Advantage Announces 2023 Budget and Three-Year Strategic Plan

(TSX: AAV)

CALGARY, AB, Dec. 1, 2022 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to announce its 2023 budget and three-year strategic plan.

Advantage's 2023 capital program is focused on prudent cash flow per share growth via high rate-of-return development drilling into existing infrastructure. Top-line production is planned to grow by 11% year-over-year, and all free cash flow ("FCF")(a) will remain allocated to the Corporation's share buyback program.

2023 Budget Highlights

- Adjusted funds flow ("AFF") per share(b) is expected to grow by 25% year-over-year, based on strip pricing dated November 14, 2022 and planned share buybacks.
- Corporate production is expected to average between 59,000 and 62,500 boe/d, an increase of approximately 11% year-over-year. Production estimates include provisions for a major 14-day plant turnaround at Glacier in May and likely NGTL restrictions during the summer.
- Liquids production is expected to grow by more than 20% year-over-year, driven by continued drilling at Wembley.
- Corporate production decline rate is expected to be approximately 24%.
- Cash used in investing activities is planned to be between $250 million and $280 million, representing a payout ratio(b) of under 50% prior to share buybacks. Capital estimates include provisions for inflation of 15-20% from a year earlier, though Advantage is actively seeking lower cost service providers and suppliers.
- Drilling for the year is planned to include approximately 25 net wells, with approximately 55% of the program focused at Glacier and the remaining targeting oil and liquids at Wembley and Valhalla.
- The previously announced Glacier Gas Plant expansion to 425 mmcf/d capacity is planned to be completed early in the second quarter of 2023.
- Net debt(a) target remains at $200 million, although net debt(a) is currently under $80 million.
- Following the completion of our current substantial issuer bid ("SIB", see press release dated November 7, 2022) of up to $100 million on December 16, 2022, Advantage will resume its normal course issuer bid ("NCIB"). Advantage will plan to renew the NCIB in April 2023 and additional SIB's may be required to achieve our net debt(a) target.
- Advantage expects it will not be subject to cash taxes until calendar 2024 due to over $1 billion in high-quality tax pools.

a. ***Non-GAAP Financial Measure which does not have a standardized meaning under IFRS and may not be comparable to similar non-GAAP financial measures used by other entities. Please see Advisory.***
b. ***Non-GAAP Ratio which does not have a standardized meaning under IFRS and may not be comparable to similar non-GAAP ratios used by other entities. Please see Advisory for a description of how such non-GAAP ratio is calculated, including the non-GAAP financial measures comprising such non-GAAP ratio.***

Highlights of the Three-Year Strategic Plan

- Annual production is expected to grow by at least 10% in each of the next three years, exceeding 75,000 boe/d by 2025.
- Cash used in investing activities is planned to remain between $250 million and $300 million per year (including provisions for inflation).
- On average, Advantage plans to drill approximately 26 net wells per year to achieve growth targets, with current tier 1 inventory estimated at 531 wells plus over 1,000 additional economic locations.
- Gas and liquids processing capacity at the Glacier/Valhalla/Progress complex is expected to climb in increments to 500 mmcf/d by the end of 2025 at a cost of approximately $40 million per year for three years.
- Planned production growth will be managed in conjunction with transportation service growth and hedging, with a focus on non-AECO markets prior to the commissioning of LNG Canada.

2023 Guidance Summary (1)

Cash Used in Investing Activities (2) (millions)	$250 to $280
Average Production (boe/day)	59,000 to 62,500
Liquids Production (%)	~12%
Royalty Rate (%)	9% to 12%
Operating Expense ($/boe)	$3.25
Transportation Expense ($/boe)	$4.75
G&A/Finance Expense ($/boe)	$1.40

Notes:

(1) Forward-looking statements and information representing Management estimates. Refer to Advisory for cautionary statements regarding Advantage's budget including material assumptions and risk factors.
(2) Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial. See Advisory.
(3) Budget and guidance numbers are for Advantage Energy Ltd. only and exclude Entropy Inc. ("Entropy").

Marketing Update

Advantage has hedged 16% of 2023 forecast natural gas production at an average of US$4.19/mmbtu. AECO market exposure continues to be the most volatile component of our revenue portfolio due to recurring issues related to NGTL expansion delays and unpredictable maintenance related operating practices. Total exposure to AECO is now less than 25% of our production over the 2023-2024 period and 9% during summer 2023.

Sustainability Update

Advantage is pleased to provide an update to its 2021 Sustainability Report, which is available on our website at www.advantageog.com. Advantage's Board of Directors continues to be actively engaged in the oversight of sustainability and ESG matters as well as risk management. The update includes key sustainability metrics for the year ended 2021, progress on prior established sustainability targets, and ongoing initiatives to prioritize ESG aspects in our operations and work towards our target of "Net Zero" Scope 1 and 2 emissions by 2025.

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing AFF per share(b). To optimize growth of AFF(a), Advantage will target organic production growth of over 10% per year throughout our three-year corporate plan, depending on commodity pricing. Despite significant progress with our share buybacks, our net debt(a) levels remain below the corporate target of $200 million, so in the coming quarters, share repurchases are expected to exceed FCF(a) materially.

Advantage continues to demonstrate enhanced well productivity across the asset base as a result of advanced subsurface analysis and well execution. Our most recent pad in the northeast corner of Glacier has delivered IP30s of 11.0, 11.2, 13.1 and 15.4 mmcf/d (raw), amongst our best pads ever. One additional well on this pad remains shut-in awaiting pipeline capacity. These prolific results have been spread broadly across our assets, which has resulted in Advantage promoting approximately 125 drilling locations into our top-tier inventory of 531 wells (a 34% increase since 2020). Our three-year strategic plan demonstrates how we will convert this inventory into production and cash flow.

With commodity prices remaining robust, Advantage is in a strong position to grow total shareholder returns by delivering moderate production growth into existing infrastructure, enhancing corporate resilience and scale. By growing our liquids assets more rapidly than gas-weighted assets, revenue will be derived more evenly from multiple commodities, reducing exposure to gas price volatility. Cash-generating investments in infrastructure will continue, and our energy transition subsidiary, Entropy, will pursue rapid growth in carbon capture and storage ("CCS") projects. Advantage is on the pathway to net-zero emissions by 2025[1], primarily through Entropy's revenue-generating carbon capture and storage projects, including the Glacier CCS project.

Advantage looks forward to advancing the Corporation's strategy through the dynamic markets ahead.

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[1] See Advantage's 2021 Sustainability Report. Success in achieving net-zero on this timeline is predicated on functional CCS regulatory frameworks at both the federal and provincial levels.

For more details, Advantage has posted an updated corporate presentation at www.advantageog.com.

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Forward Looking Information Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy, priorities and development plans; the focus of Advantage's 2023 capital program including prudent cash flow per share growth; Advantage's anticipated top-line production growth; Advantage's expectations that it will allocate all FCF to the Corporation's share buyback program; anticipated growth in corporate production and the anticipated timing thereof; anticipated growth in liquids production; anticipated corporate production decline rate; anticipated cash used in investing activities; Advantage's anticipated drilling plans in 2023 and the focus thereof; the anticipated timing of the Glacier Gas Plant expansion; anticipated net debt; Advantage's expectations that it will resume its NCIB upon the completion of its SIB; Advantage's expectations that it will plan to renew its NCIB in 2023 and that additional SIBs may be required to achieve its net debt target; anticipated growth in AFF; Advantage's expectations that it will not be subject to cash taxes until calendar year 2024; Advantage's three-year strategic plan, including its anticipated annual production, cash used in investing activities, drilling activities, and growth in gas processing capacity (including the anticipated costs thereof); Advantage's 2023 capital guidance, including its anticipated cash used in investing activities, average production, liquids production, royalty rate, operating expense, transportation expense and G&A/finance expense; Advantage's hedging program; Advantage's priority of growing AFF per share and the anticipated means of achieving such growth and the anticipated timing thereof; Advantages sustainability targets; Advantage's expectations that its share repurchases will exceed FCF; Advantage's ability to convert its inventory into production and cash flow; Advantage's expectations that it will grow total shareholder returns and deliver moderate production growth into existing infrastructure enhancing corporate resilience and scale; Advantage's expectations that by growing its liquids assets more rapidly than gas-weighted assets, revenue will be derived more evenly from multiple commodities, reducing exposure to gas price volatility; expectations that Entropy will pursue rapid growth in CCS projects; and that Advantage will achieve net-zero emissions by 2025. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: that Advantage's infrastructure investments will either expand third-party processing revenue or advance its net-zero 2025 target; future oil and gas prices; anticipated NYMEX and WTI prices; anticipated strip pricing; the third party processing revenue available to Advantage; foreign exchange rates; conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; that Entropy will have the ability to develop its technology in the manner currently contemplated; that pursuing high rate-of-return development drilling into existing infrastructure will lead to cash flow per share growth; that the anticipated plant turnaround at Glacier in May and NGTL restrictions during the summer will not last longer than expected; that repurchasing its shares will allow Advantage to achieve its net debt target; that Advantage will be able to grow its liquids assets more rapidly than gas-weighted assets; and the estimates of *the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects. Management has included the above summary of assumptions and risks related to forward-looking information in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; Advantage's ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; the risk that that pursuing high rate-of-return development drilling into existing infrastructure may not lead to cash flow per share growth; the risk that Advantage's top-line production growth year-over-year may be less than anticipated; the risk that Advantage may not allocate all FCF to the Corporation's share buyback program; the risk that the anticipated plant turnaround at Glacier in May and NGTL restrictions during the summer may last longer than expected; the risk that Advantage may not grow its AFF per share when anticipated, or at all; the risk that Advantage's corporate production, liquids production, corporate production decline rate, cash used in investing activities and AFF may be less than anticipated; the risk that Advantage may drill less wells than anticipated; the risk that the Glacier Gas Plant expansion may occur later than anticipated; the risk that Advantage's net debt may be greater than anticipated; the risk that Advantage may not resume its NCIB upon the completion of its SIB; the risk that Advantage may not renew its NCIB in 2023 or announce additional SIBs in the future; the risk that Advantage may be subject to cash taxes prior calendar year 2024; the risk that the gas processing capacity at the Glacier/Valhalla/Progress complex may be less than anticipated; the risk that Advantage's share repurchases may not exceed FCF; the risk that Advantage may not convert its inventory into production and cash flow; the risk that Advantage may not grow total shareholder returns, deliver moderate production growth into existing infrastructure or enhance corporate resilience and scale; the risk that Advantage may not grow its liquids assets more rapidly than its gas-weighted assets; the risk that Entropy may not pursue rapid growth in CCS projects; and the risk that Advantage may not be able to achieve net-zero emissions by 2025. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program (including through an NCIB or an SIB), if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the share buyback program will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its share buyback program, if any, in the future.

This press release contains information that may be considered a financial outlook under applicable securities *laws about the Corporation's potential financial position, including, but not limited to, Advantage's 2023 capital guidance, including its anticipated cash used in investing activities, net debt, AFF per share growth, average production, liquids production, royalty rate, operating expense, transportation expense and G&A/finance expense; Advantage's expectations that it will not be subject to cash taxes until calendar year 2024; Advantage's anticipated cash used in investing activities over the next three years; the anticipated costs to be incurred by the Corporation over the next three years towards growing its gas processing capacity at the Glacier/Valhalla/Progress complex; Advantage's hedging program; and Advantage's expectations that its share repurchases will exceed its FCF; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this press release and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this press release is not conclusive and is subject to change.*

Specified Financial Measures

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "adjusted funds flow per share", "free cash flow", "net debt", "payout ratio" and "working capital", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Non-GAAP Financial Measures

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, support future capital expenditures plans or return capital to shareholders. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods.

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

Non-GAAP Ratios

Payout Ratio

Payout ratio is calculated by dividing cash used in investing activities or net capital expenditures by adjusted funds flow. Advantage uses payout ratio as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after cash used in investing activities or net capital expenditures to settle *outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.*

Adjusted Funds Flow per Share

Adjusted funds flow per share is derived by dividing adjusted funds flow by the basic weighted average shares outstanding of the Corporation. Management believes that adjusted funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Capital Management Measures

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables at the reporting date. Working capital provides Management and users with a measure of the Corporation's operating liquidity.

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's liquidity.

Supplementary Financial Measures

Dollars per BOE figures

Throughout this press release, the Corporation presents certain financial figures, in accordance with IFRS, stated in dollars per boe. These figures are determined by dividing the applicable financial figure as prescribed under IFRS by the Corporation's total production for the respective period. Below is a list of figures which have been presented in this press release in $ per boe:

- *Finance expense per boe*
- *General and administrative expense per boe*
- *Operating expense per boe*
- *Transportation expense per boe*

Refer to the Corporation's most recent Management's Discussion and Analysis for the three and nine months ended September 30, 2022, which is available at www.sedar.com *and* www.advantageog.com*, for additional information about certain non-GAAP financial measures, including reconciliations to the nearest GAAP measures and disclosure of historical non-GAAP financial measures, as applicable.*

Oil and Gas Information

Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcfe) may be misleading, particularly if used in isolation. Boe and mcfe conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcfe 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 from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

References in this press release to short-term production rates, such as IP30, are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2023 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2023 expected drilling and completion activities.

This press release discloses drilling inventory in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule Associates Limited reserves evaluation effective December 31, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on our *prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the over 1,531 total drilling locations identified herein, 287 are proved locations, 52 are probable locations and over 1,192 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.earningshis news release refer to conventional natural gas, light crude oil and medium crude oil and natural gas liquids product types, respectively, as defined in National Instrument 51-101.*

The following terms and abbreviations used in this press release have the meanings set forth below:

AECO	*A notational market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted*
bbl	*one barrel*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent of natural gas per day*
Crude oil and condensate	*Light crude oil and medium crude oil as defined in National Instrument 51-101*
IP30	*Average initial production rate over 30 consecutive days*
Liquids	*Includes crude oil and condensate and NGLs*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmbtu	*million British thermal units*
mmcf/d	*million cubic feet per day*
Natural gas	*Conventional Natural Gas as defined in National Instrument 51-101*
NGLs	*Natural Gas Liquids as defined in National Instrument 51-101*
NGTL	*NOVA Gas Transmission Ltd.*
Payout	*The point at which all costs associated with a well are recovered from revenue from the well.*

SOURCE Advantage Energy Ltd.

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