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Devon Energy Provides Barnett Update, Announces Special Dividend and Outlines Next Steps in Cost-Reduction Plan

KEY HIGHLIGHTS

- Accelerating Barnett Shale closing to Oct. 1, 2020, from previously scheduled date of Dec. 31, 2020
- Board of directors declares a $100 million special dividend in conjunction with Barnett closing
- Expect to achieve $300 million of sustainable cash cost savings by year-end
- Plan to use cash on hand to repurchase up to $1.5 billion of additional debt

OKLAHOMA CITY – Aug. 4, 2020 – In conjunction with its second-quarter earnings announcement, Devon Energy Corp. (NYSE: DVN) provided an update on the timing of its Barnett Shale divestiture closing and outlined details on the next phase of its strategic plan. These strategic initiatives include the return of cash directly to shareholders, a plan to streamline corporate and operating costs across the organization and the resumption of its debt reduction program.

BARNETT SHALE DIVESTITURE TO CLOSE AHEAD OF PLAN

Devon and Banpu Kalnin Ventures plan to accelerate the scheduled closing date of the Barnett Shale asset sale to Oct. 1, 2020, from the previously arranged date of Dec. 31, 2020. After accounting for purchase-price adjustments, which include an upfront deposit of $170 million and allocated revenues and expenses from the effective date, Devon expects to receive a net cash payment of more than $300 million at closing.

The Barnett Shale sale agreement also provides Devon the opportunity for contingent cash payments of up to $260 million based upon future commodity prices, with upside participation beginning at either a $2.75 Henry Hub natural gas price or a $50 West Texas Intermediate oil price. The contingent payment period commences on Jan. 1, 2021, and has a term of four years. The contingent payments are earned and paid on an annual basis.

BOARD AUTHORIZES $100 MILLION SPECIAL DIVIDEND

With the accelerated closing of the Barnett Shale divestiture, Devon's board of directors has declared a special dividend in the amount of $0.26 per share of Devon common stock. Based on the current number of outstanding shares, this special dividend will result in an aggregate payment of $100 million to shareholders by Devon. The special dividend is payable on Oct. 1, 2020, to shareholders of record at the close of business on Aug. 14, 2020. This special dividend is in addition to the regular quarterly cash dividend of $0.11 per share.

"With the visibility we have on the early closing of the Barnett transaction, I am excited to announce that we are returning a portion of the proceeds to our shareholders in the form of a $100 million special dividend," said Dave Hager, president and CEO. "The decision to issue a special dividend is consistent with our disciplined strategy and demonstrates our firm commitment to return increasing amounts of cash directly to our shareholders."

TARGETING $300 MILLION OF SUSTAINBLE CASH-COST SAVINGS BY YEAR-END

Another important initiative the company announced today is a plan to deliver sustainable, cash-cost reductions of $300 million by year-end 2020. The cost-reduction plan includes several actions to better align the workforce with go-forward activity levels, achieve more efficient field-level operations and decrease financing costs. The PV-10 of this cost savings plan is estimated to exceed $1 billion of value over the next five years.

A key contributing factor to the cost-reduction plan is Devon's intent to repurchase up to $1.5 billion of its outstanding debt. The debt-reduction program is expected to result in a go-forward interest savings of approximately $75 million on an annual run-rate basis. The company plans to evaluate various transaction structures to achieve this debt reduction target, including open-market purchases and tender offers.

"As we navigate through the challenges presented by COVID-19, Devon continues to transform how it operates. The next phase of our strategic plan is to take meaningful and decisive steps to sustainably improve our cost structure and reduce debt," said Jeff Ritenour, executive vice president and chief financial officer. "The aggressive reduction of cash costs across our organization is expected to drive down per-unit expenses by an incremental 10 percent versus our second-quarter 2020 results."

ABOUT DEVON ENERGY

Devon Energy is a leading independent energy company engaged in finding and producing oil and natural gas. Based in Oklahoma City and included in the S&P 500, Devon operates in several of the most prolific oil and natural gas plays in the U.S. with an emphasis on achieving strong corporate-level returns and capital-efficient cash-flow growth.

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FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of the federal securities laws. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the company. These risks include, but are not limited to: the delay or failure to close the Barnett divestiture due to unsatisfied closing conditions or otherwise; the amount of proceeds received from the Barnett divestiture due to the actual amount of purchase price adjustments or other factors, and the ultimate use of those proceeds; further volatility in commodity prices, market conditions or other adverse circumstances caused by the COVID-19 pandemic or other events that could negatively impact the company's ability to complete the debt repurchase plan and realize the anticipated interest expense savings; whether the company can execute upon and sustain it cost savings plan, as well as the ultimate amount of cost reductions realized; and the other risks identified in Devon's Annual Report on Form 10-K and its other filings with the Securities and Exchange Commission. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The forward-looking statements in this press release are made as of the date hereof, and the company does not undertake any obligation to update the forward-looking statements as a result of new information, future events or otherwise.