Arc Resources Ltd. Announces Consolidation Of Condensate-rich Montney Assets At Kakwa

15.05.2025 | CNW

CALGARY, May 14, 2025 - (TSX: ARX) ARC Resources Ltd. ("ARC" or the "Company") today announced it signed a definitive agreement to acquire condensate-rich Montney assets in the Kakwa region in Alberta (the "Assets") from Strathcona Resources Ltd. in an all-cash transaction valued at approximately $1.6 billion[(1)] (the "Transaction"). The Transaction has an effective date of April 1, 2025 and is expected to close in early July 2025, subject to customary closing conditions.

The Assets, located directly adjacent to ARC's Kakwa development, will add approximately 40,000 boe per day of current production (approximately 50 per cent crude oil and liquids, 50 per cent natural gas), including approximately 11,000 barrels per day of condensate. The Assets are underpinned by a substantial drilling inventory, reinforcing ARC's position as Canada's largest Montney and condensate producer.

STRATEGIC RATIONALE

The acquisition of these premium Montney assets aligns with ARC's strategy to grow free funds flow per share and achieve a strong return on invested capital. The Transaction is expected to increase the capital returned to shareholders, while maintaining ARC's financial strength.

The acquisition is accretive to ARC's base plan and is expected to increase free funds flow per share[(2)] by approximately 10 per cent in 2026, based on current strip prices[(3)]. ARC plans to return essentially all free funds flow to its shareholders through a growing base dividend and share repurchases. This is enabled by its strong financial position, large inventory, and low-cost structure.

TRANSACTION HIGHLIGHTS

- Expands Core Kakwa Region. The acquisition increases ARC's Kakwa production by 24 per cent to greater than 210,000 boe per day, and increases the Montney inventory duration at Kakwa from 12 years to greater than 15 years. ARC's development plans will target the Montney, which is approximately 100 per cent working interest land. ARC also retains future inventory in other formations that could further extend the development runway at Kakwa over the long-term.
- Immediate and Long-term Accretion. The Assets are expected to add approximately $200 million of free funds flow[(2)] in 2026 at current strip prices (before synergies). ARC will provide updated 2025 guidance to incorporate the acquired Assets after closing.
- Owned-and-operated Infrastructure. Owned-and-operated infrastructure is a key tenet of ARC's strategy to retain a low cost structure and operational flexibility. The Transaction includes 100 per cent ownership of two natural gas processing facilities and condensate handling infrastructure. In addition, the Assets include a 19 per cent interest in a third party natural gas processing facility with deep cut NGL recovery.
- Operational and Financial Synergies. ARC's extensive and contiguous operations in the region will result in operational synergies through drilling and completion cost improvements, operating and supply chain savings, downstream marketing optimization, and area infrastructure synergies.
- Retain Financial Strength. Upon closing, ARC estimates net debt[(2)] of approximately $2.8 billion, allowing ARC to retain a strong financial position. Net debt to funds from operations[(2)] is expected to be approximately 0.8 times in 2025, based on current strip prices. The Transaction will be funded through a new $1.0 billion committed two-year term loan, and existing credit facilities.

(1) The Transaction purchase price includes $1.6 billion for the Kakwa assets (net of estimated purchase price adjustments) and $20 million for additional unrelated equipment and undeveloped land.

(2) The disclosures of "free funds flow per share", "free funds flow", "net debt" and the "ratio of net debt to funds from operations" in this news release are specified financial measures applicable under National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure. See "Non-GAAP and Other Financial Measures" of this news release, Note 8 "Capital Management" in the unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2025 (the "Q1 2025 financial statements") and the section entitled "Non-GAAP and Other Financial Measures" in ARC's Management's Discussion and Analysis as at and for the three months ended March 31, 2025 (the "Q1 2025 MD&A") for additional disclosures regarding these financial measures.

(3) Based on current strip pricing in 2026 of approximately US$61 per barrel WTI and C$3.40 per GJ AECO.

ADVISORS

Scotiabank is acting as financial advisor to ARC on the Transaction. RBC Capital Markets is acting as strategic advisor to ARC. Burnet, Duckworth & Palmer LLP is acting as ARC's legal advisors for the Transaction.

The fully committed term loan facility was provided by the Royal Bank of Canada and The Bank of Nova Scotia as underwriters and bookrunners.

FORWARD-LOOKING INFORMATION

This news release contains forward-looking information as defined under applicable securities legislation. Forward-looking information involves substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "intend", "believe", "should", "anticipate", or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking information. Forward-looking information reflects the Company's expectations, estimates and predictions only. Actual events or results may differ materially. Many factors could cause ARC's actual results to differ materially from those expressed or implied in any forward-looking information made by or on behalf of ARC. In particular, this news release contains forward-looking information with respect to: the expected timing of closing for the Transaction; the estimated increases to volumes of production as a result of the Transaction; the anticipated benefits of the acquisition, including increased free funds flow; ARC's plans to return essentially all free funds flow to its shareholders; ARC's plans to target the Montney and that the development runway at Kakwa could be further extended; expectations regarding additions to free funds flow; that the Transaction will result in operational synergies and the sources thereof; estimated net debt upon closing; expectations regarding net debt to funds from operations; and similar forward-looking information. There can be no assurance that the plans, intentions, or expectations upon which forward-looking information is based will occur.

This forward-looking information is subject to numerous risks and uncertainties including: potential delays with respect to the closing of the Transaction; changes to laws and regulations; and the variability of commodity prices and changes in operations and development plans in response to changes to commodity prices. Readers should also carefully read the risk factors described in the "Risk Factors" section of the Company's annual management's discussion & analysis (the "Annual MD&A") which is available on SEDAR+ at sedarplus.ca for a description of certain risks applicable to the Company and its business. The "Risk Factors" section of the Company's Annual MD&A is incorporated by reference into this news release.

With respect to forward-looking information contained in this news release, ARC has made assumptions that: the Transaction will close within the timelines contemplated; any regulatory approval required will be obtained within expected timelines; that the conditions precedent to the agreement for the Transaction will be met; future commodity prices and basis differentials; capital markets and other sources of liquidity to fund operations or acquisitions and manage debt; the availability of attractive commodity or financial hedges and the enforceability of risk management programs; the Company's ability to capture and maintain gains in productivity and efficiency; the counterparties to the definitive agreements for the Transaction and related financing will comply with their contractual obligations; expectations of plans, strategies and objectives of the Company, including anticipated production volumes and capital investment; the Company's ability to manage cost inflation and expected cost structures, including expected operating, transportation, processing and labor expenses; the outlook of the oil and natural gas industry generally, including impacts from changes to the geopolitical environment; projections made in light of, and generally consistent with, the Company's historical experience and its perception of historical industry trends; and the regulatory regime will remain substantially similar to the current regulatory regime. Although the forward-looking information contained in this news release is based upon assumptions which management believes to be reasonable, ARC cannot assure investors that actual results will be consistent with this forward-looking information.

This forward-looking information is made as of the date of this news release and ARC disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results, or otherwise, other than as required by applicable securities laws.

Non-GAAP and Other Financial Measures

In this news release, ARC employs certain non-GAAP and other specified financial measures to depict the anticipated future financial performance, financial position, and cash flow of ARC upon closing of the Transaction, including free funds flow per share, free funds flow, net debt, and net debt to funds from operations (the "transaction financial measures"). The transaction financial measures are not standardized financial measures under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and may not be comparable to similar financial measures used and disclosed by other issuers for the same purposes. The transaction financial measures should not be considered to be more meaningful than generally accepted accounting principles ("GAAP") measures which are determined in accordance with IFRS Accounting Standards as indicators of financial performance, financial position, and cash flow. See Note 8 "Capital Management" in the Q1 2025 financial statements and the section entitled "Non-GAAP and Other Financial Measures" in the Q1 2025 MD&A, each of which is available on ARC's website at www.arcresources.com and on SEDAR+ at www.sedarplus.ca, for explanations of the composition of the non-GAAP financial measures used by ARC, how the non-GAAP financial measures used by ARC provide useful information to investors, and the additional purposes for which management uses the non-GAAP financial measures, which disclosures are incorporated by reference into this news release. ARC calculated the anticipated transaction financial measures using the same methodology used to determine the specified financial measures disclosed in its Q1 2025 financial statements and Q1 2025 MD&A. Equivalent historical free funds flow per share and free funds flow non-GAAP financial measures disclosed in this news release are unavailable.

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. 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.

ARC RESOURCES LTD.

Please visit ARC's website at www.arcresources.com or contact Investor Relations:
E-mail: IR@arcresources.com
Telephone: (403) 503-8600
Fax: (403) 509-6427
Toll Free: 1-888-272-4900
ARC Resources Ltd.
Suite 1500, 308 - 4 Avenue SW
Calgary, AB T2P 0H7

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