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Strong gas revenues mean life's a Beach in tough times

CAMERON ENGLAND



RESILIENT: Beach Energy managing director Matt Kay says the company is well-placed.

BEACH Energy says its gas revenues cover the cost of doing business, meaning it is "highly resilient" despite the current oil price volatility.

The Adelaide-based energy company yesterday released its third quarter report, which showed production was up 8 per cent on both the previous quarter and the same quarter last year on a pro forma basis.

Sales revenue fell 7 per cent to \$431 million for the three month period while the realised oil price fell 30 per cent to \$A74 a barrel. Beach managing director Matt Kay said it was a strong quarter despite turbulent global events.

"Our robust asset portfolio and operational capabilities combined with our extremely strong balance sheet, means Beach is well positioned to navigate the turbulent times being experienced across the globe," he said.

"Despite this position of strength, we will continue to make prudent decisions in the interests of our shareholders, and as such we are reviewing proposed FY21 activities and are targeting a deferral of up to 30 per cent of previously planned capital expenditure."

Mr Kay said the company this week terminated a drilling program with the Diamond Offshore rig, but discussions had started about a new contract.

"Our preliminary assessment is that the offshore drilling program is unlikely to commence until FY21.

"In the Cooper Basin, Western Flank oil production increased by a further 15 per cent to 2.1 million barrels, with gross operated Western Flank oil production averaging 22,400 barrels of oil per day through the quarter."

At the end of the quarter Beach had net cash of \$80 million, up \$20 million on the previous quarter, and undrawn debt facilities of \$390 million.

The company's guidance is for full-year underlying profit to be \$1.175-\$1.25 billion, but said it expected to come in at the lower end of this range.

Beach said it expected to bring its recently drilled Black Watch-1 well in the Victorian Otway Basin into production in the June quarter after intersecting the targeted reservoir.

RBC Capital Markets has maintained its "outperform" rating on Beach.

"We think Beach has positioned itself well to take advantage of an east coast gas market that we see as fundamentally strong and in a 'sweet spot' for all committed stakeholders (governments, producers, and consumers) while pricing exists in the \$8-10/GJ range," the brokerage said.

"The rapid de-gearing of its balance sheet to what is now a net cash position leaves Beach best placed in our coverage base to weather the current oil price volatility."

Beach shares closed 3.9 per cent lower at \$1.24 yesterday.