Chesapeake Reports Fourth Quarter And Full-year 2022 Financial And Operating Results And Issues 2023 Outlook

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OKLAHOMA CITY, Feb. 21, 2023 - Chesapeake Energy Corp. (NASDAQ:CHK) today reported fourth quarter and full-y results and issued 2023 guidance.

Fourth Quarter 2022 Highlights:

- Net cash provided by operating activities of \$1,050 million
- Net income totaled \$3,513 million, or \$24.00 per fully diluted share; adjusted net income⁽¹⁾ totaled \$618 million, or share
- Adjusted EBITDAX⁽¹⁾ of \$1,032 million; free cash flow⁽¹⁾ of \$526 million; adjusted free cash flow⁽¹⁾ of \$273 million, the effect of asset sales
- Quarterly dividend of \$1.29 per common share to be paid in March 2023; repurchased approximately 4.1 million sapproximately \$406 million
- Produced approximately 4.05 bcfe/d net (90% natural gas)

Full-Year 2022 Highlights:

- Net cash provided by operating activities of \$4,125 million
- Generated company-record \$2.1 billion of adjusted free cash flow⁽¹⁾ and returned \$2.3 billion to shareholders in dishare repurchases
- Simplified capital structure with exchange of approximately two-thirds of outstanding warrants and completed app \$1.1 billion of authorized \$2.0 billion share repurchase program
- Proved reserves of approximately 13.0 tcfe at year end 2022; standardized measure of discounted future net cas approximately \$26.3 billion
- Secured independent Responsibly Sourced Gas (RSG) certification for 100% of approximately 6 bcf per day of groduced natural gas volumes

2023 Outlook Highlights:

- Optimized capital allocation with reduced activity levels; production expected to modestly decline year-over-year; ready
- Total expected capital expenditures of \$1.765 \$1.835 billion
- Equity investment in Momentum Midstream \$285 \$315 million for the year; project remains on budget and scheen
- Lowered interim targets to less than 3.0 mt CO₂e/boe GHG intensity and 0.02% methane intensity by 2025

(1) A Non-GAAP measure as defined in the supplemental financial tables available on the company's website at www.chk.com.

Nick Dell'Osso, Chesapeake's President and Chief Executive Officer, said, "The premium rock, returns, and runway of outstanding assets delivered strong results in 2022, allowing us to return an industry-leading \$2.3 billion to shareholder dividends and buybacks. While we continue to see strong long-term natural gas demand and rising LNG export capacit operating plan preserves margins, optimizes capital allocation and maintains our premier balance sheet as we navigate market volatility. Behind our disciplined capital allocation, proactive hedging program, and strong balance sheet, we are generating significant free cash flow from operations. When combined with proceeds from recent Eagle Ford divestiture expect that our plan will allow us to again deliver our leading shareholder return framework in the year ahead."

Shareholder Return Update

Chesapeake generated \$1,050 million of operating cash flow during the fourth quarter. Chesapeake plans to pay its ba variable dividend on March 23, 2023 to shareholders of record at the close of business on March 7, 2023. The total cor

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dividend, including the variable and base components, is calculated as follows:

(\$ and shares in millions, except per share amounts)	4Q 2022	
Net cash provided by operating activities (GAAP)		
Less cash capital expenditures		
Less cash contributions to investments	18	
Less free cash flow associated with assets under contract	235	
Adjusted free cash flow (Non-GAAP)	273	
Less cash paid for common base dividends	74	
50% of adjusted free cash flow available for common variable dividends		
Common shares outstanding at 2/21/23 ⁽¹⁾	135	
Variable dividend payable per common share in March 2023	\$ 0.74	
Base dividend payable per common share in March 2023	\$ 0.55	
Total dividend payable per common share in March 2023	\$ 1.29	

(1) Basic common shares outstanding as of the declaration date of 2/21/2023. Assumes no exercise of warrants between

dividend declaration date and dividend record date.

Including fourth quarter base and variable dividends, Chesapeake returned \$1.2 billion to shareholders in 2022. The Co enhanced its capital structure and returns framework in 2022 through the repurchase of approximately \$1.1 billion of its stock (under its \$2.0 billion buyback authorization through December 2023) and the exchange of 18.4 million common two-thirds of outstanding warrants.

Operations Update

Chesapeake's net production in the fourth quarter was approximately 4.05 bcfe per day (approximately 90% natural ga total liquids), utilizing an average of 14 rigs to drill 58 wells and place 66 wells on production. Fourth quarter sales were impacted by minor production curtailments in November and weather conditions in late December.

For the full year 2022, the company produced approximately 4.0 bcfe per day (approximately 90% natural gas and 10% liquids), utilizing an average of 14 rigs to drill 217 wells and place 215 wells on production.

Chesapeake is currently operating 14 rigs including five in the Marcellus, seven in the Haynesville, and two in the Eagle company is currently operating five frac crews including one in the Marcellus, two in the Haynesville and two in the Eagle company expects to drop two rigs in the Haynesville during 2023, one in the first quarter and another in the third quarter the Marcellus in the third quarter while maintaining one to two frac crews in each asset throughout the year. The compart to drill 50 - 60 wells and place 45 - 55 wells on production in the first quarter of 2023. The company's operating plan rer flexible and is prepared for further adjustments, higher or lower, should market conditions change materially.

ESG Update

In 2022, Chesapeake achieved independent responsibly sourced gas certification across all of its natural gas assets un combination of the MiQ methane standard, the EO100™ Standard for Responsible Energy Development and Pi Canary's TrustWell certification process. Chesapeake is the first producer to achieve certification for produced and mar

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volumes across two industry leading gas plays, delivering approximately 6 bcf per day of the premium commodity.

Since 2021, Chesapeake has installed more than 2,000 continuous methane emission monitoring devices and retrofitted approximately 19,000 pneumatic devices. In 2022, the company began conducting aerial Gas Mapping LiDAR scans to emissions semiannually across the entirety of its assets, facilitating prompt remediation efforts, reducing emissions and gas revenues.

The company expanded its 2035 net zero goal to include both Scope 1 and Scope 2 GHG emissions. It also lowered its attained interim 2025 GHG and methane intensity targets to 3.0 mt CO₂e/boe and 0.02%, respectively.

Conference Call Information

Chesapeake plans to conduct a conference call to discuss its recent financial and operating results and its 2023 outloo EDT on Wednesday, February 22, 2023. The telephone number to access the conference call is 888-317-6003 or 412-international callers. The passcode is 5334078.

Financial Statements, Non-GAAP Financial Measures and 2023 Guidance and Outlook Projections

The company's 2022 fourth quarter and year-end financial and operational results, along with non-GAAP measures that items typically excluded by securities analysts, are available on the company's website. Non-GAAP measures should no considered as an alternative to GAAP measures. Reconciliations of these non-GAAP measures and other disclosures with the supplemental financial tables available on the company's website at www.chk.com. Management's updated gu 2023 can be found on the company's website at www.chk.com.

Headquartered in Oklahoma City, <u>Chesapeake Energy Corp.</u> (NASDAQ:CHK) is powered by dedicated and innovative who are focused on discovering and responsibly developing our leading positions in top U.S. oil and gas plays. With a gachieve net zero GHG emissions (Scope 1 and 2) by 2035, Chesapeake is committed to safely answering the call for a reliable, lower carbon energy.

Forward-Looking Statements

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 193 Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements other than statements fact. They include statements that give our current expectations, management's outlook guidance or forecasts of future expected natural gas and oil growth trajectory, projected cash flow and liquidity, our ability to enhance our cash flow an flexibility, dividend plans, future production and commodity mix, plans and objectives for future operations, ESG initiative ability of our employees, portfolio strength and operational leadership to create long-term value, and the assumptions of such statements are based. Although we believe the expectations and forecasts reflected in our forward-looking statements are inherently subject to numerous risks and uncertainties, most of which are difficult to predict and mare beyond our control. No assurance can be given that such forward-looking statements will be correct or achieved or assumptions are accurate or will not change over time.

Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors that cause the could be actual results and the could be actual results." Item 1A of our annual report on Form 10-K and any updates to those factors set forth in Chesapeake's subsequent qua reports on Form 10-Q or current reports on Form 8-K (available at http://www.chk.com/investors/sec-filings). These risk include: the ability to execute on our business strategy following emergence from bankruptcy; the impact of the COVID pandemic and its effect on our business, financial condition, employees, contractors and vendors, and on the global de and natural gas and U.S. and world financial markets; risks related to the acquisition of Chief E&D Holdings LP and affi Hill, Inc. (together, "Chief"), including our ability to successfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessfully integrate the business of Chief into the company and accessful the company and accessful the company and accessful the company and access the company access to the company and access to the company access expected synergies from the Chief acquisition within the expected timeframe; the volatility of oil, natural gas and NGL p limitations our level of indebtedness may have on our financial flexibility; our inability to access the capital markets on fi terms; the availability of cash flows from operations and other funds to fund cash dividends, to finance reserve replacer or satisfy our debt obligations; write-downs of our oil and natural gas asset carrying values due to low commodity prices to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil, natural gas and NGL re projecting future rates of production and the amount and timing of development expenditures; our ability to generate pr achieve targeted results in drilling and well operations; leasehold terms expiring before production can be established; derivative activities resulting in lower prices realized on oil, natural gas and NGL sales; the need to secure derivative lia the inability of counterparties to satisfy their obligations; adverse developments or losses from pending or future litigation

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regulatory proceedings, including royalty claims; charges incurred in response to market conditions; drilling and operations resulting liabilities; effects of environmental protection laws and regulations on our business; legislative and regulatory in further regulating hydraulic fracturing; our need to secure adequate supplies of water for our drilling operations and to describe the water used; impacts of potential legislative and regulatory actions addressing climate change; federal and so proposals affecting our industry; potential OTC derivatives regulation limiting our ability to hedge against commodity prifluctuations; competition in the oil and gas exploration and production industry; a deterioration in general economic, busindustry conditions; negative public perceptions of our industry; limited control over properties we do not operate; pipeling gathering system capacity constraints and transportation interruptions; terrorist activities and cyber-attacks adversely in operations; and an interruption in operations at our headquarters due to a catastrophic event.

In addition, disclosures concerning the estimated contribution of derivative contracts to our future results of operations a upon market information as of a specific date. These market prices are subject to significant volatility. Our production for also dependent upon many assumptions, including estimates of production decline rates from existing wells and the out future drilling activity. We caution you not to place undue reliance on our forward-looking statements that speak only as of this presentation, and we undertake no obligation to update any of the information provided in this presentation, excerning the estimated production of the information that reflects management's judgment only as of the date of this presentation.

INVESTOR CONTACT:	MEDIA CONTACT:	
Chris Ayres	Brooke Coe	
(405) 935-8870	(405) 935-8878	
ir@chk.com	media@chk.com	

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