# EnQuest 2019 Full Year Results

## EnQuest 2019 full year results

# Introduction

**Amjad Bseisu**

Chief Executive

## Key 2020 messages

# Well placed to manage a low oil price

**Deliver**

Full year production guidance is c.57,000 to c.63,000

Additional cost reductions identified to lower breakeven:

- 2020: Savings of c.$190 million opex / c.$110 million capex; Full year cash flow breakeven c.$33/Boe
- 2021: Cash flow breakeven targeted at c.$27/Boe

**De-lever**

No outstanding 2020 bank amortisations

Bond interest PIKs; maturity expected October 2023

Hedged c.20% of 2020 entitlement production

**Grow**

Focus production on lowest cost barrels

Continue to assess large and low-cost 2C resource base

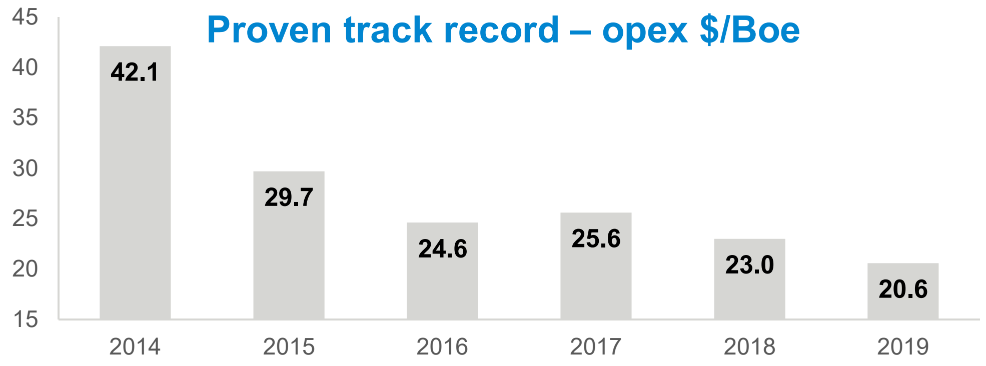
## 2020 Outlook

# Decisive action taken

### Opex reduction plans

- Decision not to re-start at Heather and Thistle/Deveron fields
- Remove discretionary spend

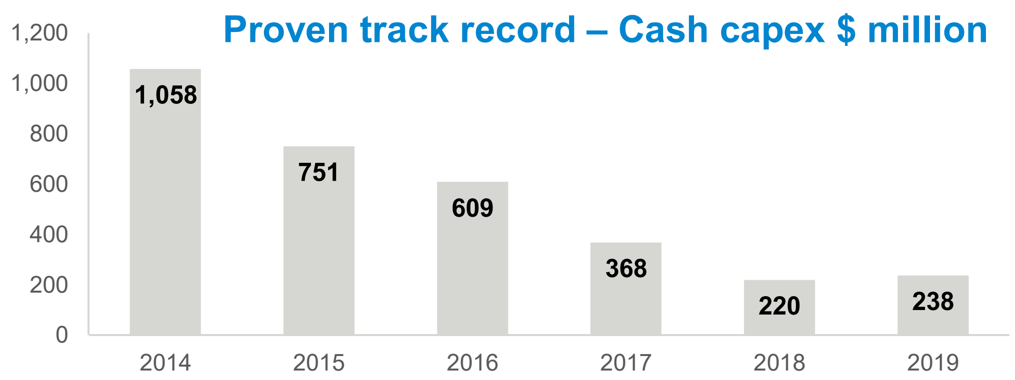
**2020: c.$190m reduction to c.$335 million**
**2021: Targeting c.$12/Boe**




### Capex reduction plans

- Continue drilling activity at Kraken in 2020
- Remove discretionary spend

**2020: c.$110m reduction to c.$120 million**
**2021: Further reductions expected**



Key 2019 messages

# Strong 2019 performance

## 2019 highlights

**Deliver**

- Delivered production within guidance
- Unit opex reduced by c.10%
- Cash capex below guidance

**De-lever**

- Voluntarily accelerated bank amortisations
- Net debt lowered by c.20%
- Net debt:EBITDA ratio materially ahead of target

**Grow**

- Matured c.18 MMboe from ‘2C’ to ‘2P’
- Block PM409 added 28 MMboe 2C resources

## EnQuest FY 2019 performance

# Operational and financial targets met

**Deliver**

### Production increased c.24% to 68,606 Boepd[1]

### Unit opex decreased by c.10% to $21/Boe

### Cash capex of c.$238 million

- Kraken DC4 and Malaysia drilling programmes completed
- Dunlin bypass and Scolty/Crathes pipeline projects completed ahead of budget and schedule
- Magnus drilling programme commenced

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


**Unit opex**
($/Boe)


**Cash capex**
($m)


[1]Net working interest

# Operational and financial targets met (continued)

**De-lever**

**Group net debt is $1,413 million; 20% lower vs year end 2018**

**Net debt:EBITDA ratio[1] at 1.4x, below target of 2.0x by year end**

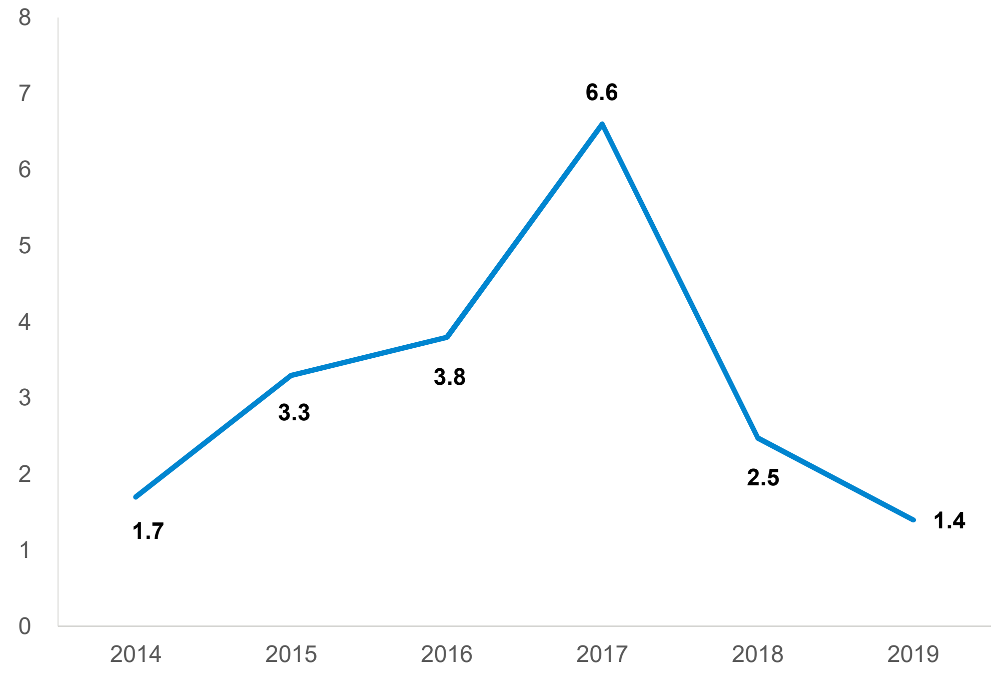
**Senior credit facility reduced by $325 million during 2019**

- April 2020 $120 million amortisation repaid early

**Outstanding senior credit facility $425 million[2]**

- October 2020 $35 million amortisation repaid in January 2020
- Net debt was $1,368 million at the end of February 2020

**Net debt:EBITDA ratio[1]**




[1]Represents end December net debt and the last twelve months EBITDA to end December
[2]As at 31 March 2020, excluding Payment in Kind interest

# Operational and financial targets met (continued)

Grow

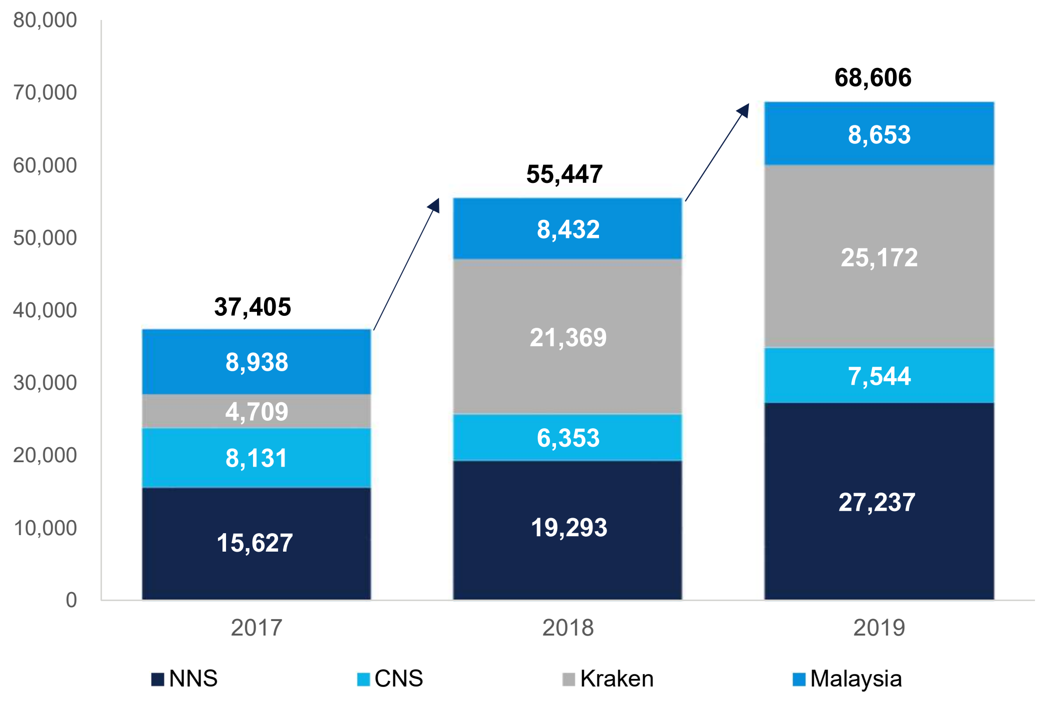
## Material increase in production to 68,606 Boepd[1]

- Kraken outperformed expectations
- Strong performance at Magnus, Scolty/Crathes and PM8/Seligi

## Developing reserves and resources through low cost drilling and workovers

- Kraken: Worcester drilling sanctioned with drilling underway in Q1 2020
- Magnus: two-well infill campaign completed in Q1 2020
- PM8/Seligi: idle well restoration

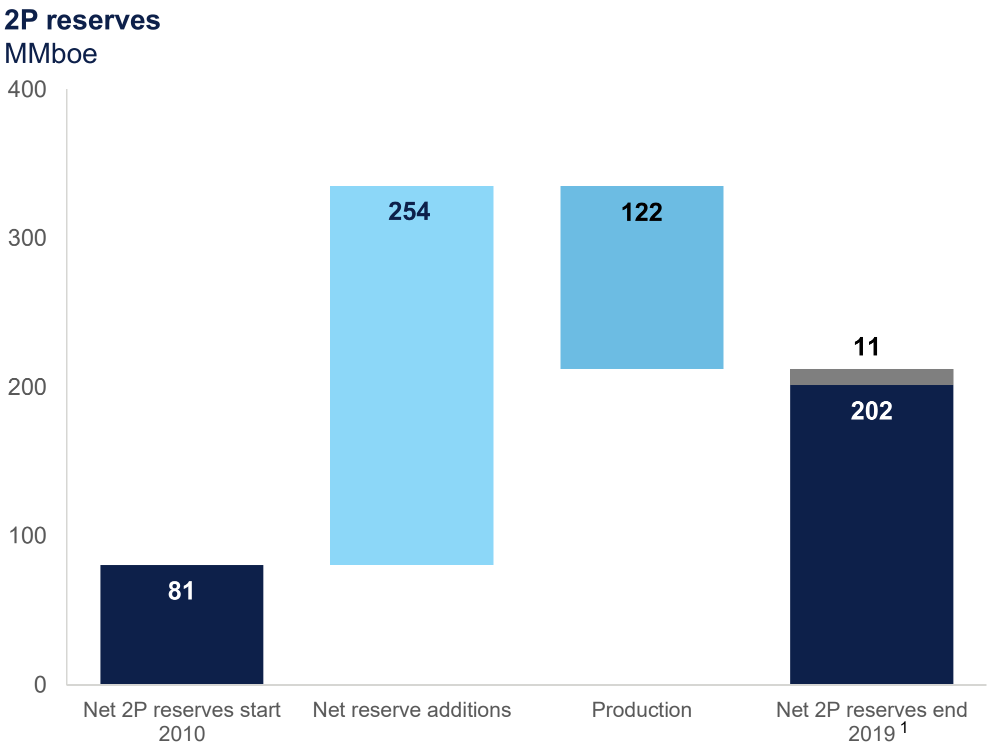
**Annual net production[1]**
(Boepd)

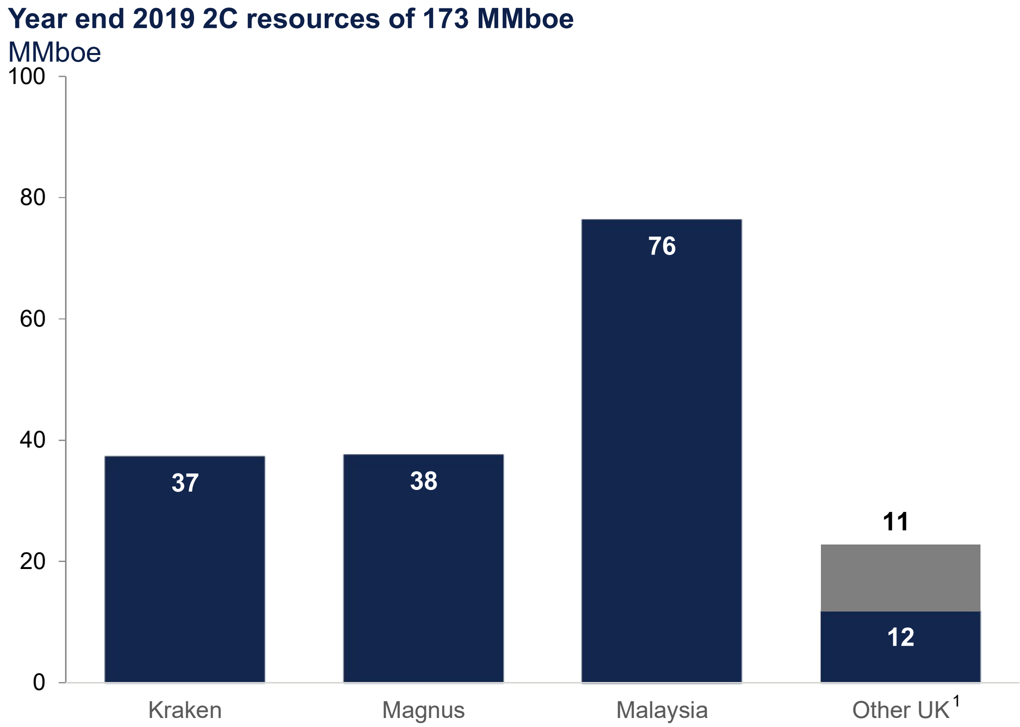



[1]Net working interest

## EnQuest FY 2019 performance

# Year end 2019 2P reserves and 2C resources




[1]11 Mmboe of 2P and 2C relates to Thistle

## Environment, social and governance

# Committed to a sustainable future

**Environment**

- Actions underway
  - Kraken cargoes sold directly to shippers as component of IMO 2020 compliant fuel reducing carbon footprint
  - Flaring reduced by 45% in Malaysia
- ESG group established to identify emissions reduction initiatives/targets
  - Targeting 80% emissions reduction at SVT
- Environmental management systems in place
- Transparent disclosure of environmental performance

**Social**

- Prioritise SAFE Results, including current COVID-19 response
- Targeting improved workforce diversity (UK AXIS network)
- Strong partnership with PETRONAS to develop Malaysian nationals
- Active community engagement programmes and charitable support

**Governance**

- LSE premium listing and UK Corporate Governance code compliant
- New Chairman appointed in October 2019
- Evolving disclosures to align with TCFD recommendations
- Compliant with EITI and EUETS requirements

**EnQuest FY 2019 performance**

# Operations overview

## Bob Davenport

Managing Director
– North Sea

## Production performance

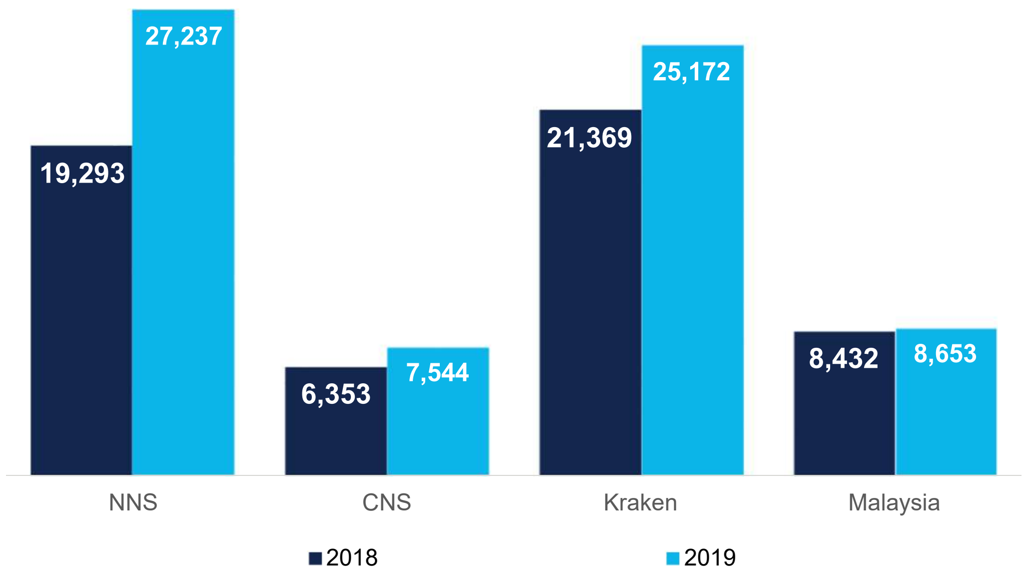
# Growth of c.24%; towards the top of the guidance range

**Delivered**

### Production growth:

- Strong production efficiency, particularly at our three key/world-class assets
- Additional equity interest, well work and plant de-bottlenecking at Magnus
- Scolty/Crathes pipeline replacement project
- Improved Kraken FPSO uptime performance and impact of DC4 wells
- Successful idle well restoration programme at PM8/Seligi

**2019: 68,606 Boepd[1]**
2018: 55,447 Boepd[1]




[1]Net working interest

## 2019 operational delivery

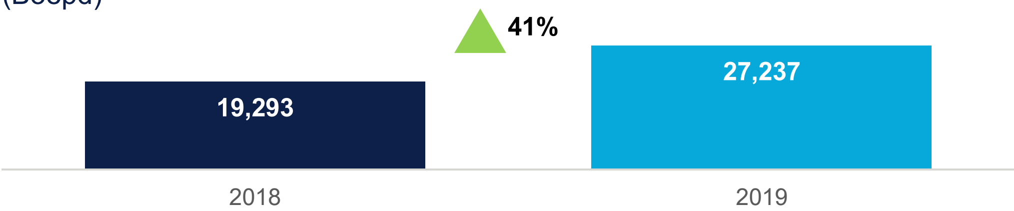
# Strong Magnus performance; improved uptime and pricing on Kraken

### Northern North Sea

**Magnus | Thistle/Deveron | The Dons | Heather/Broom**

- Strong Magnus performance
  - High production efficiency; reservoir management; well work; plant debottlenecking
- High levels of production and water injection efficiency at Thistle offset by safety-related shutdown
- Heather impacted by single compressor operations and safety-related shutdown

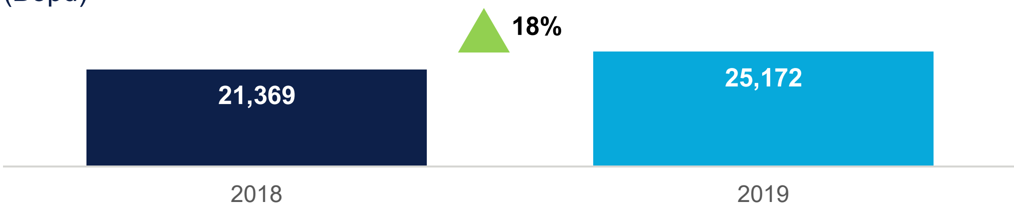
**Net production**
(Boepd)




### Kraken

- Significant improvement in FPSO uptime; production efficiency of c.95% in Q4 vs. c.58% in Q1
  - Focused operational and process improvement plans
- Strong subsurface and well performance with optimised injector-producer well management
  - Stable water production
- Robust cargo pricing; some cargoes achieved a premium to Brent

**Net production**
(Bopd)



## 2019 operational delivery

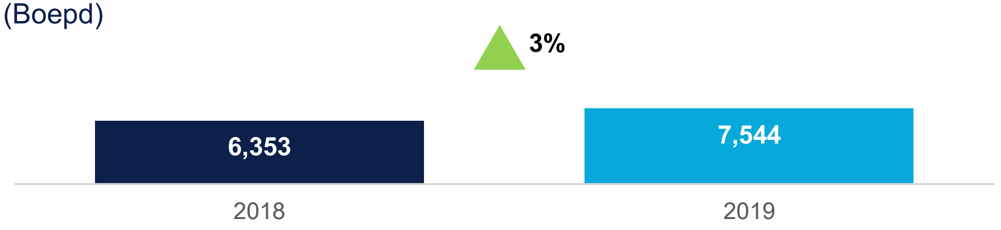
# Successful pipeline replacement; PM8/Seligi IWR success

### Central North Sea

**Scolty/Crathes | Kittiwake | Alma/Galia | Alba**

- Strong production performance at Scolty/Crathes following pipeline replacement
- Positive impact of 2018 ESP replacement programme at Alma/Galia and high production efficiency

**Net production**
(Boepd)

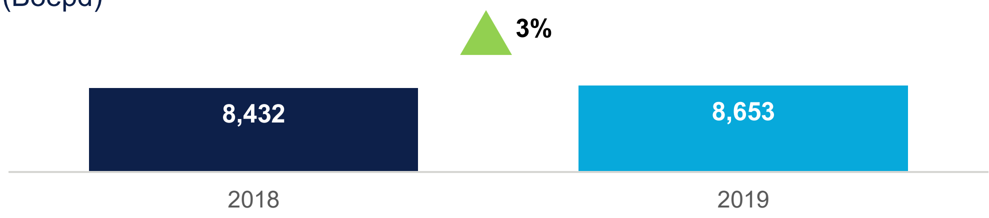



### Malaysia

**PM8/Seligi | Tanjong Baram | PM409**

- At PM8/Seligi, high production efficiency; 11 idle wells successfully returned to production
- At Tanjong Baram, natural declines and results of well A2; Small Field Risk Service Contract terminated in March 2020
- PM409 PSC awarded December 2019

**Net production**
(Boepd)



## Maintaining safe operations

# A proactive approach to COVID-19 – Onshore and Offshore

| Prevent | Detect | Control | Mitigate |
|---|---|---|---|
| - Reduce site POB to create isolation bed space<br>- Pre-mobilisation screening<br>- Increased cleanliness of workplaces<br>- Emphasis on good personal hygiene & behaviours<br>- Take steps to prepare for potential cases<br>- Reduce close contact and large group meetings<br>- Restrict non-essential travel | - Share details on signs and symptoms<br>- Encourage self isolation if known close contact with a confirmed case<br>- Identify key roles and protect from exposure<br>- Conduct temperature monitoring at heliport | - Regular cleaning<br>- Physical separation in meetings<br>- Protection of key roles from potential exposure (safety & operationally critical) | - Clear plans on patient isolation<br>- Clear plans on patient treatment<br>- Available isolation cabins<br>- Contact with Topside Doctor on requirements<br>- Patient repatriation via dedicated resource (AW189)<br>- Personal protective equipment<br>- Waste & laundry segregation |

**EnQuest FY 2019 performance**

# Financial review

## Jonathan Swinney

Chief Financial Officer

## Results summary

# Strong FY 2019 performance

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 2018 and the Balance Sheet as at 31 December 2018.

| Production | Revenue[1] | Unit opex | EBITDA[2] |
|---|---|---|---|
| 68,606 Boepd | $1,712 million | $21/Boe | $1,007 million |
| ▲ 24% | ▲ 43% | ▼ 10% | ▲ 41% |

| Cash generated from operations | Cash capex | Net financing costs | Net debt[3] |
|---|---|---|---|
| $995 million | $238 million | $207 million | $1,413 million |
| ▲ 26% | ▲ 8% | ▼ 13% | ▼ 20% |

**Recognised a non-cash post-tax impairment of $562 million; changes in long-term oil price and reserve profile assumptions**

**Deliver → Operational and financial targets on track**

**De-lever → Debt reduction continuing**

[1] Including gains of $24.8 million (2018: loss of $93.0 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, foreign exchange movements and inventory revaluation. [3] 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

## Operating cash flow

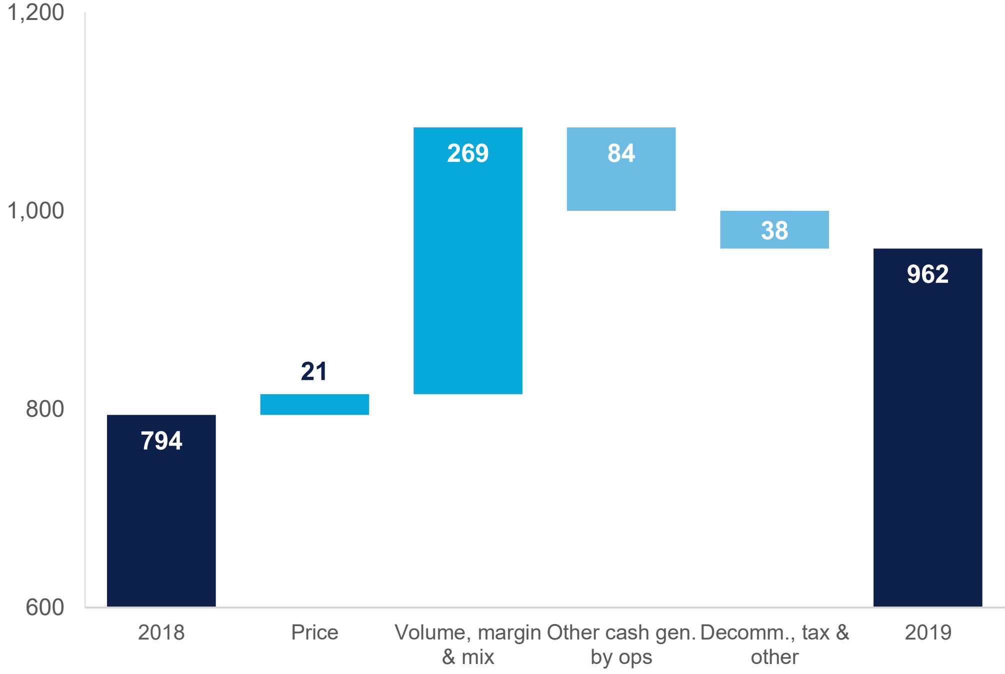
# Strong cash generation

### Improved cash generation:

- Slightly higher realised oil prices
  - Reflecting the positive impact of the Group's commodity hedge programme
- Material growth in volumes from the Group's highest margin fields
- Cost optimisation
- Unwind of year end 2018 favourable working capital
- 2018 included Thistle decommissioning option proceeds

**Net cash flow from operations**

$m



## Cash capital expenditure

# Disciplined and focused investment programme

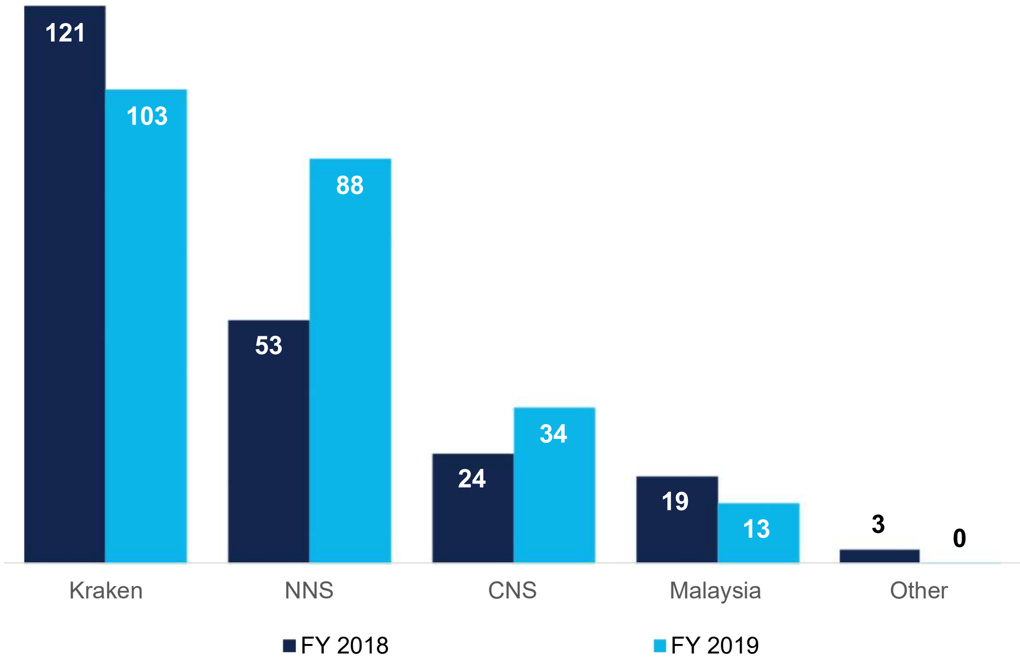
### 2019 capex underpins production:

- Kraken DC4 drilling programme concluded in Q1
- Scolty/Crathes and Dunlin bypass sub-sea project completions
- Magnus infill campaign commenced in Q4
- Malaysia infill campaign completed in Q3

### 2020 capex of c.$120 million:

- Magnus infill campaign concluded in Q1
- Kraken drilling at Worcester commenced in Q1
- Includes c.$50 million of agreed prior period deferrals and phasing from 2019

**FY 2019: $238 million**
FY 2018: $220 million



## Net debt

# Strong cash generation driving debt reduction

### Debt reduction:

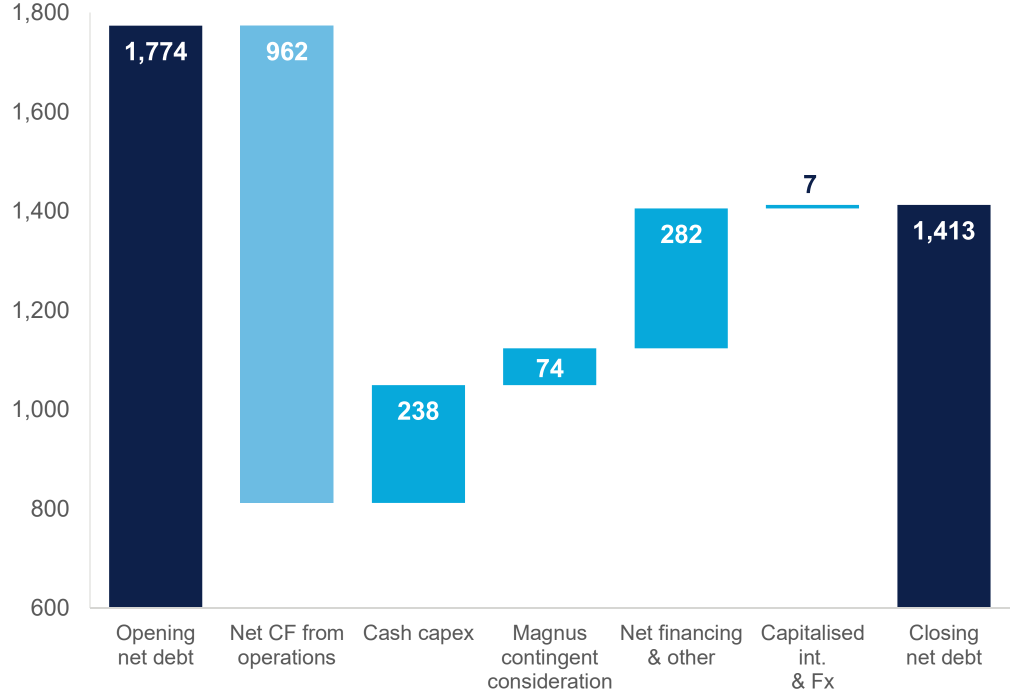
- Delivered
  - Net debt down by 20%
- Net debt:EBITDA
  - Achieved 1.4x[1]
- Magnus contingent consideration
  - $52m repayment of vendor loan
  - $22m relates to profit share agreement

### 2020 outlook

- Hedged c.20% of 2020 entitlement production[2]
  - c.4.0 MMbbls hedged (c.2.9 MMbbls at average floor price of c.$65/bbl)
- Full year free cash flow targeted at c.$33/Boe[2]

**Movement in net debt**

$m

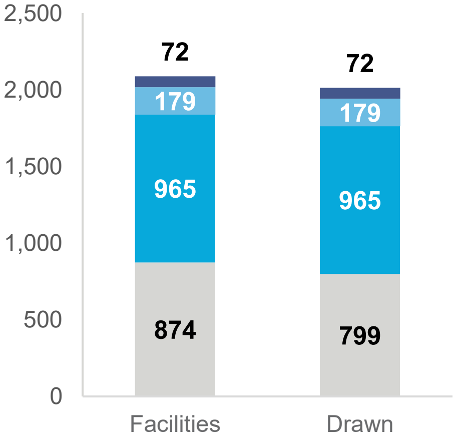



[1] Represents end December 2019 net debt and the last twelve months EBITDA to end December 2019
[2] Based on full year production at the mid-point of 2020 production guidance of 57,000 to 63,000 Boepd

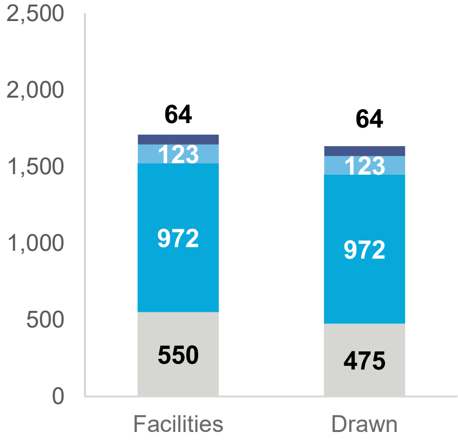
## Debt structure

# Long-dated, manageable repayment structure

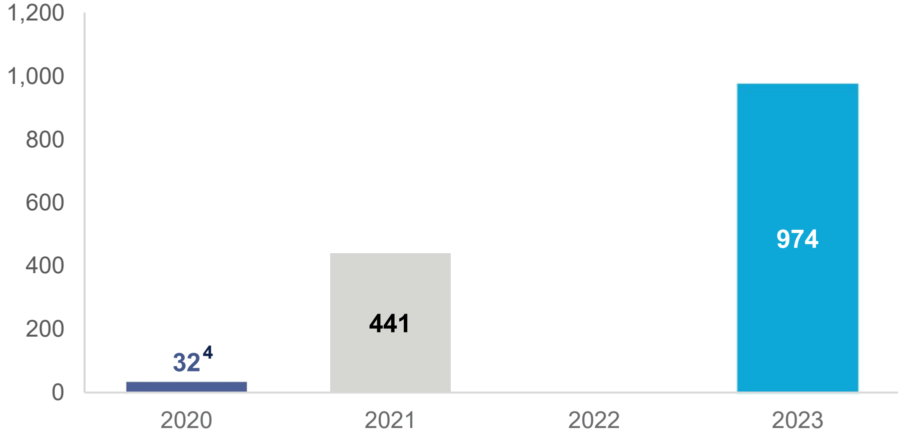
**Debt structure (end Dec 2018)[1]**
$ million




**Debt structure (end Dec 2019)[2]**
$ million




**Future expected repayment profile (balances at end Feb 2020)[3]**
$ million




## Scheduled amortisation on credit facility with long-dated bond repayment

- Cash flows facilitating accelerated repayment of credit facility

## Sculptor Capital facility[5] repaid out of ring-fenced cash flow over 5 years

1 Includes PIK on the Bonds ($117.6 million) and bank debt ($14.4 million), along with capitalised interest on the Sculptor Capital facility ($3.5 million)
2 Includes PIK on the Bonds ($118.2 million) and bank debt ($15.1 million), along with capitalised interest on the Sculptor Capital facility ($7.4 million)
3 Includes PIK on the Bonds ($125.4 million) and bank debt ($15.8 million)
4 Relates to Tanjong Baram Project Finance Facility
5 Sculptor Capital facility was previously known as Oz Management facility

## EnQuest 2019 full year results

# Summary

**Amjad Bseisu**

Chief Executive

### Key 2019 messages

# Strong 2019 performance

## 2019 highlights

**Deliver**

- Delivered production within guidance
- Unit opex reduced by 10%
- Cash capex below guidance

**De-lever**

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- Net debt lowered by 20%
- Net debt:EBITDA ratio materially ahead of target

**Grow**

- Matured c.18 MMboe from ‘2C’ to ‘2P’
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**De-lever**

No outstanding 2020 bank amortisations

Bond interest PIKs; maturity expected October 2023

Hedged c.20% of 2020 entitlement production

**Grow**

Focus production on lowest cost barrels

Continue to assess large and low-cost 2C resource base

EnQuest

# Q&A

## Appendix

# A clear purpose and strategy with a focused business model

## Purpose

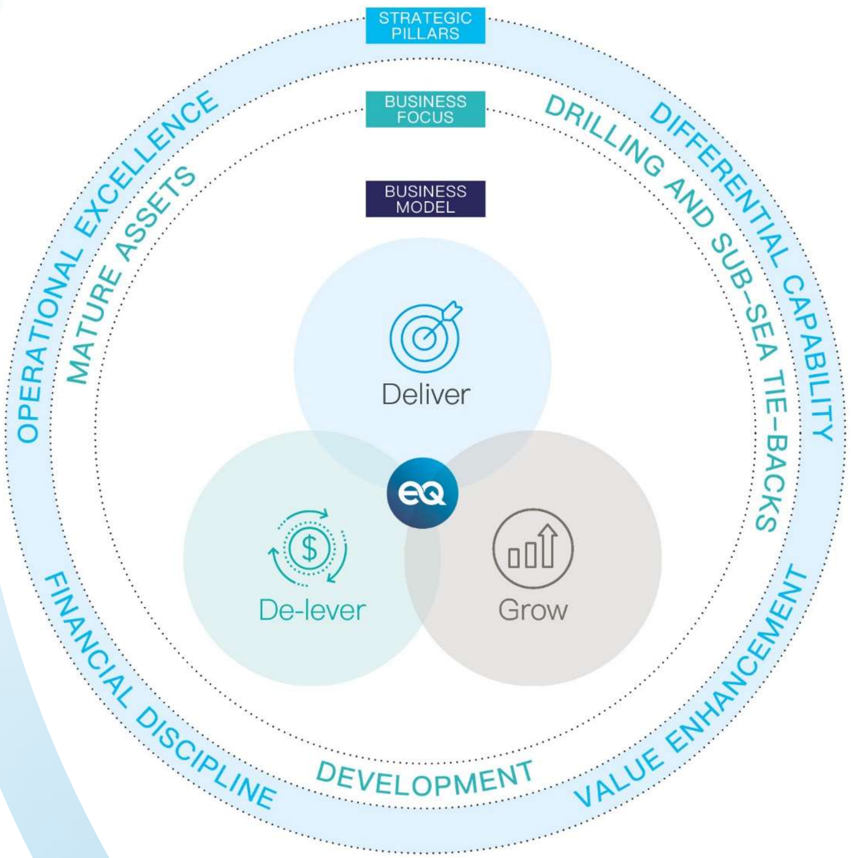
- With hydrocarbons expected to remain a key element of the global energy mix for many years, EnQuest is focused on enhancing hydrocarbon recovery and extending the useful lives of assets in a profitable and responsible manner, helping to fulfil energy demand requirements as part of the transition to a sustainable lower-carbon world

## Strategic vision

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

## Focused business model

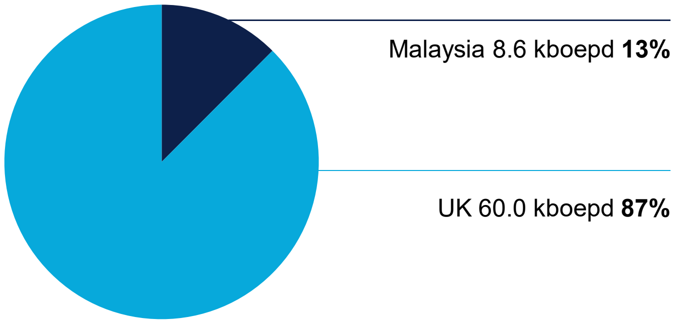
- A production and development led E&P business
- Utilises EnQuest's core strengths
- Value-accretive portfolio opportunities continue to be assessed



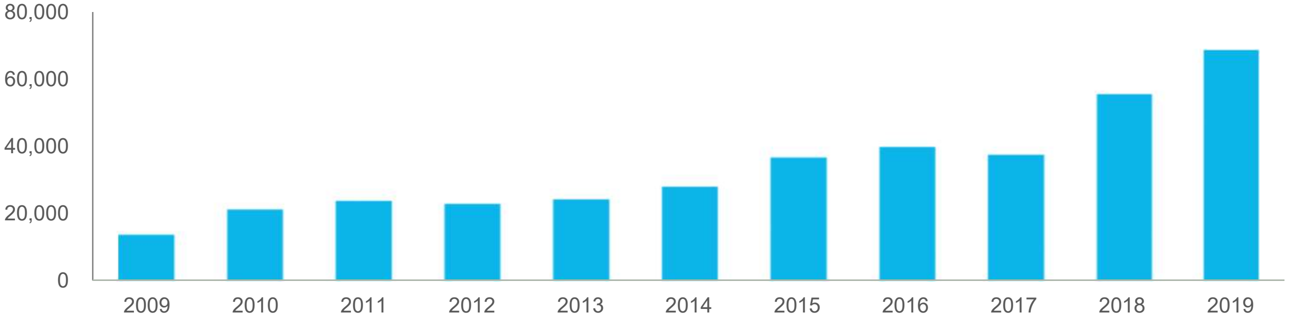
## Appendix

# Operator of choice for maturing hydrocarbon assets

### Production breakdown[1]




### Production CAGR of c.17% since IPO




### Sullom Voe Terminal

### 8 offshore hubs (14 fields in UK; 8 in Malaysia)


**The Dons**


**Heather/ Broom**


**Thistle/ Deveron**


**Kraken**


**Greater Kittiwake Area**


**PM8/ Seligi**


**Alma/ Galia**


**Magnus**

[1] Year to date December 2019

## Appendix

# Post-tax non-cash impairments of $562.3 million

| Impairment | Driven by |
| --- | --- |
| $397.5 million tangible oil and gas assets<br>- Mainly Heather/Broom, Thistle, the Dons and Alma/Galia | Change in long-term oil price assumptions<br>Revision in production profiles<br>Anticipated cessation of production |
| $149.6 million goodwill | Change in long term oil price assumptions<br>Revision of production profiles |

Appendix

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

| **UK Tax allowances** | **$m** |
|---|---|
| Tax losses at 31 December 2018 | *3,125.3* |
| 2019 net utilisation | (219.3) |
| Prior year adjustment | (2.6) |
| Tax losses at 31 December 2019 | 2,903.4 |
| Tax allowances carried forward | 23.8 |
| Total tax losses and allowances at 31 December 2019 | 2,927.2 |

- 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

| UK Tax allowances | % | $m |
|---|---|---|
| Loss Before Tax | | *(729.1).* |
| Notional UK Corporation Tax | *40.0* | *(291.6)* |
| 2019 RFES | | (84.3) |
| UK and overseas tax rate differences | | 22.5 |
| Permanent items | | 89.7 |
| Other | | (16.1) |
| 2019 Tax Charge/(Credit) | 38.4 | (279.8) |

Appendix

# IFRS 16 Leases – minimal impact on financial statements

| | |
|---|---|
| **EBITDA**<br>**$8.6 million** ▲ | **PBT**<br>**$5.1 million** ▼ |
| **Financing cash flow**<br>**$10.2 million** ▼ | **New lease assets and liabilities**<br>**$24.6 million** ▲ |

- Immaterial increase in EBITDA / decrease in PBT
  - Operating cost is replaced with DD&A and finance interest charge
- At 1 January 2019
  - Kraken FPSO finance lease reclassified to “right-of-use assets” from “oil & gas assets”
  - Recognised leases for three properties and three vessels in the UK and Malaysia ($60.5 million asset/liability)
- In the period ended 31 December 2019
- Supply vessel contract entered into in year ($23.2 million asset/liability)
- Multiphase flow meter and KSB warehouse, in Malaysia ($1.4 million asset/liability)

## Appendix

# Significant growth in reserves

### North Sea operation breakdown

**7**
Operated production hubs

**c.110**
MMboe produced (net)

**68**
wells drilled and completed by EnQuest

**c.221**
MMboe of net 2P reserves added

### Malaysia operation breakdown

**13**
operated offshore platforms

**c.14**
MMboe Produced (net)

**74**
idle wells returned to production by EnQuest

**c.33**
MMboe of net 2P reserves added

Information represents performance to end 2019

**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.**