News Release Archive

Advantage Announces Revised 2024 Guidance Including Reduced Gas Drilling Program and Updated Corporate Presentation

(TSX: AAV)

CALGARY, AB, July 9, 2024 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation"), is pleased to provide updated guidance[(a)] for 2024 and an updated outlook[(a)] for 2025.

Highlights of 2024 include:

- At Glacier, our gas-focused program has been reduced to 13 wells (previously 18), in response to continued outperformance of our recent wells and to avoid increasing supply while 2024 gas prices remain suppressed.
- At Wembley, our oil-focused program remains unchanged at 3 wells.
- On the recently acquired assets, the Charlie Lake oil program remains at 8 net wells.
- As a result of the reduced gas drilling program, our 2024 capital guidance has been revised lower by $20 million to between $260 million and $290 million. Correspondingly, 2024 free cash flow ("FCF")[(b)] is expected to increase by approximately $20 million.
- Production guidance for 2024 has been revised to between 70,000 and 73,000 boe/d; however, the reduction is entirely from natural gas and there is no change to liquids guidance (13% of corporate production).
- Production from the recently acquired assets outperformed expectations during the second quarter of 2024, averaging approximately 15,000 boe/d (42 mmcf/d natural gas, 7,160 bbls/d oil, and 910 bbls/d NGLs).

Outlook for 2025 and Beyond

Through 2025, Advantage will focus on maximizing FCF to accelerate de-levering prior to reverting to a focus on share buybacks. Outlook for 2025 includes the following:

- Capital spending is expected to be approximately $300 million, reflecting about 60% of adjusted funds flow ("AFF")[(b)].
- Phase 1 of the Progress Gas Plant remains on-track to be commissioned in the second quarter of 2025.
- Production growth is expected to be 16%. The reduced gas drilling program in 2024 is not expected to have a material impact to 2025 production.
- AFF per share[(b)] is expected to grow by approximately 70% versus 2024.
- Net debt[(b)] is expected to approach $450 million by year end.
- Strong focus on integration of the acquired assets and realization of cash synergies.
- Pursuing sales of smaller non-core/non-producing assets.

Beyond 2025, Advantage's production is expected to maintain a similar pace of growth (up to 10% annually) while spending approximately $300 million per year. However, FCF is anticipated to increase disproportionately due to higher average operating netbacks and our increased gas processing capacity, which will result in the deferral of the Progress Gas Plant Phase 2 expansion (approximately $100 million), previously planned for 2026 and 2027.

Advantage's long-term focus on maximizing AFF per share[(b)] growth remains unchanged. As a result of the asset acquisition, Advantage now expects to exceed our per-share growth targets, so our strategy will temporarily shift towards moderating organic growth spending and maximizing the pace of de-levering. Based on the larger production base and structurally higher AFF levels, we have adjusted our near-term net debt target to $450 million (0.9x net debt to trailing AFF ratio[(b)] in 2025 at forward strip pricing).

Advantage would like to thank our board of directors and our shareholders for their continued support as the Corporation continuously adapts to the dynamic energy markets. For more details, Advantage has posted an updated corporate presentation available at www.advantageog.com.

(a) *Guidance and outlook for 2024 and 2025 are for Advantage Energy Ltd. only and excludes Entropy Inc.*
(b) *Specified financial measure which is not a standardized measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which Management of Advantage uses the specified financial measure, and where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure.*

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 "anticipate", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things: Advantage's position, strategy and development plans; Advantage's 2024 guidance, including the anticipated number of wells at certain of its locations, capital spending, free cash flow and average daily production; Advantage's focus on maximizing FCF and the anticipated benefits to be derived therefrom; Advantage's 2025 outlook, including its anticipated capital spending, production growth, AFF per share, net debt and the focus thereof; Advantage's expectations that its reduced gas drilling program in 2024 will not have a material impact on its 2025 production; Advantage's outlook beyond 2025, including its anticipated production growth, capital spending, FCF, operating netbacks and gas processing capacity; the anticipated timing of the Progress Gas Plant Phase 2 expansion; Advantage's long-term focus of maximizing AFF per share growth; Advantage's expectations that it will exceed its per share growth targets and the anticipated results thereof; and Advantage's anticipated net debt and net debt to trailing AFF ratio. 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.

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; 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; our 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; the risk that the Corporation may not have access to sufficient capital from internal and external sources; the risk that Advantage's financial and operating results in 2024, 2025 and beyond may not be consistent with its expectations; the risk that Advantage's reduced gas drilling program in 2024 may have a material impact to its 2025 production; the risk that the Progress Gas Plant Phase 2 expansion project may not be completed when anticipated, or at all; the risk that Advantage may not meet its per share growth targets; and the risk that Advantage may not meet its net debt or net debt to trailing AFF ratio targets. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedarplus.ca ("SEDAR+") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.*

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: conditions in general economic and financial markets; 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 impact of increasing competition; the price of crude oil and natural gas; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient cash 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 the Corporation will have sufficient financial resources to purchase its shares pursuant to its share buyback program in the future; 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; that Advantage's reduced gas drilling program in 2024 will not have a material impact on its 2025 production; and that Advantage's financial results will be consistent with its expectations. Readers are cautioned that the foregoing lists of factors are not exhaustive.

The future acquisition by the Corporation of the Corporation's shares pursuant to a share buyback program, if any, and the level thereof is uncertain. Any decision to implement a share buyback program or acquire shares of the Corporation 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, satisfaction of the solvency tests imposed on the Corporation under applicable corporate law and receipt of regulatory approvals. There can be no assurance that the Corporation will buyback any shares of the Corporation in the future.

Management has included the above summary of assumptions and risks related to forward-looking information above and in its continuous disclosure filings on SEDAR+ 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 there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this news 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.

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 2024 guidance, including its anticipated capital spending and free cash flow; Advantage's 2025 outlook, including its anticipated capital spending, AFF per share and net debt; Advantage's outlook beyond 2025, including its anticipated capital spending, FCF and operating netbacks; Advantage's expectations that it will exceed its per share growth targets and the anticipated results thereof; and Advantage's anticipated net debt and net debt to trailing AFF ratio; 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.

This press release contains forward-looking statements which are estimates of Advantage's operating and financial results in 2024, 2025 and beyond, including, but not limited to, its anticipated production, adjusted funds flow, adjusted funds flow per share, capital spending, FCF and net debt. The foregoing estimates are based on various assumptions and are provided for illustration only and are based on forecasts that have not been finalized and are subject to change and a variety of contingencies including prior results. In addition, the foregoing estimates and assumptions underlying the forecasts for 2025 and beyond are Management prepared only and have not been approved by the Board of Directors of Advantage. These forecasts are made as of the date of this presentation and except as required by applicable securities laws, Advantage undertakes no obligation to update such forecasts. In addition to the assumptions listed above, Advantage has made the following assumptions with respect to 2024 and 2025, unless otherwise specified: production growth of approximately 17% in 2024 and 16% in 2025 with the proportion of liquids representing 13% in 2024 and 16% in 2025; no share buybacks until net debt target of $450 million is achieved; commodity prices utilizing forward pricing assumptions WTI US$/bbl (2024–$78, 2025–$73), AECO $CDN/GJ (2024–$1.63, 2025–$2.83), FX $CDN/$US (2024–1.36, 2025–1.36); current hedges (See Advantage's website); and no cash income taxes until calendar 2027 due to over $1 billion in tax pools (See note 15 "Income taxes" in Advantage's Consolidated Financial Statements for the year ended December 31, 2023 for estimated tax pools available).

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.*

Specified Financial Measures

Throughout this news release, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance. 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. Refer to the Corporation's most recent Management's Discussion and Analysis for the three months ended March 31, 2024, which is available at www.sedarplus.ca and www.advantageog.com for additional information about certain specified financial measures, including reconciliations to the nearest GAAP measures and disclosures of historical specified financial measures, as applicable.

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.

Free Cash Flow ("FCF")

Advantage computes FCF as adjusted funds flow less net capital expenditures. Advantage uses FCF 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

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.

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is derived by dividing net debt, which is a capital management measure, by adjusted funds flow for the previous four quarters, which is a non-GAAP financial measure. Net debt to adjusted funds flow is a coverage ratio that provides Management and users the ability to determine how long it would take the Corporation to repay its debt if it devoted all of its adjusted funds flow to debt repayment.

Capital Management Measures

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. The results of the Corporation's subsidiary Entropy Inc. are excluded from the calculation of net debt to provide users with the ability to assess Advantage's liquidity and Entropy's debt is non-recourse to Advantage. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

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

Bbl	*one barrel*
bbls	*barrels*
bbls/d	*barrels per day*
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*
Mcf	*thousand cubic feet*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmcf/d	*million cubic feet per day*
Liquids	*includes NGLs, condensate and crude oil*
NGLs and condensate	*Natural Gas Liquids as defined in National Instrument 51-101*
natural gas	*Conventional Natural Gas as defined in National Instrument 51-101*
crude oil	*Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101*

SOURCE Advantage Energy Ltd.

For further information: For further information contact: Craig Blackwood, Chief Financial Officer, (403) 718-8000; Brian Bagnell, Vice President, Commodities and Capital Markets, (403) 718-8000, OR Investor Relations, Toll free: 1-866-393-0393, Advantage Energy Ltd., 2200, 440 - 2nd Avenue SW, Calgary, Alberta T2P 5E9, Phone: (403) 718-8000, Fax: (403) 718-8332, Web Site: www.advantageog.com, E-mail: ir@advantageog.com

---

[Updated-Corporate-Presentation]