

Enquest Plc

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EnQuest shares rally as financial results confirm confidence in Kraken

EnQuest plc (LON:ENQ) saw its share price rally as it released financial results including a resolute outlook for the Kraken field.

The North Sea oiler was dented earlier this month when Kraken partner Cairn Energy PLC (LON:CNE) downgraded its reserves associated with the new oil field, which in 2018 experienced problems that undermined its production ramp-up.

Specifically, downtime on Kraken's floating production storage and offloading (FPSO) vessel caused lower crude recovery volumes.

READ: Row breaks out between North Sea partners over Kraken reserves
Amid the setbacks, Cairn reduced its forecasts and models for Kraken's future output which in turn led to a downgrade to reserves and a write-off of asset value.

EnQuest at the time said it would not be taking the same approach in its accounting, and, with today's results, this was confirmed that it had not downgraded Kraken reserves.

"FPSO performance has been the main limiting factor in achieving Kraken's full production potential," said Amjad Bseisu, EnQuest chief executive.

"As such, our clear operational priority is to improve Kraken's FPSO uptime and efficiency. We are working with the FPSO operator on a number of improvement initiatives."

EnQuest told investors that it continues to expect Kraken will achieve gross production of 30,000 to 35,000 barrels of oil per day this year. In 2018, Kraken's production was at the low end of that range and below expectations, averaging 30,300 bopd.

Across the whole portfolio, EnQuest produced 55,447 bopd during the twelve months to 31 December 2018, marking a 48.2% improvement in the preceding year.

This step-change came at least partially thanks to new field start-ups and asset acquisitions.

EnQuest reported revenue at US\$1.2bn, up from US\$635.2mln, with earnings (EBITDA) coming in at US\$716.3mln up from US\$303.6mln. The financial performance was driven by higher production and better oil prices, but, the company noted that there was some offset due to the cost of price protecting commodity hedges.

It generated some US\$788.6mln of cash from operations, up from US\$327mln in the year before, and, the money going out for capital spending reduced to US\$220.2mln, from US\$367.6mln in 2017.

Price: 20.12p

Market Cap: £340.91M

1 Year Share Price Graph



Share Information

Code: ENQ

Listing: AIM

52 week High Low
38.12p 15.26p

Sector: Energy

Website: www.enquest.com

Company Synopsis:

EnQuest is an independent oil and gas development and production company. On formation its activities were focused on the UK Continental Shelf (UKCS), with its assets comprising of interests in the Thistle, Deveron, Heather, Broom, West Don and Don Southwest fields.

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At the end of December, EnQuest held US\$309mln of cash and net debt stood at US\$1.77bn.

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