

PrairieSky Announces 2021 Third Quarter Results and Sustainability-Linked Credit Facility

25.10.2021 | [GlobeNewswire](#)

CALGARY, Oct. 25, 2021 - [PrairieSky Royalty Ltd.](#) ("PrairieSky" or the "Company") (TSX: PSK) is pleased to announce its third quarter operating and financial results for the period ended September 30, 2021 ("Q3 2021"). PrairieSky is also pleased to announce an extension and expansion of the Company's credit facility which has been reconstituted as a sustainability-linked loan, reinforcing PrairieSky's environmental, social and governance leadership and performance.

Third Quarter 2021 Highlights:

- Total revenues increased to \$78.1 million, a 12% increase over Q2 2021 and 80% over Q3 2020, comprised of royalties and production revenue
- Funds from Operations grew to \$66.2 million (\$0.30 per common share basic and diluted), a 17% increase over Q2 2021 and a 75% increase over Q3 2020
- Royalty production averaged 19,871 BOE per day with liquids royalty production reaching 10,138 barrels per day
- Natural gas royalty volumes of 58.4 MMcf per day, down 3% from Q2 2021, were impacted by seasonal turnaround
- Completed acquisitions totaling \$190.1 million, including a previously announced \$155.0 million investment in a 50% interest in the Clearwater oil play in the Marten Hills area of Alberta
- Declared a third quarter dividend of \$20.0 million (\$0.09 per common share), representing a payout ratio of 30%, the highest in the company's history
- Common share repurchases of \$8.0 million under the normal course issuer bid ("NCIB") at an average price per share of \$1.00

Sustainability-Linked Loan:

- Credit facility expanded to \$425 million, with a permitted increase to \$500 million, and extended maturity to February 2025
- Sustainability-linked pricing mechanism provides the Company the opportunity to achieve positive pricing adjustments based on ESG performance

PrairieSky's royalty production revenue increased to \$76.0 million in Q3 2021, our second highest quarter since inception in 2014. The growth in revenue was due primarily to strong commodity prices for all products, resulting in a 17% increase in funds from operations over Q2 2021 and a 75% increase over Q3 2020. During the quarter, PrairieSky completed acquisitions totalling \$190.1 million, including the previously announced 5.0% gross overriding royalty agreement in the core of the Clearwater oil play in the Marten Hills area of Alberta. On August 25, 2021, PrairieSky also completed the acquisition of 138,000 acres of Fee Land and 125,000 acres of GORR Interests in Central Alberta adding approximately 200 BOE per day of royalty production (74% liquids) for total cash consideration of \$34.8 million, before adjustments. Both acquisitions were financed using PrairieSky's credit facility which was subsequently increased to \$425 million and now incorporates sustainability-linked performance criteria. Net debt at September 30, 2021 totaled \$187.7 million, which assuming current strip pricing, could be repaid within a year.

During Q3 2021, third-party operators were active across Western Canada and on PrairieSky's royalty lands with 193 wells spud (98% oil). Wells spud during the quarter included 101 wells on our GORR acreage, 71 wells on our Fee Lands and 21 unit wells. There were 190 oil wells spud in Q3 2021, including 84 Viking wells, 51 Clearwater wells, 23 Mannville heavy and light oil wells, 5 Duvernay light oil wells and additional spuds in the Bakken, Cardium, Charlie Lake and Nisku formations. There were 3 natural gas wells spud in Q3 2021, all in the Spirit River. PrairieSky's average royalty rate for wells spud in Q3 2021 was 6.7%.

Q3 2021 Financial Results

The substantial increase in funds from operations was driven primarily by strong oil, NGL and natural gas pricing as PrairieSky remains unhedged and benefitted from rising benchmark pricing for all products. Royalty production revenue totaled \$76.0 million, a 17% increase over Q2 2021 and a 98% increase over Q3 2020. Royalty production revenue was generated from total royalty production volumes of 19,871 BOE per day which were in line with Q2 2021 and 6% higher than Q3 2020. A further breakdown of royalty revenue and production is as follows:

- Oil royalty production volumes averaged 7,535 barrels per day, an increase of 7% over Q2 2021 and 15% over Q3 2020. The increase in oil royalty production was due to the addition of production volumes from acquisitions as well as incremental production volumes from new wells on stream offsetting natural declines.
- Oil royalty revenue totaled \$50.3 million, 17% above Q2 2021 and 103% above Q3 2020, due to strong West Texas Intermediate ("WTI") pricing which averaged \$70.56 per barrel partially offset by slightly wider light and heavy oil differentials.
- Natural gas royalty production volumes averaged 58.4 MMcf per day, down 3% from Q2 2021 and flat with Q3 2020. During the quarter, incremental production from new wells on stream and acquisitions offset natural declines. Production was negatively impacted by seasonal turnarounds and resultant third-party downtime which lowered volumes by 2.0 MMcf per day in the quarter.
- Natural gas royalty revenue increased to \$15.6 million, 14% above Q2 2021 and 79% above Q3 2020 primarily due to the significant increase in natural gas index pricing including average AECO daily pricing of \$3.60 per MMcf, a 17% increase over Q2 2021 and 59% above Q3 2020.
- Natural gas liquids ("NGL") volumes averaged 2,603 barrels per day, flat with Q2 2021 and 5% above Q3 2020, as production from new wells on stream and incremental volumes from acquisitions offset natural declines.
- NGL royalty revenue totaled \$10.1 million, an increase of 22% over Q2 2021 and 106% over Q3 2020 due to strong benchmark pricing.

Other revenue totalled \$2.1 million in Q3 2021 which included \$1.1 million of lease rentals, \$0.3 million in other income and \$0.7 million in bonus consideration. PrairieSky earned bonus consideration on entering into 24 new leases with 24 different counterparties on both oil and natural gas plays across Alberta and Saskatchewan. Compliance recoveries totaled \$0.9 million as staff continued their focus on ensuring timely and accurate royalty payments.

PrairieSky's cash operating margin, royalty production revenue less production and mineral taxes and cash administrative expenses, was 93% in the quarter. Cash administrative expenses totaled \$4.3 million or \$2.35 per BOE. PrairieSky expects administrative expenses to be well below \$3.00 per BOE in 2021.

Sustainability-Linked Credit Facility

On September 29, 2021, PrairieSky increased and extended its unsecured revolving credit facility to \$425 million with a syndicate of Canadian banks and incorporated sustainability-linked performance criteria to establish a Sustainability-Linked Credit Facility ("SLL Credit Facility"). Sustainability performance criteria will be measured by Sustainalytics, a global leader in independent environmental, social and governance ("ESG") research, ratings and analytics.

"The increase in the SLL Credit Facility from \$225 million to \$425 million adds incremental liquidity for business opportunities and financial flexibility," said Andrew Phillips, President and Chief Executive Officer. "We believe using an independent global rating agency to assess our performance demonstrates our commitment to embedding ESG principles across all aspects of our business and the standard to which we hold ourselves accountable."

PrairieSky has linked its SLL Credit Facility to sustainability performance which will be independently measured through the Sustainalytics' management score on an annual basis. The SLL Credit Facility includes a pricing feature whereby the Company may incur positive or negative pricing adjustments on drawn and undrawn balances based on changes to the management score. PrairieSky is currently rated as the number one oil and gas producer in the world and in the top 7.5% (1,065 out of 14,464) of global companies rated by Sustainalytics as of October 18, 2021.

In conjunction with establishing the SLL Credit Facility, PrairieSky has extended the term to a maturity date of February 28, 2025. The SLL Credit Facility provides for a permitted increase to \$500 million, subject to lender consent.

TD Securities acted as Lead Arranger and Sole Bookrunner, and together with RBC Capital Markets acted as Co-Sustainability Structuring Agents for the SLL Credit Facility.

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes select operational and financial information of the Company for the periods noted. All dollar amounts are stated in Canadian dollars unless otherwise noted.

A full version of PrairieSky's MD&A and unaudited interim condensed consolidated financial statements and notes thereto for the fiscal period ended September 30, 2021 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

Three months ended		Nine months ended		
September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
FINANCIAL				
Revenues	\$ 69.8	\$ 43.5	\$ 207.4	\$ 124.4
From Operations	\$ 66.2	\$ 37.9	\$ 171.6	\$ 105.7
Per Share - basic and diluted ⁽¹⁾				
Net Earnings	27.5	9.4	79.6	17.6
Per Share - basic and diluted ⁽¹⁾	0.35	0.04	0.36	0.08
Dividends declared	4.5	13.4	49.0	72.7
Per Share	0.065	0.060	0.220	0.315
Acquisitions	6.1	-	241.8	6.7
Net Debt at period end ⁽³⁾	187.7	66.2	187.7	66.2
Common share repurchases	81.8	21.2	90.9	
Shares Outstanding				
Shares outstanding at period end	223.3	223.3	221.7	223.3
Weighted average basic	229.8	229.8	222.7	231.7
Weighted average diluted	230.2	230.2	223.1	232.2
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	7,028	6,572	7,281	7,061
NG (bbls/d)	2,612	2,473	2,573	2,667
Natural Gas (MMcf)	60.5	58.2	58.8	60.7
Royalty Production (BOE/d) ⁽⁴⁾	18,745	18,745	19,654	19,845
Realized Pricing				
Crude Oil (\$/bbl)	67.01	41.11	65.24	36.82
NG (\$/bbl)	35.13	21.43	36.86	21.92
Natural Gas (\$/Mcf)	2.49	1.62	2.61	1.52
Total (\$/BOE) ⁽⁴⁾	36.16	22.27	36.83	20.71
Operating Netback per BOE ⁽³⁾	19.89	19.89	33.64	17.75
From Operations per BOE	21.98	21.98	31.98	19.44
Oil Price Benchmarks				
West Texas Intermediate (WTI) (US\$/bbl)	64.82	64.82	64.82	38.32
Edmonton Light Sweet (\$/bbl)	49.80	49.80	75.88	43.70
West Canadian Select (WCS) crude oil differential (US\$/bbl)	12.51	12.51	12.51	11.69
Natural Gas Price Benchmarks				
AECO monthly index (\$/Mcf)	2.15	2.15	3.11	2.07
AECO daily index (\$/Mcf)	2.27	2.27	3.28	2.10
Foreign Exchange Rate (US\$/CAD\$)	0.7511	0.7511	0.7995	0.7393

- (1) Net Earnings and Funds from Operations per Share are calculated using the weighted average number of basic and diluted common shares outstanding.
- (2) A dividend of \$0.09 per common share was declared on September 7, 2021. The dividend was paid on October 15, 2021 to shareholders of record as at September 30, 2021.
- (3) Net Debt and Operating Netback per BOE are defined under the Non-GAAP Measures section of this press release.
- (4) See "Conversions of Natural Gas to BOE".

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, October 26, 2021, beginning at 6:30 a.m. MDT (8:30 a.m. EDT). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial:

(844) 657-2668 (toll free in North America)
(612) 979-9882 (International)
Conference ID: 7942444

FORWARD-LOOKING STATEMENTS

This press release includes certain statements regarding PrairieSky's future plans and operations and contains forward-looking statements that we believe allow readers to better understand our business and prospects. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. Forward-looking statements contained in this press release include estimates regarding our expectations with respect to PrairieSky's business and growth strategy, future growth from PrairieSky's existing royalty asset portfolio, the quality of PrairieSky's existing royalty asset portfolio, the cash flow and production accretion of acquisitions in the near, medium and long term, future collections from compliance activities, 2021 cash administrative expenses per BOE and future activity on PrairieSky's lands, the repayment of net debt and the timing thereof.

With respect to forward-looking statements contained in this press release, we have made several assumptions including those described in detail in our MD&A and the Annual Information Form for the year ended December 31, 2020. Readers and investors are cautioned that the assumptions used in the preparation of such forward-looking information and statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, political and geopolitical instability and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to the potential for disputes to arise with counterparties, and limited ability to recover indemnification under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's MD&A, and the Annual Information Form for the year ended December 31, 2020 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedar.com and PrairieSky's website at www.prairiesky.com.

Further, any forward-looking statement is made only as of the date of this press release, and PrairieSky undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for PrairieSky to predict all of these factors or to assess in advance the impact of each such factor on PrairieSky's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking information contained in this document is expressly qualified by this cautionary statement.

CONVERSIONS OF NATURAL GAS TO BOE

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). PrairieSky uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

NON-GAAP MEASURES

Certain measures in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures are commonly used in the crude oil and natural gas industry and by PrairieSky to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to conduct its business. Non-GAAP measures include operating netback per BOE, operating margin, payout ratio, cash administrative expenses, cash administrative expenses per BOE and net debt. Management's use of these measures is discussed further below. Further information can be found in the Non-GAAP Measures section of PrairieSky's MD&A.

"Operating Netback per BOE" represents the cash margin for products sold on a BOE basis. Operating netback per BOE is calculated by dividing the operating netback (royalty production revenues less production and mineral taxes and cash administrative expenses) by the average daily production volumes for the period. Operating netback per BOE is used to assess the cash generating and operating performance per unit of product sold and the comparability of the underlying performance between years. Operating netback per BOE measures are commonly used in the crude oil and natural gas industry to assess performance comparability.

"Operating Margin" represents operating netback as a percentage of royalty revenue. Management uses this measure to demonstrate the comparability between the Company and production and exploration companies in the crude oil and natural gas industry as it shows net revenue generation from operations.

"Payout Ratio" is calculated as dividends declared as a percentage of funds from operations. Payout ratio is used by dividend paying companies to assess dividend levels in relation to the funds generated and used in operating activities.

"Cash Administrative Expenses" represent administrative expenses excluding the volatility and fluctuations in share-based compensation expense for RSUs, PSUs, ODSUs and DSUs and stock options that were not settled in cash in the current period. Cash administrative expenses are calculated as total administrative expenses, adjusting for share-based compensation expense in the period, plus any actual cash payments made under the RSU, PSU, ODSU or DSU plans. Management believes cash administrative expenses are a common benchmark used by investors when comparing companies to evaluate operating performance.

"Cash Administrative Expenses per BOE" represents cash administrative expenses on a BOE basis. Cash administrative expenses per BOE is calculated by dividing cash administrative expenses by the average daily production volumes for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis.

Cash Administrative Expenses

The following table presents the computation of Cash Administrative Expenses:

(\$ millions)	Three Months Ended			Nine Months Ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Total Administrative Expenses	\$ 4.7	\$ 7.3	\$ 4.1	\$ 22.2	\$
Share-Based Compensation Expense	(0.4)	(2.5)	(0.6)	(8.1))
Cash Payments Made - Share Unit Award Incentive Plan	-	-	-	0.7	
Cash Administrative Expenses	\$ 4.3	\$ 4.8	\$ 3.5	\$ 14.8	\$

"Net Debt" represents long-term debt plus working capital deficiency (less positive working capital) and represents the liquidity of the Company including all classifications of debt.

Net Debt

The following table presents the computation of Net Debt:

(\$ millions)	Three Months Ended			Nine Months Ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Long-term debt	\$ 179.9	\$ -	\$ -	\$ 179.9	\$ -
Working Capital Deficiency	7.8	35.7	66.2	7.8	66.2
Net Debt	\$ 187.7	\$ 35.7	\$ 66.2	\$ 187.7	\$ 66.2

ABOUT PRAIRIESKY ROYALTY LTD.

PrairieSky is a royalty company, generating royalty production revenues as petroleum and natural gas are produced from its properties. PrairieSky has a diverse portfolio of properties that have a long history of generating funds from operations and that represent the largest and most consolidated independently-owned fee simple mineral title position in Canada. PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.

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PDF available: <http://ml.globenewswire.com/Resource/Download/17d33e27-d0b4-466c-bcaa-4d5151cf1956>

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