Devon Energy Announces Strategic Acquisition in the Williston Basin and Expands Share-Repurchase Authorization by 67 Percent to $5 Billion

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OKLAHOMA CITY, July 08, 2024 - Devon Energy (NYSE: DVN) announced today it has entered into a definitive purchase agreement to acquire the Williston Basin business of Grayson Mill Energy in a transaction valued at $5 billion, consisting of $3.25 billion of cash and $1.75 billion of stock to the sellers. The transaction is subject to customary terms and conditions, including various purchase price adjustments, and is expected to close by the end of the third quarter of 2024, with an effective date of June 1, 2024.

"The acquisition of Grayson Mill is an excellent strategic fit for Devon that allows us to efficiently expand our oil production and operating scale while capturing a meaningful runway of highly economic drilling inventory," stated Rick Muncrief, Devon's president and CEO. "This transaction also creates immediate value within our financial framework by delivering sustainable accretion to earnings and free cash flow that will result in higher distributions to shareholders over time."

TRANSACTION HIGHLIGHTS

- Immediately accretive to financial metrics - The transaction is immediately accretive to Devon's key per-share financial measures, including earnings, cash flow, free cash flow and net asset value. The assets were acquired at less than 4-times EBITDAX, with an estimated free cash flow yield of 15 percent at an $80 WTI oil price.
- Enhances scale and scope of operations - The acquisition adds a high-margin production mix that further positions Devon as one of the largest oil producers in the U.S. Pro forma for the transaction, the company estimates its oil production to average 375,000 barrels per day, with total production reaching an average of 765,000 oil-equivalent barrels (Boe) per day across its diversified portfolio of assets.(1)
- Transforms Williston Basin business - The transaction significantly expands the company's position in the Williston Basin with the addition of 307,000 net acres (70 percent working interest). Production from the acquired properties is expected to be maintained at approximately 100,000 Boe per day (55 percent oil) in 2025. With enhanced scale in the basin, Devon expects to realize up to $50 million in average annual cash flow savings from operating efficiencies and marketing synergies. The acquisition also adds 500 gross locations and 300 high-quality refrac candidates that effectively compete for capital in the company's portfolio. On a pro forma basis, Devon will possess an inventory life of up to 10 years in the Williston Basin at a constant development pace of three operated rigs.
- Midstream ownership enhances margin - The acquired business generates peer-leading operating margins in the Williston Basin that benefit from midstream infrastructure ownership in 950 miles of gathering systems, an extensive network of disposal wells and crude storage terminals. This midstream ownership creates a margin uplift of more than $125 million of EBITDAX annually and provides marketing optionality to capture higher pricing through access points to multiple end use markets.
- Improves outlook for return of capital to shareholders - Due to the accretive nature of this transaction to free cash flow, Devon's board of directors has expanded its share-repurchase authorization by 67 percent to $5 billion through mid-year 2026. The company also expects this acquisition to be accretive to the company's dividend payout in 2025 and beyond.
- Maintains strong financial position - The transaction structure supports Devon retaining its strong investment-grade credit ratings with a projected net debt-to-EBITDAX ratio of approximately 1.0 times upon closing. The company plans to improve its financial strength by allocating up to 30 percent of its annual free cash flow towards reducing $2.5 billion of debt over the next two years.

(1) Pro forma production is a combination of Devon's 2024 guidance and Grayson Mill's 2025e volumes of ~100 MBOED (~55% oil).

FINANCING DETAILS

Devon will fund the $5 billion acquisition with $3.25 billion of cash and issue 37 million shares of common stock valued at $1.75 billion. The company plans to finance the cash portion of the purchase price through a combination of cash on hand and debt.

2024 OUTLOOK

Devon will provide updated forward-looking guidance for 2024 upon closing of the transaction.

ADVISORS

Citi is serving as financial advisor and Kirkland & Ellis LLP is serving as legal advisor to Devon.

CONFERENCE CALL WEBCAST AND ADDITIONAL MATERIALS

Devon will host a conference call and webcast today at 7:30 a.m. Central Time (8:30 a.m. Eastern Time) to discuss this announcement. The webcast and related presentation materials may be accessed from Devon's homepage at www.devonenergy.com.

ABOUT DEVON ENERGY

Devon Energy is a leading oil and gas producer in the U.S. with a premier multi-basin portfolio headlined by a world-class acreage position in the Delaware Basin. Devon's disciplined cash-return business model is designed to achieve strong returns, generate free cash flow and return capital to shareholders, while focusing on safe and sustainable operations.

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FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of the federal securities laws. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the company. These risks include, but are not limited to: the delay or failure to consummate the transaction due to unsatisfied closing conditions, such as regulatory approvals, or other factors; the ultimate amount of cash consideration to be paid or equity consideration to be issued in the transaction due to purchase price adjustments or otherwise; the risk that, if acquired, the Grayson Mill Energy business does not perform consistent with our expectations, including with respect to future production or drilling inventory; and the other risks identified in the Company's 2023 Annual Report on Form 10-K and its other filings with the Securities and Exchange Commission (SEC). Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The forward-looking statements in this press release are made as of the date hereof, and the company does not undertake any obligation to update the forward-looking statements as a result of new information, future events or otherwise.

NON-GAAP DISCLOSURES

This press release includes non-GAAP (generally accepted accounting principles) financial measures, including projections of the non-GAAP financial measures of EBITDAX and free cash flow on an as-combined basis. Due to the high variability and difficulty in making accurate forecasts and projections of *some of the information excluded from these projected measures, together with some of the components of the calculations being inherently unpredictable, Devon is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measures without unreasonable effort. Consequently, no disclosure of estimated comparable GAAP measures is included and no reconciliation of the forward-looking non-GAAP financial measures is included. Such non-GAAP measures are not alternatives to GAAP measures, and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of results as reported under GAAP. For additional disclosure regarding Devon's historical non-GAAP measures, including how we define such measures, please refer to Devon's first-quarter 2024 earnings materials and related Form 10-Q filed with the SEC.*

CAUTIONARY NOTE ON RESERVES AND RESOURCE ESTIMATES

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. Any reserve estimates provided in this press release that are not specifically designated as being estimates of proved reserves may include estimated reserves or locations not necessarily calculated in accordance with, or contemplated by, the SEC's latest reserve reporting guidelines. You are urged to consider closely the oil and gas disclosures in the Company's 2023 Annual Report on Form 10-K and our other reports and filings with the SEC.