

# Arc Resources Ltd. Reports Third Quarter 2022 Results, Dividend Increase, And Announces 2023 Budget

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CALGARY, Nov. 3, 2022 - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") today reported its third quarter 2022 financial and operational results and announced its 2023 budget.

## HIGHLIGHTS

Q3 2022 Results - ARC delivered quarterly production of 342,034 boe<sup>(1)(2)</sup> per day (60 per cent natural gas and 40 per cent crude oil and liquids), cash flow from operating activities of \$1,104 million, and generated funds from operations of \$953 million<sup>(3)</sup> (\$1.45 per share)<sup>(4)</sup>.

- ARC generated free funds flow of \$580 million<sup>(5)</sup> (\$0.89 per share)<sup>(6)</sup> based on \$373 million invested into capital expenditures<sup>(5)</sup>.
- ARC distributed 94 per cent or \$544 million (\$0.83 per share) of free funds flow to shareholders during the third quarter of 2022 through a combination of dividends and share repurchases under its normal course issuer bid ("NCIB").
- ARC's market diversification resulted in an average realized natural gas price of \$9.29 per Mcf<sup>(4)</sup>; \$3.48 per Mcf, or 60 per cent, greater than the average AECO 7A Monthly Index price.
- As of September 30, 2022, ARC's long-term debt balance was \$1.1 billion and its net debt balance was \$1.5 billion<sup>(3)</sup> or 0.4 times funds from operations.
- Capital spending and production guidance for 2022 remain unchanged.

Funds Flow Allocation - ARC has increased its targeted return to 50 to 100 per cent of free funds flow to shareholders, from its previous target of 50 to 80 per cent.

- Repurchasing shares below intrinsic value and growing the base dividend through growth in the business with a reduced share count is the optimal mechanism to return capital to shareholders.
- Since renewing its NCIB on August 30, 2022, ARC has repurchased 20.9 million common shares, representing 32 per cent of its allotment under the current NCIB.
- ARC has now repurchased 93.1 million common shares, or 13 per cent of its issued and outstanding shares, since instituting the NCIB in September 2021, at an average price of \$15.12 per share.

Dividend Increase - ARC's Board of Directors ("the Board") has approved a 25 per cent increase to ARC's quarterly dividend, from \$0.12 to \$0.15 per share. The dividend increase is effective for ARC's fourth quarter 2022 dividend, payable on January 16, 2023 to shareholders of record on December 30, 2022.

2023 Capital Budget - The Board has approved a preliminary 2023 capital budget of \$1.8 billion. The capital program balances profitable growth with the flexibility to increase capital returns to shareholders as net debt is reduced.

- Capital expenditures are expected to deliver average production of approximately 350,000 boe per day (60 per cent natural gas and 40 per cent crude oil and liquids), representing two per cent growth year over year, and includes infrastructure investment to lower operating costs at Kakwa.
- The capital program is expected to generate approximately \$1.7 billion of free funds flow<sup>(7)</sup> based on the forward curve<sup>(8)</sup>.

ARC's unaudited condensed interim consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three and nine months ended September 30, 2022, are available on ARC's website at [www.arcresources.com](http://www.arcresources.com) and under ARC's SEDAR

profile at [www.sedar.com](http://www.sedar.com). The disclosure under the section entitled "Non-GAAP and Other Financial Measures" in ARC's MD&A as at and for the three and nine months ended September 30, 2022 (the "Q3 2022 MD&A") is incorporated by reference in this news release.

- (1) ARC has adopted the standard six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of crude oil ratio when converting natural gas to barrels of oil equivalent ("boe"). 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.
- (2) Throughout this news release, crude oil ("crude oil") refers to light, medium, and heavy crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. Throughout this news release, natural gas liquids ("NGLs") comprise all natural gas liquids as defined by NI 51-101 other than condensate, which is disclosed separately. Throughout this news release, crude oil and liquids ("crude oil and liquids") refers to crude oil, condensate, and NGLs.
- (3) See Note 10 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
- (4) See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (5) Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this news release. See "Non-GAAP and Other Financial Measures" of this news release for the most directly comparable financial measure disclosed in ARC's current financial statements to which such non-GAAP financial measure relates and a reconciliation to such comparable financial measure.
- (6) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.
- (7) Refer to the section entitled "About ARC Resources Ltd." contained within the Q3 2022 MD&A for historical free funds flow, which information is incorporated by reference into this news release.
- (8) Forward curve as at October 20, 2022 (US\$WTI \$77.59 per barrel; C\$4.61/mcf AECO).

#### FINANCIAL AND OPERATIONAL RESULTS

(Cdn\$ millions, except per share amounts <sup>(1)</sup> , boe amounts, and common shares outstanding)	Three Months Ended			Nine Months Ended	
	June 30, 2022	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>FINANCIAL RESULTS</b>					
Net income	762.9	867.8	53.6	1,561.3	1,000.0
Per share	1.13	1.32	0.07	2.32	0.16
Cash flow from operating activities	1,092.6	1,103.6	615.0	2,955.0	1,300.0
Per share <sup>(3)</sup>	1.61	1.68	0.85	4.38	2.20
Funds from operations	1,029.7	953.0	765.4	2,726.3	1,500.0
Per share	1.52	1.45	1.06	4.04	2.60
Free funds flow	677.3	580.1	497.0	1,667.7	890.0
Per share	1.00	0.89	0.69	2.47	1.40
Dividends declared	79.9	76.7	47.1	224.8	110.0
Per share	0.12	0.12	0.066	0.34	0.16
Cash flow used in investing activities	363.9	351.9	228.8	1,062.5	530.0
Capital expenditures	352.4	372.9	268.4	1,058.6	680.0
Long-term debt	1,247.6	1,126.6	1,849.0	1,126.6	1,800.0
Net debt	1,511.4	1,541.3	1,926.4	1,541.3	1,900.0
Common shares outstanding, weighted average diluted (millions)	676.8	655.4	723.1	674.2	600.0
Common shares outstanding, end of period (millions)	663.7	637.6	711.7	637.6	710.0
<b>OPERATIONAL RESULTS</b>					
Production					
Crude oil (bbl/day)	8,297	8,149	8,639	8,114	11,000
Condensate (bbl/day)	75,793	82,203	77,539	77,018	55,000
Crude oil and condensate (bbl/day)	84,090	90,352	86,178	85,132	66,000
Natural gas (MMcf/day)	1,219	1,227	1,300	1,242	1,100
NGLs (bbl/day)	48,877	47,108	50,891	48,736	37,000
Total (boe/day)	336,112	342,034	353,657	340,855	280,000
Average realized price					

Crude oil (\$/bbl) <sup>(3)</sup>	134.52	111.41	77.43	119.31	71.10
Condensate (\$/bbl) <sup>(3)</sup>	137.91	110.35	85.72	122.14	81.10
Natural gas (\$/Mcf) <sup>(3)</sup>	9.08	9.29	4.67	8.10	4.10
NGLs (\$/bbl) <sup>(3)</sup>	34.16	20.72	27.92	27.67	25.10
Average realized price (\$/boe) <sup>(3)</sup>	72.31	65.37	41.88	63.89	37.10
Netback					
Commodity sales from production (\$/boe) <sup>(3)</sup>	72.31	65.37	41.88	63.89	37.10
Royalties (\$/boe) <sup>(3)</sup>	(11.10)	(9.23)	(3.38)	(9.37)	(2.10)
Operating expense (\$/boe) <sup>(3)</sup>	(4.66)	(4.69)	(3.58)	(4.46)	(4.10)
Transportation expense (\$/boe) <sup>(3)</sup>	(6.27)	(6.08)	(4.93)	(5.97)	(4.10)
Netback (\$/boe) <sup>(4)</sup>	50.28	45.37	29.99	44.09	26.10
TRADING STATISTICS <sup>(5)</sup>					
High price	22.88	19.51	11.95	22.88	11.10
(1) Per share amounts, with the exception of dividends, are based on weighted average diluted common shares.	14.81	13.12	7.51	11.66	5.80
Low price	14.81	13.12	7.51	11.66	5.80
(2) Comparative figures represent ARC's results prior to the closing of the business combination with Seven Generations on April 6, 2021, and therefore do not reflect historical data from Seven Generations.	16.59	16.59	16.59	16.59	11.10
(3) See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.	16.59	16.59	16.59	16.59	11.10
(4) See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.	16.59	16.59	16.59	16.59	11.10
(5) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.	16.59	16.59	16.59	16.59	11.10

(4) Non-GAAP financial ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP financial ratio. See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for the non-GAAP financial ratio for the comparative period and other information relating to this non-GAAP financial ratio, which information is incorporated by reference into this news release.

(5) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

## 2023 CAPITAL BUDGET

The Board has approved a preliminary capital budget of \$1.8 billion. The budget was designed with profitable growth and capital discipline in mind, and includes an updated framework that allows capital returns to increase as net debt approaches ARC's long-term target. The capital program adheres to ARC's long-standing principles of prudent capital allocation, balance sheet strength, and long-term profitability.

## Strategic Priorities

- Execute the capital program in a safe, efficient, and responsible manner.
- Increase Kakwa profitability through modest production growth and investments in infrastructure that lowers operating costs.
- Resume drilling activity in British Columbia ("BC") to restore production to previous levels and maximize unit economics.
- Evaluate and execute additional downstream diversification initiatives.
- Remain sanction-ready at Attachie West Phase I.
- Execute initiatives to reduce emissions and retain ESG leadership status.

The 2023 budget is expected to generate average production of approximately 350,000 boe per day (60 per cent natural gas and 40 per cent crude oil and liquids) representing two per cent production growth. The program is expected to generate approximately \$1.7 billion of free funds flow, at the current forward curve. The 2023 capital budget incorporates an approximately 20 per cent increase due to cost inflation realized over the course of 2022.

### Capital Budget Highlights

- Total capital expenditures of \$1.8 billion<sup>(1)</sup>, with approximately 70 per cent allocated to Alberta and 30 per cent to BC.
- Capital expenditures are expected to decrease in 2024 to between \$1.5 billion and \$1.6 billion with production forecast to average approximately 350,000 boe per day (60 per cent natural gas and 40 per cent crude oil and liquids).
- The capital program is predicated upon the continued receipt of drilling permits on freehold land in NEBC.
- Invest \$1.1 billion to increase free funds flow at Kakwa.
- Kakwa production is expected to increase and average 2023.
- Invest \$170 million over the next two years (\$130 million in 2023 and \$40 million in 2024) for annual operating expenses, primarily trucking, by approximately 2025 to support increased production.
- ARC's production expansion program in the West Coast Province at Sunrise in BC is a mandatory regulatory environment day processing capacity to 360 MMcf per day.
- Sunrise is one of ARC's most profitable assets and will be direct-connected to the Coastal Gas Link that will supply natural gas to liquefied natural gas ("LNG") off of the west coast of Canada.
- NEBC becomes more certain. The total project costs for Phase I are estimated at approximately \$700 million, which includes all facility capital and the initial wells required to fill the

facility. Phase I is estimated to pay out in less than two years based on the current forward curve.

(1) Refer to the section entitled "About ARC Resources Ltd." contained within the Q3 2022 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

Free Funds Flow Allocation

ARC's goal is to provide shareholders with an attractive total return through profitable investments and sustainable return of capital measures. Balance sheet strength is foundational to ARC and critical to capitalize on counter-cyclical opportunities; however, as net debt meets or falls below ARC's long-term targets, ARC intends to increase the proportion of free funds flow that is returned to shareholders.

- ARC intends to return 50 to 100 per cent of free funds flow to shareholders, an increase from 50 to 80 per cent of free funds flow outlined previously:
  - Base dividend growth compounded by share repurchases being the primary mechanism to return capital.
  - ARC intends to continue to grow the base dividend with the base dividend being the primary mechanism to return capital.
- ARC's 2023 preliminary corporate guidance is based on various commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with commodity price changes and regulatory changes. ARC's guidance provides readers with the information relevant to Management's expectations for financial and operational results for 2023. Readers are cautioned that the guidance estimates may not be appropriate for any other purpose.

	2023 Guidance
Production	
Crude oil (bbl/day)	8,500 - 9,000
Condensate (bbl/day)	79,000 - 80,000
Crude oil and condensate (bbl/day)	87,500 - 90,000
Natural gas (MMcf/day)	1,260 - 1,300
Water (bbl/day)	47,000 - 48,000
Production	
Operating expenses (\$/boe) <sup>(1)</sup>	4.60 - 5.00
Transportation	5.50 - 6.00
Operating and administrative ("G&A") expense before share-based compensation expense	0.85 - 0.90
Share-based compensation expense	0.25 - 0.30
Interest and financing <sup>(2)</sup>	0.65 - 0.70
Current income tax expense as a per cent of funds from operations <sup>(1)</sup>	10 - 15
Capital expenditures (\$ billions)	



1.8



(1) See "Non-GAAP and Other Financial Measures" in the Q3 2022 MD&A for an explanation of the composition of these supplementary financial measures, which information is incorporated by reference into this news release.

(2) Excludes accretion of ARC's asset retirement obligation.

### 2022 Guidance

Full-year 2022 guidance for production, expenses, and capital expenditures remains unchanged. Refer to the section entitled "Annual Guidance" in ARC's MD&A for the three and nine months ended September 30, 2022, available on ARC's website at [www.arcreources.com](http://www.arcreources.com) and under ARC's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## THIRD QUARTER RESULTS

### Cash Flow Used in Investing Activities and Capital Expenditures

- Cash flow used in investing activities was \$352 million during the third quarter of 2022, with the Company drilling 32 wells and completing 27 wells. Cash flow used in investing activities was \$1,063 million during the nine months ended September 30, 2022, of which \$1,049 million was invested in capital expenditures to drill 92 wells and complete 106 wells.

The following table details ARC's capital activity by area during the first nine months of 2022.

Area	Nine Months Ended September 30, 2022	
	Wells Drilled <sup>(1)</sup>	Wells Completed <sup>(1)</sup>
Kakwa	78	72
Greater Dawson	6	16
Sunrise	-	9
Ante Creek	8	9
Total	92	106

(1) Wells drilled and completed for operated assets only.

### Production and Operating Expense

#### Production

- ARC's production averaged 342,034 boe per day during the third quarter of 2022 (60 per cent natural gas and 40 per cent crude oil and liquids). Production was within the guidance range and slightly higher compared to the second quarter of 2022 driven by production growth at Kakwa.
- Kakwa production was 79,424 boe per day (50 per cent crude oil and 50 per cent natural gas), including approximately 70,000 barrels per day of condensate.
- Capital efficiencies have improved at Kakwa.
- ARC's operating expense is expected to decrease in the fourth quarter due to design changes, lower water intensity and maintenance activity.

### Free Funds Flow, Funds from Operations, and Cash Flow from Operating Activities

#### Free Funds Flow

- ARC generated free funds flow of \$580 million (\$0.89 per share) during the third quarter of 2022, of which 94 per cent or \$544 million (\$0.83 per share) was returned to shareholders.

Funds from Operations and Cash Flow from Operating Activities

- ARC generated funds from operations of \$953 million (\$1.45 per share) during the third quarter of 2022. The following table details the changes in funds from operations for the three quarters of 2022 relative to the second quarter of 2022, after a change of \$11 million (\$0.07 per share) from the second quarter of 2022.

Funds from Operations Reconciliation			
Funds from operations for the three months ended June 30, 2022		1,029.0	0.92
Production volumes			
Crude oil and liquids		87.2	0.13
Natural gas		18.2	0.03
Commodity prices			
Crude oil and liquids		(283.9)	(0.42)
Natural gas		23.8	0.03
Sales of commodities purchased from third parties		(128.6)	(0.19)
Interest income		0.3	-
Other income		(5.2)	(0.01)
Realized loss on risk management contracts		42.4	0.06
Royalties		49.1	0.07
Expenses			
Commodities purchased from third parties		140.9	0.21
Operating		(5.1)	(0.01)
Transportation		0.4	-
G&A		(13.1)	(0.02)
Interest and financing		0.3	-
Current income tax		15.0	0.02
Realized loss on foreign exchange		(18.5)	(0.03)
Other		0.1	-
Weighted average shares, diluted		-	0.06
Funds from operations for the three months ended September 30, 2022		953.0	1.45

- During the third quarter of 2022, the average price of oil contracts compared to the second quarter of 2022 was \$1.45 per barrel.
- Royalties of \$291 million were recognized during the third quarter of 2022, compared to \$291 million in the second quarter of 2022.
- Partially offsetting these lower average crude oil prices were higher average natural gas prices.

(1) Per share amounts are based on weighted average diluted common shares.

Returns to Shareholders

Dividends

- The Board has approved an increase of 25 per cent to ARC's quarterly dividend, from \$0.12 per share to \$0.15 per share, beginning with its dividend payable on January 16, 2023 to shareholders of record on December 30, 2022.
- ARC declared dividends of \$77 million or \$0.12 per share during the third quarter of 2022.
- Since commencing the NCIB in September 2021, ARC has repurchased approximately 13 per cent of its outstanding shares, or 93.2 million common shares, at a weighted average price of \$15.12 per share.
- ARC repurchased 26.2 million common shares under its NCIB during the third quarter of 2022 at a weighted average price of \$15.12 per share.
- ARC's infrastructure and transportation expenses per boe of \$6.08 remained relatively unchanged from the second quarter of 2022. The increase from the third quarter of 2021 reflects higher fuel gas expense with a corresponding increase to commodity sales from production.

● As of September 30, 2022, ARC's long-term debt balance was \$1.1 billion, and its net debt balance was \$1.0 billion, or 0.4 times funds from operations. ● ARC targets its net debt to be in the range of 1.0 to 1.5 times funds from operations.

● ARC recognized net income of \$868 million (\$1.32 per share) during the third quarter of 2022, an increase from \$763 million (\$1.15 per share) in the second quarter of 2022. ● The increase in net income related to the second quarter of 2022 is primarily due to an increase in net income related to the second quarter of 2022. ● During the quarter, ARC reduced its long-term debt by \$105 million (\$0.19 per share) from the second quarter of 2022.

● ARC continues to progress various emission reduction technologies at different stages in the life cycle to achieve an industry leading ESG position.

● Dawson Electrification - ARC's emissions intensity in BC is among the lowest in North America. In 2023, ARC will invest approximately \$16 million to continue the electrification of its Dawson facilities. Once complete, Dawson electrification will result in an emissions reduction of approximately 140,000 tonnes, which is equivalent to removing 28,000 cars or one per cent of passenger vehicles in BC off the road per year.

● Carbon Sequestration Hub - ARC was recently awarded an evaluation permit from the Government of Alberta that allows ARC to evaluate the feasibility of a carbon sequestration hub near Kakwa. The evaluation permit preserves ARC's access to pore space in the region while providing the opportunity to evaluate the economic and technical feasibility of a CCS hub.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's third quarter 2022 results on Friday, November 4, 2022, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, November 4, 2022
Time	8:00 a.m. MT
Registration Numbers	
Registration	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	51888129
Webcast URL	<a href="https://app.webinar.net/w2XYGn8NL0A">https://app.webinar.net/w2XYGn8NL0A</a>

Callers are encouraged to dial in 15 minutes before the start time to register for the event. A replay will be available on ARC's website at [www.arcresources.com](http://www.arcresources.com) following the conference call.

## NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release and in other materials disclosed by the Company, ARC employs certain measures to analyze its financial performance, financial position, and cash flow. These non-GAAP and other financial measures are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The non-GAAP and other financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS, such as net income, cash flow from operating activities, and cash flow used in investing activities, as indicators of ARC's performance.

## Non-GAAP Financial Measures

## Capital Expenditures

ARC uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. ARC's capital budget excludes acquisition or disposition activities as well as the accounting impact of any accrual changes and payments under certain lease arrangements. The most directly comparable GAAP measure to capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

(\$ millions)	Three Months Ended			Nine Mo
	June 30, 2022	September 30, 2022	September 30, 2021	Septemb
Cash flow used in investing activities	363.9	351.9	228.8	1,062.5
Cash acquired upon close of Business Combination	-	-	-	-
Acquisition of crude oil and natural gas assets	(0.8)	(1.0)	(0.8)	(2.6)
Disposal of crude oil and natural gas assets	-	4.5	0.8	11.9
Long-term investments	(0.1)	(8.6)	-	(8.7)
Change in non-cash investing working capital	(13.8)	22.1	38.2	(14.4)
Other <sup>(1)</sup>	3.2	4.0	1.4	9.9
Capital expenditures	352.4	372.9	268.4	1,058.6

(1) Comprises non-cash capitalized costs related to the Company's right-of-use asset depreciation and share-based compensation.

## Free Funds Flow

ARC uses free funds flow as an indicator of the efficiency and liquidity of ARC's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through share repurchases. ARC computes free funds flow as funds from operations generated during the period less capital expenditures. Capital expenditures is a non-GAAP financial measure. By removing the impact of current period capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash flow from operating activities. The following table details the calculation of free funds flow and its reconciliation to cash flow from operating activities.

(\$ millions)	Three Months Ended			Nine Months E
	June 30, 2022	September 30, 2022	September 30, 2021	September 30
Cash flow from operating activities	1,092.6	1,103.6	615.0	2,955.0
Net change in other liabilities	31.2	43.3	97.3	115.3
Change in non-cash operating working capital	(94.1)	(193.9)	53.1	(344.0)
Funds from operations	1,029.7	953.0	765.4	2,726.3
Capital expenditures <sup>(1)</sup>	(352.4)	(372.9)	(268.4)	(1,058.6)
Free funds flow	677.3	580.1	497.0	1,667.7

(1) Certain additional disclosures for these specified financial measures have been incorporated by reference. See "Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions, and Dispositions" in the Q3 2022 MD&A.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation about current expectations regarding the future based on certain assumptions made by ARC. Although ARC believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Forward-looking information in this news release is identified by words such as "anticipate", "believe", "ongoing", "may", "expect", "estimate", "plan", "will", "project", "continue", "target", "strategy", "upholding", or similar expressions, and includes suggestions of future outcomes. In particular, but without limiting the foregoing, this news release contains forward-looking information with respect to: ARC's 2022 guidance, including planned capital expenditures (and the commodity prices at which such capital expenditures are fully funded by funds from operations), production guidance, and expenses; the expectation that transportation costs will decrease over the balance of the year on a per unit basis; statements with respect to the 2023 capital budget including the planned investment and allocation of the 2023 capital budget; the anticipated investments in an expansion at Sunrise and sanctioning Attachie West Phase I, should the regulatory environment in BC support such investment; the expectation that ARC's operating expense per boe will decrease due to higher production volumes; plans to allocate surplus funds from operations to returns to shareholders; the continued assessment of dividends and payment thereof; ARC's plans with respect to growing its dividend and share repurchases under its NCIB; ARC's target net debt to funds from operations ratio at mid-cycle commodity prices; ARC's 2022 and 2023 guidance estimates; and other statements. Further, statements relating to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. In addition, forward-looking information may include statements attributable to third-party industry sources. There can be no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur.

Readers are cautioned not to place undue reliance on forward-looking information as ARC's actual results may differ materially from those expressed or implied. ARC undertakes no obligation to update or revise any forward-looking information except as required by law. Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to ARC and others that apply to the industry generally. The material assumptions on which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: ARC's ability to successfully integrate and realize the anticipated benefits of completed or future acquisitions and divestitures; access to sufficient capital to pursue any development plans; ARC's ability to issue securities and to repurchase its securities under the NCIB; ARC's ability to meet and maintain certain targets, including with respect to emissions-related reductions and ESG performance; expectations and projections made in light of ARC's historical experience; data contained in key modeling statistics; the potential implementation of new technologies and the cost thereof; forecast commodity prices and other pricing assumptions with respect to ARC's 2023 capital expenditure budget; continuing uncertainty of the impact of the June 29, 2021 BC Supreme Court ruling in Blueberry River First Nations (Yahey) v. Province of British Columbia on BC and/or federal laws or policies affecting resource

development in northeast BC and potential outcomes of the ongoing negotiations between Blueberry River First Nations and the Government of BC; assumptions with respect to global economic conditions and the accuracy of ARC's market outlook expectations for 2022, 2023 and in the future; suspension of or changes to guidance, and the associated impact to production; the assumption that the regulatory environment will be able to support ARC's investment in the execution of Attachie West Phase I and the Sunrise expansion, including that regulatory authorities in BC will resume granting approvals for oil and gas activities relating to drilling, completions, testing, processing facilities, and production and transportation infrastructure in 2022 on time frames, and terms and conditions, consistent with past practice; forecast production volumes based on business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by ARC, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; the ability of ARC to complete capital programs and the flexibility of ARC's capital structure; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; opportunity for ARC to pay dividends and the approval and declaration of such dividends by the Board; the existence of alternative uses for ARC's cash resources which may be superior to payment of dividends or effecting repurchases of outstanding common shares; cash flows, cash balances on hand, and access to ARC's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; the ability of ARC's existing pipeline commitments and financial risk management transactions to partially mitigate a portion of ARC's risks against wider price differentials; business interruption, property and casualty losses, or unexpected technical difficulties; estimates of quantities of crude oil, natural gas, and liquids from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; ARC's ability to obtain necessary regulatory approvals generally; potential regulatory and industry changes stemming from the results of court actions affecting regions in which ARC holds assets; risks and uncertainties related to oil and gas interests and operations on Indigenous lands; the successful and timely implementation of capital projects or stages thereof; the ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; ARC's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; ARC's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation and other assumptions inherent in the guidance of ARC; the retention of key assets; the continuance of existing tax, royalty, and regulatory regimes; GLJ Ltd.'s estimates with respect to commodity pricing; ARC's ability to access and implement all technology necessary to efficiently and effectively operate its assets; the ongoing impact of the COVID-19 pandemic on commodity prices and the global economy; and other assumptions, risks, and uncertainties described from time to time in the filings made by ARC with securities regulatory authorities.

The forward-looking information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information included in this news release are made as of the date of this news release and, except as required by applicable securities laws, ARC undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise.

#### About ARC

[ARC Resources Ltd.](#) is a pure-play Montney producer and one of Canada's largest dividend-paying energy companies, featuring low-cost operations and leading ESG performance. ARC's investment-grade credit profile is supported by commodity and geographic diversity and robust risk management practices around all aspects of the business. ARC's common shares trade on the Toronto Stock Exchange under the symbol ARX.

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