

Arc Resources Ltd. Reports First Quarter 2023 Results And Announces The Sanction Of Attachie And Dividend Increase

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CALGARY, May 4, 2023 - (TSX: ARX) [ARC Resources Ltd.](#) ("ARC" or the "Company") today reported its first quarter 2023 and operational results, announced the sanctioning of Attachie Phase I, provided revisions to its 2023 guidance, and increased its dividend.

HIGHLIGHTS

Attachie Phase I Sanction and Revised Guidance

- The Board has approved the sanction of Attachie Phase I. The capital costs to construct and fill the facility are approximately \$740 million. Attachie Phase I is expected to deliver approximately 40,000 boe per day, and includes a 90 MMcf per day natural gas processing facility and 25,000 barrels per day of liquids-handling infrastructure. ARC anticipates achieving approximately 100,000 boe per day of productive capacity in the first half of 2025.
- ARC has updated its 2023 guidance to incorporate the sanction of Attachie Phase I. The revised total capital budget is unchanged at \$1.8 billion to \$1.9 billion⁽¹⁾ (\$1.8 billion previously), and includes \$250 million to \$300 million at Attachie Phase I. Offsetting the Attachie Phase I capital expenditures is lower capital investment on ARC's base assets due to stronger production performance, and the removal of certain infrastructure projects.
- ARC increased production guidance in 2023 to average between 350,000 and 355,000 boe per day (previously 330,000 to 350,000 boe per day). The increase reflects stronger than forecast production from its base assets.

First Quarter Highlights and Dividend Increase

- ARC delivered first quarter 2023 average production of 338,377 boe⁽²⁾ per day (62 per cent natural gas and 38 per cent oil and liquids⁽³⁾). Stronger than forecast base production more than offset third-party downtime resulting in an increase to 2023 production guidance.
 - ARC generated funds from operations of \$717 million⁽⁴⁾ (\$1.16 per share)⁽⁵⁾ and free funds flow of \$230 million⁽⁶⁾ (\$0.36 per share)⁽⁷⁾. ARC recognized cash flow from operating activities of \$540 million and net income of \$575 million (\$0.90 per share).
 - Market diversification resulted in an average realized natural gas price of \$5.89 per Mcf⁽⁵⁾, 36 per cent greater than the average AECO 7A Monthly Index price.
- ARC's Board of Directors (the "Board") has approved a 13 per cent increase to the quarterly dividend, from \$0.15 per share to \$0.17 per share. This is a continuation of ARC's strategy to sustainably grow the

dividend with the underlying profitability of the business, and on a per share basis as the share count is reduced.

- ARC distributed 106 per cent or \$243 million (\$0.39 per share) of free funds flow for the period to shareholders through base dividends and share repurchases. Net debt was maintained at 1.3 billion or 0.3 times

funds from operations⁽⁴⁾ as ARC disposed of non-core assets for cash proceeds of \$74 million and dedicated the proceeds to repurchasing shares. ● ARC repurchased 10 million shares during the first quarter. Since renewing September 1, 2022, ARC has repurchased 44 million common shares, repre

- Capital expenditures in the first quarter registered at \$485 million while cash flow from investing activities of \$397 million included the proceeds from the disposition of non-core assets. ARC drilled 46 wells and completed 34 wells

across its Alberta and British Columbia ("BC") assets.

- ARC entered into a non-binding Memorandum of Understanding for a 20-year agreement to supply and liquefy approximately 200 MMcf per day of natural gas with the Cedar LNG Project in BC. This represents the equivalent of

1.5 million tonnes per annum of LNG or approximately one half of the facility's total production capacity. ARC is advancing a binding agreement and continues to pursue LNG offtake arrangements to increase its anticipated total exposure to internationally linked natural gas pricing.

ARC's consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three months ended March 31, 2023, are available on ARC's website at www.arcresources.com under ARC's SEDAR profile at www.sedar.com. The disclosures under the sections entitled "Netback" and "Non-GAAP Financial Measures" in ARC's MD&A as at and for the three months ended March 31, 2023 (the "Q1 2023 MD&A") are incorporated by reference in this news release.

- (1) Refer to the section entitled "About ARC Resources Ltd." contained within the Q1 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.
- (2) 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.
- (3) 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.
- (4) See Note 10 "Capital Management" in the financial statements and "Non-GAAP and Other Financial Measures" in the Q1 2023 MD&A for information relating to this capital management measure, which information is incorporated by reference into this news release.
- (5) See "Non-GAAP and Other Financial Measures" in the Q1 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (6) 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 Q1 2023 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.
- (7) Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar ratios disclosed by other issuers. Free funds flow, a non-GAAP financial measure, is used as a FINANCIAL AND OPERATIONAL RESULTS Non-GAAP and Other Financial Measures" in the Q1 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio,

which information is incorporated by reference into this news release.			
(Cdn\$ millions, except per share amounts ⁽¹⁾ , boe amounts,	Three Months Ended		
and common shares outstanding)	December 31, 2022	March 31, 2023	March 31, 2022
FINANCIAL RESULTS			
Net income (loss)	741.0	574.9	(69.4)
Per share	1.18	0.93	(0.10)
Cash flow from operating activities	878.3	540.3	758.8
Per share ⁽²⁾	1.39	0.87	1.10
Funds from operations	986.2	717.4	743.6
Per share	1.56	1.16	1.08
Free funds flow	602.9	230.0	410.3
Per share	0.96	0.37	0.60

Dividends declared	93.4	91.9	68.2
Per share	0.15	0.15	0.10
Cash flow used in investing activities	350.7	397.4	346.7
Capital expenditures	383.3	487.4	333.3
Long-term debt	990.0	1,056.0	1,578.7
Net debt	1,301.5	1,264.7	1,695.5
Common shares outstanding, weighted average diluted (millions)	630.3	619.2	688.8
Common shares outstanding, end of period (millions)	620.9	611.2	680.9
OPERATIONAL RESULTS			
Production			
Crude oil (bbl/day)	7,280	7,884	7,892
Condensate (bbl/day)	82,855	71,085	72,956
Crude oil and condensate (bbl/day)	90,135	78,969	80,848
Natural gas (MMcf/day)	1,310	1,264	1,280
NGLs (bbl/day)	51,311	48,800	50,257
Total (boe/day)	359,730	338,377	344,447
Average realized price			
Crude oil (\$/bbl) ⁽²⁾	103.58	92.78	111.48
Condensate (\$/bbl) ⁽²⁾	107.24	104.10	119.15
Natural gas (\$/Mcf)	8.31	5.89	5.98
NGLs (\$/bbl) ⁽²⁾	28.86	28.59	27.94
Average realized price (\$/boe) ⁽²⁾	61.17	50.16	54.10
Netback			
Commodity sales from production (\$/boe) ⁽²⁾	61.17	50.16	54.10
Royalties (\$/boe) ⁽²⁾	(10.18)	(7.96)	(7.81)
Operating expense (\$/boe) ⁽²⁾	(4.37)	(4.50)	(4.04)
Transportation expense (\$/boe) ⁽²⁾	(5.70)	(5.61)	(5.57)
Netback (\$/boe) ⁽³⁾	40.92	32.09	36.68

TRADING STATISTICS ⁽⁴⁾			
High price	20.49	18.07	17.50
Low price	17.05	14.33	11.66
Close price	18.25	15.33	16.74
Average daily volume (thousands of shares)	4,259	5,949	4,224

- (1) Per share amounts, with the exception of dividends, are based on weighted average diluted common shares.
- (2) See "Non-GAAP and Other Financial Measures" in the Q1 2023 MD&A for an explanation of the composition of this supplementary financial measure, which information is incorporated by reference into this news release.
- (3) Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar ratios disclosed by other issuers. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See "Netback" and "Non-GAAP and Other Financial Measures" in the Q1 2023 MD&A for the non-GAAP ratio for the comparative period and other information relating to this non-GAAP ratio, which information is incorporated by reference into this news release.
- (4) Trading prices are stated in Canadian dollars on a per share basis and are based on intra-day trading on the Toronto Stock Exchange.

OUTLOOK

ARC's strategic priorities are to deliver sustainable free funds flow per share growth adhering to longstanding principles of capital discipline, profitability, and financial strength. To achieve this, ARC has put forth a strategy that balances organic investment in its highest return assets with a meaningful capital return that includes a growing base dividend and share repurchases when deemed a profitable investment. A milestone in achieving these goals includes advancing the development of Attachie in northeast BC ("NEBC").

Attachie Phase I Sanction

ARC is pleased to announce that Attachie Phase I has been sanctioned by the Board. Attachie is a multi-phase development that spans approximately 300 net sections in NEBC, providing a multi-decade development runway for condensate and low-emission natural gas. Attachie Phase I is a 40,000 boe per day project with a capital cost of approximately \$740 million to build and fill the facility. ARC has secured access to critical services and has taken steps to mitigate inflation across critical parts of the supply chain. Long-term takeaway capacity for all products has been secured to retain operational flexibility, maintain a low cost structure, and maximize profitability.

The development plan put forth aligns with the principles of the agreements reached between the BC government and Treaty 8 First Nations, which address the cumulative impacts of development of the neighbouring Treaty 8 territories. These recent agreements, combined with ARC's collaboration with the Treaty 8 First Nations, has provided confidence to proceed with the Attachie development. Through continued partnership and engagement, ARC is committed to advancing the project in a manner that protects the environmental and cultural values and contributes to the economic prosperity of Treaty 8 First Nations, while creating value for its shareholders and the Province.

Attributes of Attachie Phase I:

Capital expenditures to develop Attachie Phase I are estimated at \$740 million. This includes the capital investment to construct the facility and drill approximately 39 wells to fill the facility. Included in the capital expenditures is approximately \$65 million of investments for subsequent phases at Attachie.

Attachie Phase I is estimated to deliver annual average production of approximately 40,000 boe per day (60 per cent crude oil and natural gas liquids and 40 per cent natural gas). Production is expected to commence in late 2024, with full productive capacity anticipated in the first half of 2025.

- Total facility capacity includes a 90 MMcf per day natural gas processing facility and 25,000 barrels per day of liquid capacity.
- In its first full-year of operations, ARC anticipates that Attachie Phase I will contribute approximately \$450 million of operating income⁽¹⁾, based on the April 20, 2023 forward curve⁽²⁾.
- Estimated capital to sustain production is approximately \$150 million per year over the initial five years after achieving full productive capacity.

Consistent with its NEBC operations, ARC plans to electrify the natural gas processing facility upon commissioning. This will reduce ARC's emissions intensity and contribute meaningfully towards achieving its

emissions intensity reduction targets. As part of the Attachie development program, ARC is investing in water recycling infrastructure that will significantly reduce fresh water use.

(1) Refer to the section entitled "About ARC Resources Ltd." contained within the Q1 2023 MD&A for historical funds from operations, which information is incorporated by reference into this news release.

(2) Forward curve as at April 20, 2023 (US\$WTI \$65.00 per barrel and US\$4.25/Mcf NYMEX).

2023 Guidance

ARC has updated its 2023 guidance to reflect stronger production and incorporate the sanction of Attachie Phase I.

ARC intends to invest between \$1.8 billion and \$1.9 billion in capital expenditures (previously \$1.8 billion). The company plans to invest \$250 million to \$300 million at Attachie Phase I in 2023. The majority of the Attachie Phase I investment in 2023 will be allocated towards long-lead items and infrastructure construction. Revised guidance includes approximately \$70 million of capital inflation that has been realized year-to-date.

Offsetting the investment for Attachie Phase I is lower capital investment required to sustain base production due to stronger than forecast well performance, and the removal of approximately \$120 million of capital previously allocated for water infrastructure at Kakwa. In its place, ARC has secured a long-term agreement with a third-party for water infrastructure and disposal at competitive terms. The agreement is expected to decrease associated operating costs by between \$30 million and \$60 million per year beginning in 2024.

Other guidance revisions include a three per cent decrease to operating costs per boe, and slight revisions to the production mix to reflect a higher natural gas weight as a result of the third-party downtime in the first quarter, and updated timing of new well pads at Kakwa. All other expenses are unchanged.

ARC's 2023 preliminary annual guidance, 2023 revised annual guidance, and a review of 2023 year-to-date results are outlined below:

2023 Preliminary Guidance 20

Crude oil (bbl/day)	8,500 - 9,000	8,
Condensate (bbl/day)	79,000 - 81,000	70
Crude oil and condensate (bbl/day)	87,500 - 90,000	80
Natural gas (MMcf/day)	1,260 - 1,270	1,
NGLs (bbl/day)	47,000 - 49,000	49
Total (boe/day)	345,000 - 350,000	350
Expenses (\$/boe) ⁽¹⁾		
Operating	4.60 - 5.00	4.60
Transportation	5.50 - 6.00	5.50
General and administrative ("G&A") expense before share-based compensation expense	0.85 - 0.95	0.85
G&A - share-based compensation expense	0.25 - 0.35	0.25
Interest and financing ⁽²⁾	0.65 - 0.75	0.65
Current income tax expense as a per cent of funds from operations ⁽¹⁾	10 - 15	10
Capital expenditures (\$ billions) ⁽³⁾	1.8	1.8

(1) See "Non-GAAP and Other Financial Measures" in the Q1 2023 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.

(3) Refer to the section entitled "About ARC Resources Ltd." contained within the Q1 2023 MD&A for historical capital expenditures, which information is incorporated by reference into this news release.

Investor Day

ARC will host an Investor Update on Thursday, June 22, 2023 in Toronto. The live event will feature presentations from the executive leadership team and will provide greater insight into ARC's long-term strategy, including asset-level detail and details of the Attachie Phase I development.

FINANCIAL AND OPERATIONAL RESULTS

Production

- First quarter production averaged 338,377 boe per day (62 per cent natural gas and 38 per cent crude oil and liquids).
- Strong base production more than offset the previously announced unplanned third-party downtime. The total impact of unplanned third-party outages was approximately 7,000 boe per day in the quarter with production fully restored in February.
- Kakwa delivered first quarter 2023 average production of 181,867 boe per day. Since acquiring the asset in 2021, it has contributed \$3.7 billion to ARC's free funds flow.

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

Funds from Operations and Cash Flow from Operating Activities

- First quarter 2023 funds from operations was \$717 million (\$1.16 per share), representing a decrease of \$269 million from the first quarter of 2022. This decrease was primarily driven by lower production and lower commodity prices. Part of this decrease was due to the following items:
 - G&A expense of \$35 million (\$0.06 per share) decreased by 38 per cent or \$21 million from \$66 million in the first quarter of 2022.
 - ARC generated free funds flow of \$230 million (\$0.37 per share) during the first quarter of 2023, compared to \$243 million (\$0.39 per share) in the first quarter of 2022.
 - ARC distributed 106 per cent or \$243 million (\$0.39 per share) of free funds flow to shareholders through a combination of share-based compensation liabilities, 2023 dividends and share repurchases.
 - Realized losses on risk management contracts of \$151 million decreased \$128 million from \$279 million in the first quarter of 2022.
 - With net debt approaching the bottom of ARC's debt targets, ARC intends to reduce its net debt by approximately 25 per cent of its natural gas hedge in 2023, primarily from operating activities.
- During the first quarter 2023, ARC declared dividends of \$92 million (\$0.15 per share).
- The Board approved a 13 per cent increase to the quarterly dividend, from \$0.15 per share to \$0.17 per share. This increase is effective with the second quarter dividend payable on July 17, 2023 to shareholders of record on June 15, 2023.

Share Repurchases

- During the first quarter of 2023, ARC repurchased 10 million common shares under its NCIB at a weighted average price of \$15.51 per share.
- ARC has repurchased 44 million common shares since renewing its NCIB on September 1, 2022, representing 6 per cent of its current NCIB allotment.
- Since commencing its initial NCIB in September 2021, ARC has repurchased approximately 16 per cent of total common shares, or 116 million common shares, at a weighted average price of \$15.54 per share.

The following table details the change in funds from operations for the first quarter of 2023 relative to the fourth quarter of 2022.

Funds from Operations Reconciliation	\$ millions	\$/share ⁽¹⁾
Funds from operations for the three months ended December 31, 2022	986.2	1.56
Production volumes		
Crude oil and liquids	(136.7)	(0.22)
Natural gas	(56.0)	(0.09)
Commodity prices		
Crude oil and liquids	(29.0)	(0.04)
Natural gas	(275.2)	(0.45)
Sales of commodities purchased from third parties	(89.5)	(0.14)
Interest and other income	(0.2)	-
Realized loss on risk management contracts	127.5	0.20
Royalties	94.7	0.15
Expenses		
Commodities purchased from third parties	67.8	0.11
Operating	7.6	0.01
Transportation	17.7	0.03
G&A	21.0	0.03
Interest and financing	4.5	0.01
Current income tax	(8.5)	(0.01)
Realized loss on foreign exchange	(17.0)	(0.03)
Other	2.5	-
Weighted average shares, diluted	-	0.04
Funds from operations for the three months ended March 31, 2023	717.4	1.16

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

Operating and Transportation Expense

Operating Expense

- ARC's first quarter 2023 operating expense was \$4.50 per boe, slightly below the Company's guidance range of \$4.50 to \$5.00 per boe.
- ARC revised its 2023 guidance to include a decrease in operating expenses to \$4.45 to \$4.85 (previously \$4.60 to \$5.00) per boe.
- ARC executed a third-party agreement for water disposal and related infrastructure at Kakwa. The agreement is expected to reduce operating costs by between \$30 million and \$60 million per year beginning in 2024.

Transportation Expense

- ARC's first quarter 2023 transportation expense per boe of \$5.61 decreased by two per cent from the fourth quarter 2022 and was in-line with ARC's guidance range of \$5.50 to \$6.00 per boe. The decrease is primarily related to lower fuel expense.

Cash Flow Used in Investing Activities and Capital Expenditures

- In the first quarter 2023, ARC's cash flow used in investing activities was \$397 million. Of this, ARC invested \$483 million in capital expenditures to drill 46 wells and complete 34 wells.
- ARC disposed of certain non-core assets for cash proceeds of \$74 million. These proceeds were subsequently used to repurchase ARC shares.

The following table details ARC's capital activity by area during the first quarter of 2023.

	Three Months Ended March 31, 2023	
Area	Wells Drilled ⁽¹⁾⁽²⁾	Wells Completed ⁽¹⁾
Kakwa	28	21
Greater Dawson	8	-
Sunrise	6	5
Ante Creek	4	8
Total	46	34

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

(2) Excludes disposal wells.

Physical Marketing and LNG

- During the first quarter, ARC's infrastructure and committed takeaway capacity played a critical role in mitigating price volatility at AECO while capturing additional margin during periods of price volatility at various points in North America.
- ARC's first quarter average realized natural gas price was \$5.89 per Mcf, 36 per cent higher than the average AECO Monthly Index price for the period.
- ARC's 170,000 MMBtu per day of physical exposure to Malin represented approximately 10 per cent of ARC's total physical exposure. During the first quarter, the PG&E Malin daily price averaged US\$9.39 per MMBtu.
- ARC entered into a non-binding Memorandum of Understanding for a 20-year agreement to supply and liquefy approximately 200 MMcf per day of natural gas with the

Cedar LNG Project in BC. This represents the equivalent of 1.5 million tonnes per annum of LNG or approximately one half of the facility's total production. ARC is advancing a binding agreement and continues to pursue LNG offtake arrangements to increase its anticipated total exposure to internationally linked natural gas pricing.

Net Debt

- As of March 31, 2023, ARC's long-term debt balance was \$1.1 billion, and its net debt balance was \$1.3 billion, of which \$0.2 billion was funded by funds from operations.
 - ARC targets its net debt to be in the range of 1.0 to 1.5 times funds from operations and cash.
 - Long-term debt is comprised of \$1.0 billion of senior notes outstanding and \$0.1 billion of a \$1.8 billion credit facility.
- ARC holds an investment-grade credit rating, which allows the Company to have access to capital and to manage a low-cost capital structure. ARC is committed

to protecting its strong financial position by maintaining significant financial flexibility with its balance sheet.

Net Income

- ARC recognized net income of \$575 million (\$0.93 per share) during the first quarter of 2023, a decrease of \$166 million (\$0.25 per share) from the fourth quarter 2022.

CONFERENCE CALL

ARC's senior leadership team will be hosting a conference call to discuss the Company's first quarter 2023 results on Friday, May 5, 2023, at 8:00 a.m. Mountain Time ("MT").

Date	Friday, May 5, 2023
Time	8:00 a.m. MT
Dial-in Numbers	
Calgary	587-880-2171
Toronto	416-764-8659
Toll-free	1-888-664-6392
Conference ID	96684414
Webcast URL	https://app.webinar.net/BRjv830OJ7k

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 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.

	Three Months Ended		
	December 31, 2022	March 31, 2023	March 31, 2022
(\$ millions)			
Cash flow used in investing activities	350.7	397.4	346.7
Acquisition of crude oil and natural gas assets	(0.1)	(0.5)	(0.8)
Disposal of crude oil and natural gas assets	-	73.6	7.4
Long-term investments	(3.3)	(1.2)	-
Change in non-cash investing working capital	30.1	16.0	(22.7)
Other ⁽¹⁾	5.9	2.1	2.7
Capital expenditures	383.3	487.4	333.3

(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.

Free Funds Flow	Three Months Ended		
	December 31, 2022	March 31, 2023	March 31, 2022
(\$ millions)			
Cash flow from operating activities	878.3	540.3	758.8
Net change in other liabilities	13.9	13.7	40.8
Change in non-cash operating working capital	94.0	163.4	(56.0)
Funds from operations	986.2	717.4	743.6
Capital expenditures ⁽¹⁾	(383.3)	(487.4)	(333.3)
Free funds flow	602.9	230.0	410.3

(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 Q1 2023 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 2023 guidance, including planned capital expenditures (and the commodity prices at which such capital expenditures are fully funded by funds from operations), production guidance, production estimates and expenses; the expectation that transportation costs will decrease over the balance of the year; statements with respect to the 2023 capital budget including the planned investment and allocation of the 2023 capital budget; the long-term natural gas supply agreement with Cheniere and the anticipated timing and benefits thereof; the anticipated timing of development of Attachie Phase I and the anticipated benefits therefrom; the ability of the Attachie asset to drive production and reserve growth; the anticipated recovery of capital and annual production from the Attachie asset; ARC's plans to electrify the natural gas facility through BC Hydro and the anticipated benefits therefrom; the anticipated operation expenses per boe in 2023; the anticipated reduction in corporate operating expense as a result of the water infrastructure investment at Kakwa and the anticipated timing thereof; plans to allocate surplus funds from operations to returns to shareholders; the anticipated increase in free funds flow allocations to shareholders; the continued assessment of dividends and payment thereof; ARC's plans with respect to growing its dividend and increasing the dividend on a per share basis as shares are retired through the NCIB or other means; ARC's target net debt to funds from operations ratio at mid-cycle commodity prices; ARC's 2023 guidance estimates and 2023 outlook; 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 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 2023, 2024 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 Phase I, 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 2023 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; 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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