

Beach tally

CAMERON ENGLAND



Picture: TRICIA WATKINSON EXPANSION: Beach Energy chief Matt Kay says it's going to be a big year for the company.

SA multibillion dollar oil and gas company Beach Energy is gearing up for its "biggest ever investment year" to date after delivering shareholders a 185 per cent return over the past 12 months and an underlying net profit of \$302 million. BEACH Energy will drill up to 133 wells this financial year in its "biggest ever investment year" to date.

The Adelaide company is now a \$4.25 billion entity following its acquisition of Lattice Energy, and has delivered a 185 per cent shareholder return over the past 12 months.

That was trimmed sharply yesterday however, with the stock falling 4.6 per cent to \$1.78 after the company released its full year results.

Beach reported an underlying net profit of \$302 million for the year to the end of June, up 86 per cent, while statutory net profit of \$199 million was down 49 per cent due to exploration asset impairments and once-offs such as acquisition and integration costs.

Beach's numbers were all up sharply due to the Lattice deal, with sales revenue of \$1.25 billion up 92 per cent and production of 19 million barrels of oil equivalent up 80 per cent. The company is targeting production of more than 30mmboe by the 2020-21 financial year, which for context, would be more than half of Santos's current production.

Beach said its capital expenditure budget for this year was \$460-\$540 million.

Chief executive Matt Kay said it was going to be a 'historic' year for the company, which expected to supply about 15 per cent of Australia's east coast gas this year.

"FY19 starts a new phase for Beach, as we embrace becoming a multi-basin oil and gas explorer, developer, operator and producer," he said.

"Having conducted a comprehensive review of the assets across the business, we expect FY19 to be the biggest ever investment year for Beach.

"Our strong cash flow generation ensures we will continue to rapidly pay down debt, with net gearing forecast to fall below 20 per cent by the end of FY19. With over \$850 million in liquidity, a strong reserves position, an expanded asset portfolio with proven cash generation potential and an attractive organic growth portfolio, we see this as the right time to deliver this high calibre investment program.

"We have an exciting future ahead of us and we remain committed to creating shareholder value."

The company said the Lattice integration had gone better than expected with \$37 million in synergies by the end of the 2017-18 financial year. It was now targeting \$60 million in total synergies and operating efficiencies by the end of this financial year. Net debt had reduced by \$221 million since the Lattice acquisition, and was \$661 million at the end of June. Beach will pay a fully franked final dividend of 1c per share.

RBC Capital Markets said the capex was higher than expected.

"We think the big story of the result will be FY19 capex guidance, which is higher than anticipated to deliver production similar to pro forma FY18.

"While some of the capex is front-loaded to deliver future production (e.g., onshore and offshore Otway Basin), we think the market will query the large development capex figure. We retain our Underperform recommendation on Beach, as it continues to trade in excess of our recently upgraded discounted cash flow valuation of about \$1.45 per share."