

Beach Energy shares hit record on growth plans

CAMERON ENGLAND



RECORD RESULT: Beach Energy chief executive Matt Kay. Picture: TRICIA WATKINSON

BEACH Energy shares have gone on a tear, hitting a record high above \$2.20 after the company unveiled ambitious new growth targets.

Having already announced a record capex spend for the current financial year, chief executive Matt Kay said the company would be targeting production of 34-40 million barrels of oil equivalent by 2022-23.

Beach also expects to be debt free by the end of the 2019-20, even after absorbing its \$1.6 billion acquisition of Lattice Energy, completed in January.

"We have delivered on our promises to perform as a low cost operator," Beach chief executive Matt Kay said in a speech delivered to investors.

"Now, as we look ahead at the next five years, we see a very exciting period of growth for the company.

"With the new portfolio combined with the Cooper Basin, we are targeting deliver of more than \$2.3 billion free cash flow over five years.

"As a result, we expect to be close to debt free by the end of FY20, a remarkable achievement considering our net gearing stood at 33 per cent at the end of January this year."

Beach's production was just 9.7 million barrels of oil equivalent (mboe) in 2016, however since then it has picked up both Drillsearch Energy and Lattice, greatly expanding the company's resource base and geographical reach.

The 100-page investor briefing shows Beach will be firmly focused on delivering gas into the East Coast market, growing production while also aiming for 100 per cent reserves replacement. The company is well placed from a pricing perspective with almost 70 per cent of its East Coast reserves uncontracted or having price reset mechanisms

The company also said international gas imports would not be a market threat, as they would still cost about \$10.20 per gigajoule once shipping and regasification costs were factored in.

Mr Kay told The Advertiser the company now accounted for 15 per cent of the East Coast gas market's supply and hoped to continue to grow that share.

"And 80 per cent of that will be repriced by the end of 2021 so that is really material for us in terms of price resets."

Beach currently owns 100 per cent of the Otway Gas Plant and offshore reserves, in Victoria and said it would look to bring in a partner with a 30-40 per cent stake. This would reduce Beach's capex over the next five years by about \$450 million.

"At the moment financially we don't have to do it ... but we're looking at bringing in a partner to support us both technically and commercially," Mr Kay said.

A nine-well, multi-year drilling program at that project is scheduled to start in the second half of this financial year.

An upgrade of the company's Katnook gas plant in the South East of SA is currently under way. The company has had exploration success in the South East and is expecting first gas from its Haselgrove discovery before the end of calendar 2019. Another exploration well, Dombey-1, is

scheduled for this financial year. Beach also documented potential high-impact offshore plays off the Western Australian and New Zealand coasts, which Mr Kay said were in the early stages.

Beach shares closed at \$2.14, up more than 7 per cent, after trading as high as \$2.23.