

# Sm Energy Reports Second Quarter 2023 Results: Strong Operational Execution And Increased Return Of Capital; Closed Transactions Adding 22,800 Net Midland Acres

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DENVER, Aug. 2, 2023 - [SM Energy Company](#) (the "Company") (NYSE: SM) today announced operating and financial second quarter 2023 and provided certain full year and third quarter 2023 guidance.

Highlights include:

- **Solid profitability.** In the second quarter 2023, net income was \$149.9 million, or \$1.25 per diluted common share per diluted common share in the prior year period, predominantly due to lower commodity prices. Adjusted net income per diluted common share. Net cash provided by operating activities was \$383.3 million and Adjusted EBITDAX<sup>(1)</sup> million.
- **Operational execution and well performance.** Production for the second quarter 2023 was 14.1 MMBoe, or 154.4 exceeding guidance. As previously reported, production exceeded expectations driven by higher oil, natural gas and from both new and existing wells in the Company's South Texas program.
- **Increased capital returns to stockholders.** The Company repurchased and retired 2,550,706 shares of its common second quarter. In combination with the \$0.15 per share quarterly dividend paid May 5, 2023, return of capital to stockholders was \$86.8 million in the quarter. Since announcing the return of capital program in September 2022, the Company has repurchased approximately 5.3 million shares and returned approximately \$221 million to stockholders, inclusive of dividends and repurchases.
- **Acreage acquisitions support growth in production and inventory.** The Company acquired approximately 20,000 net acres in Dawson and north Martin Counties, Texas for \$90.6 million, net of purchase price adjustments and closing conditions. The acquisition was funded with cash and includes approximately 1,250 Boe/d net production that is approximately 90% undeveloped acreage. The Company plans to add a rig to this location in the fourth quarter. The Company also leased 2,800 net acres near its first quarter leasehold acquisition of 6,300 net acres in the Midland Basin, for which the leasehold purchase price are undisclosed.
- **Reduced expected 2023 capital expenditures.** Second quarter capital expenditures of \$309.3 million, adjusted for capital accruals of \$42.7 million, totaled \$266.7 million.<sup>(1)</sup> As previously announced, cost deflation and lower facility costs result in a \$50 million reduction to the Company's expected full year capital expenditures, net of the cost of adding inventory in the Midland Basin in the fourth quarter.
- **Stewardship and social impact recognition.** SM Energy ranked second for lowest methane intensity among Permian Basin by Basinwide Independent Methane Emissions Insights, and SM Energy received the Mile High United Way Community award recognizing the Company for engaging with the Mile High United Way year-round to inspire employees to volunteer, advocate and lead.

President and Chief Executive Officer Herb Vogel comments: "We put forth three core strategic objectives for 2023: deliver a return of capital to stockholders; focus on operational execution, including ESG stewardship; and continue to build top-tier talent. SM Energy team is exceeding expectations on all fronts. As a result, we recently increased 2023 production guidance and capital expenditure guidance, and we expect to continue to build inventory in 2023 and grow production by mid-single digits. SM Energy generated \$94.8 million of Adjusted free cash flow<sup>(1)</sup> in the second quarter and returned 92% to stockholders."

SECOND QUARTER PRODUCTION BY OPERATING AREA			
	Midland Basin	South Texas	Total
Oil (MBbl / MBbl/d)	4,175 / 45.9	1,696 / 18.6	5,871 / 64.5
Natural Gas (MMcf / MMcf/d)	14,767 / 162.3	18,944 / 208.2	33,711 / 370.4
NGLs (MBbl / MBbl/d)	8 / -	2,557 / 28.1	2,565 / 28.2
Total (MBoe / MBoe/d)	6,644 / 73.0	7,410 / 81.4	14,054 / 154.4
Note: Totals may not calculate due to rounding.			

Second quarter production volumes were 14.1 MMBoe, or 154.4 MBoe/d. Volumes were approximately 47% from the Midland Basin and 53% from South Texas, and were 42% oil. South Texas production exceeded expectations as a result of strong well performance from both new and existing Austin Chalk wells, and benefited from the build-out of oil handling facilities that is expected to resolve the need for periodic curtailment of production when large, oil-rich pads are brought on-line.

SECOND QUARTER PRICES BY OPERATING AREA			
	Midland Basin	South Texas	Total
			(Pre/Post-hedge) <sup>(1)</sup>
Oil (\$/Bbl)	\$72.55	\$71.07	\$72.12 / \$72.04
Natural Gas (\$/Mcf)	\$2.49	\$1.74	\$2.07 / \$2.50
NGLs (\$/Bbl)	nm	\$20.81	\$20.83 / \$21.44
Per Boe	\$51.16	\$27.89	\$38.89 / \$40.00
Note: Totals may not calculate due to rounding.			

The second quarter average realized price before the effect of hedges was \$38.89 per Boe, and the average realized price after the effect of hedges was \$40.00 per Boe.<sup>(1)</sup>

- Benchmark pricing for the quarter included NYMEX WTI at \$73.78/Bbl, NYMEX Henry Hub natural gas at \$2.10/MMBtu, and Composite NGLs at \$25.21/Bbl.
- The effect of commodity derivative settlements for the second quarter was a gain of \$1.11 per Boe, or \$15.6 million.

For additional operating metrics and regional detail, please see the Financial Highlights section below and the accompanying slide deck.

#### NET INCOME, NET INCOME PER SHARE AND NET CASH PROVIDED BY OPERATING ACTIVITIES

Second quarter 2023 net income was \$149.9 million, or \$1.25 per diluted common share, compared with net income of \$323.5 million, or \$2.60 per diluted common share, for the same period in 2022. The current year period was affected by a 29% decline in the average realized price per Boe after derivative settlements, partially offset by a 5% increase in production, lower interest expense and a (non-cash) net derivative gain. The higher prior year period total oil, gas, and NGL production revenue and other income was partially offset

by a (non-cash) net derivative loss. For the first six months of 2023, net income was \$348.4 million, or \$2.88 per diluted common share, compared with net income of \$372.2 million, or \$3.00 per diluted common share, for the same period in 2022.

Second quarter 2023 net cash provided by operating activities of \$383.3 million before net change in working capital of \$(21.8) million totaled \$361.5 million<sup>(1)</sup> compared with net cash provided by operating activities of \$542.6 million before net change in working capital of \$(28.2) million that totaled \$514.4 million<sup>(1)</sup> for the same period in 2022. The \$152.9 million, or 30%, decline in the current year period is primarily due to decreased realized prices for natural gas and NGLs after the effect of derivative settlements and reduced oil volumes. For the first six months of 2023, net cash provided by operating activities of \$714.9 million before net change in working capital of \$4.4 million totaled \$719.3 million,<sup>(1)</sup> which was down from \$994.4 million<sup>(1)</sup> for the same period in 2022.

#### ADJUSTED EBITDAX,<sup>(1)</sup> ADJUSTED NET INCOME,<sup>(1)</sup> AND NET DEBT-TO-ADJUSTED EBITDAX<sup>(1)</sup>

Second quarter 2023 Adjusted EBITDAX<sup>(1)</sup> was \$390.2 million, down \$169.5 million, or 30%, from \$559.7 million for the same period in 2022, primarily due to decreased realized prices for natural gas and NGLs after the effect of derivative settlements and reduced oil volumes. For the first six months of 2023, Adjusted EBITDAX<sup>(1)</sup> was \$791.6 million compared with \$1,084.3 million for the same period in 2022.

Second quarter 2023 Adjusted net income<sup>(1)</sup> was \$153.8 million, or \$1.28 per diluted common share, which compares with Adjusted net income<sup>(1)</sup> of \$272.8 million, or \$2.19 per diluted common share, for the same period in 2022. For the first six months of 2023, Adjusted net income<sup>(1)</sup> was \$316.0 million, or \$2.61 per diluted common share, compared with an Adjusted net income<sup>(1)</sup> of \$518.8 million, or \$4.17 per diluted common share, for the same period in 2022.

At June 30, 2023, Net debt-to-Adjusted EBITDAX<sup>(1)</sup> was 0.7 times.

#### FINANCIAL POSITION, LIQUIDITY, CAPITAL EXPENDITURES AND ADJUSTED FREE CASH FLOW<sup>(1)</sup>

On June 30, 2023, the outstanding principal amount of the Company's long-term debt was \$1.6 billion with zero drawn on the Company's senior secured revolving credit facility, and cash and cash equivalents were \$378.2 million. Net debt<sup>(1)</sup> was \$1.2 billion.

Second quarter 2023 capital expenditures adjusted for decreased capital accruals were \$266.7 million.<sup>(1)</sup> Capital activity during the quarter included drilling 17 net wells, of which 12 were in South Texas and 5 were in the Midland Basin, and adding 25 net flowing completions, of which 8 were in South Texas and 17 were in the Midland Basin. Subsequent to quarter-end, as planned, the remaining wells on the 20-well Guitar Consolidated pads located in the RockStar area have been turned-in-line.

Second quarter 2023 net cash provided by operating activities before net change in working capital totaled \$361.5 million,<sup>(1)</sup> and capital expenditures adjusted for decreased capital accruals totaled \$266.7 million,<sup>(1)</sup> delivering Adjusted free cash flow of \$94.8 million.<sup>(1)</sup> Capital expenditures include the undisclosed leasehold acquisition cost of certain acreage.

#### COMMODITY DERIVATIVES

As entered into as of July 21, 2023, commodity derivative positions for the second half of 2023 include:

#### SWAPS AND COLLARS:

- Oil: Approximately 30% of expected second half 2023 oil production is hedged at an average price of \$76.21/Bbl of collar floors and swaps, excludes basis swaps).
- Natural gas: Approximately 30% of second half 2023 expected natural gas production is hedged at an average price (weighted-average of collar floors and swaps, excludes basis swaps).

#### BASIS SWAPS:

- Oil, Midland Basin differential: Approximately 2,700 MBbls are hedged to the local price point at a weighted-average
- Gas, WAHA differential: Approximately 5,800 BBtu are hedged to WAHA at a weighted-average (\$0.97)/MMBtu b

A detailed schedule of these and additional derivative positions are provided in the 2Q23 accompanying slide deck.

#### 2023 OPERATING PLAN AND GUIDANCE

The Company is unable to provide a reconciliation of forward-looking non-GAAP capital expenditures because components of the calculation are inherently unpredictable, such as changes to, and timing of, capital accruals. The inability to project certain components of the calculation would significantly affect the accuracy of a reconciliation.

#### GUIDANCE FULL YEAR 2023:

- Production: 53.5-55.5 MMBoe, or 147-152 MBoe/d at 43%-44% oil
- Capital expenditures (net of the change in capital accruals),<sup>(1)</sup> excluding acquisitions: \$1,050 million
- LOE: \$5.25-\$5.50 per Boe
- Exploration expense: ~\$60 million, inclusive of additional geologic and geophysical expenses associated with acc
- Unchanged: Transportation per Boe at ~\$2.50; production and ad valorem taxes per Boe at \$2.90-\$3.00; G&A ~\$ including \$15-20 million for non-cash compensation; and, DD&A \$12-\$13 per Boe

#### GUIDANCE THIRD QUARTER 2023:

- Capital expenditures (net of the change in capital accruals),<sup>(1)</sup> excluding acquisitions: approximately \$235-240 mi quarter of 2023, the Company expects to drill approximately 22 net wells, of which 10 are planned for South Texa planned for the Midland Basin, and turn-in-line approximately 28 net wells, of which 11 are planned for South Texa planned for the Midland Basin.
- Production: Approximately 14.0 MMboe or 152 MBoe/d, at approximately 44% oil and 60%-61% liquids.

#### UPCOMING EVENTS

#### EARNINGS Q&A WEBCAST AND CONFERENCE CALL

August 3, 2023 - Please join SM Energy management at 8:00 a.m. Mountain time/10:00 a.m. Eastern time for the second quarter 2023 financial and operating results Q&A session. This discussion will be accessible via webcast (available live and for replay) on the Company's website at [ir.sm-energy.com](https://ir.sm-energy.com) or by telephone. To join the live conference call, please register at the link below for dial-in information.

- Live Conference Call Registration: <https://conferencingportals.com/event/pAjDSntN>
- Replay (conference ID 11299) - Domestic toll free/International: 800-770-2030/647-362-9199

The call replay will be available approximately one hour after the call and until August 17, 2023.

#### CONFERENCE PARTICIPATION

- August 15, 2023 - EnerCom Denver. President and Chief Executive Officer Herb Vogel will present at 8:50 a.m. M a.m. Eastern time. The event webcast replay will be available the following day, accessible from the Company's w available for a limited period. The Company plans to post an investor presentation to its website the morning of th

#### DISCLOSURES

#### FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. The words "estimate," "expect," "goal," "generate," "plan," "target," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this release include, among other things: projections for the full year and third quarter 2023, including guidance for capital expenditures, production, production costs, DD&A, exploration expense and G&A; the percent of future production to be hedged; our expectations to continue to build inventory in 2023 and grow production in 2024; our expectation that the build-out of oil handling facilities in South Texas will resolve the need for periodic production curtailment; the number of wells the Company plans to drill and complete in 2023; and plans to add a rig in the Midland Basin in the fourth quarter of 2023. These statements involve known and unknown risks, which may cause SM Energy's actual results to differ materially from results expressed or implied by the forward-looking statements. Future results may be impacted by the risks discussed in the Risk Factors section of SM Energy's most recent Annual Report on Form 10-K, and such risk factors may be updated from time to time in the Company's other periodic reports filed with the Securities and Exchange Commission. The forward-looking statements contained herein speak as of the date of this release. Although SM Energy may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so, except as required by securities laws.

#### FOOTNOTE 1

Indicates a non-GAAP measure or metric. Please refer below to the section "Definitions of non-GAAP Measures and Metrics as Calculated by the Company" in Financials Highlights for additional information.

#### ABOUT THE COMPANY

[SM Energy Company](#) is an independent energy company engaged in the acquisition, exploration, development, and production of oil, gas, and NGLs in the state of Texas. SM Energy routinely posts important information about the Company on its website. For more information about SM Energy, please visit its website at [www.sm-energy.com](http://www.sm-energy.com).

#### SM ENERGY INVESTOR CONTACTS

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<a href="#">SM Energy Company</a>	
FINANCIAL HIGHLIGHTS (UNAUDITED)	
June 30, 2023	
Condensed Consolidated Balance Sheets	
(in thousands, except share data)	June 30,
ASSETS	2023
Current assets:	
Cash and cash equivalents	\$ 378,23
Accounts receivable	217,794
Derivative assets	74,138
Prepaid expenses and other	8,815
Total current assets	678,985
Property and equipment (successful efforts method):	
Proved oil and gas properties	10,824,7
Accumulated depletion, depreciation, and amortization	(6,494,06
Unproved oil and gas properties, net of valuation allowance of \$37,904 and \$38,008, respectively	524,693
Wells in progress	332,609
Other property and equipment, net of accumulated depreciation of \$58,203 and \$56,512, respectively	43,276
Total property and equipment, net	5,231,22
Noncurrent assets:	
Derivative assets	12,077
Other noncurrent assets	70,337
Total noncurrent assets	82,414
Total assets	\$ 5,992,6
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 530,45
Derivative liabilities	22,210
Other current liabilities	11,319

Total current liabilities	563,988
Noncurrent liabilities:	
Revolving credit facility	-
Senior Notes, net	1,573,77
Asset retirement obligations	113,999
Deferred income taxes	375,063
Derivative liabilities	5,894
Other noncurrent liabilities	61,443
Total noncurrent liabilities	2,130,17
Stockholders' equity:	
Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 118,112,105 and 121,931,676 shares, respectively	1,181
Additional paid-in capital	1,680,08
Retained earnings	1,621,20
Accumulated other comprehensive loss	(3,996)
<a href="#">SM Energy Company</a>	
Total stockholders' equity	3,298,46
FINANCIAL HIGHLIGHTS (UNAUDITED)	
Total liabilities and stockholders' equity	\$ 5,992,6
June 30, 2023	

### Condensed Consolidated Statements of Operations

(in thousands, except per share data)	For the Three Months Ended		
	June 30,		
	2023	2022	
Operating revenues and other income:			
Oil, gas, and NGL production revenue	\$ 546,555	\$ 990,377	\$
Other operating income	4,199	1,725	6
Total operating revenues and other income	550,754	992,102	1
Operating expenses:			
Oil, gas, and NGL production expense	145,588	165,593	2
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	157,832	154,823	3
Exploration <sup>(1)</sup>	14,960	20,868	3

General and administrative <sup>(1)</sup>	27,500	28,291	5
Net derivative (gain) loss <sup>(2)</sup>	(11,674)	104,236	(
Other operating expense, net	7,197	5,485	1
Total operating expenses	341,403	479,296	6
Income from operations	209,351	512,806	4
Interest expense	(22,148)	(35,496)	(
Loss on extinguishment of debt	-	(67,226)	-
Other non-operating income (expense), net	4,763	112	9
Income before income taxes	191,966	410,196	4
Income tax expense	(42,092)	(86,711)	(
Net income	\$ 149,874	\$ 323,485	\$
Basic weighted-average common shares outstanding	119,408	121,910	1
Diluted weighted-average common shares outstanding	120,074	124,343	1
Basic net income per common share	\$ 1.26	\$ 2.65	\$
Diluted net income per common share	\$ 1.25	\$ 2.60	\$
Dividends per common share	\$ 0.15	\$ -	\$
(1) Non-cash stock-based compensation included in:			
Exploration expense	\$ 896	\$ 974	\$
General and administrative expense	3,267	3,505	6
Total non-cash stock-based compensation	\$ 4,163	\$ 4,479	\$
(2) The net derivative (gain) loss line item consists of the following:			
Derivative settlement (gain) loss	\$ (15,636)	\$ 240,598	\$
(Gain) loss on fair value changes	3,962	(136,362)	(
Total net derivative (gain) loss	\$ (11,674)	\$ 104,236	\$

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2023

## Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data and dividends per share)

	Common Stock		Addit Paid- Capit
	Shares	Amount	
Balances, December 31, 2022	121,931,676	\$ 1,219	\$ 1,7
Net income	-	-	-
Other comprehensive income	-	-	-
Cash dividends declared, \$0.15 per share	-	-	-
Stock-based compensation expense	-	-	4,318
Purchase of shares under Stock Repurchase Program	(1,413,758)	(14)	(40,4
Balances, March 31, 2023	120,517,918	\$ 1,205	\$ 1,7
Net income	-	-	-
Other comprehensive income	-	-	-
Cash dividends, \$0.15 per share	-	-	-
Issuance of common stock under Employee Stock Purchase Plan	68,210	1	1,815
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings	774	-	(7)
Stock-based compensation expense	56,872	1	4,162
Purchase of shares under Stock Repurchase Program	(2,550,706)	(26)	(69,4
Other	19,037	-	-
Balances, June 30, 2023	118,112,105	\$ 1,181	\$ 1,6

	Common Stock		Addit Paid- Capit
	Shares	Amount	
Balances, December 31, 2021	121,862,248	\$ 1,219	\$ 1,8
Net income	-	-	-
Other comprehensive income	-	-	-
Cash dividends declared, \$0.01 per share	-	-	-
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings	1,929	-	(24)
Stock-based compensation expense	-	-	4,274
Balances, March 31, 2022	121,864,177	\$ 1,219	\$ 1,8
Net income	-	-	-
Other comprehensive income	-	-	-
Issuance of common stock under Employee Stock Purchase Plan	65,634	1	1,644
Stock-based compensation expense	29,471	-	4,479
Balances, June 30, 2022	121,959,282	\$ 1,220	\$ 1,8

[SM Energy Company](#)

FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2023

Condensed Consolidated Statements of Cash Flows			
(in thousands)	For the Three Months Ended		
	June 30,		
	2023	2022	2
Cash flows from operating activities:			
Net income	\$ 149,874	\$ 323,485	\$
Adjustments to reconcile net income to net cash provided by operating activities:			
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	157,832	154,823	3
Stock-based compensation expense	4,163	4,479	8
Net derivative (gain) loss	(11,674)	104,236	((

Derivative settlement gain (loss)	15,636	(240,598)	2
Amortization of debt discount and deferred financing costs	1,372	3,597	2
Loss on extinguishment of debt	-	67,226	-
Deferred income taxes	44,278	81,000	9
Other, net	(10)	16,107	(4)
Net change in working capital	21,780	28,214	(4)
Net cash provided by operating activities	383,251	542,569	7
Cash flows from investing activities:			
Capital expenditures	(309,334)	(215,618)	(3)
Acquisition of proved and unproved oil and gas properties	(88,834)	-	(8)
Other, net	350	-	6
Net cash used in investing activities	(397,818)	(215,618)	(1)
Cash flows from financing activities:			
Cash paid to repurchase Senior Notes	-	(480,176)	-
Repurchase of common stock	(68,795)	-	(1)
Net proceeds from sale of common stock	1,815	1,645	1
Dividends paid	(18,077)	(1,218)	(3)
Other, net	(7)	-	(1)
Net cash used in financing activities	(85,064)	(479,749)	(1)
Net change in cash, cash equivalents, and restricted cash	(99,631)	(152,798)	(1)
Cash, cash equivalents, and restricted cash at beginning of period	477,869	419,887	4
Cash, cash equivalents, and restricted cash at end of period	\$ 378,238	\$ 267,089	\$
Supplemental schedule of additional cash flow information:			
Operating activities:			
Cash paid for interest, net of capitalized interest	\$ (8,798)	\$ (26,671)	\$
Net cash paid for income taxes	\$ (6,087)	\$ (10,452)	\$
Investing activities:			

Increase (decrease) in capital expenditure accruals and other	\$ (42,653)	\$ 22,153	\$
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#### DEFINITIONS OF NON-GAAP MEASURES AND METRICS AS CALCULATED BY THE COMPANY

To supplement the presentation of its financial results prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides certain non-GAAP measures and metrics, which are used by management and the investment community to assess the Company's financial condition, results of

operations, and cash flows, as well as compare performance from period to period and across the Company's peer group. The Company believes these measures and metrics are widely used by the investment community, including investors, research analysts and others, to evaluate and compare recurring financial results among upstream oil and gas companies in making investment decisions or recommendations. These measures and metrics, as presented, may have differing calculations among companies and investment professionals and may not be directly comparable to the same measures and metrics provided by others. A non-GAAP measure should not be considered in isolation or as a substitute for the most directly comparable GAAP measure or any other measure of a company's financial or operating performance presented in accordance with GAAP. A reconciliation of the Company's non-GAAP measures to the most directly comparable GAAP measure is presented below. These measures may not be comparable to similarly titled measures of other companies.

**Adjusted EBITDAX:** Adjusted EBITDAX is calculated as net income (loss) before interest expense, interest income, income taxes, depletion, depreciation, amortization and asset retirement obligation liability accretion expense, exploration expense, property abandonment and impairment expense, non-cash stock-based compensation expense, derivative gains and losses net of settlements, gains and losses on divestitures, gains and losses on extinguishment of debt, and certain other items. Adjusted EBITDAX excludes certain items that the Company believes affect the comparability of operating results and can exclude items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. Adjusted EBITDAX is a non-GAAP measure that the Company believes provides useful additional information to investors and analysts, as a performance measure, for analysis of the Company's ability to internally generate funds for exploration, development, acquisitions, and to service debt. The Company is also subject to financial covenants under the Company's Credit Agreement, a material source of liquidity for the Company, based on Adjusted EBITDAX ratios. Please reference the Company's second quarter 2023 Form 10-Q and the most recent Annual Report on Form 10-K for discussion of the Credit Agreement and its covenants.

**Adjusted net income and adjusted net income per diluted common share:** Adjusted net income (loss) and adjusted net income (loss) per diluted common share excludes certain items that the Company believes affect the comparability of operating results, including items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. These items include non-cash and other adjustments, such as derivative gains and losses net of settlements, impairments, net (gain) loss on divestiture activity, gains and losses on extinguishment of debt, and accruals for non-recurring matters. The Company uses these measures to evaluate the comparability of the Company's ongoing operational results and trends and believes these measures provide useful information to investors for analysis of the Company's fundamental business on a recurring basis.

**Adjusted free cash flow:** Adjusted free cash flow is calculated as net cash provided by operating activities before net change in working capital less capital expenditures before increase (decrease) in capital expenditure accruals and other. The Company uses this measure as representative of the cash from operations, in excess of capital expenditures that provides liquidity to fund discretionary obligations such as debt reduction, returning cash to stockholders or expanding the business.

**Net debt:** Net debt is calculated as the total principal amount of outstanding senior notes plus amounts drawn on the revolving credit facility less cash and cash equivalents (also referred to as total funded debt). The Company uses net debt as a measure of financial position and believes this measure provides useful additional information to investors to evaluate the Company's capital structure and financial leverage.

**Net debt-to-Adjusted EBITDAX:** Net debt-to-Adjusted EBITDAX is calculated as Net Debt (defined above) divided by Adjusted EBITDAX (defined above) for the trailing twelve-month period (also referred to as leverage ratio). A variation of this calculation is a financial covenant under the Company's Credit Agreement. The Company and the investment community may use this metric in understanding the Company's ability to service its debt and identify trends in its leverage position. The Company reconciles the two non-GAAP measure components of this calculation.

**Post-hedge:** Post-hedge is calculated as the average realized price after the effects of commodity derivative settlements. The Company believes this metric is useful to management and the investment community to understand the effects of commodity derivative settlements on average realized price.

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2023

Production Data	For the Three Months Ended		
	June 30, 2023	March 31, 2023	June 30, 2022

## Realized sales price (before the effect of derivative settlements):

Oil (per Bbl)	\$ 72.12	\$ 74.31	\$ 108.64
Gas (per Mcf)	\$ 2.07	\$ 2.91	\$ 7.66
NGLs (per Bbl)	\$ 20.83	\$ 26.24	\$ 42.08
Equivalent (per Boe)	\$ 38.89	\$ 43.31	\$ 74.23

## Realized sales price (including the effect of derivative settlements):

Oil (per Bbl)	\$ 72.04	\$ 73.21	\$ 79.45
Gas (per Mcf)	\$ 2.50	\$ 3.26	\$ 5.96
NGLs (per Bbl)	\$ 21.44	\$ 26.24	\$ 37.96
Equivalent (per Boe)	\$ 40.00	\$ 43.70	\$ 56.20

Net production volumes: <sup>(1)</sup>

Oil (MMBbl)	5.9	5.7	6.1
Gas (Bcf)	33.7	32.2	31.5
NGLs (MMBbl)	2.6	2.1	1.9
Equivalent (MMBoe)	14.1	13.2	13.3

Average net daily production: <sup>(1)</sup>

Oil (MBbl per day)	64.5	62.9	67.5
Gas (MMcf per day)	370.4	358.1	346.3
NGLs (MBbl per day)	28.2	23.8	21.4
Equivalent (MBoe per day)	154.4	146.4	146.6

Per Boe data:

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Lease operating expense	\$ 4.98	\$ 5.16	\$ 5.11
Transportation costs	\$ 2.89	\$ 2.81	\$ 2.87
Production taxes	\$ 1.66	\$ 2.02	\$ 3.75
Ad valorem tax expense	\$ 0.83	\$ 0.81	\$ 0.69
General and administrative <sup>(2)</sup>	\$ 1.96	\$ 2.10	\$ 2.12
Amounts			
Derivative settlement gain (loss)	\$ 1.11	\$ 0.39	\$ (18.03)
Impairment			
Provision, depreciation, amortization, and asset retirement obligation liability accretion	\$ 11.23	\$ 11.70	\$ 11.60
Mark-based			
Compensation			
Expense			
Due			
Toe			
Funding.			

\$0.23,  
 \$0.26,  
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 \$0.26  
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 months  
 ended  
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 2023  
 and  
 2022,  
 respectively.

<a href="#">SM Energy Company</a>
FINANCIAL HIGHLIGHTS (UNAUDITED)
June 30, 2023

Adjusted EBITDAX Reconciliation <sup>(1)</sup>		
(in thousands)		
	For the Three Months Ended June 30	
	2023	2022
Reconciliation of net income (GAAP) and net cash provided by operating activities (GAAP) to Adjusted EBITDAX (non-GAAP):		
Net income (GAAP)	\$ 149,874	\$ 32,148
Interest expense	22,148	35,400
Interest income <sup>(2)</sup>	(4,994)	(496)
Income tax expense	42,092	86,300
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	157,832	154,000
Exploration <sup>(3)</sup>	14,064	19,800
Stock-based compensation expense	4,163	4,400
Net derivative (gain) loss	(11,674)	104,000
Derivative settlement gain (loss)	15,636	(24,000)
Loss on extinguishment of debt	-	67,000
Other, net	1,079	4,400
Adjusted EBITDAX (non-GAAP)	\$ 390,220	\$ 550,000
Interest expense	(22,148)	(35,400)
Interest income <sup>(2)</sup>	4,994	496
Income tax expense	(42,092)	(86,300)
Exploration <sup>(3)(4)</sup>	(14,473)	(7,900)
Amortization of debt discount and deferred financing costs	1,372	3,500
Deferred income taxes	44,278	81,000
Other, net	(680)	(33,000)
Net change in working capital	21,780	28,000
Net cash provided by operating activities (GAAP)	\$ 383,251	\$ 550,000

- (1) See "Definitions of non-GAAP Measures and Metrics as Calculated by the Company" above.
- (2) Interest income is included within other non-operating income (expense), net line item on the unaudited condensed
- (3) Stock-based compensation expense is a component of the exploration expense and general and administrative exp
- (4) For the three and six months and the trailing twelve months ended June 30, 2023, amount excludes certain capital

[SM Energy Company](#)

## FINANCIAL HIGHLIGHTS (UNAUDITED)

June 30, 2023

Adjusted Net Income Reconciliation <sup>(1)</sup>	For the Three Months Ended		For the Six M
	June 30,	June 30,	June 30,
(in thousands, except per share data)	2023	2022	2023
Reconciliation of net income (GAAP) to adjusted net income (non-GAAP):			
Net income (GAAP)	\$ 149,874	\$ 323,485	\$ 348,426
Net derivative (gain) loss	(11,674)	104,236	(63,003)
Derivative settlement gain (loss)	15,636	(240,598)	20,712
Loss on extinguishment of debt	-	67,226	-
Other, net	1,079	4,458	927
Tax effect of adjustments <sup>(2)</sup>	(1,094)	14,035	8,976
Adjusted net income (non-GAAP)	\$ 153,821	\$ 272,842	\$ 316,038
Diluted net income per common share (GAAP)	\$ 1.25	\$ 2.60	\$ 2.88
Net derivative (gain) loss	(0.10)	0.84	(0.52)
Derivative settlement gain (loss)	0.13	(1.93)	0.17
Loss on extinguishment of debt	-	0.54	-
Other, net	0.01	0.03	0.01
Tax effect of adjustments <sup>(2)</sup>	(0.01)	0.11	0.07
Adjusted net income per diluted common share (non-GAAP)	\$ 1.28	\$ 2.19	\$ 2.61
Basic weighted-average common shares outstanding	119,408	121,910	120,533
Diluted weighted-average common shares outstanding	120,074	124,343	121,175
Note: Amounts may not calculate due to rounding.			

(1)  
See  
Definitions  
The  
non-GAAP  
Measures  
and  
Adjustments  
as  
Calculated  
by  
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Company"  
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21.7%.  
This  
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approximates  
the  
Company's  
statutory  
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rate  
for  
the  
respective  
periods,  
as  
adjusted  
for  
ordinary  
permanent  
differences.

Reconciliation of Total Principal Amount of Debt to Net Debt <sup>(1)</sup>	
(in thousands)	
	As of June 30, 2023
Principal amount of Senior Notes <sup>(2)</sup>	\$ 1,585,144
Revolving credit facility <sup>(2)</sup>	-
Total principal amount of debt (GAAP)	1,585,144
Less: Cash and cash equivalents	378,238
Net Debt (non-GAAP)	\$ 1,206,906
(1) See "Definitions of non-GAAP Measures and Metrics as Calculated by the Company" above.	
(2) Amounts are from Note 5 - Long-term Debt in Part I, Item I of the Company's Form 10-Q as of June 30, 2023.	

Adjusted Free Cash Flow <sup>(1)</sup>			
(in thousands)			
	For the Three Months Ended		For the Six
	June 30,		June 30,
	2023	2022	2023
Net cash provided by operating activities (GAAP)	\$ 383,251	\$ 542,569	\$ 714,885
Net change in working capital	(21,780)	(28,214)	4,436
Cash flow from operations before net change in working capital (non-GAAP)	361,471	514,355	719,321
Capital expenditures (GAAP)	309,334	215,618	550,046
Increase (decrease) in capital expenditure accruals and other	(42,653)	22,153	24,220
Capital expenditures before accruals and other (non-GAAP)	266,681	237,771	574,266
Adjusted free cash flow (non-GAAP)	\$ 94,790	\$ 276,584	\$ 145,055

(1) See "Definitions of non-GAAP Measures and Metrics as Calculated by the Company" above.

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