Vital Energy, Inc. Announces Fourth-Quarter 2022 Financial and Operating Results

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Company Issues 2023 Outlook; Plans to Invest $625 - $675 Million

TULSA, Feb. 21, 2023 - Vital Energy, Inc. (NYSE: VTLE) ("Vital Energy" or the "Company") today announced its fourth-quarter 2022 financial and operating results and provided its 2023 outlook. Supplemental slides have been posted to the Company's website and can be found at www.vitalenergy.com. A conference call and webcast to discuss the results is planned for 7:30 a.m. CT, Wednesday, February 22, 2023. Complete details can be found within this release.

Financial Highlights

- Reported 4Q-22 and Company-record FY-22 net income of $118.2 million and $631.5 million, respectively

- Reported 4Q-22 and Company-record FY-22 cash flows from operating activities of $108.9 million and $829.6 million, respectively

- Generated 4Q-22 and Company-record FY-22 Consolidated EBITDAX1 of $191.1 million and $913.5 million, respectively

- Generated 4Q-22 and Company-record FY-22 Free Cash Flow1 of $36.5 million and $219.9 million, respectively

- Divested certain non-operated properties for ~$110 million

- Repurchased $284.8 million face value of term-debt at 99.3% of par value during FY-22

- Repurchased $37.3 million of common stock at an average price of $76.02 per share during FY-22

- Reduced Net Debt1/Consolidated EBITDAX1 ratio to 1.18x from 2.14x at year-end 2021

Operational Highlights

- Produced 35.9 thousand barrels of oil per day ("MBO/d") and 77.9 thousand barrels of oil equivalent per day ("MBOE/d") in 4Q-22, both above the high-end of guidance

- Incurred capital expenditures of $130 million, excluding non-budgeted acquisitions and leasehold expenditures, in 4Q-22, below guidance range

- Grew 2022 oil production 19% over prior year, primarily related to the acquisition and development of oil-weighted properties

- Maintained approximately eight years of oil-weighted inventory at current activity levels, organically adding locations in Glasscock County

- Published 2022 ESG and Climate Risk Report, reporting Scope 1 GHG emissions intensity and methane intensity reductions of 34% and 63%, respectively, compared to 2019 baseline levels

1Non-GAAP financial measure; please see supplemental reconciliations of GAAP to non-GAAP financial measures at the end of this release.

"Our strong financial performance in 2022 was a direct result of the execution of our strategy to create shareholder value by acquiring and developing oil-weighted properties," commented Jason Pigott, President and Chief Executive Officer. "The assets we acquired since 2019 enabled Vital Energy to capitalize on higher oil prices, drive higher margins, and generate $220 million in Free Cash Flow in 2022. We utilized our

Free Cash Flow and divestiture proceeds to reduce term-debt by $285 million and repurchase $37 million of common stock while cutting our leverage ratio almost in half."

"We enter 2023 positioned to build on our recent momentum," continued Pigott. "Both production and capital outperformed expectations in the fourth quarter of 2022 and our 2023 development plan is focused on our top-tier assets in northern Howard County. We recently announced an accretive oil-weighted acquisition that expands our Midland Basin footprint into a prolific area of Upton County, adding additional high-margin production and inventory. Our disciplined development and acquisition strategies have delivered improved financial results and a strengthened balance sheet, laying the foundation for sustainable Free Cash Flow generation and shareholder returns."

Fourth-Quarter 2022 Financial and Operations Summary

Financial Results. The Company reported net income attributable to common stockholders of $118.2 million, or $7.13 per diluted share. Adjusted Net Income1 was $57.8 million, or $3.49 per adjusted diluted share. Consolidated EBITDAX was $191.1 million.

Production. Consistent with preliminary volumes disclosed in early January, Vital Energy's oil and total production during the period averaged 35,887 BO/d and 77,947 BOE/d, respectively. Both oil and total production in fourth-quarter 2022 were above the top-end of Company guidance, driven by outperformance from its base production and the productivity of new wells, as well as less than expected downtime related to offset-operator completions.

Capital Investments. Total incurred capital expenditures were $130 million, excluding non-budgeted acquisitions and leasehold expenditures, below the low-end of guidance as inflationary pressures moderated. Investments included $112 million in drilling and completions, $6 million in infrastructure, including Vital Midstream Services investments, $7 million in other capitalized costs and $5 million in land, exploration and data related costs. Non-budgeted acquisitions and leasehold expenditures (including surface land) totaled $2 million. Vital Energy completed and turned-in-line ("TIL") 13 wells during fourth-quarter 2022.

Operating Expenses. Lease operating expenses ("LOE") during the period were $6.53 per BOE, in line with guidance.

General and Administrative Expenses. General and administrative ("G&A") expenses, excluding long-term incentive plan ("LTIP") expenses, for fourth-quarter 2022 were $2.20 per BOE. Cash and non-cash LTIP expenses were $(0.04) per BOE and $0.25 per BOE, respectively. Cash LTIP expense was below guidance due to the stock price decline in fourth-quarter 2022.

Liquidity. At December 31, 2022, the Company had $70 million drawn on its $1.0 billion senior secured credit facility and cash and cash equivalents of $44 million. At February 17, 2023, the Company had $135 million drawn on its senior secured credit facility and cash and cash equivalents of $16 million.

2023 Outlook

Capital Investments. The 2023 outlook reflects the Company's ongoing focus on capital discipline and maximizing Free Cash Flow. Vital Energy plans to invest $625 - $675 million in 2023, maintaining relatively flat year-over-year activity levels. The Company has estimated cost inflation of approximately 15% over 2022 averages.

Vital Energy expects to operate two drilling rigs throughout the year, two completions crews for the first quarter and one completions crew for the remaining nine months of 2023. The Company's capital plan in 2023 remains focused primarily on high-return projects in Howard County. All ~55 development wells Vital Energy expects to TIL in 2023 are anticipated to be in Howard County.

Production. The Company's activities are expected to result in full-year 2023 oil production of 34.0 - 37.0 MBO/d and total production of 72.0 - 76.0 MBOE/d. Production expectations exclude volumes associated with the Company's recently announced acquisition of producing properties (see below).

Driftwood Acquisition. On February 14, 2023, Vital Energy announced the acquisition of oil-weighted production and inventory from Driftwood Energy for consideration of ~1.58 million shares of Vital Energy common stock and $127.6 million in cash. Upon closing, which is expected in early April 2023, Vital Energy does not anticipate any changes to its activity levels or capital budget. The Company plans to update FY-23 guidance post-closing of the acquisition.

"Our disciplined 2023 investment plan focuses on maximizing Free Cash Flow by concentrating development on our most capital-efficient leasehold," commented Pigott. "This plan holds full-year 2023 average oil production relatively flat with fourth-quarter 2022 levels with no increase in prior-year activity levels. Upon closing of the Driftwood acquisition, we expect to incorporate any activity on the acquired leasehold within our current plan. The Driftwood acquisition furthers our strategy of making accretive acquisitions that extend oil-weighted inventory and grow production without increasing activity levels."

Oil-Weighted Inventory

Vital Energy continues to focus on the strategic acquisition and development of oil-weighted inventory to improve capital efficiency and Free Cash Flow generation. As of year-end 2022, the Company had ~445 high-quality, development ready locations in the Midland Basin with an average breakeven WTI oil price of

2022 Proved Reserves

Vital Energy's total proved reserves were 302.3 MMBOE (39% oil, 74% developed) at year-end 2022. The standardized measure of discounted net cash flows was $4.8 billion based on SEC benchmark pricing of $90.15 per barrel for oil and $5.20 per MMBtu for natural gas. The PV-10 value was $5.5 billion, utilizing the same benchmark prices.

Proved reserves decreased 16.3 MMBOE from year-end 2021. The decrease is primarily related to forecast revisions of producing wells in the Company's legacy acreage, changes in the development schedule and the divestiture of non-operated properties.

Commitment to ESG

A strong commitment to ESG excellence is a core operating principle of Vital Energy. This commitment is reflected in the board of directors' oversight of programs and policies related to ESG matters and the Company's annual publication of its ESG and Climate Risk Report utilizing standards aligned with five different reporting frameworks. In the Company's 2022 ESG and Climate Risk Report, Vital Energy demonstrated substantial progress towards its 2025 emissions intensity goal of 12.5 metric tons of CO2 equivalent per MBOE produced ("mtCO2/MBOE"), reporting 2021 Scope 1 emissions intensity of 17.26 mtCO2/MBOE. The Company also introduced a 2030 combined Scope 1 & 2 emissions intensity goal of 10.0 mtCO2/MBOE.

Additionally, Vital Energy has incorporated a combination of environmental and safety metrics into executive compensation for four consecutive years, demonstrating the importance of operating sustainably and prioritizing the health of our employees and contractors. In 2022, environmental and safety goals comprised 20% of the executive short-term incentive plan goals. Significantly, in 2022, Vital Energy reported zero employee incidents.

First-Quarter and Full-Year 2023 Guidance

The table below reflects the Company's guidance for total and oil production and incurred capital expenditures for first-quarter and full-year 2023. Production guidance does not include volumes associated with the recently announced acquisition.

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