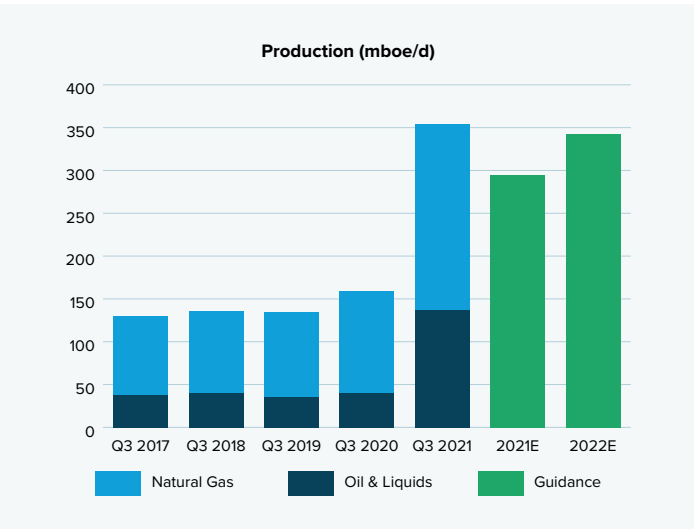


ARC Resources Ltd. - 2022 Outlook

2022 is set to be a big year for ARC Resources - its first full calendar year of operations since becoming Canada's largest condensate producer and the largest pure-play Montney producer after its acquisition of Seven Generations in April. Here we examine the impact of the acquisition, ARC's current profile and what we can expect in the next 12 months.

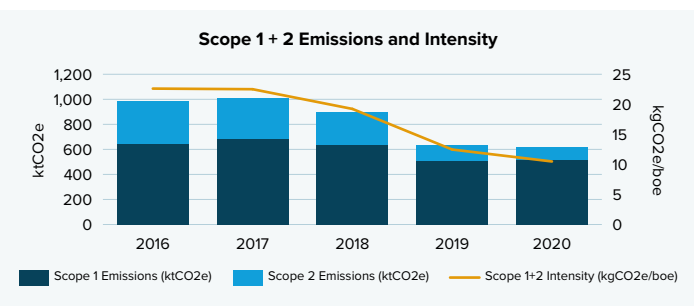
HQ: Calgary, AB
Production focus: Montney in AB, BC
Gas weighting (Q3): 61.2%

TSX: ARX
 Share price Dec. 31, 2020: **\$6.00** Share price Dec. 31, 2021: **\$11.37**



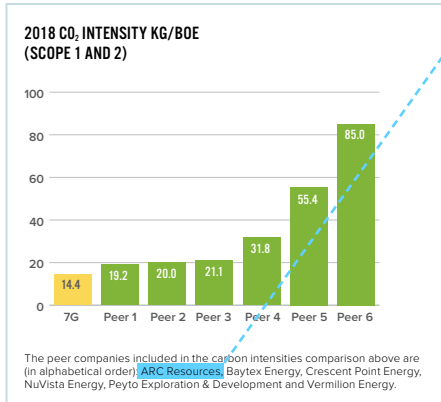
EMISSIONS HISTORY AND IMPACT OF ACQUISITION

Prior to the acquisition of Seven Generations, ARC's emissions profile had been steadily improving. The company's intensity rate has improved year over year since 2016. While Scope 1 direct emissions increased in 2020, overall operational emissions (Scope 1+2) continued to decline. Methane percentages also fell in terms of overall emissions to just 22% – the only time this figure had fallen below 25% for ARC in the previous four years.



EMISSIONS HIGHLIGHTS

- 16%** Decline in 2020 Scope 1+2 emissions intensity compared to 2019
- 17 ktCO2e** Decline in absolute Scope 1+2 emissions between 2019 and 2020
- 20%** Targeted reduction in emissions and methane intensities by 2025



Seven Generations' most recently released sustainability report included data correct up to the end of 2018.

We can see from that 2018 data and Seven Generations' peer analysis that Seven Generations – on a Scope 1+2 basis – had a more carbon-efficient portfolio than ARC Resources at that time, despite the oil and liquids weighting associated with the assets.

If this stayed consistent over time, the acquisition should help ARC meet its medium-term emissions targets, which include reducing Scope 1+2 emissions by 20% (70 ktCO2e) by 2025 and methane emissions by 20%.

Source: Seven Generations 2019 ESG Report – [Visit Evaluate Energy Documents for more information.](#)

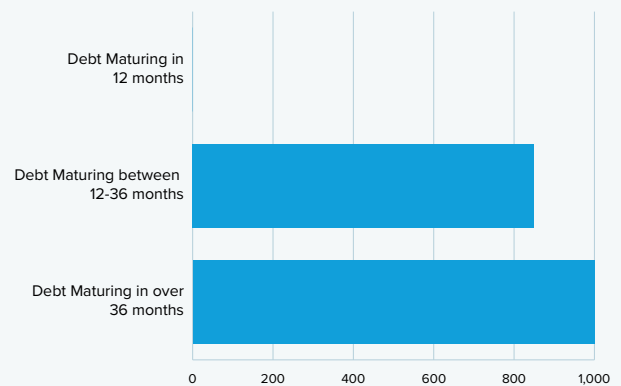
DEBT PROFILE, AVAILABLE CREDIT AND CASH ON HAND

Financial position: Sept. 30, 2021

- Total outstanding debt exc. leases: \$1.85 billion
- Amount due in next 12 months: \$0
- Total cash on hand: \$27.2 million
- Total credit available: \$1.22 billion

ARC's outstanding debt grew with the addition of Seven Generations' balance sheet in April, but the company is also in a position where zero debt matures in the next 12 months. Indeed, just 46% matures within three years. At Sept. 30, 2021, the company also had more than \$1 billion available to drawdown from credit facilities and just over \$27 million in cash on hand.

Debt Maturity Schedule as of Sept. 30, 2021 (exc. leases) - \$ million



SHAREHOLDER RETURNS INCREASING

ARC has generated almost \$1 billion in free cash since the start of 2020 and is turning its attention to increasing shareholder returns.

- The company announced an increase in its quarterly dividend to 10 cents per share for Q4 2021 and spent \$125 million on repurchasing shares in September. This was followed up by another \$85 million repurchase in October.
- ARC plans to return 50-80% of free funds flow to shareholders. Dividend increases are the main vehicle ARC will use. It will also conduct share repurchases when the opportunity presents itself.

KEY DATA POINTS: SHAREHOLDER RETURNS

\$0.10 PER SHARE

Q4 quarterly dividend increases from \$0.06 per share declared in Q1

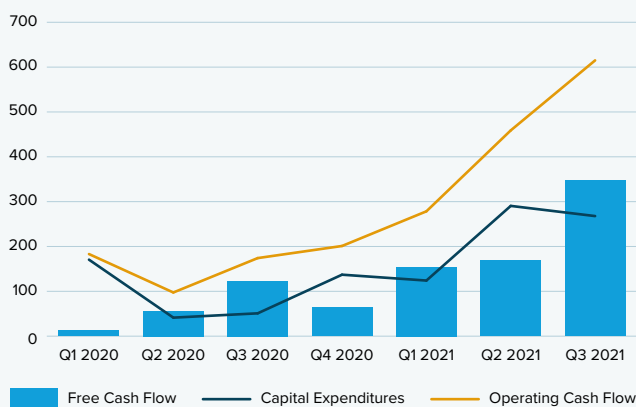
\$925 MILLION

Free cash flow generated since Q1 2020

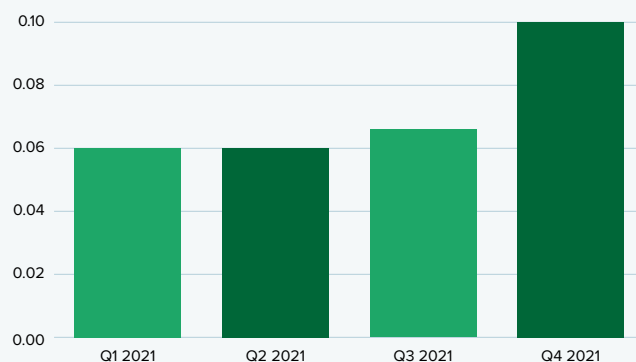
50-80%

Free funds flow to be returned to shareholders

Free Cash Flow (\$ million)



Dividend per share (\$ per share)

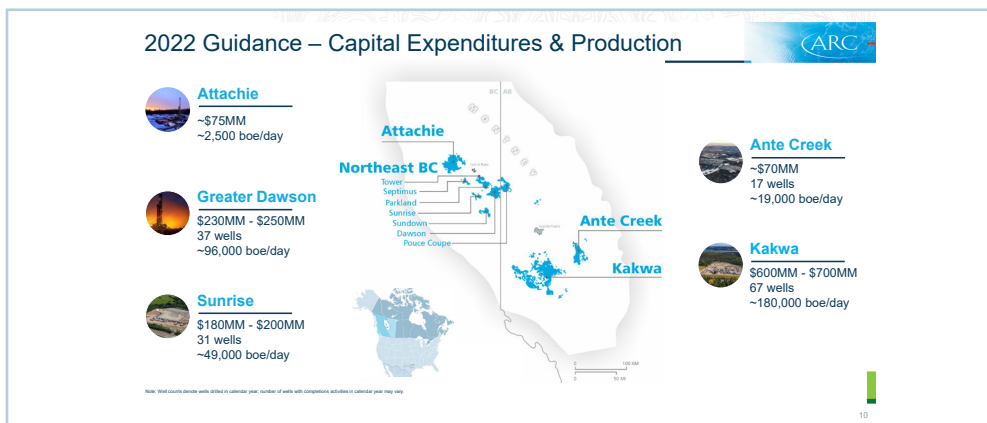


GUIDANCE AND HEDGING OUTLOOK

Corporate Guidance (Nov. 4, 2021)	2021	2022	% increase
Production Guidance	287,000 - 302,000 boe/d	335,000 - 350,000 boe/d	16.3
Capex Guidance	\$950 million - \$1 billion	\$1.2 - \$1.3 billion	28.2

Hedged Volumes (as of Sept. 30, 2021)	2022	2023
Oil & Liquids (bbl/d)	34,247	12,863
Natural Gas (mmbtu/d)	435,497	223,521
Oil Swaps* - Average Price - WTI (/bbl)	US\$46.90	US\$48.99
Natural Gas Swaps* - Average Price - AECO (/GJ)	\$2.23	\$2.06
Natural Gas Swaps* - Average Price - Henry Hub (/mmbtu)	US\$2.53	US\$2.53

*ARC uses a combination of fixed price swaps, collars, three-way collars and other derivative instruments. The prices shown here are for fixed price swaps only. Evaluate Energy's hedging data contains prices and volumes by all derivative types for all companies in North America.



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