# EnQuest 2020 Full Year Results


## EnQuest 2020 full year results

# Introduction

**Amjad Bseisu**

Chief Executive

## Key 2020 messages

# Strong free cash flow generation and a transformed company

**Deliver**

- Production within guidance at 59,116 Boepd
  - CoP drove c.7,000 Boepd reduction from 2019
- UK re-organisation completed
- Cost control and capital discipline driving material savings vs 2019
  - Opex of c.$329 million, c.$189 million lower
  - Unit opex of c.$15/Boe, c.26% lower
  - Cash capex of c.$131 million, c.$106 million lower
  - Free cash flow breakeven[1] of c.$32/Boe, c.35% lower

**De-lever**

- Free cash flow of c.$211 million
- Voluntarily accelerated bank amortisations
- Net debt of $1,280 million, down by c.$130 million; lowest level since 2014

**Grow**

- Bressay acquisition completed in January 2021, adding c.115 MMbbls of 2C resources

[1] Based on the Group's aggregate cash outflows prior to any debt repayments and Magnus-related third-party gas purchases divided by net working interest production

# Golden Eagle: a high-quality addition to the portfolio

### Material value enhancement

- >$100 million NPV(10)[1] at $50/bbl including initial consideration of $325 million; primarily related to accelerated partial use of EnQuest's tax losses

### Impressive HSE performance

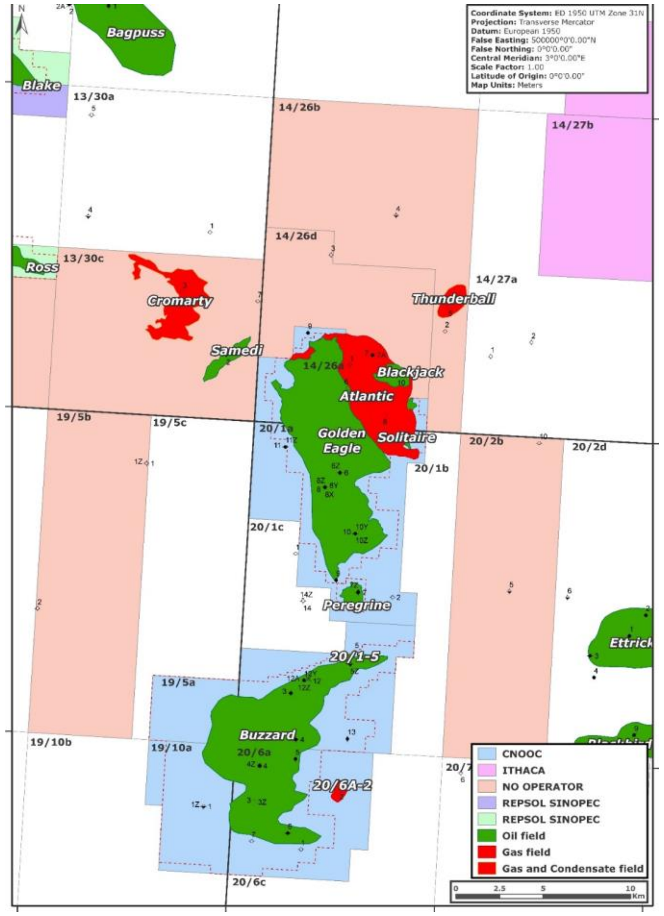
- Zero LTIs since start-up in 2014 and zero safety critical maintenance backlog
- Low $CO_2$e intensity - 2019: 11.5kg/Boe

### Strong production efficiency

- Top quartile production efficiency when benchmarked to UKCS peers[2]
- Immediate incremental production of c.10 kboepd[1]
- c.18 MMbbls of net 2P reserves and c.5 MMbbls of net 2C resources[1]

### Low unit opex[1]

- 2020 at c.$8/Boe; field life c.$15/Boe




[1] EnQuest estimates
[2] McKinsey & Company's PE Benchmarking Report
[3] Rystad

# A transformed company, enhanced by Golden Eagle acquisition

## Production focused on the lowest cost assets

- Core assets of Magnus, Kraken, GKA and Scolty/Crathes and PM8/Seligi
- Golden Eagle expected to add c.10kboed at completion, offsetting impact of 2020 UK CoP decisions

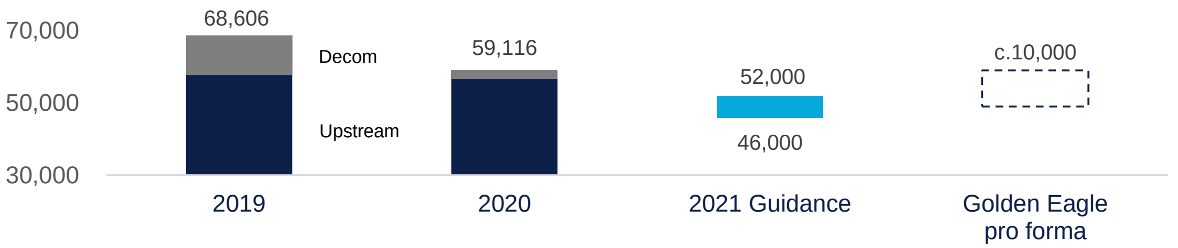
## Group unit opex c.$15/Boe

- Golden Eagle unit opex expected to be lower than Group average

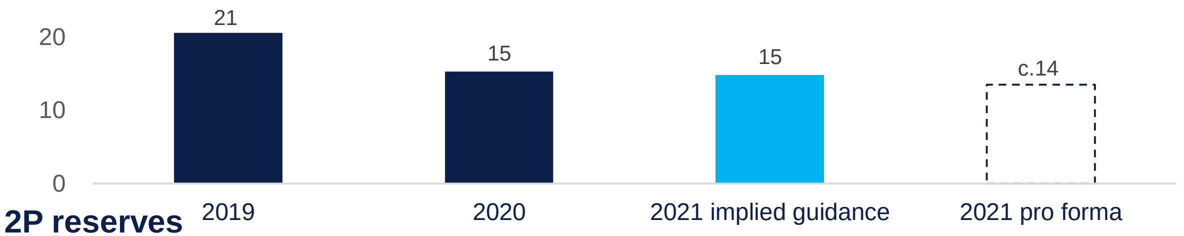
## Material reserves and resources

- Existing 2P reserves of 189 MMboe; Golden Eagle expected to add c.10%
- Existing 2C resources up 61% to 279 MMboe: Bressay (c.115 MMboe) Magnus and Kraken (c.35 MMboe each) and Malaysia (c.87 MMboe)

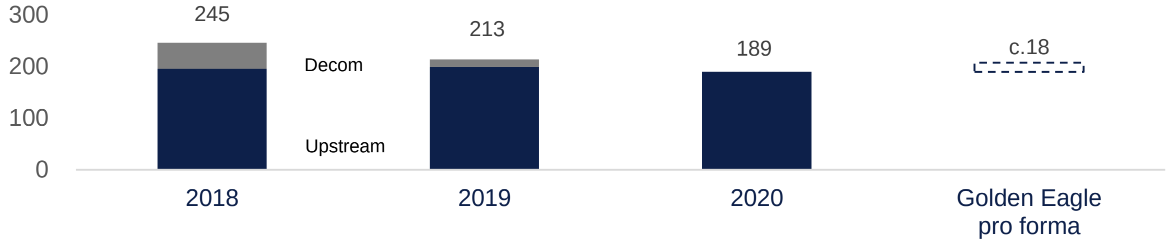
**Net production[1]**
(Boepd)




**Unit opex**
($/Boe)




**2P reserves**
(MMboe)




[1] Net working interest

## Environmental, social and governance

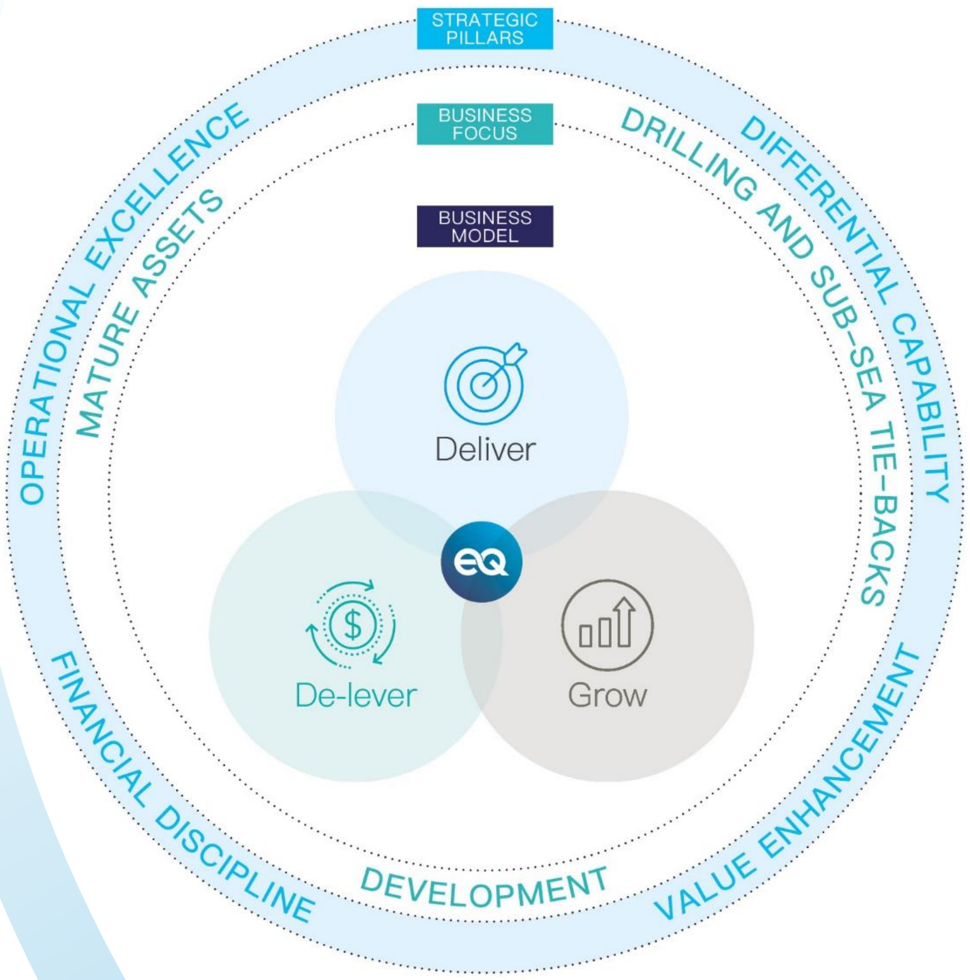
# EnQuest: a business model for the energy transition

Focused on extending the useful lives of assets in a responsible manner, helping to fulfil energy demand requirements as part of the transition to a sustainable lower-carbon world

**Maximising value from existing fields and infrastructure**

- Prioritising oil and gas production from existing resources
- Driving operational performance improvements, including emission reductions
- Low-cost operator
- Flexible investment programme focused on short-cycle, quick payback projects
  - Core capabilities in near-field drilling and sub-sea tie-back projects
- High-performing decommissioning capability

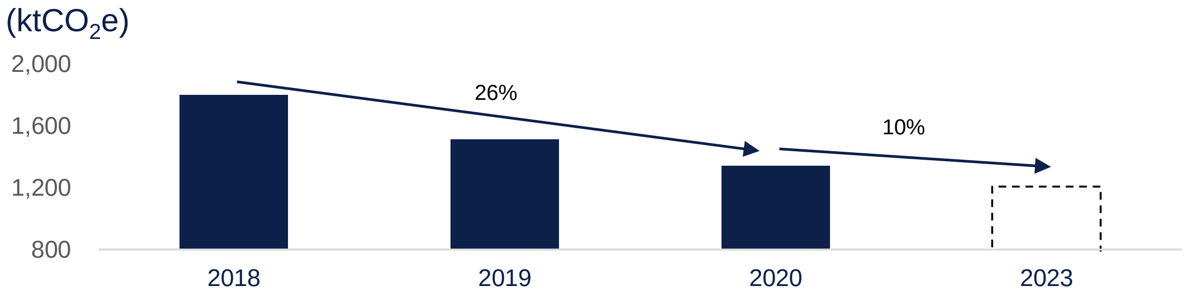
**Changing industry dynamics will provide EnQuest further value enhancement opportunities**



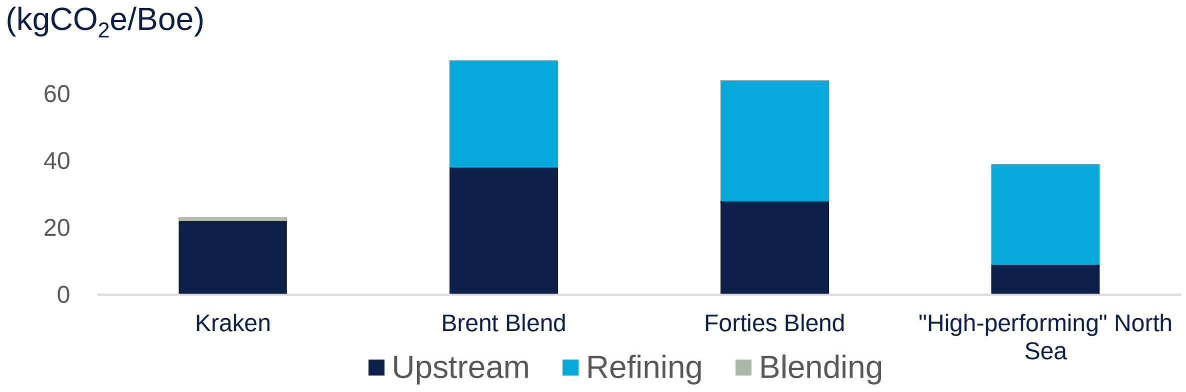
# Lowering emissions through the energy transition


**Focused on absolute reductions; management incentives linked to three-year target**

- Absolute Scope 1 and 2 emissions reduced; targeting a further 10% reduction by end 2023[1]




- Emissions associated with delivering Kraken to its end user compares favourably to a “high-performing” North Sea field[2]




[1] Based on the Group’s existing portfolio at 1 January 2021
[2] EnQuest analysis of UK North Sea assets 2019 performance

## Environmental, social and governance

# People, communities and governance


**SAFE Results**

**Strong culture and Values**

**Improving diversity and inclusion**

- LTIF of 0.22[1] – Top quartile performance
- Strong operational response to COVID-19
- Increased provision of wellbeing support for our workforce
- Building a diverse leadership: 19% female; 43% ethnic minority
- Continued student sponsorship and internship's in Malaysia


**Established risk management framework and Code of Conduct**

- Revised purpose with clear ambition
- Board Committee responsibilities expanded to cover ESG performance
- Building a diverse Board: 22% female; 22% ethnic minority
- TCFD reporting, with climate change now categorised as a standalone risk
- Performance share plans linked to ESG

[1] LTIF = Lost Time Incident Frequency, measured as the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

## EnQuest FY 2020 performance

# Operations overview

**Bob Davenport**

Managing Director – North Sea

## 2020 Production performance

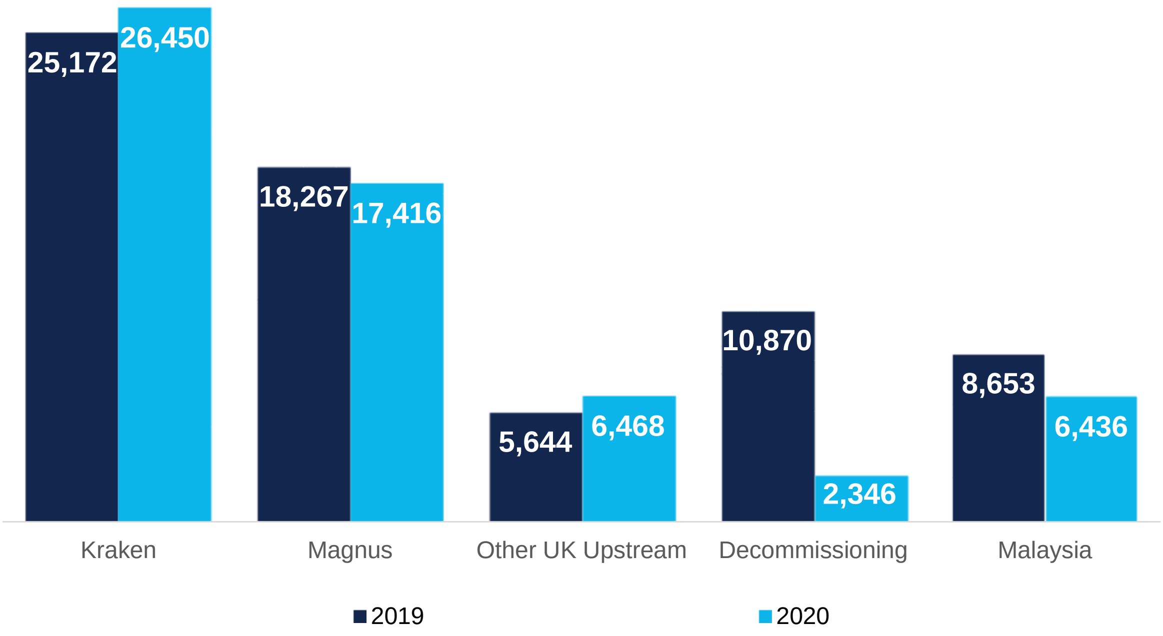
# Production in line with guidance

Delivered

## Summary:

- Strong production efficiency and optimised injector-producer management at Kraken
- Robust performance at Magnus
- Cessation of production at Heather, Thistle and Alma/Galia
- Riser detachment in Malaysia

**2020: 59,116 Boepd[1]**
2019: 68,606 Boepd[1]




[1]Net working interest

# Improved uptime on Kraken; robust Magnus performance

## Kraken

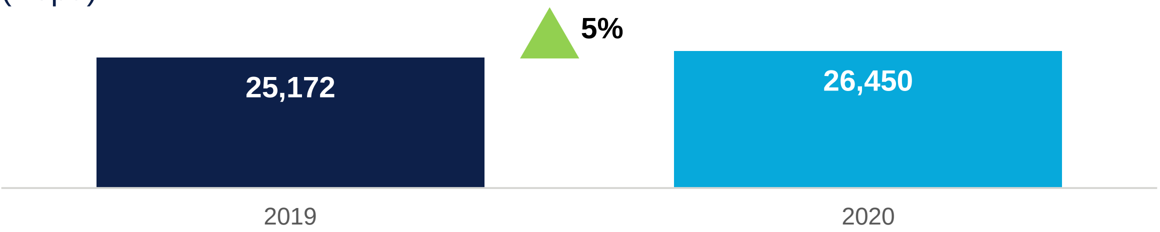
### 2020

- High production efficiency of 87% with good subsurface and well performance
- Worcester producer-injector pair online in H120, performing in line with expectations

### 2021

- Performance to end February in line with guidance despite impact of by sub-sea tether repairs, which have now been completed

**Net production**
(Bopd)




## Magnus

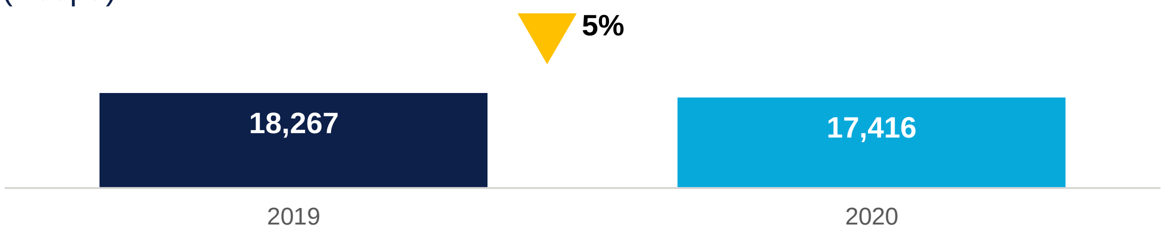
### 2020

- Good production and water injection efficiency
- Two new wells online in the first quarter
- Gas compressor and seawater lift pump availability resolved

### 2021

- Performance to end February impacted by unplanned third-party outage and power failures; now resolved
- Ongoing well interventions and facilities optimisation to further improve production

**Net production**
(Boepd)



# Strong Scolty/Crathes performance; CoP decisions reduced production

## Other UK Upstream

**Scolty/Crathes | Kittiwake | Alba**

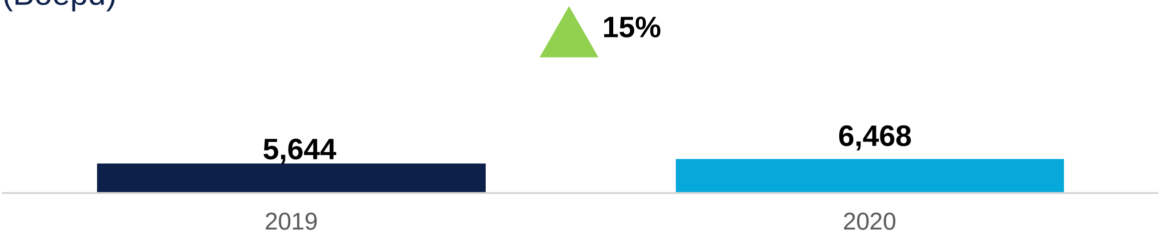
### 2020

- Strong performance from Scolty/Crathes
- Umbilical failure and natural declines impacted production at Kittiwake

### 2021

- Gas lift commissioned at Kittiwake to improve production; umbilical repairs are planned for H2

**Net production**
(Boepd)




## Decommissioning

**Heather/Broom | Thistle/Deveron | Alma/Galia | The Dons**

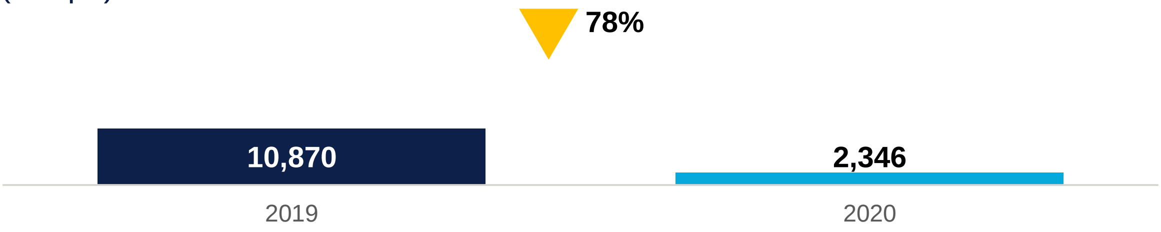
### 2020

- Heather/Broom and Thistle/Deveron shut in since 2019; preparatory works commenced for wells P&A campaigns in 2021
- Alma/Galia CoP occurred as planned on 30 June
- Dons production impacted by lower water injection and low gas lift

### 2021

- Dons CoP occurred as planned in Q1 with initial decommissioning activities underway

**Net production**
(Boepd)



Operational delivery

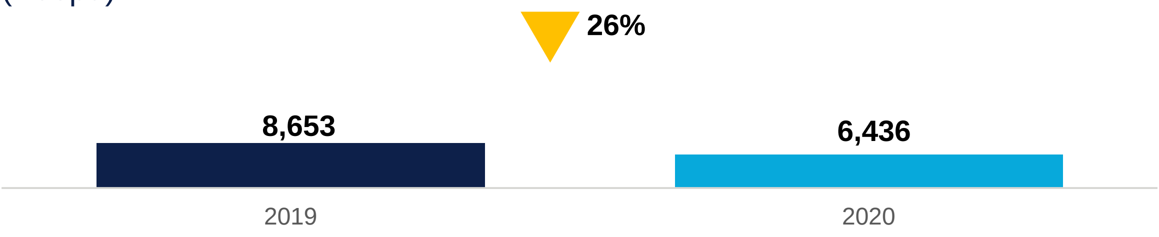
# PM8/Seligi impacted by detached riser; good progress on recovery

## Malaysia

**PM8/Seligi | PM409**

- Detached riser at PM8/Seligi impacted production in Q4
- PM409 prospects progressed through geotechnical studies

**Net production**
(Boepd)




## 2021 performance and riser update

- Accelerated restoration efforts have successfully achieved higher than forecast levels of production
- Damaged riser and pipeline will be replaced
  - Partner and regulator approval received
  - Sourcing of replacement materials/equipment and tendering for installation underway
  - Most costs expected to be covered by insurance
- Full operations expected to return in H2

## EnQuest FY 2020 performance

# Financial review

## Jonathan Swinney

Chief Financial Officer

## Results summary

# Full year 2020 performance

| | | |
|---|---|---|
| **Revenue[1]**<br>**$857 million**<br>▼ 50% | **Unit opex**<br>**$15/Boe**<br>▼ 26% | **Cash generated from operations**<br>**$568 million**<br>▼ 43% |
| **EBITDA[2]**<br>**$551 million**<br>▼ 44% | **Cash expenditure[3]**<br>**$173 million**<br>▼ 30% | **Net debt[4]**<br>**$1,280 million**<br>▼ 9% |

**Lower oil price assumptions resulted in non-cash post-tax impairment of $259 million and de-recognition of undiscounted deferred tax asset of $371 million. Access to tax losses and allowances retained**

**Deliver** → **Operational and financial targets met**

**De-lever** → **Debt reduction continued**

Unless otherwise stated all figures are on a Business performance basis and are in US Dollars
Comparative figures for the income statement relate to the period ended 31 December 2019 and the Balance Sheet as at 31 December 2019
[1] Including losses of $6.1 million (2019: gains of $24.8 million) associated with EnQuest's oil price hedges. [2] EBITDA is calculated on a Business performance basis and is calculated by taking profit/loss from operations before tax and finance income/(costs) and adding back depletion, depreciation, change in provision, foreign exchange movements and inventory revaluation. [3] Cash expenditure represents cash capital and abandonment expenditure. [4] Net debt represents cash and cash equivalents less borrowings, stated including PIK but excluding accrued interest and the net-off of unamortised fees and IFRS 9 Financial Instruments adjustments

## Cash capital expenditure

# Focused and controlled spend programme

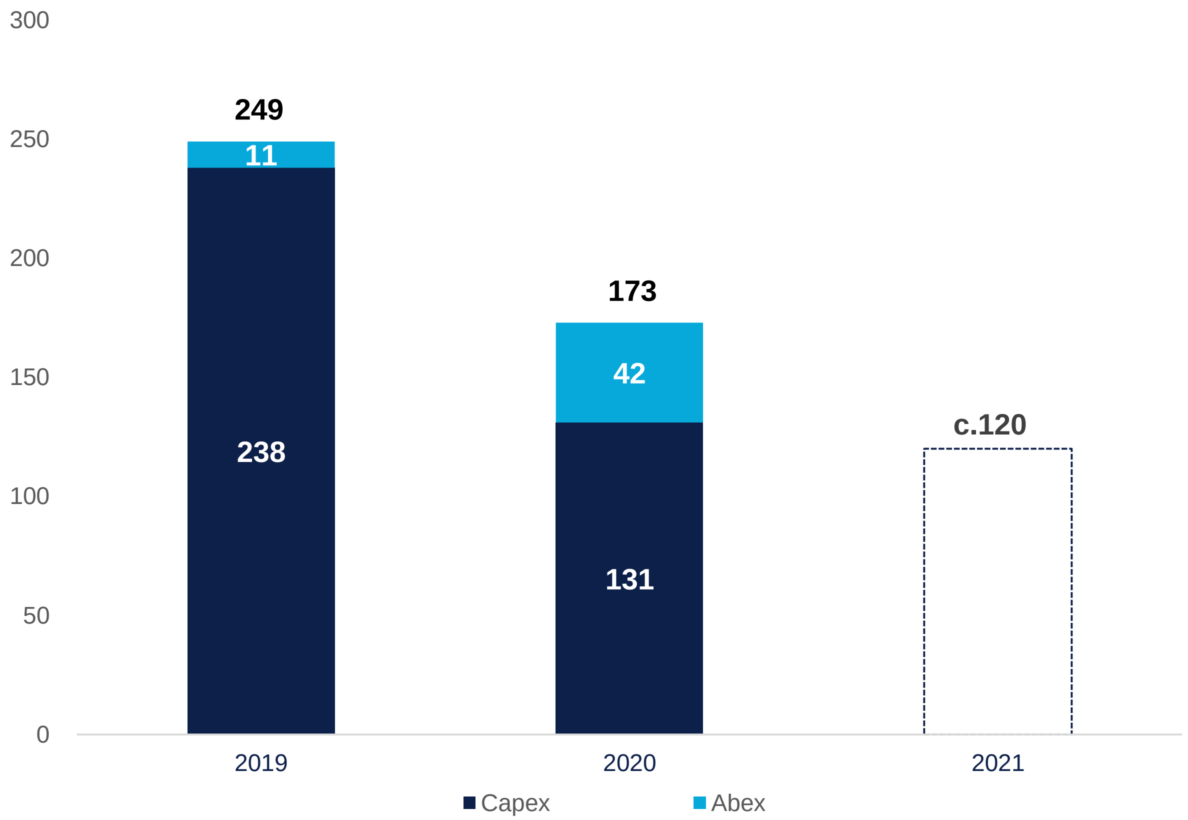
### 2020:

- Worcester drilling programme at Kraken concluded in Q2
- Magnus infill campaign concluded in Q1
- Decommissioning phase commenced at Alma/Galia and Heather

### 2021:

- Licence-to-operate capex
- Initial decommissioning activities at the Dons
- Heather and Thistle/Deveron wells P&A campaigns
- Excludes the costs associated with the PM8/Seligi riser incident repair which are expected to be largely covered by insurance

**Cash capital and abandonment expenditure**
$m



## Net debt

# Strong free cash flow driving debt reduction

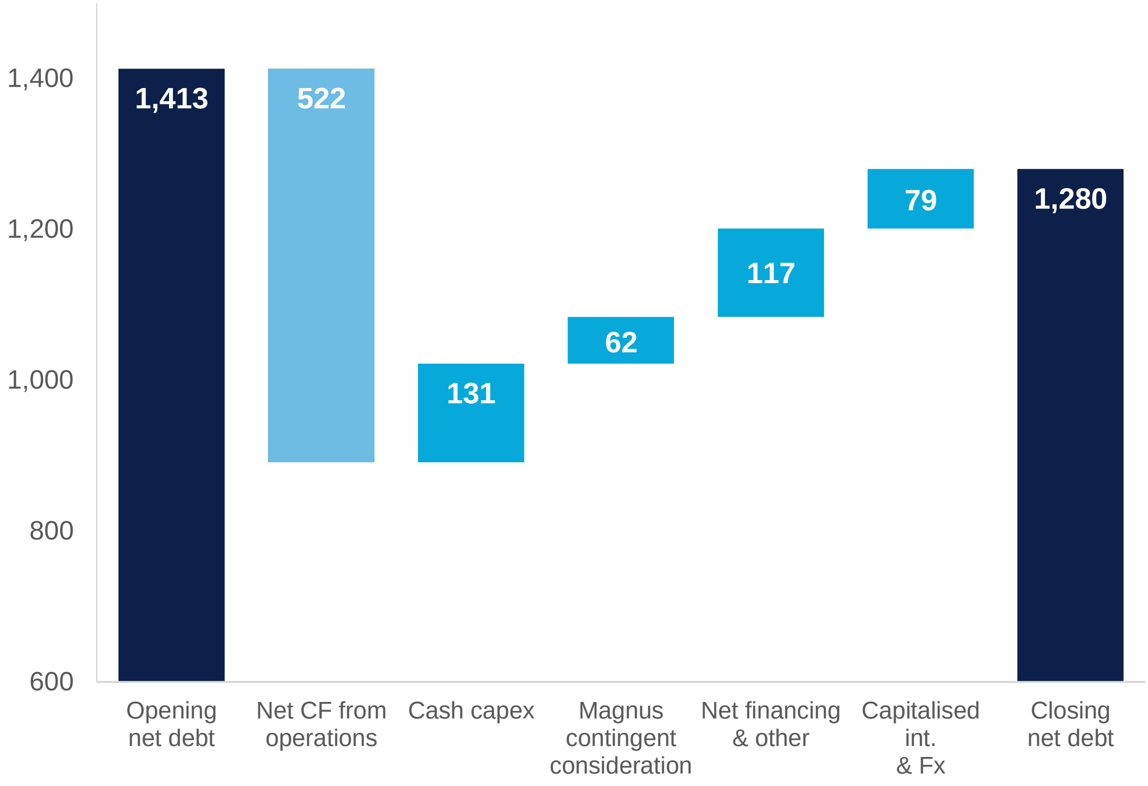
**Net debt reduced by 9% reflecting strong free cash flow of $211 million:**

- Lower net cash flow from operations, primarily reflecting lower oil prices
- Magnus contingent consideration
  - $21m repayment of vendor loan[1]
  - $41m profit share
- Net financing charges includes lease payments
- Bond interest settled through issue of additional notes (‘PIK’) due to oil price <$65/bbl

**2021 outlook**

- Hedged c.30% of 2021 entitlement production[2]
  - c.5 MMbbls hedged at average floor price of c.$55/bbl

**Movement in net debt**
$m




[1] Excludes vendor loan interest of $10.3 million which is included in net financing payments
[2] Based on full year production at the mid-point of 2021 production guidance of 46,000 to 52,000 Boepd, adjusted for entitlement volumes in Malaysia

# New facility to fund the acquisition and simplify EnQuest's capital structure

**Initial consideration of $325 million**

- Funded through a combination of a new senior secured debt facility, interim period cash flows and an equity raise

**Senior secured debt**

- Expected to simplify existing capital structure by refinancing existing SCF, Sculptor Capital facility and the Magnus vendor loan

**Interim period cash flow**

- Economic date 1 Jan 2021; completion anticipated by end 3Q 2021

**Equity**

- $50 million of equity through a placing and open offer; shareholders related to Amjad Bseisu to participate in line with equity holdings and provide a backstop

**Acquisition, placing and open offer and related-party transaction requires shareholder approval**

**Key milestones**

- Debt book building process
- Prospectus publication
- Placing and open offer
- General meeting for shareholder approvals
- Regulatory and joint venture approvals
  - No pre-emption rights

## EnQuest 2020 full year results

# Summary

**Amjad Bseisu**

Chief Executive

# Well placed to deliver value

## Proven track record

### Deliver

- Target production efficiency of 80%+
- Focused on cost control and capital discipline
  - Driven material cost efficiencies over time
- Strong production and reserves growth since inception
- An industry leader in drilling and sub-sea tie-back projects
- Executed innovative and value accretive acquisitions
- Clear ESG focus

## Strengthened strategic position

### De-lever

- Delivered business transformation in 2020
  - Focused portfolio of high-quality assets
  - Existing Group unit opex at c.$15/Boe
  - 2020 portfolio free cash flow breakeven at c.$32/Boe
- Net debt at its lowest since 2014
- 2021 free cash flow yield to equity >50%
- Simplifying the balance sheet through refinancing

## Significant value creation opportunities

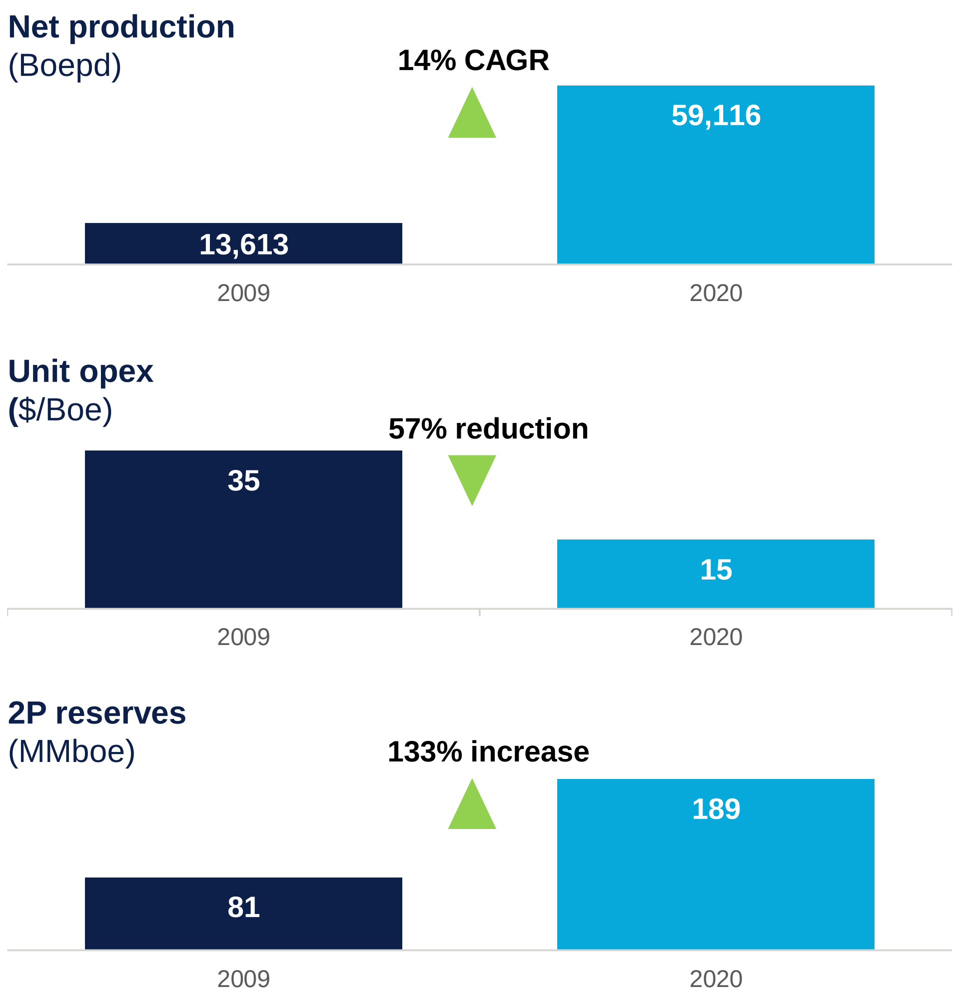
### Grow

- Existing 2P reserves of 189 MMboe
- Existing 2C resources of 279 MMboe
  - Largely accessed through short-cycle low-cost drilling and sub-sea tie backs
- Golden Eagle is a high-quality, low-cost asset enhancing the Group:
  - >$100 million NPV(10) at $50/bbl[1]
  - c.10 kboed production[1]
  - c.23 MMboe reserves and resources[1]
- UK tax assets of c.$3 billion

[1] EnQuest estimates

# Q&A

## Proven track record



## Appendix

# A clear purpose and strategy with a focused business model

### Purpose

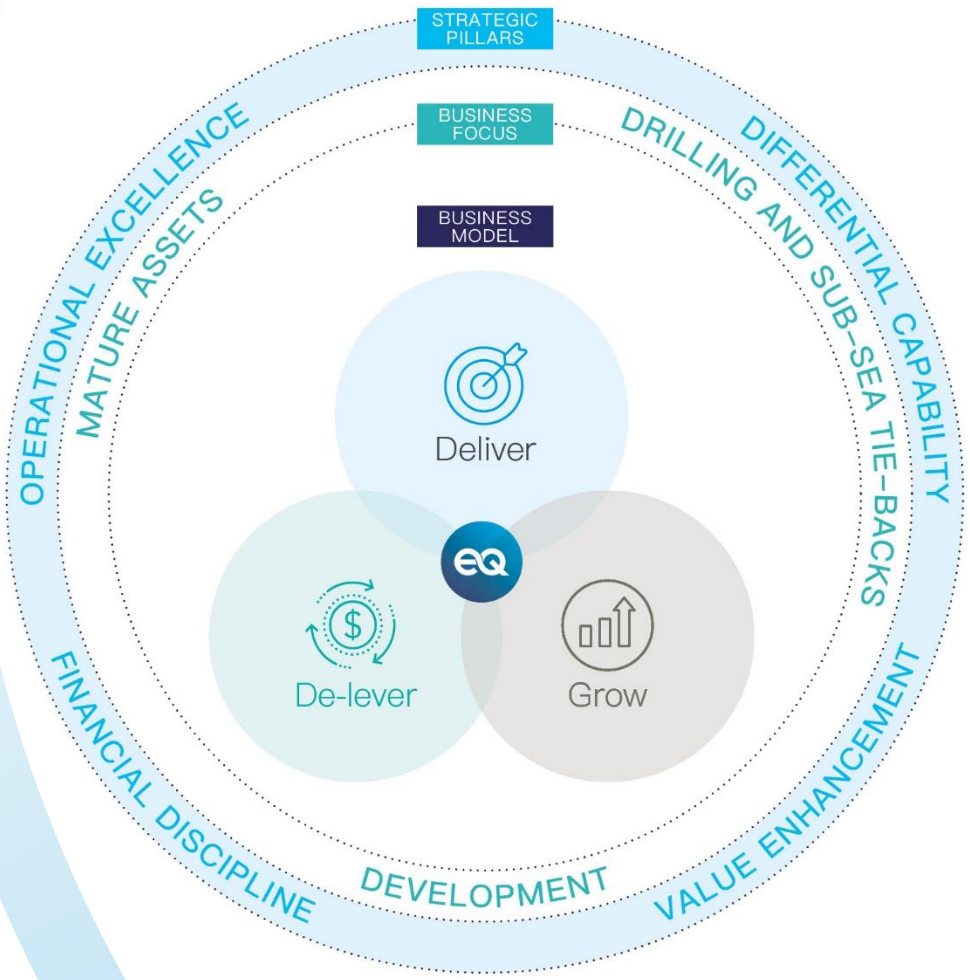
- Providing creative solutions through the energy transition

### Strategic vision

- To be the operator of choice for maturing and underdeveloped hydrocarbon assets

### Focused business model

- A production and development led E&P business
- Utilises EnQuest's core strengths
- Value-accretive portfolio opportunities continue to be assessed



## Appendix

# 2021 guidance[1]

**Deliver**

- Group production: 46,000 to 52,000 Boepd
- Kraken production (gross): 30,000 to 35,000 Boepd
- Operating expenditure of c.$265 million
- Cash capex and abex of c.$120 million

**De-lever**

- c.5 MMbbls hedged at floor of c.$55/bbl and ceiling of c.$64/bbl

**Grow**

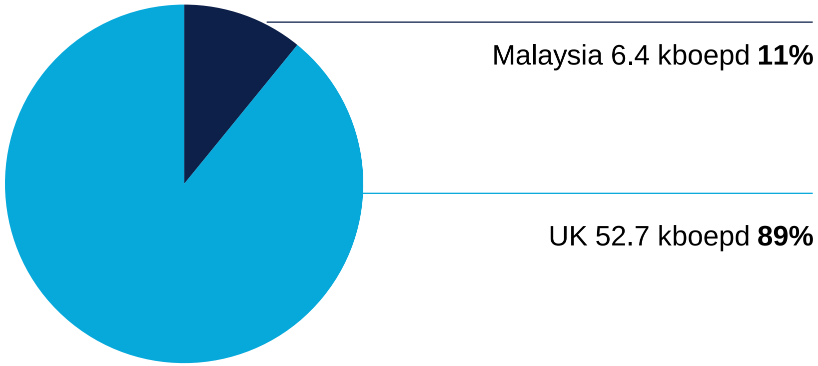
- Signed agreement to acquire non-operating interest in Golden Eagle

[1] Existing portfolio. Excludes the costs associated with the PM8/Seligi riser incident repair which are expected to be covered by insurance

## Appendix

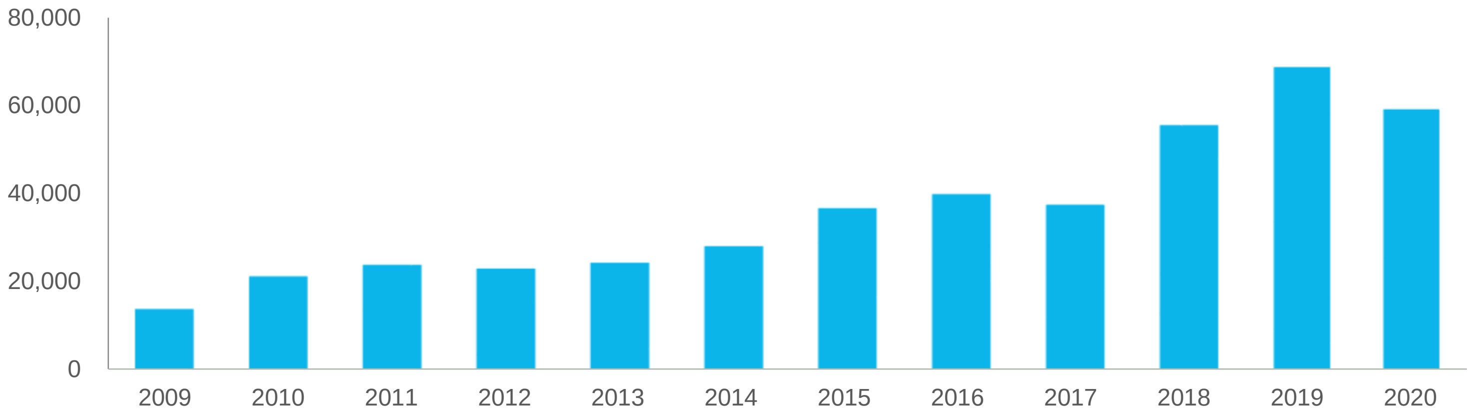
# Operator of choice for maturing hydrocarbon assets

### Production breakdown[1]




[1] Year to date December 2020

### Annual production CAGR of c.14% since IPO




### Sullom Voe Terminal

### 4 offshore production hubs


**Kraken**


**Magnus**


**Greater Kittiwake Area**


**PM8/ Seligi**

### 4 non-producing assets


**Heather/ Broom**

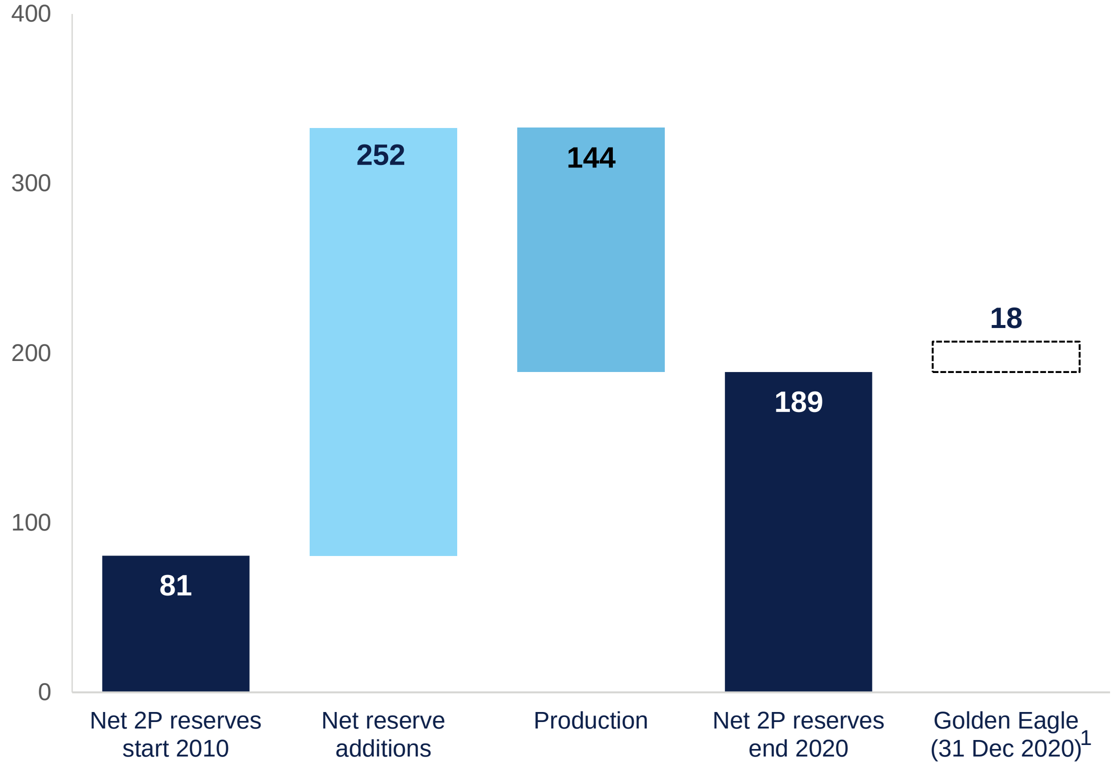

**Thistle/ Deveron**


**Alma/ Galia**

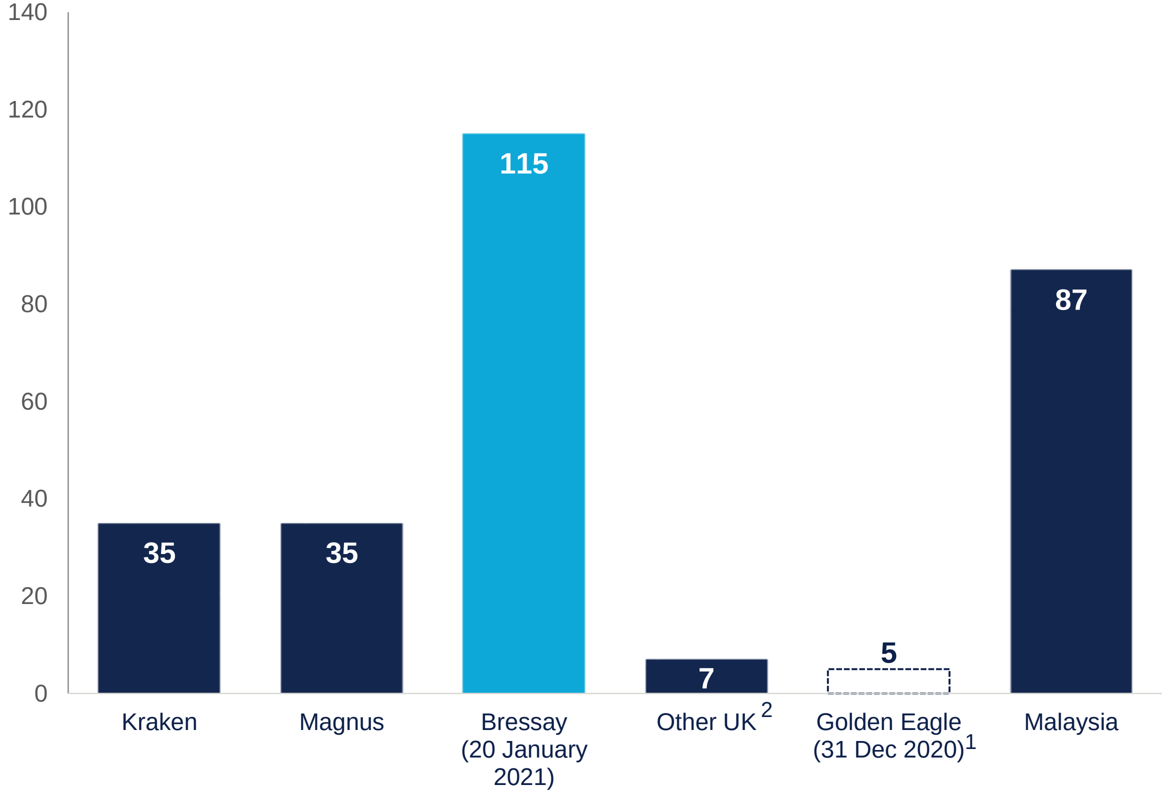

**The Dons**

# Material reserves and resources base

**2P reserves of 189 MMboe excluding Golden Eagle**
MMboe




**2C resources of 279 MMboe excluding Golden Eagle**
MMboe



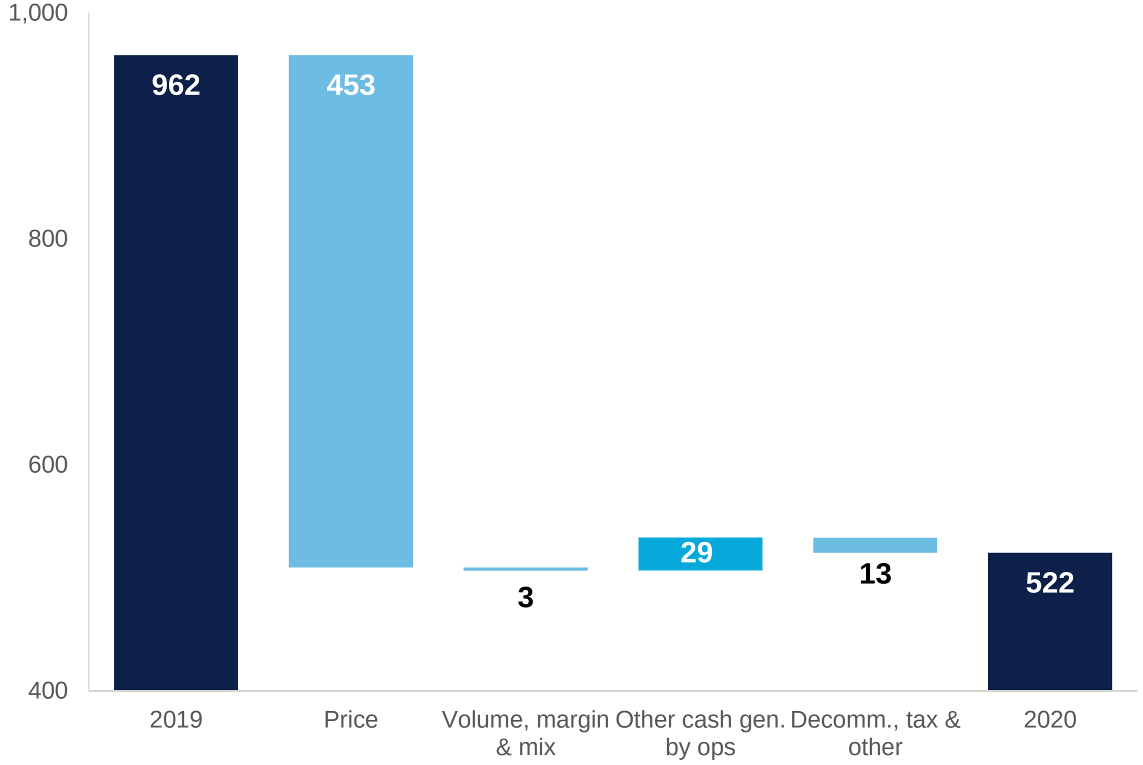

[1]EnQuest estimates
[2] Includes 100% equity in the Eagle discovery. The Group agreed to farm-down it's interest in Eagle to 15% in February 2021

# Strong cash generation in a challenging environment

## Cash generation:

- Realised oil prices down 37% reflecting lower market prices
- Lower volumes offset by operating cost optimisation following CoP decisions
- Favourable working capital movements
- Higher decommissioning spend reflecting CoP decisions
- Lower cash taxes in Malaysia

**Net cash flow from operations**
$m



# Post-tax non-cash charges

| | |
|---|---|
| **Impairment**<br>$259.2 million tangible oil and gas assets<br>- Primarily at Kraken | **Driven by**<br>Reduction in oil price assumptions |
| **Deferred tax de-recognition**<br>$371.1 million de-recognition of the undiscounted deferred tax asset | **Driven by**<br>Reduction in oil price assumptions |

## Appendix

# No material UK cash CT/SCT on operational activities expected

| UK Tax losses | $m |
| --- | --- |
| Tax losses at 31 December 2019 | *2,903.4* |
| 2020 net increase | 281.9 |
| Prior year adjustment | (1.4) |
| Tax losses at 31 December 2020 | 3,183.9 |

- No material cash tax expected to be paid on UK operation activities for the foreseeable future
- Small cash tax payments are expected in Malaysia on the PM8/Seligi PSC

## Appendix

# Effective tax rate reconciliation

| | % | $m |
|---|---|---|
| Loss Before Tax | | *(566.0)* |
| Notional UK Corporation Tax | *(40.0)%* | *(226.4)* |
| 2020 RFES | | (106.7) |
| UK and overseas tax rate differences | | 20.7 |
| Permanent items | | (3.4) |
| Tax losses not recognised | | 371.1 |
| Other | | 4.6 |
| 2020 Tax Charge/(Credit) | 10.6% | 59.8 |

## Appendix

# Deferred tax de-recognition

| | Note | At 1 January 2020 $ million | (Charged)/credited to income statement on ordinary activities $ million | Remeasurements and exceptional items $ million | At 31 December 2020 $ million |
|---|---|---|---|---|---|
| **UK deferred corporation tax:** | | | | | |
| Fixed assets and allowances | | (1,006) | 51 | 163 | (792) |
| Decommissioning | | 271 | 42 | - | 313 |
| Tax losses and allowances | 1 | 1,102 | 91 | (367) | 826 |
| Contingent consideration | | 222 | (16) | (31) | 175 |
| Other | | (24) | 6 | | (18) |
| **Total UK deferred corporation tax** | | 565 | 174 | (235) | 504 |
| Overseas deferred tax | | (10) | 1 | 3 | (6) |
| **Total** | | 555 | 175 | (232) | 498 |

1 The exceptional deferred tax charge relating to tax losses and allowance of $366.8 million comprises of the de-recognition of deferred tax assets of $371.1 million, offset by tax on other income and expenses which management have presented as exceptional

Appendix

# Forward-looking statements

**This presentation may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, costs, revenues, reserves and other trend information.**

**These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment.**

**Nothing in this presentation should be construed as a profit forecast. Past share price performance cannot be relied on as a guide to future performance.**