Beach takes oil price-led profit slide in its stride

VALERINA CHANGARATHIL

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Beach Energy oil and gas assets in the Cooper Basin and, inset, managing director Matt Kay.

SOUTH Australian oil and gas producer Beach Energy’s net profit after tax slipped 13 per cent to $501m to the end of June 30 on the back of lower oil prices and sales volumes “in a year like no other”.

Underlying net profit after tax also came in lower at $461m, down 18 per cent on the previous financial year.

The group said revenue decreased 17 per cent to $1.73bn, but the group retained its 1c final dividend to investors.

Beach Energy, which is 30 per cent owned by Kerry Stokes’ Seven Group, said underlying earnings before interest, tax, depreciation and amortisation fell 19 per cent to $1.11bn.

“In a year like no other, FY20 demonstrated the resilience of the Beach business,” managing director Matt Kay said.

“Our net cash balance sheet position, high-margin oil business, stable gas revenues and dedicated staff delivered a strong full-year result despite the choppy waters that confronted us in the second half of FY20,” Mr Kay said.

D e s p i t e COVID-19 restrictions and interruptions, FY20 production came in at 26.7 million barrels of oil equivalent (mmboe), within guidance, but 9 per cent lower than the previous fiscal.

Average realised oil price was down 21 per cent at $80.9 a barrel.

The business ended the year with $50m in net cash and access to $500m in liquidity.

The results were in line with its expectations, RBC Capital Markets oil and gas analyst Gordon Ramsay said. “We like Beach for a number of reasons. Firstly, Beach’s core business in east-coast gas is predominantly driven by long-term contracts, which in Beach’s case are about 75 per cent fixed-price CPI-linked, giving it a degree of insulation from volatility in oil prices,” Mr Ramsay said in his note.

“While its earnings are relatively defensive, it also maintains a strong growth outlook as a result of its free cash flow generation. Beach has a strong balance sheet (net cash) that provides flexibility to pursue a sound strategy of inorganic growth with proven deal-makers at the helm.

“We maintain our Outperform recommendation,” Mr Ramsay said.

Beach is forecasting steady to higher production of between 26 mmboe and 28.5 mmboe for the current financial year while capital expenditure has been lowered to $650m-$750m.

Underlying earnings are also set to come in lower at between $900m and $1bn in 2021.

The company also released its annual report on Monday, showing Mr Kay’s $2.6m payout, which including fixed pay, leave and other employee benefits, including share-based payments and was lower than last year’s $2.9m remuneration.

Senior executive and nonexecutive directors also agreed to a 10 per cent cut in base pay from July to December 2020.