opportunities and has therefore increased its 2019 capital budget by $10 million to fund this activity. We anticipate corporate production volumes will increase to approximately 21,000 boe/d in the first quarter of 2020 from the current 20,000 to 20,500 boe/d range.

Cardinal continues to upgrade its pipelines and facilities and has plans to bring on two additional power generation projects during the fourth quarter. Including the increased capital expenditures, at current prices, we expect to continue to reduce debt levels and make purchases under our NCIB while keeping our total payout ratio below 100% in the fourth quarter of 2019.

The Company has named Stephanie Sterling, a director of Cardinal since 2017, as its independent Lead Director.

Cardinal is able to provide shareholders with a sustainable dividend and a continually improving asset base all supported by free cash flow. We would like to thank our employees and Board of Directors for their contributions and our shareholders for their continuing confidence and support of Cardinal. Cardinal plans to release its 2020 budget in mid-December 2019.

Note Regarding Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to Cardinal's plans and other aspects of Cardinal's anticipated future operations, management focus, objectives, strategies, financial, operating and production results. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend", " may", "would", "could" or "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to: our business strategies, plans and objectives, our drilling plans and inventory, expected future operating costs and other costs, plans to expand our power projects, plans to continue to reduce our environmental footprint, expected realized pricing, the benefits of our risk management program, future adjusted funds flow, and the total payout ratio, plans to reduce debt and planned capital expenditures and the allocation thereof, the quality of our asset base, future production and plans to upgrade pipelines and facilities, our future dividend policy,and the benefits to be achieved from the NCIB.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, production curtailments, current and future commodity prices and exchange rates, applicable royalty rates, tax laws, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of its exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the timing and success of our cost cutting initiatives and power projects, the availability and cost of labor and services, the impact of competition, conditions in general economic and financial markets, availability of drilling and related equipment, effects of regulation by governmental agencies including curtailment, the ability to obtain financing on acceptable terms which are subject to change based on commodity prices, market conditions, drilling success and potential timing delays and the ability of Cardinal to achieve the benefits of the NCIB.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Cardinal's control. Such risks and uncertainties include, without limitation: the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; currency fluctuations; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel, drilling rigs or other services; changes in income tax laws or changes in royalty rates and incentive programs relating to the oil and gas industry including government curtailment programs; hazards such as fire, explosion, blowouts, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; and ability to access sufficient capital from internal and external sources.

Management has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this press release in order to provide readers with a more complete perspective on Cardinal's future operations and such information may not be appropriate for other purposes. Cardinal's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Cardinal will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Cardinal disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "free cash flow", "adjusted funds flow", "adjusted funds flow per diluted share", "net debt", "total payout ratio", "net bank debt", “net operating expenses”, "netback", "netback after risk management contracts" and "adjusted funds flow netback" which do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Cardinal uses adjusted funds flow, free cash flow, adjusted funds flow per diluted share, annualized run rate net debt to adjusted funds flow ratio and total payout ratio to analyze operating performance and assess leverage. Cardinal feels these benchmarks are a key measure of profitability and overall sustainability for the Company. Adjusted funds flow is not intended to represent operating profits nor should it be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of performance calculated in accordance with GAAP. As shown below, adjusted funds flow is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, decommissioning expenditures and transaction costs. Free cash flow represents adjusted funds flow less dividends declared and less development capital expenditures. Development capital expenditures represents expenditures on property, plant and equipment (excluding capitalized G&A, other assets and acquisitions). Total payout ratio represents the ratio of the sum of dividends declared plus development capital expenditures divided by adjusted funds flow. The term "net debt" is not recognized under GAAP and is calculated as bank debt plus the principal amount of convertible unsecured subordinated debentures ("convertible debentures") and current liabilities less current assets (adjusted for the fair value of financial instruments, the current portion of lease liabilities and the current portion of the decommissioning obligation). Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. Net bank debt is calculated as bank debt plus current liabilities less current assets (adjusted for the fair value of financial instruments, the current portion of lease liabilities and the current portion of the decommissioning obligation). Net debt and net bank debt are used by management to analyze the financial position, liquidity and leverage of Cardinal. Run rate net debt to adjusted funds flow ratio is calculated as net debt divided by current quarter adjusted funds flow annualized. Net operating expenses is calculated as operating expense less processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest, and can be expressed on a per boe basis. As the Company’s principal business is not that of a midstream entity, management believes this is a useful supplemental measure to reflect the true cash outlay at its processing facilities by utilizing spare capacity through processing third party volumes. Netback is calculated on a boe basis and is determined by deducting royalties, transportation costs and net operating expenses from petroleum and natural gas revenue. Netback after risk management contracts includes realized gains or losses on commodity contracts in the period on a boe basis. Adjusted funds flow netback is calculated as netback after risk management and also includes interest and other costs and G&A costs on a boe basis. Netback, netback after risk management contracts and adjusted funds flow netback are utilized by Cardinal to better analyze the operating performance of our petroleum and natural gas assets taking into account our risk management program, interest and G&A costs against prior periods.

	Three months ended		Nine months ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Cash flow from operating activities	24,836	28,074	88,265	81,799
Change in non-cash working capital	1,487	(2,130)	1,044	(7,693)
Funds flow	26,323	25,944	89,309	74,106
Decommissioning expenditures	1,248	1,128	3,637	5,243
Transaction costs	-	-	-	359
Adjusted funds flow	27,571	27,072	92,946	79,708

About Cardinal Energy Ltd.

Cardinal strives to continually improve our Environmental, Safety and Governance ("ESG") mandate and operate our assets in a responsible and environmentally sensitive manner. As part of this mandate, Cardinal injects and conserves more carbon than it emits making us one of the few Canadian energy companies to have a negative carbon footprint.

Cardinal is a junior Canadian oil focused company built to provide investors with a stable platform for dividend income. Cardinal's operations are focused in low decline light and medium quality oil in Alberta and Saskatchewan.

For further information:

M. Scott Ratushny, CEO or Shawn Van Spankeren, CFO or Laurence Broos, VP Finance
Email: info@cardinalenergy.ca
Phone: (403) 234-8681
Website: www.cardinalenergy.ca
Address: 600, 400 – 3rd Avenue SW, Calgary, AB T2P 4H2