Beach Energy shares soar on ‘robust’ forecast update

VALERINA CHANGARATHIL

STRONG: Beach Energy chief executive Matt Kay says higher production and tight cost control meant Beach continued to generate strong cash flow. Picture: JOHN FEDER

SA oil and gas company Beach Energy has increased its full year production forecast following a “robust” December quarter that saw output and revenues slide and the deferral of its Victorian Otway assets sale.

Production to the end of December came in at 7.4 million barrels of oil equivalent (mmboe), down 4 per cent on the previous quarter.

Sales volume of 7.7 MMboe was 7 per cent below the previous quarter, primarily due to lower seasonal sales with revenue down 14 per cent to $441 million. Beach revised its full year guidance after a better than expected first half to 28-29 MMboe from the previous 25-27 mmboe range.

Capital expenditure guidance has been narrowed from $440-520 million to $450-500 million.

Beach also said the timing of the expected completion date for the sale of a 40 per cent interest in its Victorian Otway assets had changed from December 31 to March 31.

Beach, which will remain the operator, announced the $344 million sale to Monacobased Israeli billionaire Eyal Ofer’s Ofer Global Energy in October last year.

That deferral also contributed to the revised upwards guidance on production.

“Success with the drill bit, strong facility reliability and the completion of the Lattice integration ($1.6 billion acquisition completed in January 2018) were the highlights of a robust December quarter for Beach Energy,” chief executive Matt Kay said.

“The December quarter was one of increased activity and continued delivery for Beach, being our busiest ever with the drill bit,” he said. “From a commercial perspective, the December quarter provided the first opportunity to display the robustness of the Beach business and particularly cash flow generation during periods of oil price volatility, supported by fixed price gas contracts.”

Mr Kay said the combination of higher production and tight cost control meant Beach continued to generate strong free cash flow and de-gear at a rapid rate. At the end of December, net debt was $331 million, a reduction of $155 million from September. “Beach is on track to be debt-free on completion of the Otway Sale, which is expected by the end of the March 2019 quarter.

“To be debt-free more than two years ahead of the timeline outlined at the announcement of the Lattice acquisition is testament to our team’s ability to maximise output from our expanded portfolio while maintaining a focus on operating margins.”

Beach shares closed more than 5.5 per cent higher at $1.80, having bounced back from as low as $1.29 in early January.