

Topaz First Quarter 2022 Financial Results Deliver 91% Free Cash Flow Margin And Four Times Higher Total Liquids Production

03.05.2022 | [CNW](#)

CALGARY, AB, May 3, 2022 /CNW/ - [Topaz Energy Corp.](#) (TSX: TPZ) ("Topaz" or the "Company") is pleased to provide financial results and increased 2022 guidance estimates. Select financial information is outlined below and should be read in conjunction with Topaz's interim condensed consolidated financial statements and related management's discussion and analysis at and for the three months ended March 31, 2022 and 2021 ("Interim Consolidated Financial Statements"), which are available on SEDAR at www.sedar.com and on Topaz's website at www.topazenergy.ca.

First Quarter 2022 Highlights

- In Q1 2022, Topaz's assets generated record cash flow and free cash flow (FCF)⁽¹⁾ of \$74.2 million and \$73.8 million, respectively. Cash flow and FCF⁽¹⁾ were 9% and 10%, respectively, higher than the prior quarter; and 115% and 115%, respectively, higher than the prior year. On a per diluted share basis⁽¹⁾⁽²⁾, Q1 2022 FCF⁽¹⁾ of \$0.53 increased 8% from Q4 2021 (\$0.49) and 77% from Q1 2021 (\$0.30).
- Topaz's Board has declared the Company's second quarter dividend of \$0.26 per share which is expected to be paid on June 30, 2022 to shareholders of record on June 15, 2022. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.
- Topaz closed the \$85.0 million acquisition of Keystone Royalty Corp. for consideration of 4.2 million Topaz shares in Q1 2022; which provides 0.5 million gross acres of incremental royalty acreage (over 70% undeveloped), including 300,000 net acres of fee mineral title acreage and approximately 450 boe/d⁽⁹⁾ of royalty production ("Keystone Royalty Acquisition").
- Topaz ended the first quarter of 2022 with \$193.9 million of net debt⁽¹⁾ which represents 0.7x net debt to Q1 2022 FCF⁽¹⁾.

First Quarter 2022 Update Financial Overview

- Topaz's record Q1 2022 cash flow of \$74.2 million is over two times higher than the prior year and on a per diluted share basis is 6% higher than Q4 2021. The exceptional financial performance is attributed to successful execution of the Company's acquisition growth strategy at an opportune time in the commodity price cycle as Topaz's acquisitions were all completed during periods of significantly lower commodity prices. Q1 2022 average commodity prices for natural gas (AECO) and crude oil (WTI) were 31% and 39%, respectively, higher than 2021 annual average prices.
- In Q1 2022, Topaz generated a 91% FCF margin⁽¹⁾ which was 2% higher than Q4 2021 (89%) and demonstrates the Company's insulation from direct cost inflation. In addition to not being responsible for the capital costs attributed to exploration and development of the Company's royalty acreage, Topaz has superior inflationary protection as Topaz's infrastructure capital expenditures are limited to modest levels of maintenance expenditures given the age and quality of its facilities; certain infrastructure contracts have inflation adjustment mechanisms built into the fee structure; the Company's agreements have limited exposure to production transportation costs; and the Company has limited exposure to interest costs due to its moderate leverage position.

Activity & Asset Performance Update Q1 2022 Royalty Activity

- Q1 2022 royalty production increased 37% from Q1 2021 due to a combination of organic production growth (operating wells) and royalty acquisitions completed by Topaz in 2021. To complement Topaz's premium liquids-rich natural gas royalty portfolio, Topaz's royalty acquisition growth strategy has been focused on high quality, low decline oil production and liquid rich resource plays with superior economics that attract growth capital even during periods of low commodity prices. As a result, this strategy has generated Q1 2022 total liquids royalty production of approximately 3,600 bbl/d⁽⁴⁾, a 277% increase from the prior year. Average first quarter royalty production of 16,122 boe/d⁽⁴⁾ was 6% lower than the prior quarter due to one-time royalty rate changes on January 1, 2022⁽¹¹⁾, offset by royalty production growth attributed to operator funded development.
- During Q1 2022, the working interest operators on Topaz's royalty acreage continued active development; 137 gross wells (approximately 6.0 net) were spud⁽⁶⁾, 65 of which were brought on production. The remaining wells are expected to be brought on production subsequent to the first quarter. During Q1 2022, a total of 140 gross wells were brought on production, consistent with the prior quarter (142 gross wells).

- Spring break-up conditions have reduced drilling activity, however eight drilling rigs currently remain active on Topaz acreage and Topaz expects that four to five of these will remain active through break-up. Based on planned operational activity, Topaz expects to have 20 to 24 drilling rigs active on its royalty acreage following spring break-up conditions.

Royalty Interests on Tourmaline Acreage

- Topaz has a gross overriding royalty on nearly all acreage owned and operated by Tourmaline in the NEBC Montney Alberta Deep Basin and the Peace River High area. The royalty interests generated 13,032 boe/d⁽⁴⁾ of royalty production and \$43.1 million of royalty production revenue to Topaz in Q1 2022, representing 12% and 78% growth from the prior quarter respectively, and approximately 81% of Topaz's Q1 2022 average royalty production volume. The increases are attributable to organic development by Tourmaline as well as Topaz's acquisitions alongside Tourmaline's strategic M&A growth. On an annualized basis, the Tourmaline royalty interests generated a 99% FCF margin⁽¹⁾ and 17% return on investment (ROIC)⁽¹⁾ in Q1 2022. Topaz expects its Tourmaline operated royalty production to grow to over 13,500 boe/d⁽³⁾ by the end of 2022. As at December 31, 2021, Tourmaline had 19.5 TCF of 2P natural gas reserves, the largest in Canada and the largest, lowest development cost, lowest emission natural gas reserve bases in North America⁽¹⁰⁾. Topaz royalty interests are strategically aligned to grow alongside Tourmaline with the commissioning of LNG Canada which is targeted to be completed in the mid-decade.

Infrastructure Assets

- Topaz's infrastructure portfolio is also strategically aligned with Tourmaline's assets. Topaz's average daily natural gas processing ownership capacity in Q1 2022 was 215.7 MMcf/d, 78% of which is fixed under long term take or pay agreements which is operated by Tourmaline ("BBB High" investment grade credit rating by DBRS). Topaz's infrastructure assets are situated in Canada's premium plays with significant underlying long-life reserves. During Q1 2022, Topaz's natural gas processing ownership capacity was 99% utilized, generating \$13.1 million of processing revenue which includes transportation and processing fees generated from its ownership interests in Advantage's Glacier facility and NuVista's water management infrastructure, both located in the Alberta Montney. Topaz also generated \$2.5 million of other income in Q1 2022 from its contractual interest in other Tourmaline operated infrastructure.

Clearwater Royalty Interests

- Over the past two years, Topaz's Clearwater royalty position has grown to approximately 0.5 million gross acres, generating royalty production in the greater Clearwater averaged 1,057 boe/d⁽⁴⁾ (96% oil and liquids), representing a 21 times pay multiple over Q1 2021 with 50 bbl/d of heavy oil. In Q1 2022, Topaz earned royalty production revenue of \$9.0 million from the Clearwater royalty interests which represents a 100% FCF margin⁽¹⁾. On an annualized basis, Topaz's Clearwater royalty interests generated a 22% ROIC⁽¹⁾ attributed to production growth and high commodity pricing. Topaz's realized heavy oil price to the Clearwater royalty production averaged C\$96.40 in Q1 2022 which represents an average quality and transportation differential of C\$4.59 relative to the benchmark Western Canadian Select of C\$100.98 during Q1 2022. Topaz's Clearwater royalty production growth is attributed to 2021 acquisitions as well as active development by the respective operators. The Clearwater play is uniquely positioned to attract amongst the highest proportion of growth capital in the WCSB given its superior economics and lower reliance on services and personnel as the wells do not require fracture stimulations.
- The operators of Topaz's Clearwater royalty production have recently completed infrastructure projects resulting in improved natural gas conservation which provides natural gas royalty revenue to Topaz; and transportation optimization which has improved realized price received on a significant portion of Topaz's Clearwater royalty production. In addition, the operators have completed waterflood pilot projects ahead of original schedule which is expected to benefit Topaz through extension of the life of the underlying production. Based on remaining capital commitments and operator capital guidance estimates, Topaz expects its greater Clearwater royalty production to grow to over 1,400 boe/d⁽³⁾ by the end of 2022. In the Clearwater area, Topaz's gross overriding royalties provide long term asset value and require minimal land expiry management. Operators in the Clearwater continue to explore and delineate incremental boundaries and zones which has rapidly expanded the scale.

Other Liquids-Focused Royalty Interests

- Topaz's remaining royalty interests contributed 2,033 boe/d⁽⁴⁾ toward Q1 2022 average royalty production which was a 10% increase from the prior quarter and generated \$13.6 million of royalty production revenue. These assets were all acquired during 2021. Topaz's royalty production increased from the prior quarter due to active operator development including increased drilling activity on Topaz's existing fee mineral title and crown royalty acreage. On an annualized basis Topaz generated a 100% ROIC⁽¹⁾ and 100% FCF margin⁽¹⁾ from these assets in Q1 2022.

Fee Mineral Title Acreage

- Topaz closed the Keystone Royalty Acquisition on April 29, 2022. Topaz now owns 0.4 million acres of fee mineral title (over 70% undeveloped) which provides incremental exposure to higher WCSB drilling activity and complements Topaz's high-quality gross overriding royalty acreage (over 50% undeveloped). Topaz has established through its strategic acquisitions and committed operator development capital.

Increased 2022 Guidance Estimates

- Topaz has increased its 2022 guidance estimates to incorporate the Keystone Royalty Acquisition and higher commodity pricing. Topaz's 2022 EBITDA⁽¹⁾⁽³⁾ guidance range has increased 17% which is based on internal estimates⁽¹¹⁾ in commodity prices of C\$5.00/mcf for natural gas (AECO) and US\$90.00/bbl WTI for crude oil; and average annual production of 16,600 boe/d⁽⁴⁾ (midpoint), which represents 3% growth to the Company's March 2022 guidance.

Increased 2022 Guidance Estimates ⁽³⁾⁽¹¹⁾	
C\$5.00/mcf AECO / US\$90.00/bbl WTI / 0.80 US/CAD FX	
\$mm except boe/d	
Annual average royalty production (boe/d) ⁽⁴⁾	16,500 - 16,700
Royalty production natural gas weighting ⁽⁴⁾	~76%
EBITDA ⁽¹⁾	\$316 - \$320
Capital expenditures (excluding acquisitions) ⁽¹⁾	\$2 - \$4
Excess FCF ⁽¹⁾ (after dividend)	\$143 - \$147
Dividend (\$1.04 per share) ⁽⁸⁾	\$160
Dividend payout ratio ⁽¹⁾	52%
Year end 2022 net debt ⁽¹⁾	\$88 - \$92
Year end 2022 net debt to cash flow ⁽¹⁾	0.3x

2022 EBITDA Guidance Sensitivity⁽³⁾⁽¹¹⁾

5% annual average royalty production change +/- \$10 million

C\$0.50/mcf change in natural gas price +/- \$8 million

US\$5.00/bbl change in crude oil price +/- \$5 million

1% change in C\$/US\$ foreign exchange +/- \$1 million

Second Quarter Dividend

- Topaz's Board has declared the Company's second quarter dividend of \$0.26 per share which is expected to be paid on June 30, 2022 to shareholders of record on June 15, 2022. The quarterly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.
- Topaz's estimated 2022 dividend payout ratio⁽¹⁾ of 52%⁽³⁾ remains below the Company's targeted long-term payout ratio in order to retain Excess FCF⁽¹⁾ for self-funded M&A growth given the broad range of opportunities Topaz continues to identify. Topaz is well positioned for further sustainable dividend increases in 2022 and 2023.
- Topaz's estimated 2022 dividend of \$160.0 million⁽⁸⁾ is well supported whereby approximately 35% of the 2022 dividend is covered by the Company's stable infrastructure FCF⁽¹⁾ and in addition, Topaz has entered into a moderate level of natural gas price hedging focused on insulating acquisition returns and mitigating summer natural gas price volatility. As a result, the estimated 2022 dividend is covered to ultra low commodity pricing of \$1.00/mcf AECO and US\$25 WTI⁽³⁾.

Capital Allocation Strategy & Financial Flexibility

- Topaz continues to identify a number of acquisition growth opportunities and expects to allocate the majority of its Excess FCF⁽¹⁾ toward M&A growth and to provide future dividend increases alongside further sustainable growth. Topaz's 2022 guidance estimate provides for \$145 million of Excess FCF⁽¹⁾⁽³⁾ after paying its 2022 dividend of \$160 million.

- Topaz estimates its year end 2022 net debt to cash flow⁽¹⁾⁽³⁾ will be approximately 0.3x before any further acquisition. The Company has a \$500 million covenant based unsecured credit facility, expandable to \$700 million⁽⁵⁾, which provides financial flexibility and growth optionality.

Social Initiatives

- Topaz continues to expand its support of local, national and global social initiatives and recently provided financial support for the following:
 - Ukraine Humanitarian Crisis Appeal through the Canadian Red Cross;
 - Social issues affecting Calgary and the surrounding area through a meaningful employee and director donation program in support of the United Way which generated recognition for Topaz as a recipient of a 2021 Community Award;
 - Rapid and specialized emergency care and transportation for critically ill and injured patients across Canada through the Trauma Air Rescue Service (STARS);
 - Axis Connects' presentation of the Calgary Influential Women in Business Awards which was established to recognize women (and men) in Calgary who have achieved professional excellence while also championing diverse leadership in the broader Calgary community;
 - National level youth sports competition to support youth engagement and development;
 - Annual post-secondary education bursary through the University of Calgary's Haskayne School of Business;
 - National natural gas education campaign through the Canadian Gas Association.

Additional information

Additional information about Topaz, including the Interim Consolidated Financial Statements are available on SEDAR at www.sedar.com under the Company's profile, and on Topaz's website, www.topazenergy.ca.

Q1 2022 CONFERENCE CALL

Topaz will host a conference call tomorrow, Wednesday, May 4, 2022 starting at 9:00 a.m. MST (11:00 a.m. EST). To participate in the conference call, please dial 1-888-664-6392 (North American toll free) a few minutes prior to the call. Conference ID is 13611719.

2022 ANNUAL MEETING

Topaz will host its annual shareholder meeting on Thursday, June 16, 2022 starting at 9:00 a.m. MST (11:00 a.m. EST) in the McMurray Room at the Calgary Petroleum Club. If you are a shareholder on record of Topaz common shares at the close of business on May 2, 2022, you are entitled to receive notice of, participate in, and vote at this meeting. We encourage you to vote your common shares and participate in the meeting.

ABOUT THE COMPANY

Topaz is a unique royalty and infrastructure energy company focused on generating FCF growth and paying reliable and sustainable dividends to its shareholders, through its strategic relationship with Canada's largest and most active natural gas producer, Tourmaline, an investment grade senior Canadian E&P company, and leveraging industry relationships to execute complementary acquisitions from other high-quality energy companies, while maintaining its commitment to environmental, social and governance best practices. Topaz focuses on top quartile energy resources and assets best positioned to attract capital in order to generate sustainable long-term growth and profitability.

The Topaz royalty and energy infrastructure revenue streams are generated primarily from assets operated by natural gas producers with some of the lowest greenhouse gas emissions intensity in the Canadian senior upstream sector, including Tourmaline, which has received awards for environmental sustainability and conservation efforts. Certain of these producers have set long-term emissions reduction targets and continue to invest in technology to improve environmental sustainability.

Topaz's common shares are listed and posted for trading on the TSX under the trading symbol "TPZ" and it is included in the S&P/TSX Composite Index. This is the headline index for Canada and is the principal benchmark measure for the Canadian equity markets, represented by the largest companies on the TSX.

For further information, please visit the Company's website www.topazenergy.ca. Topaz's SEDAR filings are available at www.sedar.com.

NOTE REFERENCES

This news release refers to financial reporting periods in abbreviated form as follows: "Q1 2022" refers to the three months ended March 31, 2022; "prior quarter" refers to the three months ended December 31, 2021; and "Q1 2021" refers to the three months ended March 31, 2021.

1. See "Non-GAAP and Other Financial Measures".
2. Calculated using the weighted average number of diluted common shares outstanding during the respective period.
3. See "Forward-Looking Statements".
4. See "Supplemental Information Regarding Product Types".
5. Topaz's \$700 million credit facility includes a \$200 million accordion feature which may be advanced by Topaz but is subject to agent consent.
6. May include non-producing injection wells.
7. Includes wells drilled during the current and previous periods on Topaz royalty acreage.
8. Topaz's dividends remain subject to board of director approval.
9. Comprised of 318 bbl/d of crude oil, 57 bbl/d of natural gas liquids and 449 mcf/d of natural gas production for the three months ended December 31, 2021.
10. Source: [Tourmaline Oil Corp.](#) public disclosure.
11. Management's assumptions underlying the Company's increased 2022 guidance estimates include:
 1. Contractually scheduled changes in certain natural gas gross overriding royalty rates as follows: increase from 3% to 4% attributed to the January 2021 Deep Basin GORR acquisition from Tourmaline and reduction from 4% to 3% for the November 2019 GORR acquisition from Tourmaline;
 2. Topaz's estimated capital expenditures (excluding acquisitions) of \$2.0 to \$4.0 million in 2022;
 3. Estimated average annual royalty production range of 16,500 to 16,700 boe/d in 2022;
 4. 2022 average infrastructure ownership capacity utilization of 95%;
 5. 2022 average commodity prices of: C\$5.00/mcf (AECO 5A), US\$90.00/bbl (NYMEX WTI), US\$13.82/bbl (WTI oil differential), US\$3.21/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.80;
 6. The working interest owners' anticipated 2022 capital plans attributable to Topaz's undeveloped royalty land and Topaz's internal estimates regarding development pace, production performance including, and capital allocation for waterflood and other long-term value enhancing projects;
 7. Infrastructure utilization and cost estimates in-line with 2021 realizations;
 8. Annual cash G&A estimated of \$6.4 million to reflect additional staff, rent and administrative costs alongside the business;
 9. Increased variable lending rate to reflect recent and expected increases in the underlying rate;
 10. No incorporation of potential acquisitions; and
 11. Topaz's outstanding financial derivative contracts included in its most recently filed MD&A.

Selected Financial Information

For the periods ended (\$000s) except per share	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Royalty production revenue	65,744	59,709	40,558	27,448	24,179
Processing revenue	13,078	12,906	12,781	10,562	10,471
Other income ⁽⁴⁾	2,520	3,061	3,804	2,943	3,117
Total	81,342	75,676	57,143	40,953	37,767
Cash expenses:					
Operating	(1,179)	(946)	(1,238)	(1,089)	(972)
Marketing	(459)	(463)	(355)	(256)	(237)
General and administrative	(1,579)	(1,281)	(1,478)	(1,026)	(1,266)
Realized loss on financial instruments	(2,015)	(3,004)	(2,258)	(1,147)	(581)
Interest expense	(1,936)	(1,648)	(973)	(220)	(160)
Cash flow	74,174	68,334	50,841	37,215	34,551

Per basic share ⁽¹⁾⁽²⁾	\$0.53	\$0.50	\$0.39	\$0.32	\$0.31
Per diluted share ⁽¹⁾⁽²⁾	\$0.53	\$0.50	\$0.39	\$0.32	\$0.31
Cash from operating activities	67,984	56,562	41,990	36,903	29,563
Per basic share ⁽¹⁾⁽²⁾	\$0.49	\$0.41	\$0.33	\$0.32	\$0.26
Per diluted share ⁽¹⁾⁽²⁾	\$0.48	\$0.41	\$0.32	\$0.31	\$0.26
Net income	11,408	16,276	5,014	918	5,356
Per basic share ⁽¹⁾⁽²⁾	\$0.08	\$0.12	\$0.04	\$0.01	\$0.05
Per diluted share ⁽¹⁾⁽²⁾	\$0.08	\$0.12	\$0.04	\$0.01	\$0.05
EBITDA ⁽⁷⁾	76,099	69,978	51,795	37,308	34,566
Per basic share ⁽¹⁾⁽²⁾	\$0.55	\$0.51	\$0.40	\$0.32	\$0.31
Per diluted share ⁽¹⁾⁽²⁾	\$0.54	\$0.51	\$0.40	\$0.32	\$0.31
FCF ⁽¹⁾	73,784	67,147	49,795	37,232	33,990
Per basic share ⁽¹⁾⁽²⁾	\$0.53	\$0.49	\$0.39	\$0.32	\$0.30
Per diluted share ⁽¹⁾⁽²⁾	\$0.53	\$0.49	\$0.38	\$0.32	\$0.30
FCF Margin ⁽¹⁾	91%	89%	87%	91%	90%
Dividends paid	36,288	33,422	27,048	25,748	22,521
Per share ⁽¹⁾⁽⁶⁾	\$0.26	\$0.24	\$0.21	\$0.20	\$0.20
Payout ratio ⁽¹⁾	49%	49%	53%	69%	65%
Excess FCF ⁽¹⁾	37,496	33,725	22,747	11,484	11,469
Capital expenditures	390	1,187	1,046	(17)	561
Acquisitions, excl. decommissioning obligations ⁽¹⁾	262	218,834	409,961	160,492	156,034
Weighted average shares - basic ⁽³⁾	139,461	136,391	128,749	116,842	112,512
Weighted average shares - diluted ⁽³⁾	140,289	137,167	129,421	117,426	113,019
Average Royalty Production ⁽⁵⁾					
Natural gas (mcf/d)	75,136	84,415	77,941	65,725	64,729
Light and medium crude oil (bbl/d)	1,289	1,086	538	340	285
Heavy crude oil (bbl/d)	1,194	1,091	693	303	50
Natural gas liquids (bbl/d)	1,116	966	897	668	620
Total (boe/d)	16,122	17,213	15,119	12,265	11,743
Realized Commodity Prices ⁽⁵⁾					
Natural gas (\$/mcf)	\$4.80	\$4.52	\$3.58	\$3.11	\$3.13
Light and medium crude oil (\$/bbl)					

\$104.06

\$87.51

\$80.07

\$76.94

\$64.66

Natural Gas

AECO 5A (CAD\$/mcf)	\$4.74	\$4.66	\$3.60	\$3.11	\$3.17
Crude oil					
NYMEX WTI (USD\$/bbl)	\$94.38	\$77.19	\$70.52	\$66.10	\$58.14
Edmonton Par (CAD\$/bbl)	\$115.94	\$93.45	\$83.80	\$76.39	\$68.98
WCS differential (USD\$/bbl)	\$14.61	\$14.80	\$13.52	\$11.51	\$12.42
Natural gas liquids					
Edmonton Condensate (CAD\$/bbl)	\$120.24	\$98.68	\$86.47	\$79.67	\$74.98
CAD\$/USD\$	\$0.7899	\$0.7937	\$0.7935	\$0.8142	\$0.7899

Selected statement of financial position results
(\$'000s) except share amounts

Selected Statement of Financial Position Results (\$000s) except share amounts					
	At Mar. 31, 2022	At Dec. 31, 2021	At Sept. 30, 2021	At Jun. 30, 2021	At Mar. 31, 2021
Total assets	1,568,256	1,611,752	1,455,509	1,305,741	997,715
Working capital	36,216	43,750	51,053	266,272	94,221
Adjusted working capital ⁽¹⁾	49,449	43,204	54,446	270,611	94,607
Net debt (cash) ⁽¹⁾	193,863	233,658	219,476	(167,540)	(94,607)
Common shares outstanding ⁽³⁾	139,570	139,333	128,803	128,736	112,607

FORWARD-LOOKING STATEMENTS

(1) Refer to "Non-GAAP and Other Financial Measures".

This news release contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") filed in connection with the Company's recent tender offer. These forward-looking statements are based on the Company's current expectations, estimates, forecasts and projections, which are subject to change. The Company cannot guarantee that these forward-looking statements will be realized, and the Company's actual results may differ materially from those anticipated in these forward-looking statements. The Company's forward-looking statements are based on the information available to the Company as of the date of this news release. The Company's forward-looking statements are not intended to be a contract, and the Company does not intend to be bound by any contract that purports to bind the Company to any forward-looking statement. The Company's forward-looking statements are not intended to be a contract, and the Company does not intend to be bound by any contract that purports to bind the Company to any forward-looking statement.

These forward-looking statements relate to future events or the Company's future performance. Any statements that are not historical facts involve judgments as to expectations, beliefs, plans, objectives, assumptions

or future events or performance (often, but not always, through the use of words or phrases such as "will likely result" or "are expected to") for Q4 2022 will continue to be anticipated \$0.01 declines/Q4 better than nil. Q3 2021 -

statements, items 21 "plans, forecasts, projections", "strategy", "objective" and "outlook") are not historical facts and may be forward-looking statements and may involve estimates, assumptions and uncertainties

which report supplemental information regarding different materials from those expressed in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and

such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this news release. In particular and without limitation, this news

release contains forward-looking statements pertaining to the following: Topaz's future growth outlook and strategic plans; the anticipated capital expenditure plans; environment, social and governance initiatives;

expected production increases and capital commitments on the royalty lands; estimated levels of 2022 dividend payments, EBITDA, FCF, Excess FCF, dividend payout ratio, ROIC and year-end net debt; the

number of drilling rigs to be active on Topaz's royalty acreage during 2022 and beyond; the future declaration and payment of dividends and the timing and amount thereof including potential sustainable

dividend increases in 2022 and 2023; the use of excess FCF for self-funded M&A growth; Topaz's inflationary protection due to the nature of its business and its limited exposure to rising interest rate costs;

the forecasts described under the heading "First Quarter 2022 Update" above including under the sub-headings "Increased 2022 Guidance Estimates", "Second Quarter Dividend" and "Capital Allocation Strategy & Financial Flexibility", including annual average royalty production, processing revenue and other income, EBITDA, FCF, Excess FCF, FCF margin, ROIC, annual dividends, exit net debt, and capital expenditures (excluding acquisitions) for 2022; other expected benefits from acquisitions including enhancing Topaz's future growth outlook and capital allocation plans; and the Company's business as described under the heading "About the Company" above.

Forward-looking statements are based on a number of assumptions including those highlighted in this news release and is subject to a number of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, the failure to complete acquisitions on the terms or on the timing announced or at all and the failure to realize some or all of the anticipated benefits of acquisitions including estimated royalty production, royalty production revenue and FCF per share growth, and the factors discussed in the Company's recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), 2021 Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Topaz's website (www.topazenergy.ca).

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, FCF, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Topaz to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Topaz does not undertake any obligation to update such forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

FINANCIAL OUTLOOK

Also included in this news release are estimates of the Company's EBITDA range and average royalty production range for the year ending December 31, 2022 and range of year-end exit net debt and net debt to cash flow for 2022, which are based on, among other things, the various assumptions as to production levels and capital expenditures and other assumptions disclosed in this news release including under the heading "First Quarter 2022 Update - Increased 2022 Guidance Estimates" above and are based on the following key assumptions: Topaz's estimated capital expenditures (excluding acquisitions) of \$2.0 to \$4.0 million in 2022; the working interest owners' anticipated 2022 capital plans attributable to Topaz's undeveloped royalty lands; estimated average annual royalty production range of 16,500 to 16,700 boe/d in 2022; 2022 average infrastructure ownership capacity utilization of 95%; December 31, 2022 exit net debt range between \$88.0 and \$92.0 million, 2022 average commodity prices of: C\$5.00/mcf (AECO 5A), US\$90.00/bbl (NYMEX WTI), US\$13.82/bbl (WCS oil differential), US\$3.21/bbl (MSW oil differential) and US\$/CAD\$ foreign exchange 0.80.

To the extent such estimates constitute financial outlooks, they were approved by management and the board of directors of Topaz on May 3, 2022 and are included to provide readers with an understanding of the estimated EBITDA, Excess FCF and net debt for the year ending December 31, 2022 based on the assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

NON-GAAP AND OTHER FINANCIAL MEASURES

Certain financial terms and measures contained in this news release are "specified financial measures" (as

such term is defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112"). The specified financial measures referred to in this news release are comprised of "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure below.

Non-GAAP Measures and Ratios

The non-GAAP financial measures and non-GAAP ratio used herein do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that the non-GAAP financial measures and ratio should not be considered in isolation nor as an alternative to net income (loss) or other financial information determined in accordance with GAAP, as an indication of the Company's performance.

Non-GAAP Financial Measures

This news release makes reference to the terms "Excess FCF" and "acquisitions, excluding decommissioning obligations", which are considered non-GAAP financial measures under NI 52-112; defined as financial measures disclosed by an issuer that depict the historical or expected future financial performance, financial position, or cash flow of an entity, and are not disclosed in the financial statements of the issuer.

Non-GAAP Ratios

This news release makes reference to the term "return on invested capital" which is considered a non-GAAP ratio under NI 52-112; defined as a financial measure disclosed by an issuer that is in the form of a ratio, fraction, percentage or similar presentation, has a non-GAAP financial measure as one or more of its components, and is not disclosed in the primary financial statements of the entity.

Other Financial Measures

Capital management measures

Capital management measures are defined as financial measures disclosed by an issuer that are intended to enable an individual to evaluate the entity's objectives, policies and processes for managing the entity's capital, are not a component of a line item or a line item on the primary financial statements, and which are disclosed in the notes to the financial statements. The Company's capital management measures disclosed in the notes to the Interim Consolidated Financial Statements include adjusted working capital, net debt (cash) and FCF.

Supplementary financial measures

This news release makes reference to the terms "cash flow per basic or diluted share", "FCF per basic or diluted share", "EBITDA per basic or diluted share", "FCF margin" and "payout ratio" which are all considered supplementary financial measures under NI 52-112; defined as a financial measure disclosed by an issuer that is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity, is not disclosed in the financial statements of the issuer, and is not a non-GAAP financial measure or non-GAAP ratio.

The following terms are financial measures as defined under the Company's Syndicated Credit Facility, presented in note 8 to the Interim Consolidated Financial Statements: (i) consolidated senior debt, (ii) total debt, (iii) EBITDA and (iv) capitalization.

Cash flow, FCF, FCF margin, and Excess FCF

Management uses cash flow, FCF, FCF margin and Excess FCF for its own performance measures and to provide investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund or increase dividends, fund future growth opportunities and/or to repay debt; and furthermore, uses per share metrics to provide investors with a measure of the proportion attributable to the basic or diluted weighted average common shares outstanding.

Cash flow is a GAAP measure which is derived of cash from operating activities excluding the change in non-cash working capital and is presented in the consolidated statements of cash flows. FCF is a capital management measure presented in the notes to the Interim Consolidated Financial Statements and is defined as cash flow, less capital expenditures. The supplementary financial measure "FCF margin", is defined as FCF divided by total revenue and other income (expressed as a percentage of total revenue and

other income). The non-GAAP financial measure "Excess FCF", is defined as FCF less dividends paid. The supplementary financial measures "cash flow per basic or diluted share" and "FCF per basic or diluted share" are calculated by dividing cash flow and FCF, respectively, by the basic or diluted weighted average common shares outstanding during the period.

A summary of the reconciliation from cash from operating activities (per the consolidated statements of cash flows) to cash flow (per the consolidated statements of cash flows), cash flow per basic or diluted share, FCF, Excess FCF, FCF per basic or diluted share and FCF margin is set forth below:

For the periods ended (\$000s)	Three months ended 31, 2023
Cash from operating activities	20,363
Exclude change in non-cash working capital	6,988
Cash flow	34,551
Less: Capital expenditures	500
FCF	33,990
Less: dividends paid	20,228
Excess FCF	31,400
Cash flow per basic share ⁽¹⁾	\$0.53
Cash flow per diluted share ⁽¹⁾	\$0.53
FCF per basic share ⁽¹⁾	\$0.50
FCF per diluted share ⁽¹⁾	\$0.50
FCF	33,990
Total Revenue and other income	81,362
FCF margin	90%

⁽¹⁾ As noted, calculated using the basic or diluted weighted average number of shares outstanding during the respective periods.

Adjusted working capital and net debt (cash)

Management uses the terms "adjusted working capital" and "net debt (cash)" to measure the Company's liquidity position and capital flexibility, as such these terms are considered capital management measures. "Adjusted working capital" is calculated as current assets less current liabilities, adjusted for financial instruments. "Net debt (cash)" is calculated as total debt outstanding less adjusted working capital.

A summary of the reconciliation from working capital, to adjusted working capital and net debt (cash) is set forth below:

(\$000s)	As at Mar. 31, 2022	As at Dec. 31, 2021
Working capital	36,216	43,750
Exclude financial instruments	(13,233)	(546)
Adjusted working capital	49,449	43,204
Less: bank debt	243,312	276,862
Net Debt (cash)	193,863	233,658

EBITDA and EBITDA per basic or diluted share

EBITDA, as defined under the Company's Syndicated Credit Facility and disclosed in note 8 of the Interim Consolidated Financial Statements, is considered by the Company as a capital management measure which is used to evaluate the Company's operating performance, and provides investors with a measurement of the Company's cash generated from its operations, before consideration of interest income or expense. "EBITDA" is calculated as consolidated net income or loss from continuing operations, excluding extraordinary items, plus interest expense, income taxes, and adjusted for non-cash items and gains or losses on dispositions.

EBITDA per basic or diluted share is a supplementary financial measure that is calculated by dividing EBITDA by the basic or diluted weighted average common shares outstanding during the period and provides investors with a measure of the proportion of EBITDA attributed to the basic or diluted weighted average common shares outstanding.

A summary of the reconciliation of net income (per the consolidated statements of net income and comprehensive income), to EBITDA, is set forth below:

For the periods ended (\$000s)	Three months ended	
	Mar. 31, 2022	Mar. 31, 2021
Net income	11,408	5,356
Unrealized (gain) loss on financial instruments	13,779	(207)
Share-based compensation	149	328
Finance expense	2,095	256
Depletion and depreciation	45,943	27,712
Deferred income tax expense	2,736	1,266
Less: interest income	(11)	(145)
EBITDA	76,099	34,566
EBITDA per basic share ⁽¹⁾	\$0.55	\$0.31
EBITDA per diluted share ⁽¹⁾	\$0.54	\$0.31

⁽¹⁾ As noted, calculated using the basic or diluted weighted average number of shares outstanding during the respective periods.

Payout ratio

"Payout ratio", a supplementary financial measure, represents dividends paid, expressed as a percentage of

cash flow and provides investors with a measure of the percentage of cash flow that was used during the period to fund dividend payments. Payout ratio is calculated as cash flow divided by dividends paid.

A summary of the reconciliation from cash flow to payout ratio is set forth below:

	Three months ended	
For the periods ended	Mar. 31, 2022	Mar. 31, 2021
Cash flow (000s)	74,174	34,551
Dividends paid (000s)	36,288	22,521
Payout ratio (%)	49%	65%

Acquisitions, excluding decommissioning obligations

"Acquisitions, excluding decommissioning obligations", is considered a non-GAAP financial measure, and is calculated as: acquisitions (per the consolidated statements of cash flows) plus non-cash acquisitions but excluding non-cash decommissioning obligations.

A summary of the reconciliation from acquisitions (per the consolidated statements of cash flow) to acquisitions, excluding decommissioning obligations is set forth below:

	Three months ended	
For the periods ended (\$000s)	Mar. 31, 2022	Mar. 31, 2021
Acquisitions (consolidated statements of cash flows)	262	156,034
Non-cash acquisitions	?	?
Acquisitions, excluding decommissioning obligations	262	156,034

Return on invested capital (ROIC)

"ROIC", a non-GAAP ratio, represents estimated FCF, expressed as a percentage of acquisitions, excluding decommissioning obligations. This non-GAAP ratio provides investors with a measure of the return on investment attributed to consideration paid for acquisitions.

Topaz's Q1 2022 annualized FCF attributed to royalty interests on Tourmaline acreage is \$170.6 million, divided by cumulative consideration attributed to royalty interests of \$1.0 billion, results in a 2022 ROIC of 17%.

Topaz's Q1 2022 annualized FCF attributed to royalty interests in the greater Clearwater area is \$35.9 million, divided by cumulative consideration attributed to the greater Clearwater royalty interests of \$165.5 million, results in a 2022 ROIC of 22%.

Topaz's Q1 2022 annualized FCF attributed to its remaining royalty interests is \$54.4 million, divided by cumulative consideration attributed to these royalty interests of \$263.6 million, results in a 2022 ROIC of 21%.

BOE EQUIVALENCY

Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the

wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

OIL AND GAS METRICS

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

GENERAL

See also "Forward-Looking Statements", "Reserves and Other Oil and Gas Information" and "Non-GAAP and Other Financial Measures" in the most recently filed Management's Discussion and Analysis.

SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to actual and 2022 estimated average royalty production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

For the three months ended	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
	(Actual)	(Actual)	(Actual)
Average daily production			
Light and Medium crude oil (bbl/d)	1,289	1,086	285
Heavy crude oil (bbl/d)	1,194	1,091	50
Conventional natural gas (Mcf/d)	39,996	45,280	41,839
Shale Gas (Mcf/d)	35,140	39,135	22,890
Natural Gas Liquids (bbl/d)	1,116	966	620
Total (boe/d)	16,122	17,213	11,743
Natural gas weighting	78%	82%	92%
Total liquids weighting	22%	18%	8%

	Tourmaline royalty interests	Greater Clearwater area royalty interests	Other royalty interests
For the three months ended March 31, 2022	(Actual)	(Actual)	(Actual)
Average daily production			
Light and Medium crude oil (bbl/d)	245	26	1,018
Heavy crude oil (bbl/d)	?	993	201
Conventional natural gas (Mcf/d)	36,160	226	3,610
Shale Gas (Mcf/d)	35,140	?	?
Natural Gas Liquids (bbl/d)	904	1	211
Total (boe/d)	13,032	1,057	2,033

Contact Dec. 31, 2022
[Topaz Energy Corp.](#), Marty Staples, President and Chief Executive Officer, (587) 747-4830; Cheree Stephenson, VP Finance and CFO, (587) 747-4830
 For the year ended (Estimate) (1)

Average daily production

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/414222-Topaz-First-Quarter-2022-Financial-Results-Deliver-91Prozent-Free-Cash-Flow-Margin-And-Four-Times-Higher-To>

Light and Medium crude oil (bbl/d) 1,413

Heavy crude oil (bbl/d) 1,393

Conventional natural gas (Mcf/d) 36,698

Shale Gas (Mcf/d) 39,198

Natural Gas Liquids (bbl/d) 1,175

Total (boe/d) 16,600

Natural gas weighting 76%

Total liquids weighting 24%

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!

Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2025. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).

(1) Represents the midpoint of the estimated range of 2022 average annual royalty production.

(2) Topaz's estimated royalty production is based on estimated commodity mix; drilling location and corresponding royalty rate; and capital development activity on Topaz's royalty acreage by the working interest owners, all of which are outside of Topaz's control.

SOURCE [Topaz Energy Corp.](#)