



NEWS RELEASE

# Devon Energy Announces Bolt-On Acquisition in the Eagle Ford

8/9/2022

OKLAHOMA CITY, Aug. 09, 2022 (GLOBE NEWSWIRE) -- Devon Energy Corp. (NYSE: DVN) announced today it has entered into a definitive purchase agreement to acquire Validus Energy, an Eagle Ford operator, for total cash consideration of \$1.8 billion. The transaction is subject to customary terms and conditions and is expected to close at the end of the third quarter of 2022, with an effective date of June 1, 2022.

Rick Muncrief, president and CEO stated, "The Validus acquisition captures a top-tier oil resource with a meaningful runway of highly economic inventory that is complementary to our existing footprint in the Eagle Ford. This accretive transaction also enhances our financially-driven strategy that is designed to deliver per-share financial growth and accelerate the return of capital to our shareholders."

## TRANSACTION HIGHLIGHTS

- Immediately accretive to financial metrics – The transaction is attractively valued at 2-times cash flow, with a free cash flow yield of 30 percent at strip pricing over the next year. The acquisition is expected to be immediately accretive to all relevant per-share metrics in the first year, including earnings, cash flow, free cash flow and net asset value.
- Increases cash-return outlook – Due to the accretive nature of this transaction to free cash flow, the outlook for Devon's variable dividend increases by up to 10 percent on a per-share basis at strip pricing. In addition to higher dividend payouts, the incremental free cash flow from this acquisition positions the company to accelerate the return of excess cash to shareholders through the ongoing execution of its \$2.0 billion share repurchase program.

- Enhances Eagle Ford asset quality and scale – This acquisition secures a premier acreage position of 42,000 net acres (90% working interest) adjacent to Devon’s existing leasehold in the basin. Validus’s current production is approximately 35,000 Boe per day (70 percent oil), with volumes expected to increase to an average of 40,000 Boe per day over the next year. The transaction also adds 350 repeatable drilling locations in the core of the Karnes Trough oil window along with 150 high-quality refrac candidates. This highly economic inventory positions the company’s Eagle Ford assets to sustain its high-margin production and free cash flow generation for several years.
- Captures high-margin production – The acquired assets provide high cash operating margins through access to premium Gulf Coast pricing and low per-unit expenses. With enhanced scale in the basin, Devon expects to realize \$50 million in average annual cash flow savings from capital efficiencies, operating improvements, and marketing synergies.
- Maintains top-tier balance sheet – Devon’s pro forma leverage metrics will remain relatively unchanged, exiting the year with an expected net debt-to-EBITDAX ratio of 0.4 times at strip pricing. This balance sheet strength preserves the company’s financial and operational flexibility and allows for the accelerated return of capital to shareholders.

Supplemental slides covering the transaction are available on the company’s website at [www.devonenergy.com](http://www.devonenergy.com).

## ABOUT DEVON ENERGY

Devon Energy is a leading oil and gas producer in the U.S. with a premier multi-basin portfolio headlined by a world-class acreage position in the Delaware Basin. Devon’s disciplined cash-return business model is designed to achieve strong returns, generate free cash flow and return capital to shareholders, while focusing on safe and sustainable operations. For more information, please visit [www.devonenergy.com](http://www.devonenergy.com).

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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 consummate the transaction due

to unsatisfied closing conditions or otherwise; the ultimate amount of cash consideration to be paid in the transaction due to purchase price adjustments or otherwise; the risk that, if acquired, the Validus assets do not perform consistent with our expectations, including with respect to future production or drilling inventory; and the other risks identified in the Company's 2021 Annual Report on Form 10-K and its other filings with the Securities and Exchange Commission (SEC). 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.

#### NON-GAAP DISCLOSURES

This press release includes non-GAAP (generally accepted accounting principles) financial measures. Such non-GAAP measures are not alternatives to GAAP measures, and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of results as reported under GAAP. For additional disclosure regarding such non-GAAP measures, including reconciliations to their most directly comparable GAAP measure, please refer to Devon's second-quarter 2022 earnings materials and related Form 10-Q filed with the SEC.

#### CAUTIONARY NOTE ON RESERVES AND RESOURCE ESTIMATES

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. Any reserve estimates provided in this press release that are not specifically designated as being estimates of proved reserves may include estimated reserves or locations not necessarily calculated in accordance with, or contemplated by, the SEC's latest reserve reporting guidelines. You are urged to consider closely the oil and gas disclosures in the Company's 2021 Annual Report on Form 10-K and our other reports and filings with the SEC.

Source: Devon Energy Corporation