SA energy producer’s strong year, cash gain

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STRONG: Beach managing director Matt Kay says the company has an "excellent platform to accelerate investment".

SA-BASED major oil and gas producer Beach Energy has surpassed its own expectations on getting to an internal cash target and capped off a record year of sales and production.

The ASX 100 company’s full year production to June rose to 29.4 million barrels of oil equivalent (MMboe) while sales revenue was up to $1.9 billion on volumes of 31.2 MMboe.

Those numbers and the completion of the sale of some of its Victorian Otway Basin assets to O.G. Energy last month led to a net cash position of $172 million at the end of June, two years earlier than initially expected.

“This is a strong performance, considering we only completed the Lattice Acquisition (bought from Origin Energy for $1.6 billion) less than 18 months ago,” Beach managing director Matt Kay said.

“It is a testament to our diverse portfolio and our dedicated team.”

“Exceeding expectations over the past 18 months, provides Beach with an excellent platform to accelerate investment in growth across our value-accretive asset portfolio.”

On a quarterly basis, sales revenue rose 7 per cent to $501 million, while sales were up 2 per cent at just under 7.7 million barrels in the three months through June.

The business now has annual free cash flow of $557 million for the financial year.

Continued high activity in the Western Flank of the Cooper Basin in SA, a strong focus for Beach Energy, underpinned a strong final quarter of FY19, he said.

“The successful application of horizontal drilling has helped lift Western Flank quarterly oil output by a further 5 per cent over last quarter’s record production level, while the recent capacity expansion at our Middleton facility saw Western Flank gas production rise 32 per cent,” Mr Kay said.

Beach said there was “continued strong performance” across all of its assets with the company drilling 134 wells in the past financial year, a 40 per cent increase on the previous year.

Looking ahead, and as announced earlier this week, Beach has also started construction work on a $22 million redevelopment of the Katnook gas-processing plant near Penola. Beach Energy’s upgrade replaces the previously decommissioned Katnook gas plant, a decision fuelled by the discovery of a significant new conventional natural gas field, and it will allow the product to be brought to market.

The company said “early indications are encouraging” and its appraisal well Haselgrove-4 in the Otway Basin is being completed for production testing in the first quarter of the current financial year.

Drilling activity in the Perth Basin is also expected to commence by September While Beach Energy is focused on a strong Western Flank region, it has a promising portfolio of gas assets across five basins supplying Australia and New Zealand.

RBC Capital Markets oil and gas analyst Ben Wilson said Beach had narrowly beaten expectations in terms of production, sales, revenue and net cash.

“We think the forward outlook for Beach is positive with renewed activity levels in the Cooper Basin.

“With an expanding cash position, the company is well placed to pursue organic growth, grow through M&A (mergers and acquisitions), or expand the dividend base.”

Beach will release FY20 production forecasts with FY19 results on August 19.