

Beach pays down debt as oil price, output lifts

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ON TRACK: Beach Energy chief executive Matt Kay says the company will be debt free within a year.

BEACH Energy is on track to be debt free within 12 months after delivering a 9 per cent increase in quarterly revenue to \$514 million.

Releasing its quarterly report yesterday, the Adelaidebased oil & gas company said strong production coupled with a higher realised oil price of \$109.90 per barrel, had supported the improved result in the first quarter.

It expects full-year production and earnings to reach the upper end of its guidance target, which was revised downwards earlier this month following the sale of a 40 per cent stake in its Otway assets.

At the time of the company's \$1.6 billion acquisition of Lattice Energy last year, Beach expected to be debt free by the end of 2021.

However, Beach chief executive Matt Kay said the company was "well ahead" of the 25 per cent net gearing target it had previously set out to achieve by the end of this financial year. "With

quarterly free cash flow of \$152 million, our net debt has been reduced to \$486 million and net gearing was 20 per cent at the end of the quarter," he said.

"The combination of higher production output, increased commodity prices and proceeds from the Otway sale means Beach is on track to be debt free within 12 months – a remarkable achievement considering net gearing was 33 per cent at the end of January this year."

Beach delivered a 7 per cent increase in production in the first quarter to 7.8 million barrels of oil equivalent (MMboe).

Supported by additional drilling rigs at the company's Western Flank gas field and Cooper Basin joint venture, it expects full year production to reach the upper end of its target of 25-to-27 MMboe.

"Positive drilling results at Bauer and our desire to increase output at a time of higher commodity prices has underpinned our decision to add another rig in the Western Flank by the end of FY19," Mr Kay said.

"We are also pleased to support Santos' decision to retain a fourth drilling rig in the Cooper Basin JV through all of calendar year 2019."

Beach expects full-year earnings before interest, tax and depreciation (EBITDA) to also come in at the upper end of its target range of \$1.05-to-\$1.15 billion.

Beach's production was just 9.7 MMboe in 2016, however since then it has picked up both Drillsearch Energy and Lattice, greatly expanding the company's resource base and geographical reach.

Last month, the company released an ambitious five-year plan, targeting production of 34-40 MMboe by 2022-23, and sending its shares to a three-decade high of \$2.19.

However, the company's shares have slumped since it announced this month that it was selling a 40 per cent interest in its Otway assets to Monaco-based Israeli billionaire Eyal Ofer's Ofer Global Energy for \$344 million.

Since the announcement on October 5, and the resulting revision to the company's full-year production guidance, Beach shares have shed 28 per cent. The company's shares made up some ground yesterday, closing 5.5c, or 3.6 per cent, higher at \$1.59.