# ARC Resources Ltd. (TSX:ARX)

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Target Share Price: $34.00
Last Adj. Close: $26.97 (November 25, 2024)
Implied Upside: ~29%

*Figures in CAD unless specified otherwise*

*Haskayne Finance Club 2024 Equity Research Challenge*
*Analysts: Joey Bianchini | Ava Brash | Kyle Hoover-Reoyo | Ethan Kalhs | Osher Kizer*

# Investment Thesis

ARC RESOURCES LTD.

| 1-Year Target | Implied Upside | Action |
| --- | --- | --- |
| Price: **$34** | Return: ~**29%** | Positive Outlook: **BUY** |

## Key Drivers

**Attachie Phase I**

Full Capacity 40 mboe/d of 60% crude oil & liquids 40% natural gas

**Long-term Agreements Regarding Cedar LNG**

LNG supply to Asia and Europe based on JKM and TTF pricing

**Oil Sands Production Outlook**

Estimated production of 3.8 mmbbls/d by 2030



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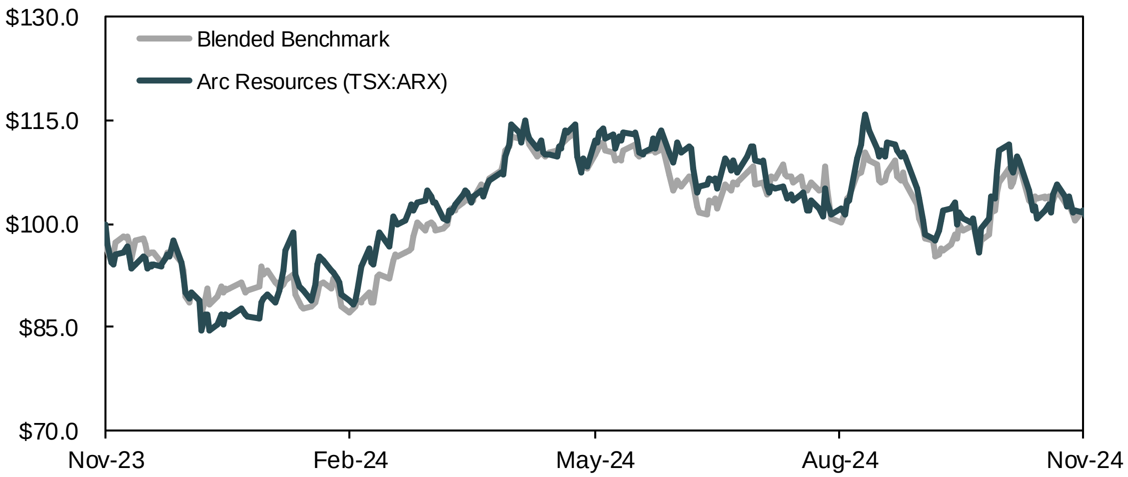
# Company Overview

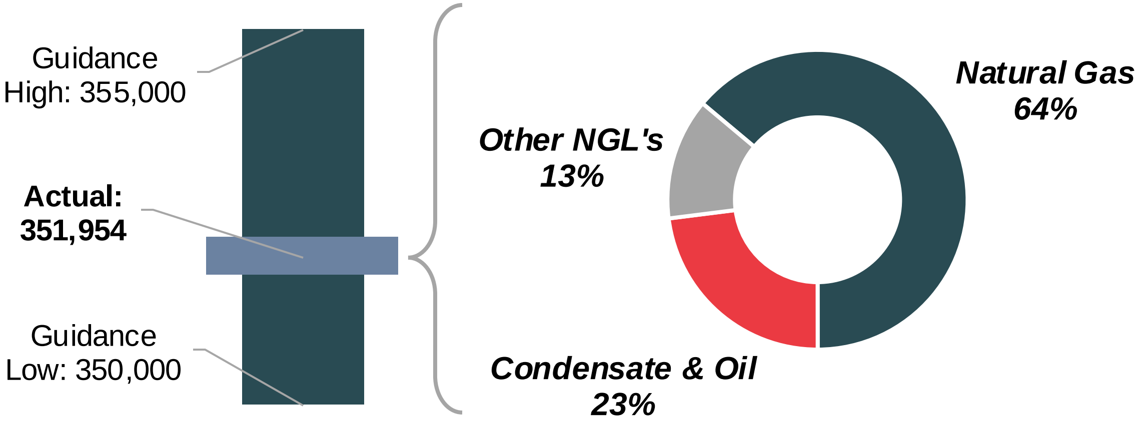
## Business Description

- ARC Resources (TSE:ARX) is headquartered in Calgary, Alberta, and was established 28 years ago in 1996 as a royalty trust with the goal of becoming a premier conventional oil & gas company. Today, ARC Resources is the largest producer of condensate and the third-largest producer of natural gas in Canada
- ARC's primary revenue driver is commodity sales from production, comprising sales of crude oil, condensate, NGLs, and natural gas. This revenue is amplified by its marketing strategies that allow access to global demand markets at the lowest cost by focusing on an effective value generating three-prong approach
- Secondary business segments consist of midstream operations that encompass the commodity transportation and processing of hydrocarbons, and a diverse ancillary services segment, enhancing operational capabilities through offerings such as data analytics, environmental assessments, and regulatory consulting

## 1-Year Performance vs. Blended Benchmark (Indexed to $100)




## 2023 Commodity Production Average (boe/d)




## Company Highlights

- ARC Resources is the largest pure play Montney producer located in premier positions within the Montney fairway. This consists of a sizeable network of owned-and-operated infrastructure and land with an average working interest of 91 per cent in approximately 794,160 gross acres or a total 724,508 net acres
- By 2027, ARC expects to tie 20% of its natural gas production to JKM pricing, and by 2029, aims for a 30% split between JKM and TTF. Considering preparation and transportation costs, we estimate ~39% of additional profit to AECO for 2027 and future years
- In September 2024 ARC Resources had 8 of the top 9 wells producing oil/condensate in Alberta. The top well produced a sizeable 1,705 boe/d of condensate, and the other top 8 wells produced over 1,000 Bbl/d of condensate. These results solidified ARC as the largest Condensate producer in Canada



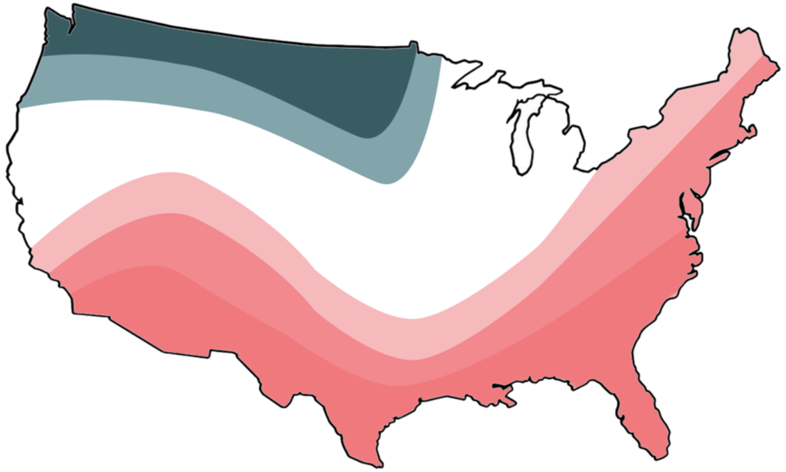
*Sources: Company Filings, Boe Report, CME group*

# Industry Overview & Outlook

## Industry Themes

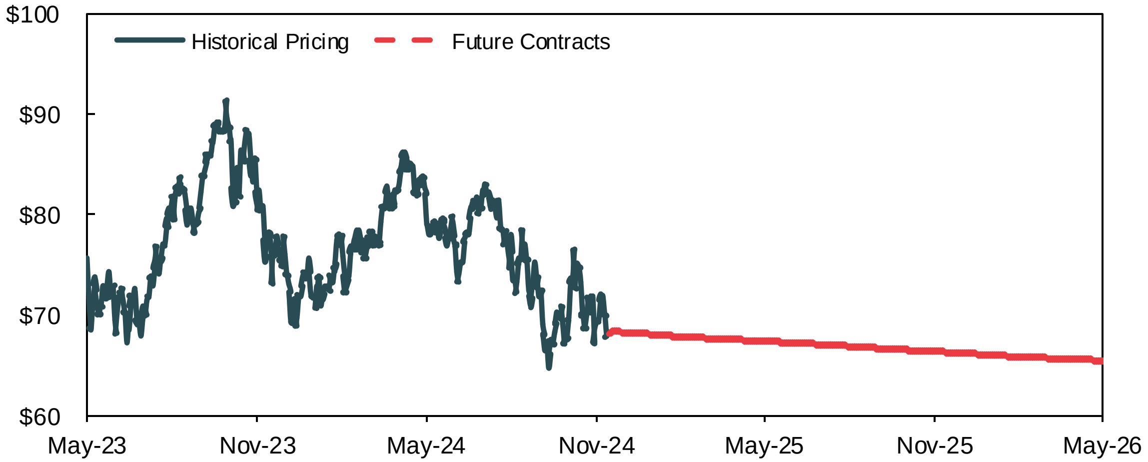
- The Montney formation has consistently exceeded expectations regarding reserve size per well, initial wellhead production rates, and liquids recovery, which includes a mix of ethane, propane, butane, and field condensate. This positive performance is further bolstered by growing demand for natural gas, particularly with the recent commencement of operations at the LNG Canada facility that is expected to annually export up to 14mm tonnes of LNG to meet global demands
- The British Columbia segment of the Montney formation is predominantly serviced by eight significant producers. Production volumes decline sharply after these players are accounted for. Consequently, there are limited options for securing supply in the region, especially as LNG Canada is anticipated to increase its demand for volumes in the future. Additionally, sales of BC Montney production are infrequent, which generates considerable amounts of interest when they become available, making asset sales from players a competitive process

## NOAA Outlook

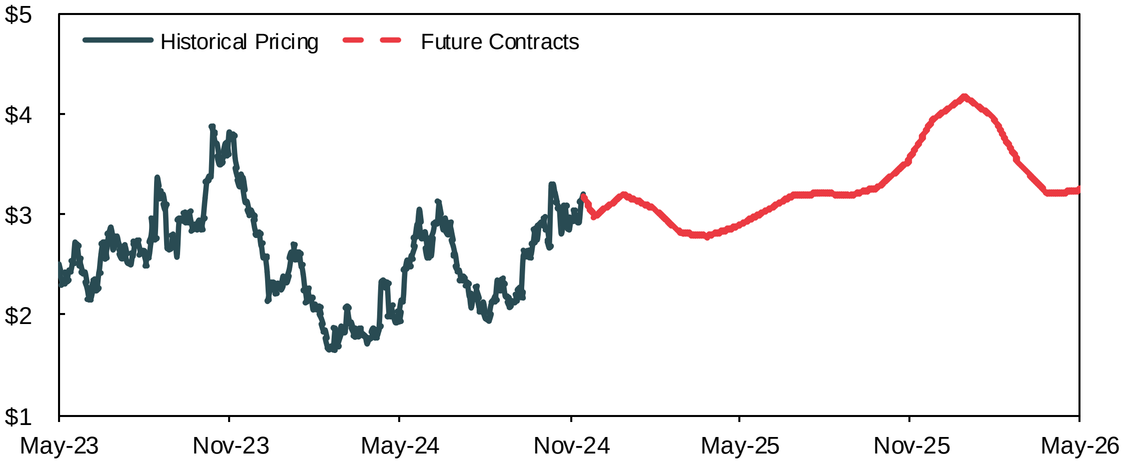


*33% to 60% chance of experiencing above average temperature this winter compared to historical measures*

## Crude Oil – WTI (US$/bbl)




## Natural Gas – Henry Hub (US$/mmbtu)

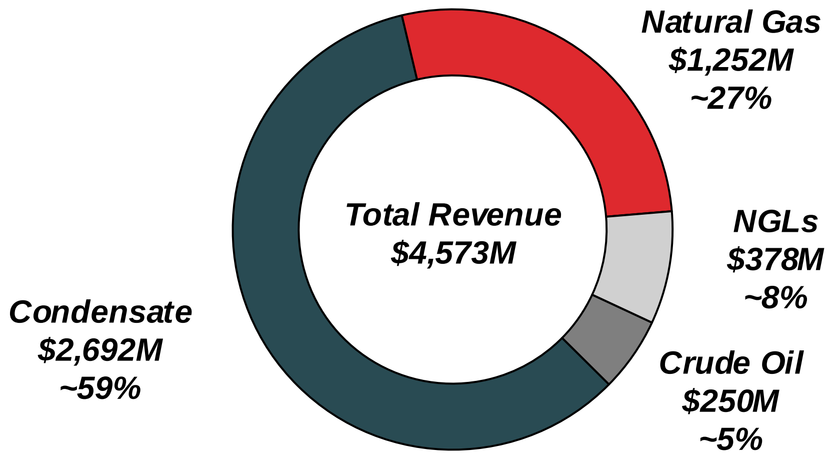




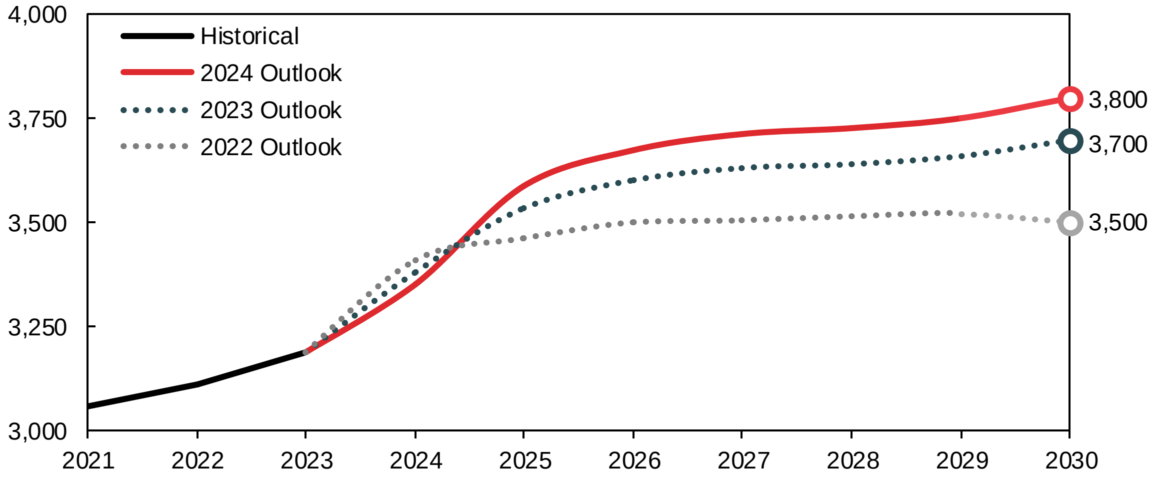

*Sources: NOAA, BOE Report, Bloomberg Financial Post*

# Condensate Driven Revenues

## 2024 YTD Revenue Breakdown



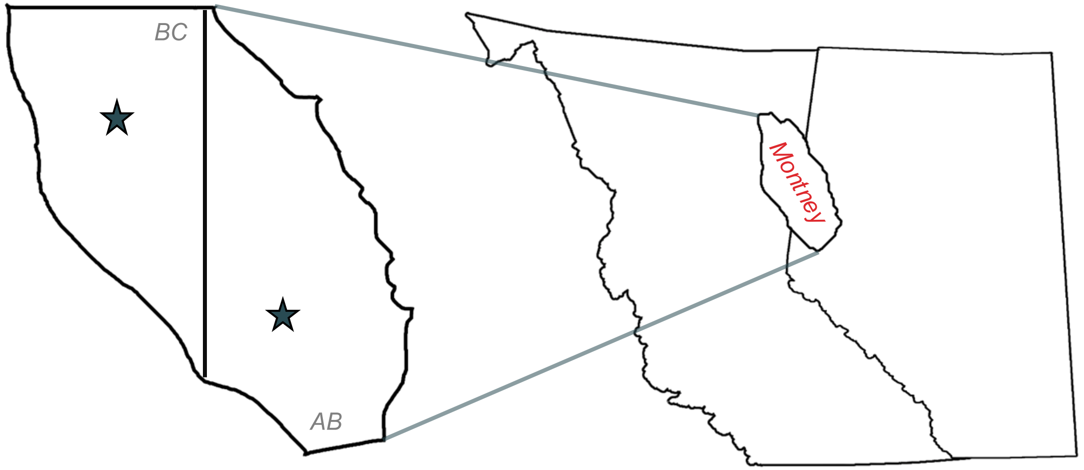

## Oil Sands Production Outlook (mbbls/d)




## Oil Sands Commentary

- Bitumen, without the addition of diluents such as condensate, is in a molasses type state, in which it cannot flow through existing pipelines, therefore, the increase in supply of bitumen will lead to a growing demand for condensate
- Alberta's oil sands production has been on an upward trend this summer, estimated to continue beyond the end of the year and grow to ~3.8 mmbbls/d by 2030, which is an 8% increase to the 2022 outlook
- In May 2024, TMX began operations which nearly tripled the pipeline's capacity to 890 mbbls/d, which alleviated previous bottleneck concerns and facilitates greater access to markets in Asia and the U.S. West Coast
- Ultimately, the strong growth in oil sands production will lead to a large demand in condensate, which ARX is positioned to take full advantage of

## Condensate Producing Assets






Sources: Company Filing, Reuters, S&P Global

# Growth Drivers

ARC RESOURCES LTD.

## Attachie Phase I & II

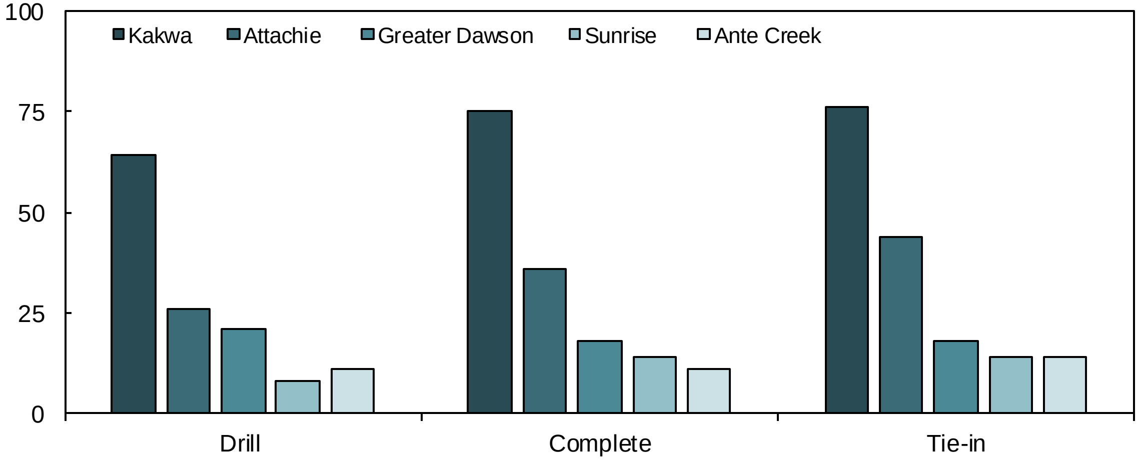
- Capital expenditures for Phase I are expected to drop to $150 million annually by 2026, providing a stable, efficient cost profile
- Phase II is planned for inclusion in the 2026 budget, with production anticipated to begin in 2028. This strategy will prioritize maximizing shareholder returns in 2025
- With the project fully funded as of October 2024, ARC is well-positioned to increase shareholder returns. The initiative is already delivering results, as evidenced by the 12% dividend increase in Q3 2024, with more increases expected in the future

**40,000boe/day** **90MMcf/day** **25,000bbl/day**

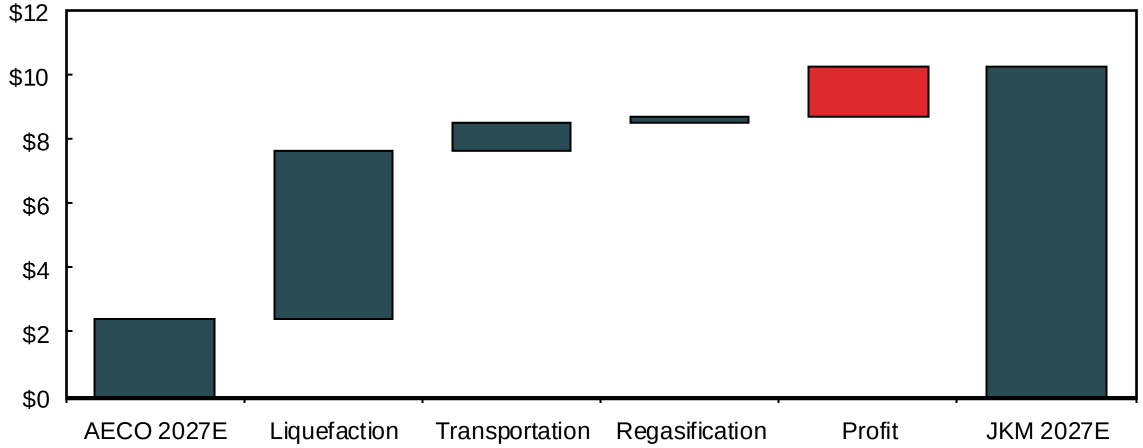
## Kakwa & Cedar LNG

- Kakwa production averaged 180,000 boe/d during Q3 2024.They have planned an $800 million allocation to sustain production at Kakwa between 175,000 and 180,000 boe/d. This investment not only sustains but also drives production growth through enhanced frac design, an initiative that's already showing positive results in 2024 and will continue to boost output in 2025
- ARX has taken a significant step forward with the Cedar LNG project by entering into a long-term liquefaction tolling services agreement with Cedar LNG Partners LP. Under this agreement, ARC will supply 200 MMcf per day of natural gas for liquefaction over a 20-year term, starting with the anticipated commercial operations in late 2028
- ARX is positioning itself to benefit from a reliable, long-term revenue stream from the Cedar LNG project, while also enhancing its role in the growing global LNG market

## Planned Well Activity 2025 (# of Wells)




## AECO to JKM Operating Costs






*Source: Company filing*

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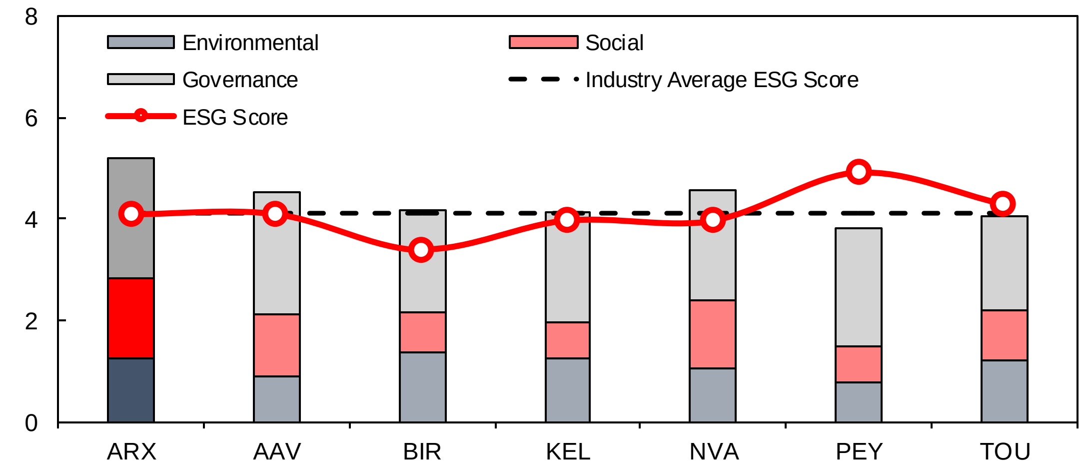
# ESG

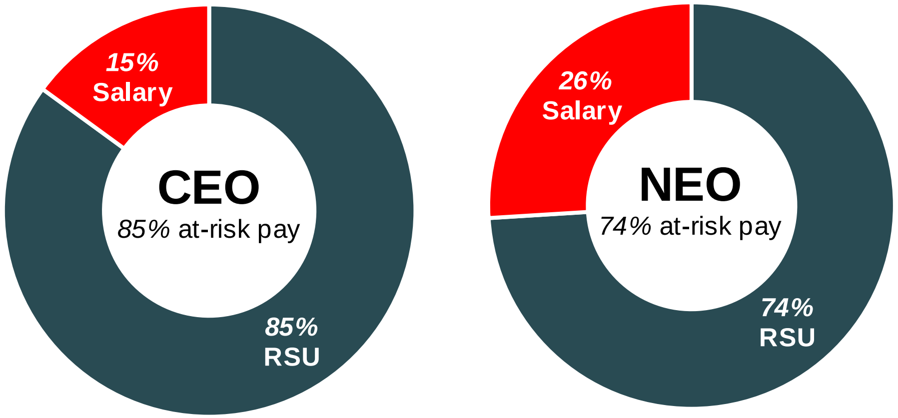
## Environment, Social, and Governance Scores vs. Peers



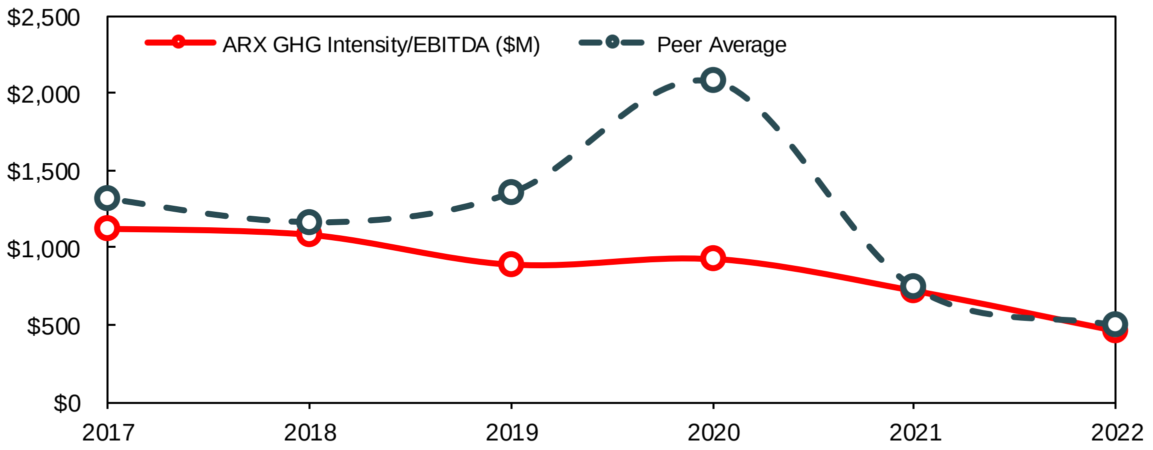

## Asset Retirement Obligation & Indigenous Relations

- ARX has launched Canada's first Indigenous majority-owned LNG facility, located in Kitimat, British Columbia. The Cedar LNG facility is set to become one of the lowest carbon intensity LNG facilities in the world, powered by renewable electricity from BC Hydro
- In 2023, ARX invested $17.5 million in planned abandonment and reclamation activities, underscoring a proactive approach to sustainability. This reinforces ARC's leadership in ESG accountability, balancing energy production with a strong commitment to future generations
- ARX plans to invest an average of $15 million per year in asset retirement activities over the next 10 years to actively manage their corporate environmental liability
- Committed to an annual budget of $3 million to community development initiatives

## Executive Compensation & Salaries at Risk




## GHG Intensity/EBITDA Trend vs Peer Average (tonnes/$)






*Sources: Bloomberg, Company Filing*

# Strategic Capital Allocation

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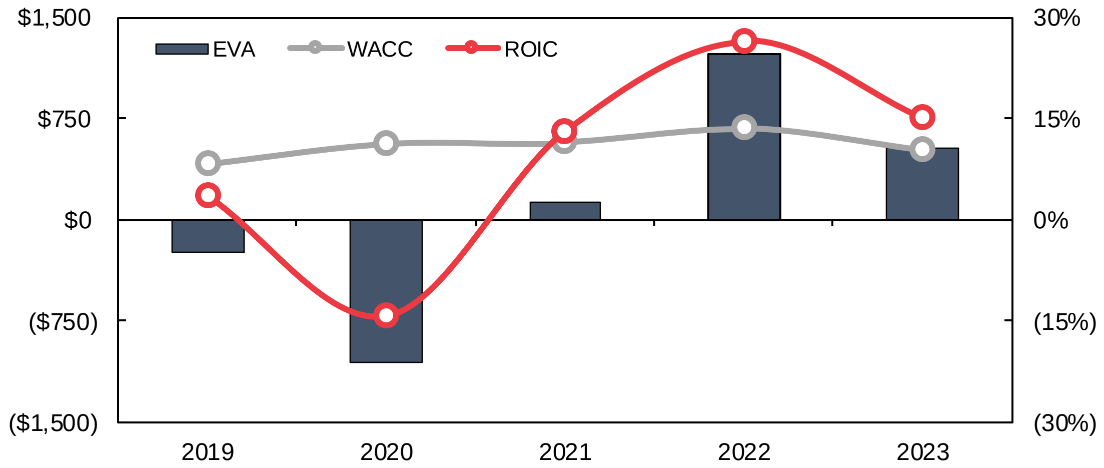
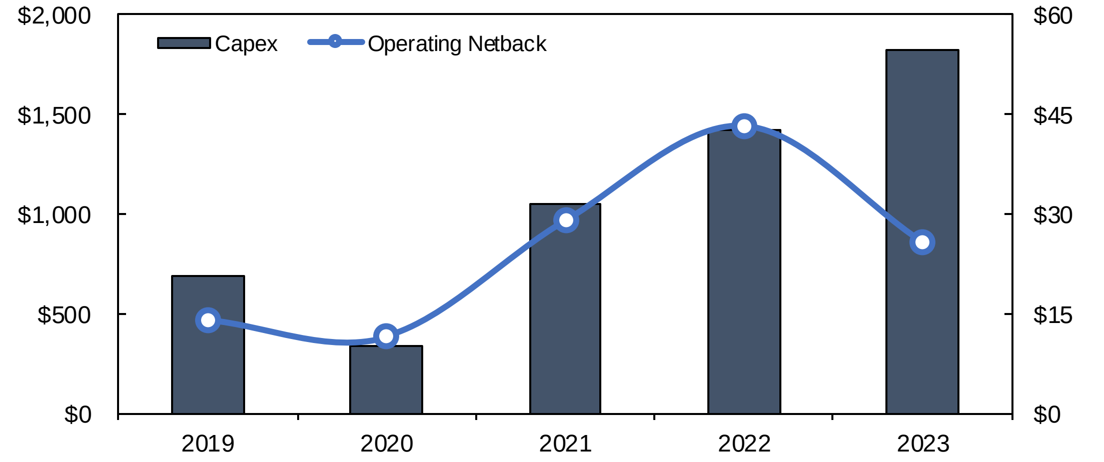
### LHS Economic Value Added vs. RHS Return on Invested Capital & WACC



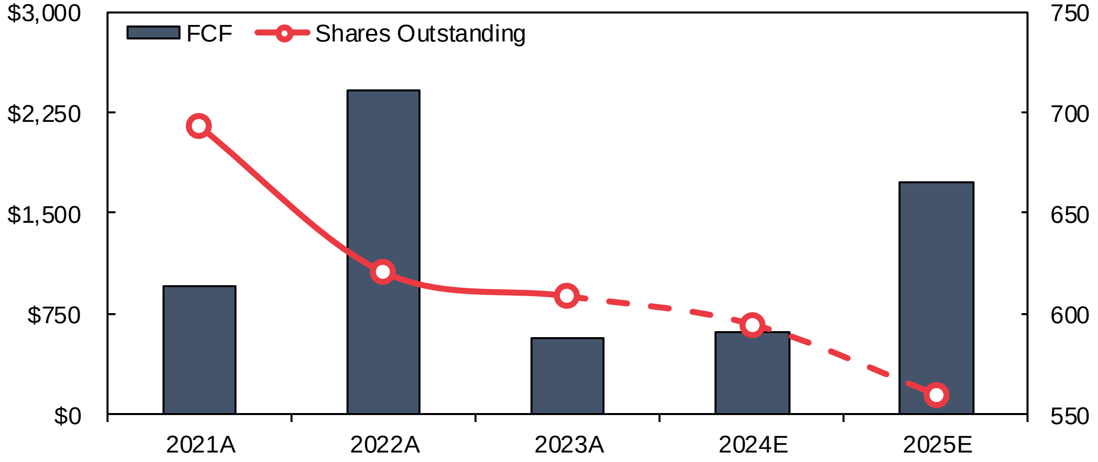

### Balance Sheet Commentary

- ARX has an enterprise value comprised of only 15.3% net debt, positioning it favorably in comparison to industry peers. Furthermore, ARX has a strong Net Debt/EBITDA ratio of only 0.8x, which outperforms its peer group average of 1.1x
- ARX has ample liquidity, with current accounts receivable of $514.1M and three credit facilities, two senior notes totalling $1.0B and $445.2M drawn upon its $1.7B revolving credit facility. Additionally, ARX upholds an investment grade (BBB) S&P credit rating, enabling a low-cost capital structure
- ARX is well positioned to cover its debt obligations with an interest coverage ratio of 13.9x, and a quick and current ratio of 0.6x and 0.9x, respectively
- Ultimately, ARX targets net debt lower than 1.5x funds from operations which currently is at approximately 0.9x which suggests strong debt management

### LHS Capital Expenditure vs. RHS Operating Netback ($/boe)




### LHS Free Cashflow vs. RHS Shares Outstanding



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*Sources: Bloomberg, Capital IQ, Company Filing, FactSet*

# Intrinsic Valuation

ARC RESOURCES LTD.

## Valuation Methodology

- ARX was valued with a 1P NAV model with a base case implied upside of 16.1% with a bull and bear case of 43.5% and (13.9%) respectively
- The model was sensitized for commodity prices and anticipated decline rate. The commodity prices represent a discount or premium to benchmark price indexes and the decline rate was taken as the average decline rate in the Montney fairway
- Due to the conviction in our thesis, we implemented a blended average of 50% bull, and 25% for both base and bear cases implying a $34.0 target price
- Given the current valuation, we believe that ARX represents a strong buy position from an intrinsic valuation perspective

## Key Drivers

1. 10% Discount Rate
2. 24% Decline Rate
3. Forecasted Commodity Price

## Scenario Analysis

| Bull Case | |
|---|---|
| NPV of Reserves ($MM) | $24,471.5 |
| Acreage Value | $768.7 |
| **Total E&P ($MM)** | **$25,240.2** |
| Net Debt ($MM) | $1,615.5 |
| **Equity Value ($MM)** | **$23,624.73** |
| FDSO | 593.0 |
| **Implied Share Price** | **$39.84** |
| **Current Price** | **$27.76** |
| **Implied Return** | **43.5%** |

| Base Case | |
|---|---|
| NPV of Reserves ($MM) | $19,965.3 |
| Acreage Value | 768.712 |
| **Total E&P ($MM)** | **$20,734.0** |
| Net Debt ($MM) | $1,615.5 |
| **Equity Value ($MM)** | **$19,118.5** |
| FDSO | 593.0 |
| **Implied Share Price** | **$32.24** |
| **Current Price** | **$27.76** |
| **Implied Return** | **16.1%** |

| Bear Case | |
|---|---|
| NPV of Reserves ($MM) | $15,027.4 |
| Acreage Value | 768.712 |
| **Total E&P ($MM)** | **$15,796.1** |
| Net Debt ($MM) | $1,615.5 |
| **Equity Value ($MM)** | **$14,180.6** |
| FDSO | 593.0 |
| **Implied Share Price** | **$23.91** |
| **Current Price** | **$27.76** |
| **Implied Return** | **(13.9%)** |



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*Sources: Bloomberg, Company Filing, DOB Energy, GJE*

# Relative Valuation

## Relative Analysis

*($ in millions, except per share data or as otherwise indicated)*

| | Market Data | | | | | | Financial & Operating Data | | | Multiples | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ticker Symbol | Company Name | Price[1] | Shares Outstanding | Market Cap[1] | Enterprise Value[1] | P/E (TTM) | ROIC | Production (mBOE/D) | Gas Weighting Ratio[3] | EV/EBITDA[2] | | EV/DACF[2] | |
| | | | | | | | LTM | NTM | LTM | LTM | NTM | LTM | 2025E |
| TSX:AAV | Advantage Energy Ltd. | $8.58 | 167 | $1,603 | $2,352 | 31.9 | 2% | 80.9 | 96% | 7.0x | 4.7x | 6.7x | 4.4x |
| TSX:BIR | Birchcliff Energy Ltd. | $5.09 | 273 | $1,504 | $2,106 | 83.7 | 1% | 77.3 | 97% | 6.5x | 5.1x | 6.5x | 4.5x |
| TSX:KEL | Kelt Exploration Ltd. | $6.76 | 200 | $1,419 | $1,466 | 23.8 | 5% | 42.7 | 74% | 6.4x | 4.1x | 6.0x | 4.2x |
| TSX:NVA | NuVista Energy Ltd. | $13.15 | 207 | $2,920 | $3,242 | 9.3 | 12% | 90.1 | 69% | 4.2x | 4.2x | 4.1x | 4.5x |
| TSX:PEY | Peyto Exploration & Development Corp. | $15.75 | 198 | $3,398 | $4,745 | 10.5 | 8% | 135.0 | 100% | 5.2x | 4.0x | 5.4x | 4.4x |
| TSX:TOU | Tourmaline Oil Corp. | $63.00 | 375 | $25,427 | $26,858 | 14.2 | 11% | 642.2 | 98% | 7.3x | 6.0x | 7.8x | 5.9x |
| **Average** | | | | | | **28.9** | **7%** | **178.0** | **89%** | **6.1x** | **4.7x** | **6.1x** | **4.7x** |
| **Median** | | | | | | **19.0** | **7%** | **85.5** | **97%** | **6.5x** | **4.5x** | **6.3x** | **4.5x** |
| **TSX: ARX** | **ARC Resources Ltd.** | **$25.84** | **593** | **$13,685** | **$16,152** | **12.2** | **13%** | **385.4** | **73%** | **6.2x** | **5.3x** | **6.8x** | **4.9x** |

(1) Market Data as of November 22, 2024
(2) Street research published November 8, 2024
(3) Gas and Gas liquids
Sources: Bloomberg, Capital IQ, Company Filings, FactSet

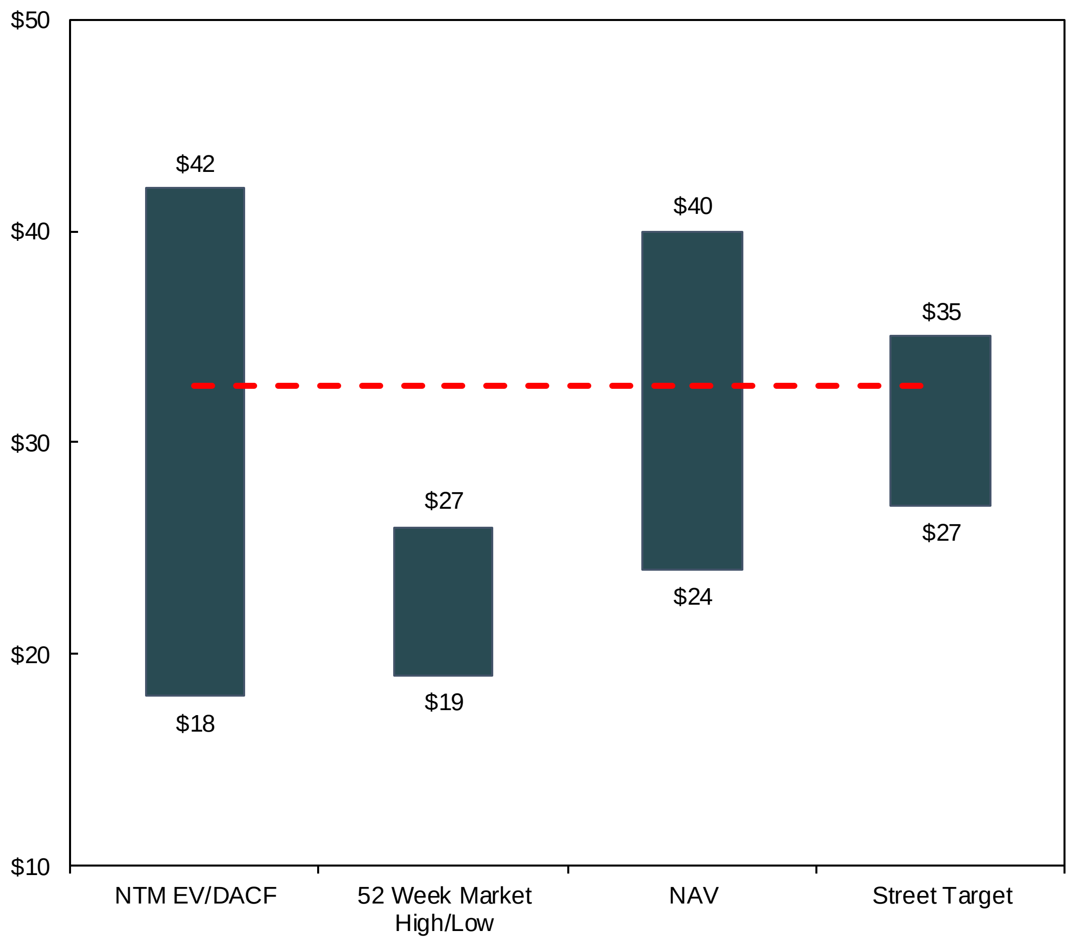
# Valuation Summary

### Investment Decision

| | |
|---|---|
| Target | $34 |
| Implied Return[1] | ~29% |
| Action | BUY |

| Relative Valuation | Implied Target price |
|---|---|
| EV/DACF (5.5x) | $34 |
| NAV | $34 |

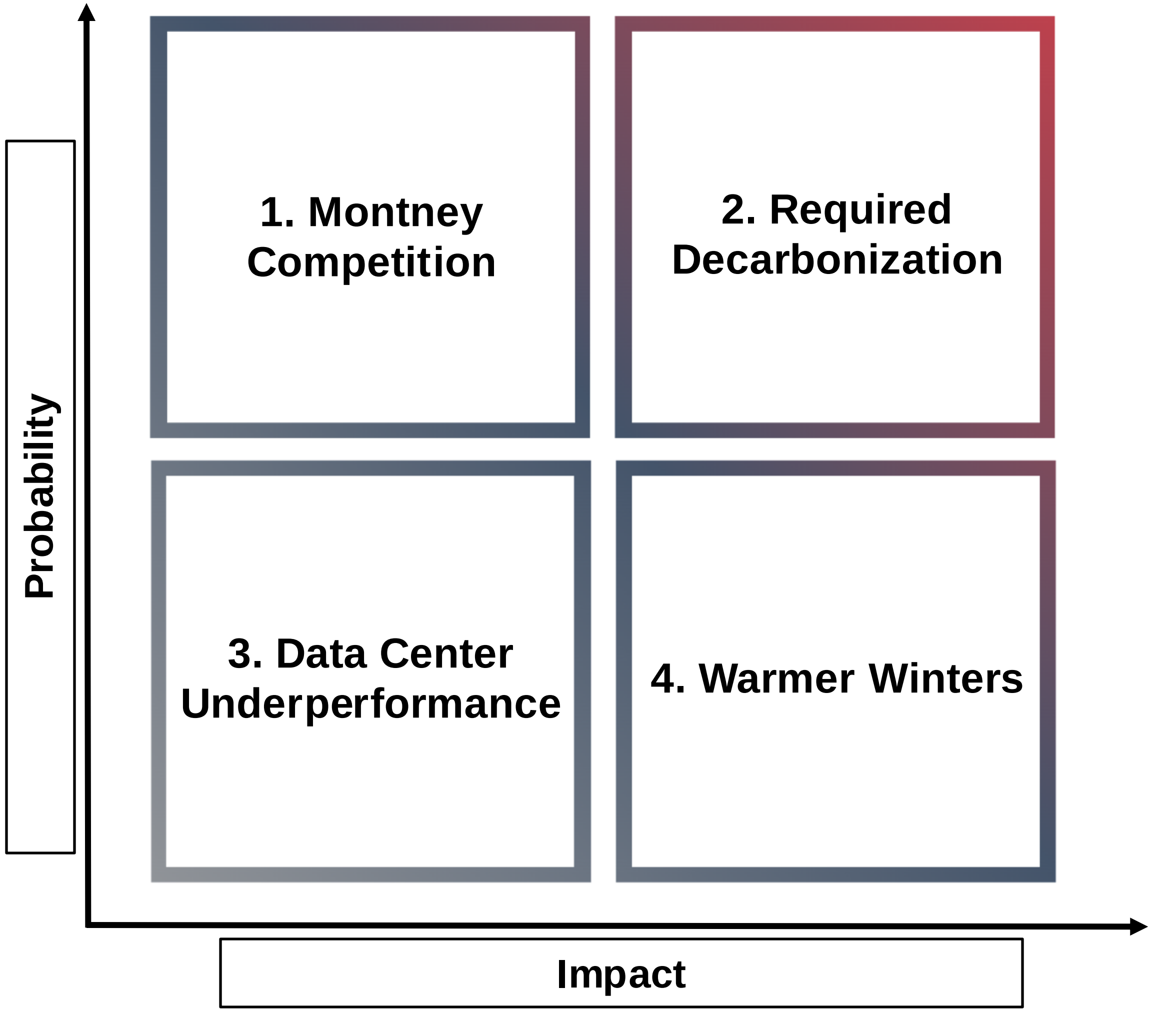
### Football Field Valuation




(1) Return accounting for $0.19 quarterly dividends

# Investment Risks

**Matrix**




**Risks**

**1. Montney Competition**
Competition from resource-rich competitors

**2. Required Decarbonization**
Buyers increasingly seek transparency

**3. Data Center Underperformance**
AI project failures/overspending in Artificial intelligence

**4. Warmer Winters**
Continued NOAA warmer winter forecasts

*Sources: S&P Global, Fortune, Canadian Gov, NOAA*

# Investment Thesis

ARC RESOURCES LTD.

| 1-Year Target | Implied Upside | Action |
|---|---|---|
| Price: **$34** | Return: ~**29%** | Positive Outlook: **BUY** |

## Key Drivers

**Attachie Phase I**

Full Capacity 40 mboe/d of 60% crude oil & liquids 40% natural gas

**Long-term Agreements Regarding Cedar LNG**

LNG supply to Asia and Europe based on JKM and TTF pricing

**Oil Sands Production Outlook**

Estimated production of 3.8 mmbbls/d by 2030



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# Questions

# Slide Network

RESOURCES LTD.





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# ESG Continued

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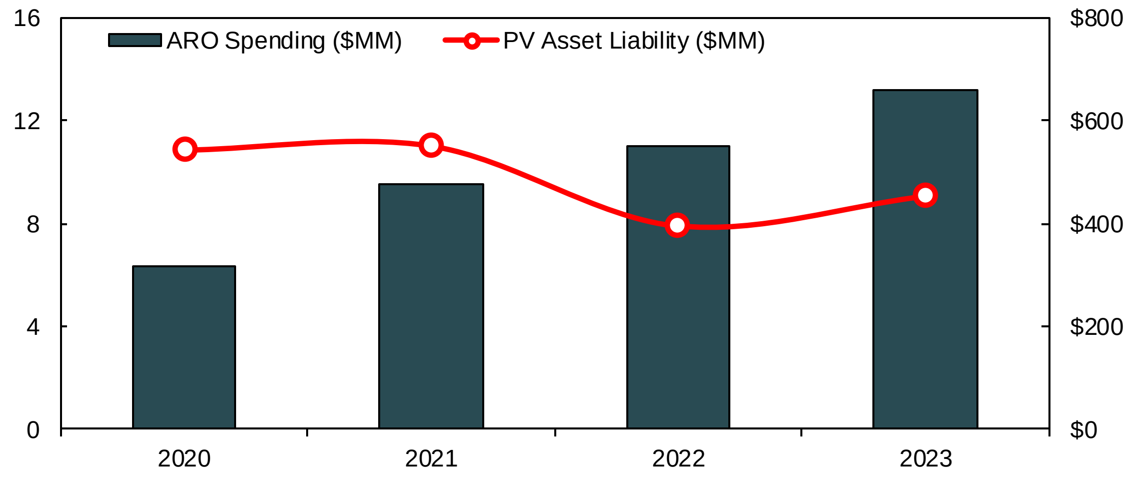
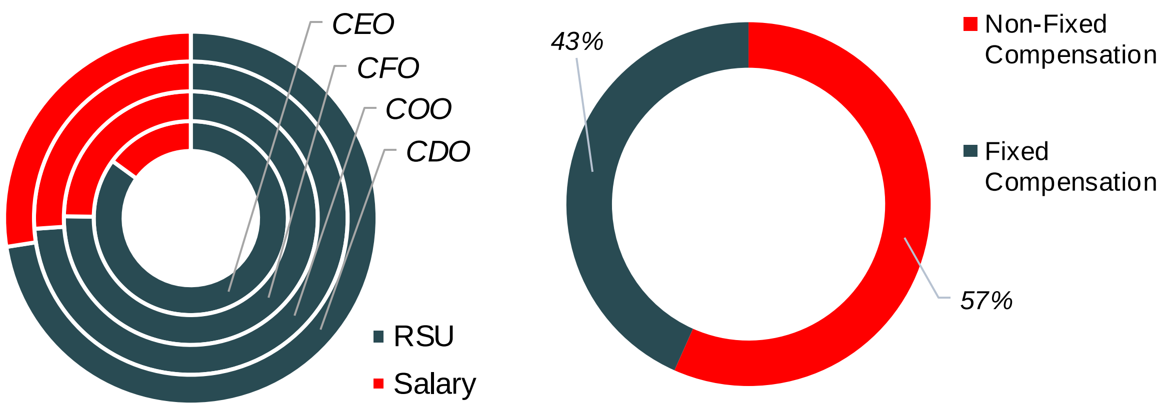
## Asset Retirement Obligation Spending /PV Asset Liability ($MM)




## Executive salaries at risk




## Leadership team

**Terry Anderson, B.Sc., P.Eng.**

PRESIDENT & CHIEF EXECUTIVE OFFICER

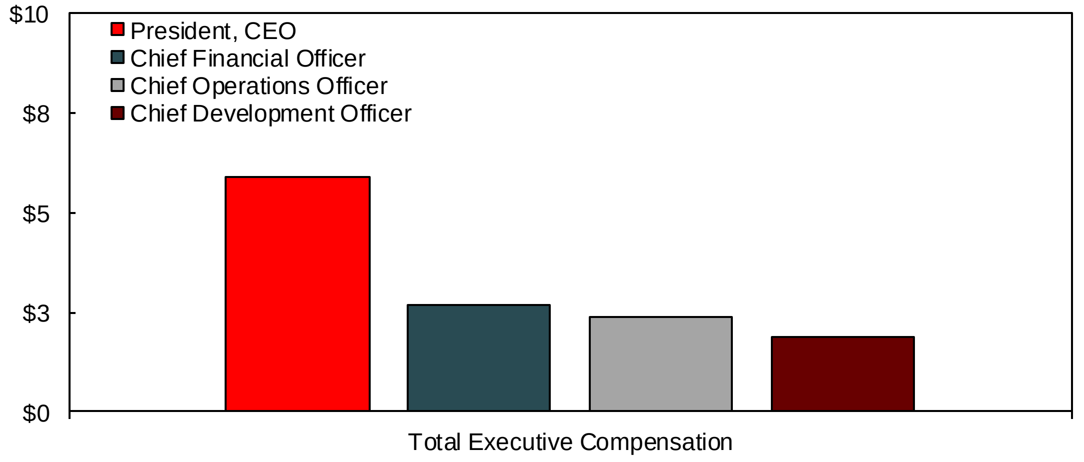
**Lara Conrad, B.A.Sc, P.Eng.**

SENIOR VICE PRESIDENT & CHIEF DEVELOPMENT OFFICER

**Kris Bibby, B.Comm, CPA, CA**

SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

## Total Executive Compensation



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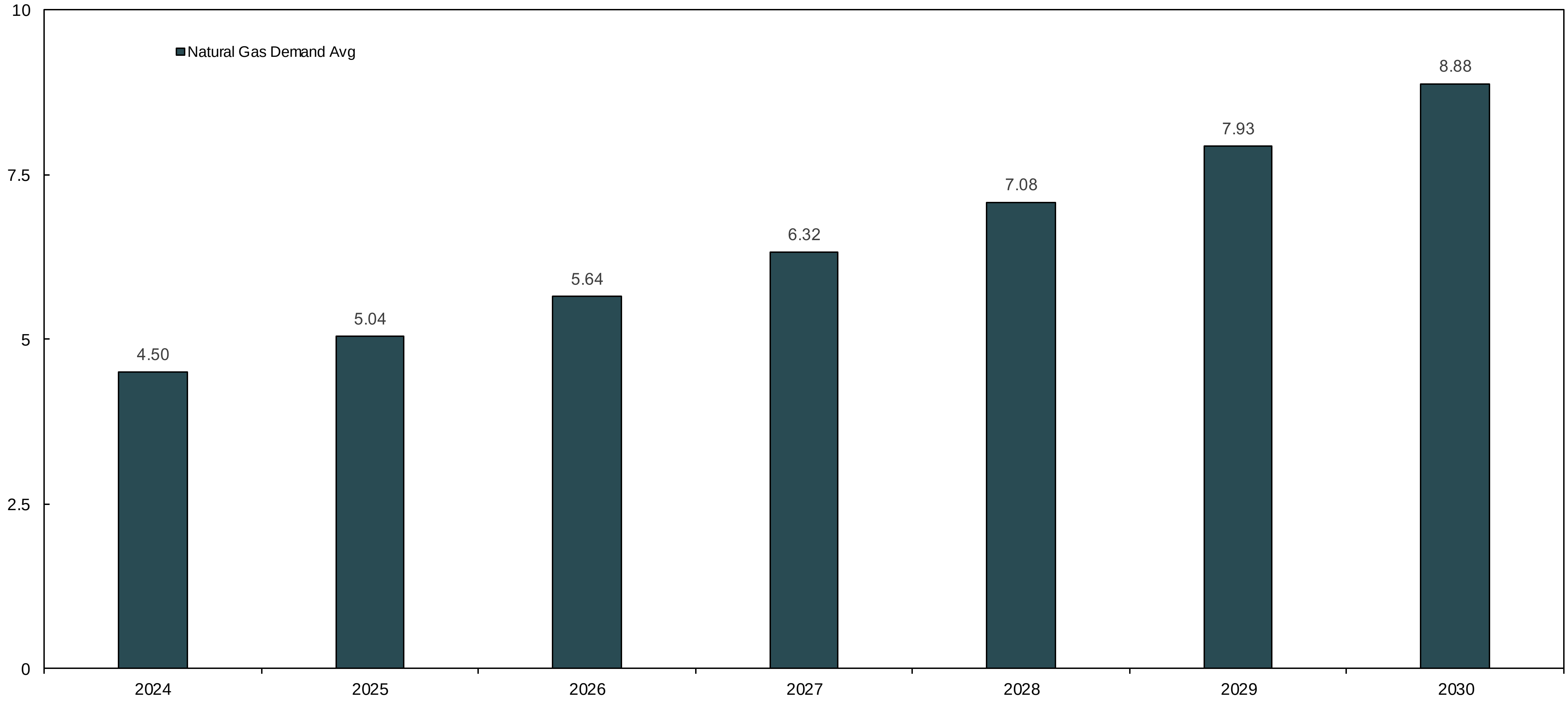
# AI Information

**AI Forecasted Natural Gas Demand Increase (bcf/d)**



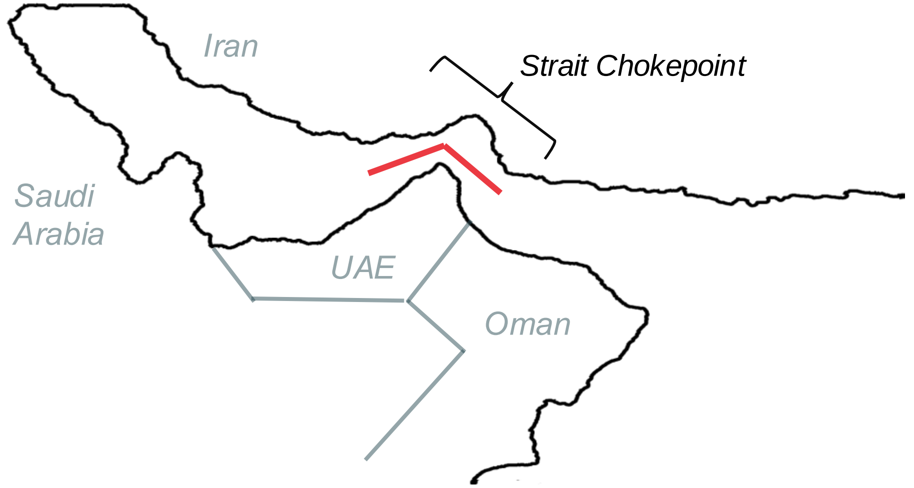



*Sources: BOE Report*

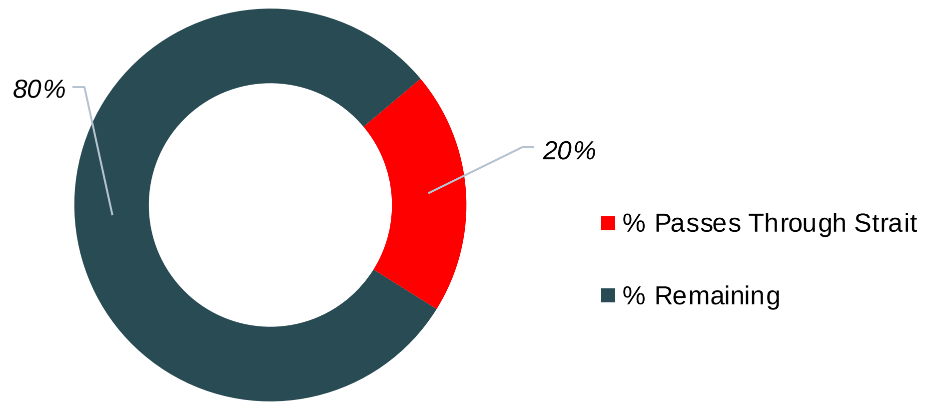
# Geopolitical Conflict Data

ARC RESOURCES LTD.

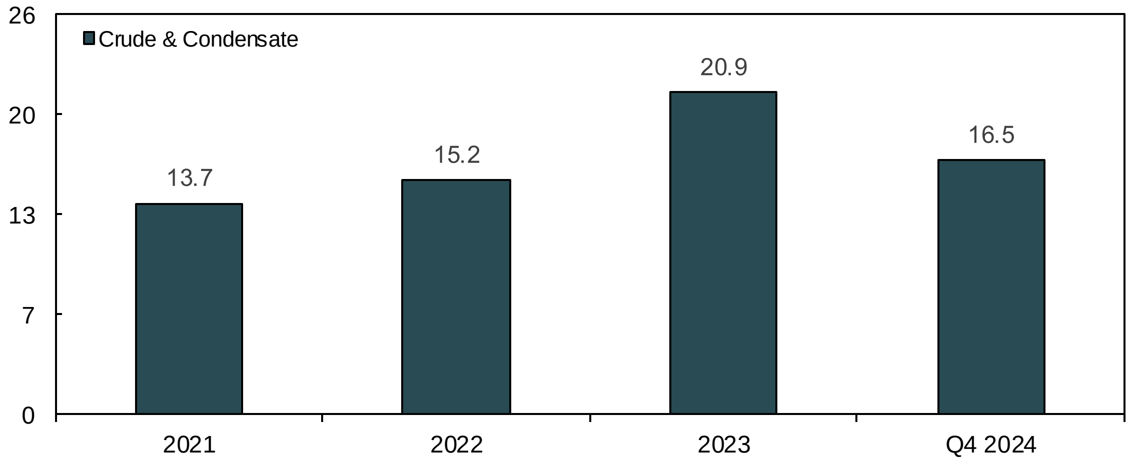
## Strait Of Hormuz



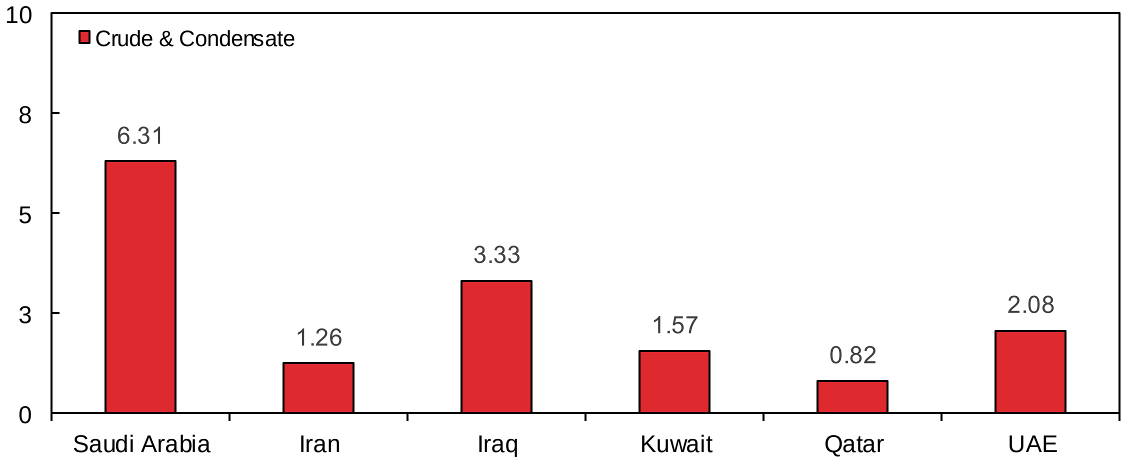

## 2023 Total Global Petroleum Liquids Consumption




## Transported Crude & Condensate Through Strait (mm bbl/d)




## 2023 Crude & Condensate Exports Per Country Through Strait (mm bbl/d)



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*Sources: US Energy Information Administration, Reuters, Bloomberg*

# LNG Canada

## Joint Venture Participants

KOGAS
5%

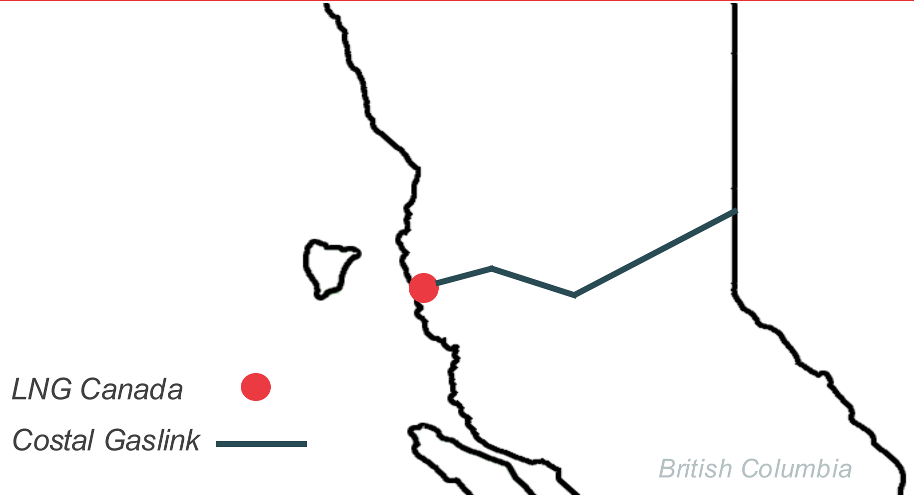
PETRONAS
25%

Shell
40%

PetroChina
15%

MITSUBISHI
15%

## LNG Canada Location



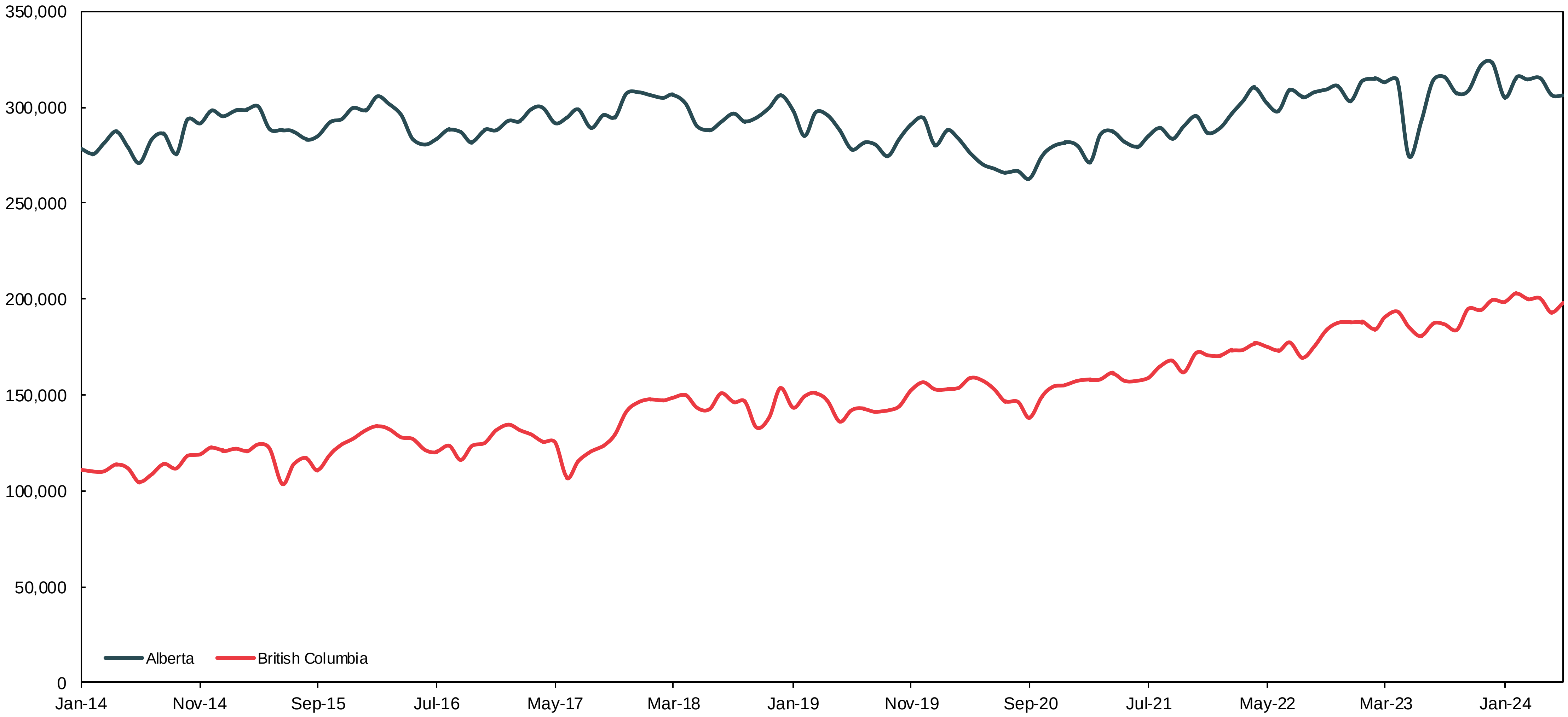

## LNG Canada Statistics

| Phase 1 Export Volume (bcf/d) | Phase 2 Export Volume (bcf/d) | Total Phase 1 Capacity (MTPA) |
|---|---|---|
| *1.84* | *1.84* | *14* |



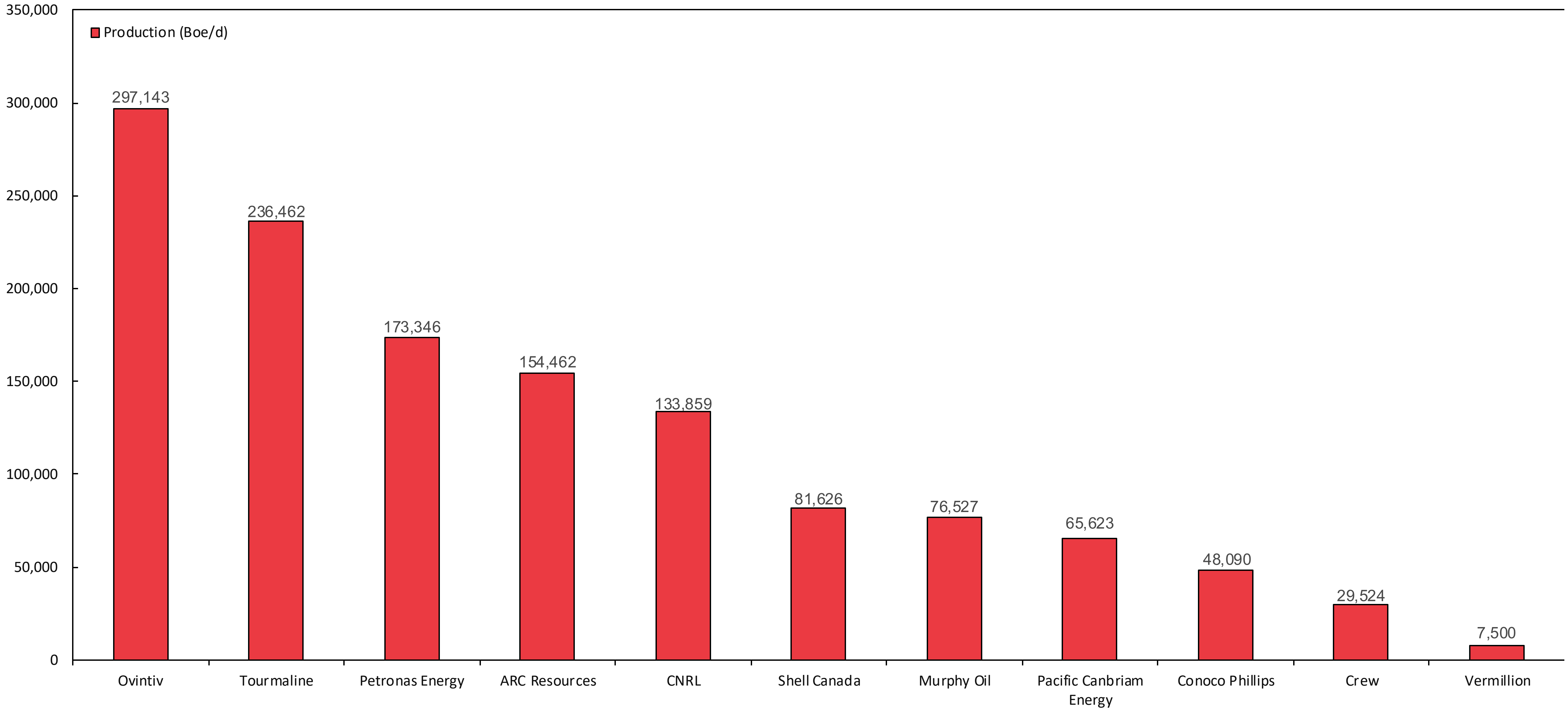
*Sources: LNG Canada, Shell Global, Canada.ca*

# Marketable Natural Gas Production



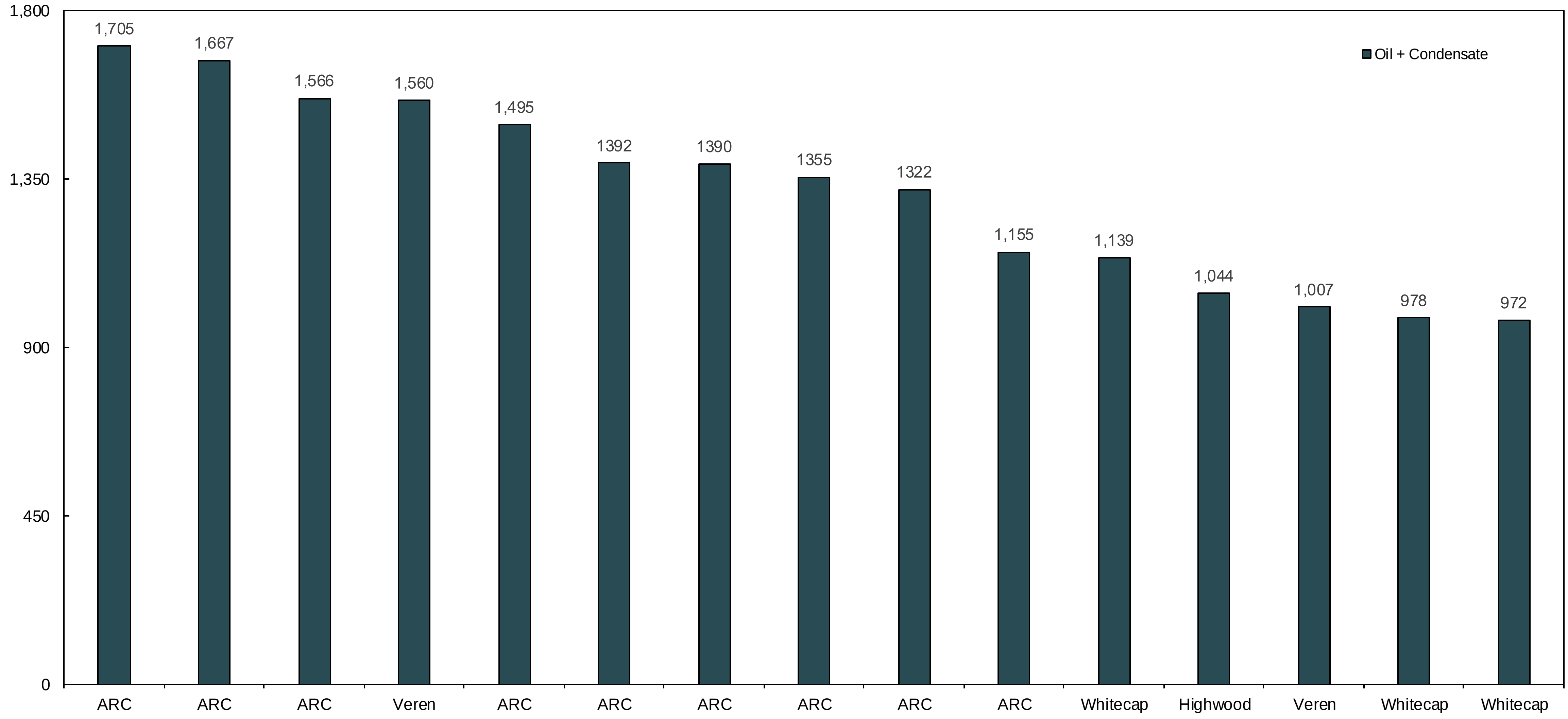

*Sources: Statistics Canada*

# Montney BC Production




Sources: BOE Report, Newswire

# September Well Production (bbl/d)



# NAV Breakdown

| | | Tight Oil | | | Natural Gas Liquids | | | Condensate | | | Shale Gas | | | Revenue | | | Operating Costs | | | Abandonment & Development Costs | | Total Pre-Tax Cash Flows | Corporate Tax Rate | Total After-Tax Cash Flows |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year # | Reserves Mbbls | Production Mbbls | Price $/bbl | Reserves Mbbls | Production Mbbls | Price $/bbl | Reserves Mbbls | Production Mbbls | Price $/bbl | Reserves Mboe | Production Mboe | Price $/boe | Oil and NGL $MM | Natural Gas $MM | Total $MM | Roy. $MM | Prod. $MM | Trans. $MM | Aband. $MM | Devl. $MM | $MM | % | $MM |
| 2023 | 1 | 18,369.0 | | | 116,422.6 | | | 291,994.4 | | | 871,265.2 | | | | | | | | | | | | | |
| 2024 | 2 | 15,162.2 | 3,206.8 | 89.3 | 101,292.2 | 15,130.4 | 18.5 | 263,721.2 | 28,273.2 | 130.6 | 791,548.6 | 79,716.6 | 7.9 | $4,258.8 | $631.4 | $4,890.2 | $694.4 | $85.6 | $258.4 | $15.8 | $1,626.0 | $2,210.01 | 24% | $1,679.61 |
| 2025 | 3 | 11,795.1 | 3,367.1 | 78.5 | 90,247.0 | 11,045.2 | 19.3 | 234,034.4 | 29,686.8 | 122.3 | 714,223.5 | 77,325.1 | 14.9 | $4,108.7 | $1,155.2 | $5,263.9 | $666.9 | $87.9 | $251.3 | $12.9 | $1,893.0 | $2,351.98 | 24% | $1,787.51 |
| 2026 | 4 | 8,310.2 | 3,484.9 | 74.6 | 82,184.1 | 8,063.0 | 18.7 | 203,753.8 | 30,280.6 | 117.2 | 639,218.1 | 75,005.3 | 21.9 | $3,958.7 | $1,640.4 | $5,599.0 | $641.1 | $89.7 | $244.9 | $10.0 | $134.0 | $4,479.29 | 24% | $3,404.26 |
| 2027 | 5 | 4,773.0 | 3,537.2 | 73.2 | 76,298.1 | 5,886.0 | 19.2 | 173,170.4 | 30,583.4 | 113.5 | 566,462.9 | 72,755.2 | 23.1 | $3,843.9 | $1,682.8 | $5,526.8 | $618.1 | $89.8 | $238.1 | | $1,707.0 | $2,873.72 | 24% | $2,184.02 |
| 2028 | 6 | 1,235.8 | 3,537.2 | 72.0 | 72,001.3 | 4,296.8 | 19.7 | 142,587.0 | 30,583.4 | 112.1 | 495,890.4 | 70,572.5 | 23.9 | $3,768.9 | $1,683.2 | $5,452.1 | $596.9 | $89.3 | $231.4 | | $1,181.0 | $3,353.58 | 24% | $2,548.72 |
| 2029 | 7 | 0.0 | 1,235.8 | 76.8 | 68,864.7 | 3,136.6 | 20.8 | 112,309.5 | 30,277.6 | 111.2 | 444,372.4 | 51,517.9 | 28.4 | $3,526.9 | $1,460.5 | $4,987.4 | $479.4 | $22.4 | $132.7 | | $2,243.0 | $2,109.88 | 24% | $1,603.51 |
| 2030 | 8 | 0.0 | 0.0 | 76.8 | 66,575.0 | 2,289.7 | 20.8 | 82,637.5 | 29,672.0 | 111.2 | 406,764.3 | 37,608.1 | 28.4 | $3,347.0 | $1,066.2 | $4,413.2 | $391.6 | ($24.4) | $62.4 | | | $3,983.49 | 24% | $3,027.45 |
| 2031 | 9 | 0.0 | 0.0 | 76.8 | 64,903.4 | 1,671.5 | 20.8 | 53,855.6 | 28,781.8 | 111.2 | 379,310.4 | 27,453.9 | 28.4 | $3,235.1 | $778.3 | $4,013.4 | $325.1 | ($56.1) | $13.2 | | | $3,731.32 | 24% | $2,835.80 |
| 2032 | 10 | 0.0 | 0.0 | 76.8 | 63,683.2 | 1,220.2 | 20.8 | 32,844.9 | 21,010.7 | 111.2 | 359,269.1 | 20,041.4 | 28.4 | $2,361.6 | $568.2 | $2,929.8 | $237.3 | ($41.0) | $9.6 | | | $2,723.86 | 24% | $2,070.14 |
| 2033 | 11 | 0.0 | 0.0 | 76.8 | 62,792.5 | 890.7 | 20.8 | 17,507.0 | 15,337.8 | 111.2 | 344,638.9 | 14,630.2 | 28.4 | $1,724.0 | $414.8 | $2,138.8 | $173.2 | ($29.9) | $7.0 | | | $1,988.42 | 24% | $1,511.20 |
| 2034 | 12 | 0.0 | 0.0 | 76.8 | 62,142.2 | 650.2 | 20.8 | 6,310.4 | 11,196.6 | 111.2 | 333,958.8 | 10,680.0 | 28.4 | $1,258.5 | $302.8 | $1,561.3 | $126.5 | ($21.8) | $5.1 | | | $1,451.55 | 24% | $1,103.18 |
| 2035 | 13 | 0.0 | 0.0 | 76.8 | 61,667.6 | 474.7 | 20.8 | (1,863.2) | 8,173.5 | 111.2 | 326,162.4 | 7,796.4 | 28.4 | $918.7 | $221.0 | $1,139.7 | $92.3 | ($15.9) | $3.7 | | | $1,059.63 | 24% | $805.32 |
| 2036 | 14 | 0.0 | 0.0 | 76.8 | 61,321.0 | 346.5 | 20.8 | (7,829.8) | 5,966.7 | 111.2 | 320,471.0 | 5,691.4 | 28.4 | $670.7 | $161.4 | $832.0 | $67.4 | ($11.6) | $2.7 | | | $773.53 | 24% | $587.88 |
| 2037 | 15 | 0.0 | 0.0 | 76.8 | 61,068.1 | 253.0 | 20.8 | (12,185.5) | 4,355.7 | 111.2 | 316,316.3 | 4,154.7 | 28.4 | $489.6 | $117.8 | $607.4 | $49.2 | ($8.5) | $2.0 | | | $564.68 | 24% | $429.15 |
| 2038 | 16 | 0.0 | 0.0 | 76.8 | 60,883.4 | 184.7 | 20.8 | (15,365.2) | 3,179.6 | 111.2 | 313,283.4 | 3,032.9 | 28.4 | $357.4 | $86.0 | $443.4 | $35.9 | ($6.2) | $1.5 | | | $412.21 | 24% | $313.28 |
| 2039 | 17 | 0.0 | 0.0 | 76.8 | 60,748.6 | 134.8 | 20.8 | (17,686.3) | 2,321.1 | 111.2 | 311,069.3 | 2,214.0 | 28.4 | $260.9 | $62.8 | $323.7 | $26.2 | ($4.5) | $1.1 | | | $300.92 | 24% | $228.70 |
| 2040 | 18 | 0.0 | 0.0 | 76.8 | 60,650.2 | 98.4 | 20.8 | (19,380.7) | 1,694.4 | 111.2 | 309,453.1 | 1,616.3 | 28.4 | $190.5 | $45.8 | $236.3 | $19.1 | ($3.3) | $0.8 | | | $219.67 | 24% | $166.95 |
| 2041 | 19 | 0.0 | 0.0 | 76.8 | 60,578.4 | 71.8 | 20.8 | (20,617.7) | 1,236.9 | 111.2 | 308,273.2 | 1,179.9 | 28.4 | $139.0 | $33.4 | $172.5 | $14.0 | ($2.4) | $0.6 | | | $160.36 | 24% | $121.87 |
| 2042 | 20 | 0.0 | 0.0 | 76.8 | 60,526.0 | 52.4 | 20.8 | (21,520.6) | 903.0 | 111.2 | 307,411.9 | 861.3 | 28.4 | $101.5 | $24.4 | $125.9 | $10.2 | ($1.8) | $0.4 | | | $117.06 | 24% | $88.97 |
| 2043 | 21 | 0.0 | 0.0 | 76.8 | 60,487.7 | 38.3 | 20.8 | (22,179.8) | 659.2 | 111.2 | 306,783.1 | 628.8 | 28.4 | $74.1 | $17.8 | $91.9 | $7.4 | ($1.3) | $0.3 | | | $85.45 | 24% | $64.95 |
| 2044 | 22 | 0.0 | 0.0 | 76.8 | 60,459.7 | 27.9 | 20.8 | (22,661.0) | 481.2 | 111.2 | 306,324.1 | 459.0 | 28.4 | $54.1 | $13.0 | $67.1 | $5.4 | ($0.9) | $0.2 | | | $62.38 | 24% | $47.41 |
| 2045 | 23 | 0.0 | 0.0 | 76.8 | 60,439.3 | 20.4 | 20.8 | (23,012.3) | 351.3 | 111.2 | 305,989.1 | 335.1 | 28.4 | $39.5 | $9.5 | $49.0 | $4.0 | ($0.7) | $0.2 | | | $45.54 | 24% | $34.61 |
| 2046 | 24 | 0.0 | 0.0 | 76.8 | 60,424.4 | 14.9 | 20.8 | (23,268.7) | 256.4 | 111.2 | 305,744.5 | 244.6 | 28.4 | $28.8 | $6.9 | $35.8 | $2.9 | ($0.5) | $0.1 | | | $33.24 | 24% | $25.26 |
| 2047 | 25 | 0.0 | 0.0 | 76.8 | 60,413.6 | 10.9 | 20.8 | (23,455.9) | 187.2 | 111.2 | 305,565.9 | 178.6 | 28.4 | $21.0 | $5.1 | $26.1 | $2.1 | ($0.4) | $0.1 | | | $24.27 | 24% | $18.44 |
| 2048 | 26 | 0.0 | 0.0 | 76.8 | 60,405.6 | 7.9 | 20.8 | (23,592.5) | 136.6 | 111.2 | 305,435.6 | 130.3 | 28.4 | $15.4 | $3.7 | $19.1 | $1.5 | ($0.3) | $0.1 | | | $17.72 | 24% | $13.46 |
| 2049 | 27 | 0.0 | 0.0 | 76.8 | 60,399.8 | 5.8 | 20.8 | (23,692.3) | 99.8 | 111.2 | 305,340.4 | 95.2 | 28.4 | $11.2 | $2.7 | $13.9 | $1.1 | ($0.2) | $0.0 | | | $12.93 | 24% | $9.83 |
| 2050 | 28 | 0.0 | 0.0 | 76.8 | 60,395.6 | 4.2 | 20.8 | (23,765.1) | 72.8 | 111.2 | 305,271.0 | 69.5 | 28.4 | $8.2 | $2.0 | $10.2 | $0.8 | ($0.1) | $0.0 | | | $9.44 | 24% | $7.17 |
| 2051 | 29 | 0.0 | 0.0 | 76.8 | 60,392.5 | 3.1 | 20.8 | (23,818.3) | 53.2 | 111.2 | 305,220.3 | 50.7 | 28.4 | $6.0 | $1.4 | $7.4 | $0.6 | ($0.1) | $0.0 | | | $6.89 | 24% | $5.24 |
| 2052 | 30 | 0.0 | 0.0 | 76.8 | 60,390.3 | 2.3 | 20.8 | (23,857.1) | 38.8 | 111.2 | 305,183.3 | 37.0 | 28.4 | $4.4 | $1.0 | $5.4 | $0.4 | ($0.1) | $0.0 | | | $5.03 | 24% | $3.82 |
| Total | | | | | | | | | | | | | | | | | | | | | | | | |

# NAV Benchmark Pricing

ARC RESOURCES LTD.

| Benchmarks | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ACTIVE CASE | 3 | | | | | | | |
| | | 2022A | 2023A | 2024E | 2025E | 2026E | 2027E | 2028E |
| Strong case | 1 | | | $108.5 | $96.0 | $93.3 | $91.8 | $90.7 |
| Base case | 2 | | | $103.5 | $91.0 | $88.3 | $86.8 | $85.7 |
| Weak case | 3 | | | $98.5 | $86.0 | $83.3 | $81.8 | $80.7 |
| **WTI - West Texas Intermediate ($CAD/Bbl)** | | **$122.3** | **$104.8** | **$98.5** | **$86.0** | **$83.3** | **$81.8** | **$80.7** |
| Strong case | 1 | | | $103.0 | $91.8 | $87.8 | $86.3 | $85.0 |
| Base case | 2 | | | $98.0 | $86.8 | $82.8 | $81.3 | $80.0 |
| Weak case | 3 | | | $93.0 | $81.8 | $77.8 | $76.3 | $75.0 |
| **MSW/ Edmonton Par - Mixed Sweet ($CAD/Bbl)** | | **$119.8** | **$99.6** | **$93.0** | **$81.8** | **$77.8** | **$76.3** | **$75.0** |
| Strong case | 1 | | | $18.80 | $19.53 | $18.98 | $19.48 | $19.94 |
| Base case | 2 | | | $17.80 | $18.53 | $17.98 | $18.48 | $18.94 |
| Weak case | 3 | | | $16.80 | $17.53 | $16.98 | $17.48 | $17.94 |
| **NGL Mix ($CAD/Bbl)** | | **$23.0** | **$21.8** | **$16.8** | **$17.5** | **$17.0** | **$17.5** | **$17.9** |
| Strong case | 1 | | | $1.9 | $2.7 | $3.4 | $3.6 | $3.7 |
| Base case | 2 | | | $1.4 | $2.2 | $2.9 | $3.1 | $3.2 |
| Weak case | 3 | | | $0.9 | $1.7 | $2.4 | $2.6 | $2.7 |
| **AECO ($CAD/Mcf)** | | **$5.4** | **$2.5** | **$0.9** | **$1.7** | **$2.4** | **$2.6** | **$2.7** |
| Strong case | 1 | | | 0.7x | 0.7x | 0.7x | 0.7x | 0.7x |
| Base case | 2 | | | 0.7x | 0.7x | 0.7x | 0.7x | 0.7x |
| Weak case | 3 | | | 0.7x | 0.7x | 0.7x | 0.7x | 0.7x |
| **FX (US$/$CDN)** | | **0.8x** | **0.7x** | **0.7x** | **0.7x** | **0.7x** | **0.7x** | **0.7x** |



HASKAYNE FINANCE CLUB

# NAV Realized Pricing

ARC RESOURCES LTD.

| Actualized Prices | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ACTIVE CASE | 2 | | | | | | | |
| **Crude Oil ($CAD/Bbl)** | | | | | | | | |
| | | 2022A | 2023A | *2024E* | *2025E* | *2026E* | *2027E* | *2028E* |
| Strong case | 1 | | | | | | | |
| Base case | 2 | | | 96.0% | 96.0% | 96.0% | 96.0% | 96.0% |
| Weak case | 3 | | | | | | | |
| **Tight Oil - Edmonton par ($CAD/Bbl)** | | **$116.5** | **$95.05** | **$89.26** | **$78.52** | **$74.64** | **$73.22** | **$72.02** |
| *Differential* | | *97.3%* | *95.4%* | *96.0%* | *96.0%* | *96.0%* | *96.0%* | *96.0%* |
| Strong case | 1 | | | | | | | |
| Base case | 2 | | | 96% | 96% | 96% | 96% | 96% |
| Weak case | 3 | | | | | | | |
| **Condensate - WTI ($CAD/Bbl)** | | **$118.2** | **$99.9** | **$130.6** | **$122.3** | **$117.2** | **$113.5** | **$112.1** |
| *Differential* | | *96.6%* | *95.4%* | *96.0%* | *96.0%* | *96.0%* | *96.0%* | *96.0%* |
| Strong case | 1 | | | | | | | |
| Base case | 2 | | | 110% | 110% | 110% | 110% | 110% |
| Weak case | 3 | | | | | | | |
| **NGL Mix - ($CAD/Bbl)** | | **$28.0** | **$22.8** | **$18.5** | **$19.3** | **$18.7** | **$19.2** | **$19.7** |
| *Differential* | | *121.7%* | *104.5%* | *110.0%* | *110.0%* | *110.0%* | *110.0%* | *110.0%* |
| **Natural Gas ($/GJ)** | | | | | | | | |
| Strong case | 1 | | | | | | | |
| Base case | 2 | | | 150.0% | 150.0% | 150.0% | 150.0% | 150.0% |
| Weak case | 3 | | | | | | | |
| | | | | **$7.9** | **$14.9** | **$21.9** | **$23.1** | **$23.9** |
| **Shale Natural Gas - AECO ($CAD/Mcf)** | | **$8.2** | **$3.8** | **$1.3** | **$2.5** | **$3.6** | **$3.9** | **$4.0** |
| *Differential* | | *149.8%* | *150.8%* | *150.0%* | *150.0%* | *150.0%* | *150.0%* | *150.0%* |



HASKAYNE FINANCE CLUB

# NAV Reserves Profile

ARC RESOURCES LTD.

| ARX PDP, 1P, & 2P Reserves Breakdown (Gross) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Active Case | 1P | | | | | | | | | | | |
| | Tight Oil (Mbbl) | | NGLs (Mbbl) | | Condensate (Mbbl) | | Shale Gas (Mboe) | | Shale Gas (MMcf) | | Total Oil Equivalent (Mboe) | |
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| **Proved Reserves** | | | | | | | | | | | | |
| Developed Producing | 9,713.0 | 11,022.0 | 67,126.5 | 59,063.1 | 114,296.5 | 119,915.9 | 349,623.0 | 401,467.7 | 2,097,738.0 | 2,408,806.0 | 540,759.0 | 591,468.7 |
| Developed Non-Producing | 3,085.0 | 512.0 | 67,126.5 | 2,636.8 | 26,053.4 | 7,910.3 | 54,551.8 | 12,290.0 | 327,311.0 | 73,740.0 | 150,816.7 | 23,349.0 |
| Undeveloped | 5,420.0 | 6,835.0 | 67,126.5 | 54,722.8 | 117,935.7 | 164,168.3 | 386,764.0 | 457,507.5 | 2,320,584.0 | 2,745,045.0 | 577,246.2 | 683,233.5 |
| **Total Proved Reserves** | **18,218.0** | **18,369.0** | **201,379.5** | **116,422.6** | **258,285.6** | **291,994.4** | **790,938.8** | **871,265.2** | **4,745,633.0** | **5,227,591.0** | **1,268,821.9** | **1,298,051.2** |
| **Probable Reserves** | | | | | | | | | | | | |
| Probable | 13,167.0 | 12,091.0 | 56,650.8 | 63,231.2 | 163,957.2 | 169,972.8 | 382,765.5 | 450,980.8 | 2,296,593.0 | 2,705,885.0 | 616,540.5 | 696,275.8 |
| **Total Probable Reserves** | **13,167.0** | **12,091.0** | **56,650.8** | **63,231.2** | **163,957.2** | **169,972.8** | **382,765.5** | **450,980.8** | **2,296,593.0** | **2,705,885.0** | **616,540.5** | **696,275.8** |
| **Total Reserves** | | | | | | | | | | | | |
| **Total Proved plus Probable** | **31,385.0** | **30,460.0** | **258,030.4** | **179,653.7** | **422,242.8** | **461,967.3** | **1,173,704.3** | **1,322,246.0** | **7,042,226.0** | **7,933,476.0** | **1,885,362.4** | **1,994,327.0** |
| **Developed Reserves** | **12,798.0** | **11,534.0** | **134,253.0** | **61,699.8** | 140,349.9 | **127,826.2** | **404,174.8** | **413,757.7** | **2,425,049.0** | **2,482,546.0** | **691,575.7** | **614,817.7** |
| *Percent Developed* | *70.2%* | *62.8%* | *66.7%* | *53.0%* | *54.3%* | *43.8%* | *51.1%* | *47.5%* | *51.1%* | *47.5%* | *54.5%* | *47.4%* |



HASKAYNE FINANCE CLUB

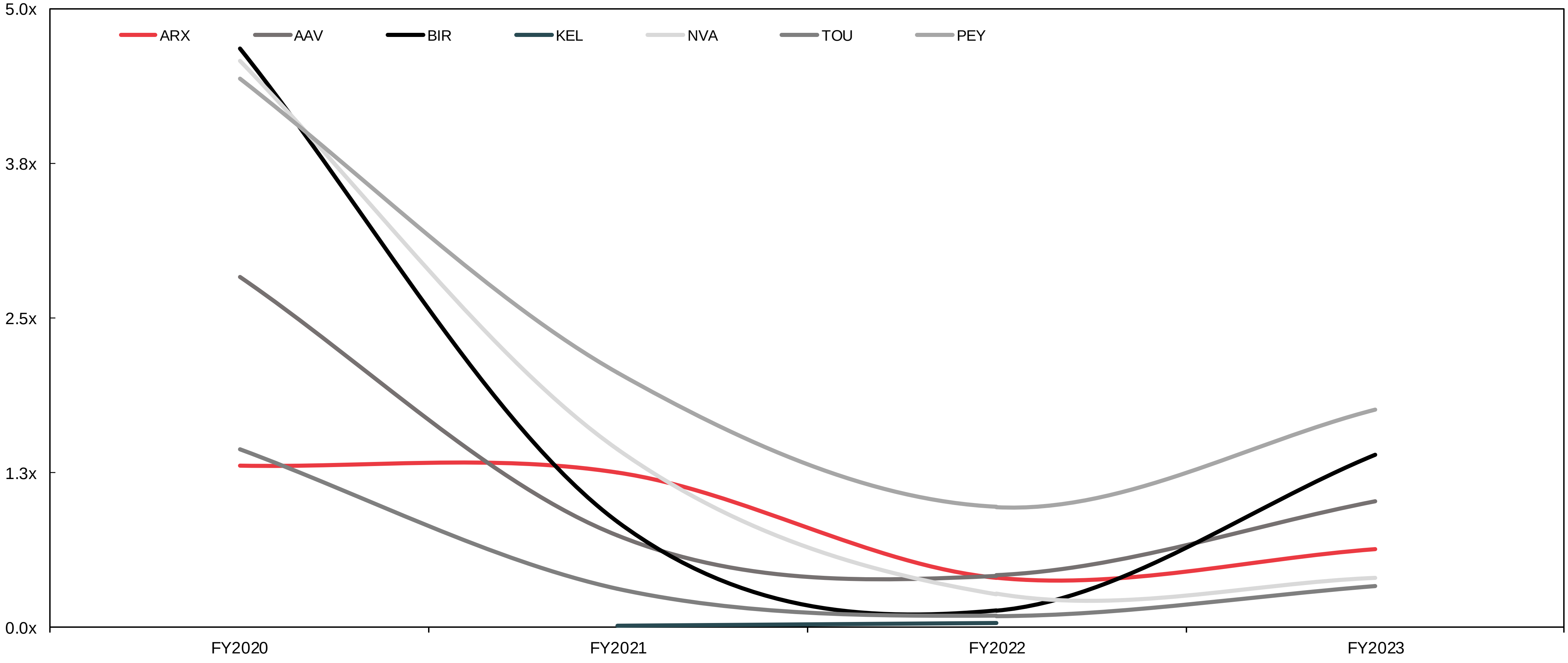
# NGL Breakdown

| Year | Butane | Propane | Ethane |
| --- | --- | --- | --- |
| 2023 | 58.00% | 21.00% | 58.00% |
| 2024 | 58.00% | 21.00% | 58.00% |
| 2025 | 58.00% | 21.00% | 58.00% |
| 2026 | 58.00% | 21.00% | 58.00% |
| 2027 | 58.00% | 21.00% | 58.00% |
| 2028 | 58.00% | 21.00% | 58.00% |
| 2029 | 58.00% | 21.00% | 58.00% |
| 2030 | 58.00% | 21.00% | 58.00% |
| 2031 | 58.00% | 21.00% | 58.00% |
| 2032 | 58.00% | 21.00% | 58.00% |
| 2033 | 58.00% | 21.00% | 58.00% |
| 2034 | 58.00% | 21.00% | 58.00% |

# Company Selection

| Yes/No | Company | Ticker | Market Cap ($MM) | Geographic Location | Products | # of Employees |
|---|---|---|---|---|---|---|
| ✓ | Advantage Energy Ltd. | AAV | $1,603 | Alberta | Natural gas, Crude oil, and NGLs | 86 |
| ✓ | Birchcliff Energy Ltd. | BIR | $1,504 | Alberta and British Columbia | Natural gas, Light oil, Condesate, and NGLS | 218 |
| ✓ | Kelt Exploration Ltd. | KEL | $1,419 | Alberta and British Columbia | Crude Oil and Natural gas | 79 |
| ✓ | NuVista Energy Ltd. | NVA | $2,920 | Alberta | Crude Oil and Natural gas | 88 |
| ✓ | Peyto Exploration & Development Corp. | PEY | $3,398 | Alberta | Natural Gas, Crude oil, NGLs | 53 |
| ✓ | Tourmaline Oil Corp. | TOU | $25,427 | Alberta and British Columbia | Crude Oil and Natural gas | 389 |

# Net Debt/EBITDA vs. Peers




Sources: BOE Report, Newswire