

Surge Energy Inc. Announces Approval For Renewal Of Normal Course Issuer Bid

16.06.2025 | [CNW](#)

CALGARY, June 16, 2025 - [Surge Energy Inc.](#) ("Surge" or the "Company") (TSX: SGY) is pleased to announce that the Toronto Stock Exchange (the "TSX") has accepted Surge's notice of intention to renew the Company's normal course issuer bid ("NCIB") for its outstanding common shares ("Common Shares") in accordance with the rules and policies of the TSX.

RETURN OF CAPITAL FRAMEWORK

The NCIB is an integral component of the Company's return of capital framework for the distribution of excess free cash flow, providing direct returns to Surge shareholders. Surge's Board of Directors and Management believe that at certain times the prevailing trading price of Surge's Common Shares does not reflect their underlying value. Consequently, the repurchase of Common Shares provides an opportunity to enhance the Company's per share metrics.

A key focus of Surge's Board of Directors and Management is to maximize free cash flow available for shareholder return through a combination of:

- 1) A sustainable base dividend;
- 2) Strategic Common Share buybacks;
- 3) Debt reduction;
- 4) Organic production per share growth; and
- 5) Accretive acquisitions.

Under the Company's current NCIB, which is set to expire on June 18, 2025, the Company is authorized to repurchase up to 9,781,079 Common Shares. As at June 5, 2025, Surge has repurchased an aggregate of 3,078,400 Common Shares under the Company's previous NCIB, at a weighted average price of \$5.91 per share. This represents approximately 3.1 percent of the Company's outstanding Common Shares when the expiring NCIB was approved on June 14, 2024¹.

These Common Share repurchases are in addition to Surge's annual cash dividend of \$0.52 per share (paid monthly), which currently represents an 8.5 percent yield².

Furthermore, between Q1/24 and Q1/25, Surge reduced its net debt³ by \$49.9 million (17 percent), from \$295.9 million in Q1/24 to \$246.0 million in Q1/25. On an annualized basis, Surge's Q1/25 adjusted funds flow ("AFF")³ of \$80.1 million represented 0.77 times Q1/25 net debt.

On this basis, over the previous four quarters⁴, Surge generated \$311.7 million of AFF and delivered the following to the Company's shareholders:

- 1) \$50.9 million in base dividend payments;
- 2) \$16.3 million of share buybacks; and
- 3) \$49.9 million of net debt reduction.

Surge expects that the repurchase of Common Shares will benefit its remaining shareholders by increasing their equity ownership interest in the Company. In addition, Surge does not have to pay a dividend on the Common Shares that it acquires pursuant to the NCIB, thereby improving the Company's sustainability.

NCIB DETAILS

The Company had 99,133,257 Common Shares issued and outstanding as at June 5, 2025. The NCIB allows Surge to

repurchase up to 9,597,280 Common Shares of the Company (representing approximately 10% of the 95,972,802 issued and outstanding Common Shares that comprise the public float as of June 5, 2025) over a period of twelve months commencing on June 19, 2025. The NCIB will expire no later than June 18, 2026. The actual number of Common Shares which may be repurchased pursuant to the NCIB will be determined by management of the Company. Any Common Shares that are repurchased by Surge under the NCIB will be cancelled.

Under the NCIB, Common Shares may be repurchased in open market transactions through the facilities of the TSX, or alternative Canadian trading systems, if eligible, or on other designated exchanges such as CBOE Canada Inc., Canadian Securities Exchange (CSE) or Nasdaq CXC Limited, in each case, in accordance with the rules of the TSX governing NCIBs. The price paid by the Company for any such Common Shares will be the prevailing market price at the time of repurchase.

The total number of Common Shares the Company is permitted to repurchase is subject to a daily purchase limit of 136,000 Common Shares, representing 25% of the average daily trading volume of 545,225 Common Shares on the TSX, calculated for the six-month period ended May 30, 2025. Notwithstanding the daily purchase limit, Surge may make one block purchase per calendar week which exceeds the daily repurchase restrictions.

The Company may approve the implementation of an automatic repurchase plan with its designated broker in order to facilitate purchases of Common Shares under the NCIB, at times when the Company ordinarily would not be active in the market due to regulatory restrictions or self-imposed blackout periods. If implemented, purchases made pursuant to the automatic repurchase plan, if any, will be made by the Company's designated broker based upon the parameters prescribed by the TSX, applicable Canadian securities laws and the terms of the written agreement between the Company and its designated broker. If entered into, the automatic repurchase plan will constitute an "automatic plan" for purposes of applicable Canadian securities legislation and the form of agreement to be entered into has been reviewed by the TSX.

Forward-Looking Statements

This press release contains forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

More particularly, this press release contains statements concerning: Surge's intention to commence the NCIB; Surge's capital framework and the ability of Surge to distribute excess free cash flow, including the ability of the NCIB to contribute to such framework; the expectation that the repurchase of Common Shares will benefit remaining shareholders by increasing their equity ownership in the Company; the anticipated expiration date of the NCIB; the number of Common Shares to be repurchased pursuant to the NCIB, the timing of such purchases and the price to be paid for Common Shares repurchased; the implementation of an automatic purchase plan during the NCIB, the purchase of Common Shares thereunder by the Company's designated broker, that the automatic purchase plan will constitute an "automatic plan" for purposes of applicable Canadian securities legislation and the form of agreement to be entered into in respect of the automatic repurchase plan.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions around the performance of existing wells and success obtained in drilling new wells; Surge's belief that at times the prevailing trading price of the Common Shares does not reflect the underlying value of the Common Shares; anticipated expenses, cash flow and capital expenditures; the application of regulatory and royalty regimes; prevailing commodity prices and economic conditions; development and completion activities; the performance of new wells; the successful implementation of waterflood programs; the availability of and performance of facilities and pipelines; the geological characteristics of Surge's properties; the successful application of drilling, completion and seismic technology; the determination of decommissioning liabilities; prevailing weather conditions; exchange rates; licensing requirements; the impact of completed facilities on operating costs; the availability and costs of capital, labour and services; and the creditworthiness of industry partners.

Although Surge believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Surge can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the condition of the global economy, including trade, public health and other geopolitical risks; risks associated with the oil and gas industry in general.

(e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks); the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures or retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential effect on the demand and/or market price for Surge's products and/or otherwise adversely affects Surge's commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or breakdown conditions; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; and failure to obtain the continued support of the lenders under Surge's bank line. Certain of these risks are set out in more detail in Surge's AIF dated March 5, 2025 and in Surge's MD&A for the period ended March 31, 2025, both of which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

The forward-looking statements contained in this press release are made as of the date hereof and Surge undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information or future events or otherwise, unless so required by applicable securities laws.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures used by the Company to evaluate its financial performance, financial position or cash flow. These specified financial measures include non-GAAP financial measures and non-GAAP ratios and are not defined by IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board, and therefore are referred to as non-GAAP and other financial measures. These non-GAAP and other financial measures are included because Management uses the information to analyze business performance, cash flow generated from the business, leverage and liquidity, resulting from the Company's principal business activities and it may be useful to investors on the same basis. None of these measures are used to enhance the Company's reported financial performance or position. The non-GAAP and other financial measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. They are common in the reports of other companies but may differ by definition and application. All non-GAAP and other financial measures used in this document are defined below, and as applicable, reconciliations to the most directly comparable GAAP measure for the period ended March 31, 2025, have been provided to demonstrate the calculation of these measures:

Adjusted Funds Flow

Adjusted funds flow is a non-GAAP financial measure. The Company adjusts cash flow from operating activities in calculating adjusted funds flow for changes in non-cash working capital, decommissioning expenditures, and cash settlements, transaction and other costs. Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such, may not be useful for evaluating Surge's cash flows.

Changes in non-cash working capital are a result of the timing of cash flows related to accounts receivable and accounts payable, which Management believes reduces comparability between periods. Management views decommissioning expenditures predominately as a discretionary allocation of capital, with flexibility to determine the size and timing of decommissioning programs to achieve greater capital efficiencies and as such, costs may vary between periods. Transaction and other costs represent expenditures associated with property acquisitions and dispositions, debt restructuring and employee severance costs, which Management believes do not reflect the ongoing cash flows of the business, and as such, reduces comparability. Each of these expenditures, due to their nature, are not considered principal business activities and vary between periods, which Management believes reduces comparability.

	Three Months Ended March 31,	
(\$000s)	2025	2024
Cash flow from operating activities	83,470	66,785
Change in non-cash working capital	(7,718)	(8,953)
Decommissioning expenditures	4,525	3,928
Cash settled transaction and other costs (170)		727
Adjusted funds flow	80,107	62,487

Free Cash Flow & Excess Free Cash Flow

Free cash flow and excess free cash flow are non-GAAP financial measures. Free cash flow is calculated as cash flow from operating activities, adjusted for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs, less expenditures on property, plant and equipment. Excess free cash flow is calculated as cash flow from operating activities adjusted for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs, less expenditures on property, plant and equipment, and dividends paid. Management uses free cash flow and excess free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

Net Debt

Net debt is a non-GAAP financial measure, calculated as bank debt, senior unsecured notes, term debt, plus the liability component of the convertible debentures plus current assets, less current liabilities, however, excluding the fair value of financial contracts, decommissioning obligations, and lease and other obligations. There is no comparable measure in accordance with IFRS for net debt. This metric is used by Management to analyze the level of debt in the Company including the impact of working capital, which varies with the timing of settlement of these balances.

(\$000s)	As at Mar 31, 2025	As at Dec 31, 2024	As at Mar 31, 2024
Cash	11,736	7,594	-
Accounts receivable	55,506	58,327	62,676
Prepaid expenses and deposits	2,363	3,233	5,525
Accounts payable and accrued liabilities (94,749)		(95,433)	(98,715)
Dividends payable	(4,313)	(4,350)	(4,023)
Bank debt	-	-	(52,501)
Senior unsecured notes	(171,090)	(170,872)	-
Term debt	(5,637)	(6,224)	(170,675)
Convertible debentures	(39,819)	(39,401)	(38,211)
Net Debt	(246,003)	(247,126)	(295,924)

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility of the accuracy of this release.

¹ Surge's share count on June 14, 2024 was 100,593,460 Common Shares outstanding.

² Calculated as the \$0.52 per share annual dividend, divided by the closing stock price on June 16, 2025 of \$6.09 per share.

³ This is a non-GAAP and other financial measure which is defined under Non-GAAP and Other Financial Measures.

Source: Surge Energy Inc. sum of Q2/24, Q3/24, Q4/24, and Q1/25 figures.

Contact

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