24 April 2025

Beach Energy Limited / BPT.AX
Energy / Oil & Gas E&P
Australia's Diversified Oil & Gas Producer
Current Price: $1.16 | Target: $2.06

BPT: Transition to Cash Generation with Waitsia Catalyst Offers Significant Upside

H1 FY2025 Results Analysis and Strategic Review Update

Executive Summary

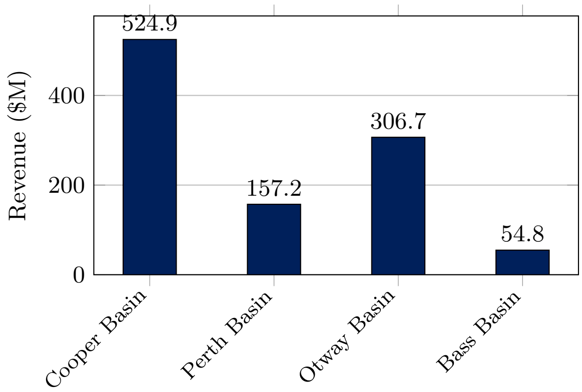
Beach Energy Limited (BPT) demonstrated impressive operational momentum in H1 FY2025, with production increasing 15% to 10.2 MMboe and underlying EBITDA growing 20% to $587 million despite a challenging industry backdrop. This strong performance was driven by successful completion of key development projects in the Otway Basin and significant operational efficiency improvements. The standout performer was the Otway Basin, where production more than doubled year-on-year to 3.4 MMboe following the successful connection of the Enterprise field and Thylacine West wells, transforming segment profitability with gross profit growing 534% to $161.1 million.

The company is advancing its strategic transformation following the comprehensive review initiated in FY2024. Beach has exceeded its 30% headcount reduction target while reducing field operating costs to $12.5/boe against an FY25 target of $14/boe, demonstrating strong execution of its cost reduction initiatives. These operational improvements have substantially enhanced free cash flow generation, with operating cash flow surging 88% to $659 million while capital expenditure decreased 31% to $363 million. This free cash flow inflection has enabled Beach to reduce net debt by 33% to $389 million, improving its net gearing ratio from 15% to 10%, while increasing its interim dividend by 50% to 3.0 cents per share.

Beach's near-term growth trajectory is primarily centered on the commissioning of the Waitsia Gas Plant, targeted for Q4 FY25. Management has taken proactive steps to ensure timely completion, including seconding 20 senior personnel to streamline the commissioning process. While project execution risk remains, successful commissioning would significantly enhance Beach's production profile and cash flow generation. The company operates within an increasingly favorable Australian domestic gas market, characterized by tight supply-demand dynamics and structurally higher pricing, with average realized gas prices up 18% to $10.5/GJ in H1 FY25. The East Coast gas market is projecting deficits of approximately 300 TJ/day following coal-fired power retirements, with demand forecast to grow by ~15% into the early 2030s, supporting Beach's strategic pivot toward gas.

Our DCF-based valuation yields a base case target price of $2.06 per share, representing 78% upside from the current price of $1.16. This valuation reflects our expectation of Beach's successful transition from capital-intensive development to cash generation as major projects enter production and operational efficiencies take hold. Even our bear case scenario of $1.50 implies meaningful upside, suggesting a favorable risk-reward profile. Key catalysts include Waitsia Gas Plant commissioning, results from the planned 10-well Western Flank oil development campaign, and sustained strength in Australian domestic gas prices. While project execution and reservoir performance risks remain, Beach's strengthened balance sheet, improved operational efficiency, and strategic positioning in the domestic gas market support our positive outlook on the company's prospects.

H1 FY2025 Revenue by Segment ($M)



Outlook

Beach Energy's outlook for FY2025 and beyond is increasingly positive as the company transitions from a capital-intensive development phase to a cash generation phase. Management has narrowed FY25 production guidance to 18.5-20.5 MMboe (previously 17.5-21.5 MMboe), reflecting increased certainty in operational delivery. The near-term growth trajectory is primarily centered on the commissioning of the Waitsia Gas Plant, targeted for Q4 FY25, which will significantly enhance Beach's production profile and cash flow generation once operational. In the Otway Basin, the recently completed Thylacine West connections are expected to provide stable production, though early pressure data indicates the Enterprise reservoir is smaller than originally estimated, which may impact longer-term production plateaus from this asset.

Beach's disciplined approach to cost management continues to deliver tangible results, with field operating costs of $12.5/boe tracking favorably against the FY25 target of approximately $14/boe. The company's free cash flow breakeven oil price is progressing toward the FY25 target of approximately US$30/bbl, substantially improved from the US$54/bbl baseline prior to the strategic review. This cost discipline, combined with moderating capital intensity as major projects complete, is expected to drive further improvements in free cash flow generation, supporting both balance sheet strengthening and potential increases in shareholder returns.

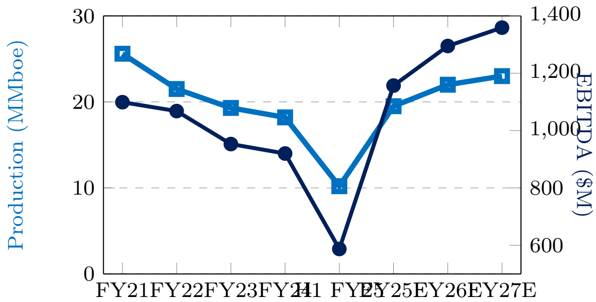
The Australian domestic gas market continues to provide a favorable operating environment for Beach, with tight supply-demand dynamics supporting robust pricing. Average realized gas prices increased 18% to $10.5/GJ in H1 FY25, while the renegotiated Base Gas Supply Agreement with Origin Energy secured a more than 50% increase in take-or-pay volumes. The East Coast gas market is projecting deficits of approximately 300 TJ/day following coal-fired power retirements, with demand forecast to grow by approximately 15% into the early 2030s. This structural tightness provides a supportive backdrop for Beach's increasing gas-weighted production portfolio.

In exploration and development, Beach has planned a 10-well oil development and appraisal campaign in the Western Flank scheduled for Q4 FY25 to help mitigate natural decline rates in these mature assets. The company also has several high-potential exploration opportunities, including the

Hercules gas exploration well in the Otway Basin targeted for H2 FY25. Recent exploration successes at Redback Deep and Tarantula Deep in the Perth Basin, along with the Beharra Springs Deep development well, support the segment's medium-term growth prospects. The exploration program is critical to offsetting natural production decline in mature assets and maintaining reserves replacement ratios.

Beach's balance sheet continues to strengthen, with net gearing reduced from 15% to 10% as of H1 FY25. The company maintains strong liquidity with $631 million in available cash and undrawn facilities, providing flexibility for both organic investment opportunities and potential increases in shareholder returns. The 50% increase in interim dividend to 3.0 cents per share signals management's confidence in the company's financial outlook and commitment to returning capital to shareholders as free cash flow improves. We expect this trend to continue as capital intensity moderates and operational efficiencies drive stronger cash generation.

Production and EBITDA Trends



Valuations

Our primary valuation approach for Beach Energy utilizes a Discounted Cash Flow (DCF) methodology, which best captures the company's transition from capital-intensive development to cash generation as major projects enter production. This approach is complemented by multiple-based analyses, including EV/EBITDA, P/E, and PEG ratio metrics, to provide cross-validation across valuation methodologies.

Methodology	Implied Per Share
DCF - Base Case	$2.06
DCF - Bull Case	$2.53
DCF - Bear Case	$1.50
EV/EBITDA Multiple - NTM (6.5x)	$2.62
P/E Multiple - NTM (10.0x)	$2.28
PEG Ratio (P/E to Growth)	$1.81
Precedent Transactions	$2.88
Implied Valuation Range	**$1.80 - $2.40**
Current Share Price	**$1.16**
Up/Downside to Base Case	**+78%**

Our DCF valuation yields a base case of $2.06 per share, representing 78% upside from the current market price of $1.16. This base case reflects our expectations of successful Waitsia Gas Plant commissioning in Q4 FY25 with an 18-month ramp-up period, continued operational efficiency improvements with field operating costs approaching the $11/boe target, and moderate domestic gas prices of $9-10/GJ. Revenue growth follows a 3.0% CAGR in our base case, driven by increasing production from Waitsia and full contribution from completed Otway Basin projects. EBITDA margins are projected to expand from 59.3% in H1 FY25 to approximately 62% in FY27 before moderating slightly, reflecting the benefits of operational efficiencies and economies of scale.

The wide valuation range between our bull ($2.53) and bear ($1.50) cases reflects Beach's sensitivity to project execution and reservoir performance. In our bull case, earlier Waitsia completion with a faster 12-month ramp-up period, cost reduction exceeding targets with field operating costs reaching $9-10/boe, and sustained higher gas prices of $11-12/GJ drive a 23% higher valuation. Conversely, the bear case factors in extended Waitsia delays to 1H FY26 with a prolonged ramp-up period, below-target cost improvements, and gas prices softening to $7-8/GJ, resulting in a 27% lower valuation. Notably, even the bear case indicates upside from the current share price, suggesting a favorable risk-reward profile.

Our base case DCF employs a weighted average cost of capital (WACC) of 11.9% based on a risk-free rate of 4.1%, equity risk premium of 6.0%, levered beta of 1.2, size premium of 1.0%, and company-specific premium of 1.5% reflecting project execution risk and reservoir uncertainty. For terminal value calculation, we apply a Gordon Growth model with a 2.0% perpetual growth rate, conservative relative to Australia's expected long-term GDP growth, acknowledging both the finite nature of hydrocarbon assets and energy transition challenges. This yields a terminal EBITDA multiple of 6.3x, aligned with historical trading ranges for comparable mature oil and gas producers.

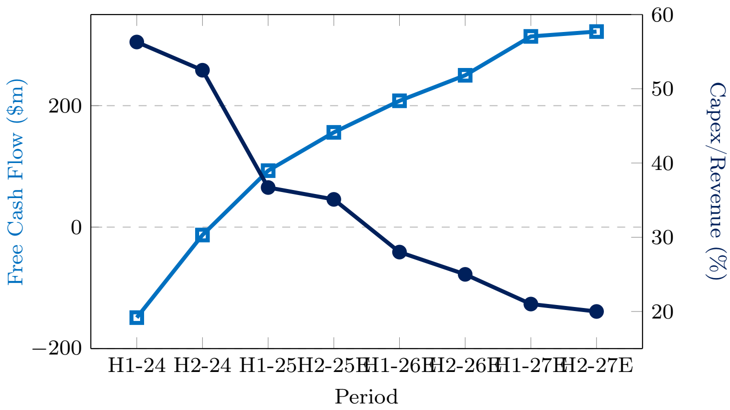
Sensitivity Factor	Change	Impact
WACC	±0.5%	±$0.15
Terminal Growth Rate	±0.5%	±$0.09
Waitsia Commissioning	±3 months	±$0.12
Gas Price	±$1/GJ	±$0.14
Field Operating Costs	±$1/boe	±$0.08

Our sensitivity analysis highlights the critical importance of Waitsia Gas Plant commissioning timing and gas pricing to Beach's valuation. A three-month delay or acceleration in Waitsia commissioning impacts our target price by approximately $0.12 per share, while a $1/GJ change in realized gas prices affects valuation by $0.14 per share. WACC variations also have a meaningful impact, with a 50 basis point reduction increasing our target price by $0.15, underscoring the importance of Beach's continued efforts to reduce leverage and strengthen its balance sheet. Field operating cost sensitivity is more modest at $0.08 per share for each $1/boe change, reflecting the company's success in establishing a more efficient cost base through its strategic review. The relatively limited impact of terminal growth rate changes ($0.09 per share for a 50 basis point shift) demonstrates the appropriately conservative approach in our base case assumptions.

Free Cash Flow Transformation

Beach Energy is undergoing a significant transformation in its free cash flow profile, transitioning from negative free cash flow in FY2024 to increasingly positive figures as major capital projects reach completion and begin contributing to production. This inflection point was clearly evident in the H1 FY2025 results, with operating cash flow surging 88% to $659 million while capital expenditure decreased 31% to $363 million, generating substantial free cash flow of $296 million compared to negative $180 million in the prior corresponding period.

This free cash flow transformation is driven by several factors: completion of major development projects in the Otway Basin; operational efficiencies from the strategic review delivering tangible cost savings; and favorable pricing dynamics in the domestic gas market. Capital expenditure is projected to progressively decline from 36.7% of revenue in H1 FY25 to 20% by FY27-FY29, as Beach transitions from growth to sustaining capital mode targeting less than $450 million annually. This moderating capital intensity, combined with improved operational performance, is expected to drive free cash flow yield from 2.7% in H1 FY25 to 8.4-8.6% by FY27.



The improved free cash flow profile is enabling Beach to simultaneously strengthen its balance sheet and increase shareholder returns. Net debt has been reduced by 33% to $389 million as of H1 FY25, with net gearing decreasing from 15% to 10%. This deleveraging trend is expected to continue, with our projections suggesting net gearing could approach 5-8% by FY26, potentially creating capacity for more substantial shareholder returns or opportunistic growth investments. Management has already signaled its commitment to increasing returns with a 50% increase in the interim dividend to 3.0 cents per share.

Looking forward, the key variable affecting Beach's free cash flow trajectory is the successful commissioning and ramp-up of the Waitsia Gas Plant. This project represents the company's most significant remaining capital commitment, with first gas targeted for Q4 FY25 followed by a three to four-month initial production ramp-up period. While project execution risk remains, Beach has taken proactive steps to ensure timely completion, including seconding 20 senior personnel to streamline the commissioning process. Successful delivery of this project would substantially enhance the company's free cash flow profile from FY26 onward, potentially enabling further increases in shareholder returns while maintaining a disciplined approach to sustaining capital investments.

About the Company

Beach Energy Limited (ASX: BPT) is an Australian oil and gas exploration and production company with a diverse portfolio of assets across Australia and New Zealand. The company operates in multiple basins including Perth Basin, Otway Basin, Cooper Basin, Bass Basin in Australia, and Taranaki Basin in New Zealand. Beach focuses on conventional oil and gas production while strategically positioning itself in the energy transition through carbon capture and storage initiatives. The company has established itself as a significant supplier to both Australian East and West Coast gas markets, playing an important role in domestic energy security.

Beach's business model centers on exploring for, developing, and producing hydrocarbons from its diverse basin assets, with a mix of operated and non-operated joint venture interests. The company generates revenue through the production and sale of multiple hydrocarbon products including crude oil, sales gas and ethane, liquefied petroleum gas (LPG), condensate, and liquefied natural gas (LNG). Key customers include major energy companies and utilities in Australia, with significant supply contracts such as gas sold to Origin Energy under their Base Gas Supply Agreement (GSA). Beach operates within the upstream oil and gas sector, with increasing focus on gas production to capitalize on the domestic energy market dynamics in Australia.

Beach Energy is led by Managing Director and CEO Brett Woods, who was appointed in January 2024 after serving previously as a senior executive in the industry. The company's board is chaired by Ryan Kerry Stokes (Interim Chair), with a diverse group of non-executive directors including Bruce Clement, Sally-Anne Layman, Sally Martin, Peter Moore, and Richard Richards. The leadership team recently undertook a significant organizational restructure, implementing a strategic review that established new operating principles and financial targets to position Beach as a low-cost operator. This leadership transition has been accompanied by approximately 26% headcount reduction and the appointment of new executive leaders to drive the company's refreshed strategy.

Beach's asset portfolio is diversified across multiple basins, providing both operational flexibility and risk mitigation. The Cooper Basin represents the company's most mature asset base, comprising both Western Flank operations and interests in the Cooper Basin Joint Venture (with Santos as operator). While these assets continue to generate substantial cash flow, they are experiencing natural production decline. The Otway Basin has emerged as a growth engine following the successful connection of the Enterprise field and Thylacine West wells, more than doubling production year-on-year in H1 FY25. The Perth Basin represents a significant development opportunity, with the Waitsia Gas Plant currently in the commissioning phase and targeted for first gas in Q4 FY25. The Bass Basin, while representing the smallest segment by asset value and revenue contribution, delivers consistent margins and demonstrates Beach's ability to extract value from mature assets through targeted technical interventions.

Tailwinds

Australian Domestic Gas Market Dynamics: Beach Energy is benefitting from increasingly favorable Australian domestic gas market conditions, characterized by tightening supply-demand dynamics. The East Coast gas market is projecting deficits of approximately 300 TJ/day following coal-fired power retirements, with demand forecast to grow by approximately 15% into the early 2030s. This structural tightness has supported an 18% increase in Beach's realized gas prices to $10.5/GJ in H1 FY25. The company's strategic positioning as a supplier to both East and West Coast gas markets provides diversification benefits, with the renegotiated Base Gas Supply Agreement with Origin Energy securing a more than 50% increase in take-or-pay volumes. Australia's energy policy continues to support gas as a transition fuel, providing a favorable regulatory backdrop for Beach's gas-focused growth strategy. The company's predominantly domestic focus also insulates it somewhat from global LNG price volatility, while providing premium pricing opportunities in supply-constrained regional markets.

Operational Efficiency Transformation: Beach's comprehensive strategic review has delivered tangible operational improvements that enhance the company's competitiveness and financial performance. Field operating costs have been reduced to $12.5/boe against an FY25 target of $14/boe, tracking favorably toward the longer-term target of below $11/boe. The company has exceeded its 30% headcount reduction target while improving production trends, demonstrating the effectiveness of its organizational restructuring. These efficiency gains are driving margin expansion, with EBITDA margin increasing from 52.1% in H1 FY24 to 59.3% in H1 FY25. The company's free cash flow breakeven oil price is on track to achieve the FY25 target of approximately US$30/bbl, substantially improved from the US$54/bbl baseline prior to the strategic review. This enhanced cost competitiveness not only improves current profitability but also increases Beach's resilience to potential commodity price volatility, creating a more sustainable business model through industry cycles.

Major Projects Entering Production Phase: Beach is at an inflection point as it transitions from a capital-intensive development phase to a production and cash generation phase. The successful connection of the Enterprise field and Thylacine West wells in the Otway Basin has already transformed segment performance, with production more than doubling year-on-year and gross profit growing 534% in H1 FY25. The commissioning of the Waitsia Gas Plant, targeted for Q4 FY25, represents the next major growth catalyst. This transition from development to production is driving a fundamental shift in Beach's financial profile, with capital expenditure declining from 56.3% of revenue in H1 FY24 to 36.7% in H1 FY25, and projected to further decrease to 20% by FY27. This moderating capital intensity is enabling a free cash flow inflection, with free cash flow generation of $296 million in H1 FY25 compared to negative $180 million in the prior corresponding period. As production from these major projects stabilizes, Beach's ability to generate sustainable free cash flow should continue to improve, supporting both balance sheet strengthening and increased shareholder returns.

Balance Sheet Strength and Flexibility: Beach has significantly strengthened its financial position, with net debt reduced by 33% to $389 million and net gearing decreasing from 15% to 10% as of H1 FY25. The company maintains strong liquidity with $631 million in available cash and undrawn facilities, providing flexibility for both organic investment opportunities and potential increases in shareholder returns. This enhanced balance sheet strength coincides with Beach's transition to free cash flow generation, creating a virtuous cycle where declining capital intensity and improving operational performance support further deleveraging. The 50% increase in interim dividend to 3.0 cents per share signals management's confidence in the company's financial outlook and commitment to returning capital to shareholders as free cash flow improves. The improved financial position also provides Beach with optionality to respond to potential opportunities arising from industry consolidation or distressed asset sales in a more challenging capital markets environment.

Strategic Energy Transition Positioning: Beach is strategically positioning itself for the energy transition while maintaining focus on near-term value creation from its conventional hydrocarbon assets. The company has established a target to reduce Scope 1 and 2 equity emissions intensity by 35% by 2030 from a 2018 baseline, demonstrating commitment to improving environmental performance. The Moomba carbon capture and storage project, in which Beach participates through its Cooper Basin Joint Venture interest, successfully commenced CO injection in September 2024, representing a concrete step toward emissions reduction. Beach's increasing focus on natural gas production aligns with Australia's energy transition strategy, which positions gas as a lower-carbon alternative to coal and a complement to growing renewable energy penetration. This balanced approach allows Beach to participate in the energy transition while leveraging its core capabilities in the oil and gas sector, potentially creating new business opportunities while managing transition risks.

Headwinds

Project Execution Risk: Beach Energy's near-term growth trajectory is heavily dependent on successful commissioning and ramp-up of the Waitsia Gas Plant, targeted for Q4 FY25. This critical project has experienced timeline extensions, necessitating management intervention with 20 senior personnel seconded to streamline commissioning. While technical challenges could further delay first gas, Beach has implemented intensive contractor management to mitigate this risk. The financial implications of delays would be significant – postponing production growth, LNG revenue generation, and potentially resetting market expectations regarding execution capability. The concentration of growth expectations on this single project creates asymmetric risk to near-term earnings forecasts. While management has taken proactive steps to ensure timely completion, including working closely with contractor Clough, the complexity of the project and history of timeline extensions warrant continued monitoring of progress toward the Q4 FY25 first gas target.

Reservoir Performance Uncertainty: The recent revelation of Enterprise field's smaller-than-expected reservoir size highlights Beach's exposure to geological uncertainties. This fundamental risk affects production profiles, reserves valuations, and capital allocation efficiency. While enhanced technical assessment can improve prediction accuracy, geological characteristics remain inherently unpredictable. The near-term impact is manifested in production ramp rates and plateau durations, while medium-term implications include potential reserves downgrades and reduced field economics. The company's mature Cooper Basin assets, particularly the Western Flank oil operations, are experiencing natural production decline, creating pressure to maintain reserves replacement through successful exploration. Beach has initiated a 10-well oil development and appraisal campaign in Western Flank scheduled for Q4 FY25 to help mitigate decline rates, but execution and outcome risks remain. The company's reserve replacement ratio and exploration success rate are key monitoring metrics to assess long-term production sustainability.

Production Decline in Mature Assets: Beach's portfolio includes several mature producing assets, particularly in the Cooper Basin, which are experiencing natural production decline. Total production has steadily decreased from 26.7 MMboe in FY20 to 18.2 MMboe in FY24, representing a 32% reduction over this period, primarily reflecting depletion in these legacy fields. While the H1 FY25 results show production recovery to 10.2 MMboe (up 15% year-on-year), this improvement is driven by new project contributions rather than stabilization of mature assets. The ongoing decline in core Western Flank oil assets creates pressure to maintain overall production levels through either successful exploration or acquisitions. Beach's approach combines targeted infill drilling, technical optimization of existing wells, and exploration for new pools within proven basins. However, these strategies typically deliver diminishing returns over time as the most prospective opportunities are exploited early in field life. The cost of maintaining production from mature assets tends to increase over time, potentially creating margin pressure despite operational efficiency initiatives.

Energy Transition Challenges: While currently benefiting from gas' position as a transition fuel and supply shortages, Beach faces long-term challenges from accelerating energy transition trends. Renewable penetration, electrification, and decarbonization policies could erode natural gas demand beyond the medium-term horizon, potentially leading to both volume and price pressure. Beach has responded with a 35% emissions intensity reduction target by 2030 and investments in carbon capture and storage, with the Moomba CCS project now operational. However, the pace of transition remains a significant strategic uncertainty. Increasing investor focus on climate risk could impact Beach's cost of capital over time, while carbon pricing mechanisms or regulatory changes could affect operating costs and project economics. The long-term technical and economic viability of Beach's core business model may require continued evolution to adapt to a lower-carbon energy system, potentially requiring substantial future capital reallocation toward transition-aligned opportunities.

Commodity Price Volatility: While current domestic gas prices are favorable, Beach remains exposed to commodity price volatility, particularly in oil markets. Average realized oil prices declined 6.1% year-on-year to A$80.24/boe in H1 FY25, highlighting the potential for price fluctuations to impact revenue and margins despite operational improvements. Beach's increasing gas weighting provides some insulation through longer-term contracts with more stable pricing, but a significant portion of production remains exposed to market pricing. The company's cost reduction initiatives are enhancing its resilience to price volatility, with free cash flow breakeven oil price trending toward the US$30/bbl target. However, sustained commodity price weakness could still materially impact financial performance and capital allocation flexibility. Additionally, while domestic gas markets currently demonstrate tight supply-demand dynamics, these conditions could evolve over time as new supply sources are developed or demand patterns shift due to economic conditions, energy efficiency, or fuel substitution. The cyclical nature of commodity markets creates inherent uncertainty in long-term price forecasts, which impacts return expectations for capital investments with multi-decade production horizons.

Competitors

Competitor	Competitive Positioning
Santos	Larger scale operations; broader geographic diversity; LNG export exposure; vertical integration; higher gearing; greater regulatory scrutiny; integration challenges post-merger; strategic partner in Cooper Basin JV and Moomba CCS; competitor and collaborator
Woodside Energy	Largest Australian producer; global scale; significant LNG portfolio; strong balance sheet; less domestic gas focus; higher capital intensity; international political risks; less direct competition due to international/LNG focus; sets industry benchmark
Cooper Energy	Pure-play domestic gas producer; focused East Coast strategy; smaller scale; limited basin diversity; higher operational risk; direct competitor in East Coast gas market; similar transition to production phase
Origin Energy	Integrated energy company; retail customer base; generation assets; complex structure; exposed to multiple market segments; both competitor and customer as gas purchaser; significant influence on Beach's contracted sales
Strike Energy	Emerging Perth Basin player; high-growth focus; innovative approaches; exploration upside; limited production history; funding constraints; emerging competitor in Western Australia; pursuing similar basin opportunities

Beach Energy occupies a solid mid-tier position in the Australian oil and gas sector, differentiated by its balanced exposure to both East and West Coast gas markets and diversified basin portfolio. The company lacks the scale and integrated operations of larger competitors like Santos and Woodside, but has established itself as a nimble operator with lower overheads following its recent organizational restructuring. Beach's market position has strengthened in the gas segment with the commissioning of Enterprise and upcoming Waitsia Gas Plant, though it faces declining oil production in its mature Cooper Basin assets.

The competitive landscape is characterized by increasing consolidation at the top end, with Santos and Woodside pursuing scale through acquisitions, while smaller players like Cooper Energy focus on niche strategies. Beach sits advantageously in the middle, with sufficient scale to undertake meaningful projects while maintaining flexibility. Its partnership approach, evidenced by joint ventures with Mitsui in Perth Basin and Santos in Cooper Basin, allows it to participate in larger projects while diversifying risk. The company's strategic shift toward becoming a lower-cost operator aligns with industry trends and should enhance its competitive position as the sector transitions from a growth phase to one increasingly focused on capital efficiency and shareholder returns.

Beach's competitive advantages stem from several factors: its diversified basin exposure across both East and West Coast gas markets provides geographic and customer diversification; its operational restructuring has established a lower cost base than many competitors; its balanced portfolio of mature cash-generating assets and growth projects provides both stability and upside potential; and its strong balance sheet with 10% gearing offers flexibility to pursue opportunistic investments or return capital to shareholders. The company's focus on domestic gas supply aligns with Australia's energy security priorities, potentially providing some insulation from more stringent regulatory measures targeted at export-focused producers.

Industry Context

The Australian oil and gas sector is experiencing a significant transition driven by competing pressures: robust domestic gas demand amid supply constraints versus increasing momentum toward decarbonization. This dynamic has created a favorable near-term operating environment for domestic gas producers like Beach Energy, with East Coast gas market prices strengthening and customers prioritizing supply security through increased take-or-pay commitments. The domestic gas market is experiencing deficits of approximately 300 TJ/day following coal-fired power retirements, with demand projected to grow by around 15% into the early 2030s.

The industry is simultaneously facing intensifying pressure to improve capital efficiency and reduce carbon intensity. This has catalyzed a wave of operational restructuring, with Beach Energy's strategic review typifying the industry response – implementing headcount reductions, prioritizing cash flow generation, and investing in decarbonization technologies. The completion of major capital projects across the sector is enabling a transition from intensive capital investment to cash harvesting, which could improve shareholder returns across the industry. Meanwhile, the continued policy support for natural gas as a transition fuel in Australia provides a favorable medium-term outlook, though producers must navigate increasing expectations around emissions reductions and the potential for long-term demand erosion as renewable penetration accelerates.

Australia's broader energy policy landscape continues to balance competing priorities of affordability, security, and sustainability. The "Future Gas Strategy" referenced in company materials suggests ongoing policy support for natural gas as a transition fuel, providing a favorable regulatory backdrop for Beach's gas-focused growth strategy. However, increasing carbon emissions reduction expectations necessitate adaptation, with Beach's 35% emissions intensity reduction target by 2030 and investments in carbon capture and storage representing proactive positioning. The company's emphasis on domestic supply aligns with energy security priorities, potentially providing some insulation from more stringent regulatory measures targeted at export-focused producers.

The macroeconomic environment appears relatively stable, with moderate but resilient GDP growth supporting steady energy demand fundamentals. The stabilization of inflation and interest rates is reducing pressure on capital costs for remaining project completions, improving the economics of Beach's near-term investments. The currency environment has not been specifically highlighted as a material factor in recent reporting, suggesting neutral impact on the company's predominantly AUD-denominated domestic sales portfolio, though it would affect the economics of international LNG sales from the Waitsia project.

Balance Sheet & Financial Position

Balance Sheet ($M)	31 Dec 2024	YoY
Cash and cash equivalents	$250.7	+46%
Total current assets	$714.3	+4%
Petroleum assets	$4,415.3	+5%
Exploration and evaluation assets	$394.9	+6%
Total non-current assets	$5,017.8	+4%
Total assets	$5,732.1	+4%
Current interest-bearing liabilities	$320.0	n/m
Total current liabilities	$846.5	+122%
Non-current interest-bearing liabilities	$318.1	-58%
Total non-current liabilities	$1,396.9	-23%
Total liabilities	$2,243.4	+3%
Net assets	$3,488.7	+5%
Net debt	$389.3	-33%
Net gearing ratio	10%	-5pp
Cash Flow ($M)	**H1 FY25**	**YoY**
Operating cash flow	$659.0	+88%
Investing cash flow	($413.3)	-31%
Financing cash flow	($167.0)	n/m
Net increase/(decrease) in cash	$78.7	+794%
Capital expenditure	$363.3	-31%
Free cash flow (Operating - Capex)	$295.7	n/m
Dividends paid	$45.6	0%
Available liquidity (cash + undrawn facilities)	$631	n/a

Beach Energy has significantly strengthened its financial position in H1 FY25, with the balance sheet reflecting both improved operational performance and disciplined capital allocation. Total assets increased 4% to $5,732.1 million, with petroleum assets growing 5% to $4,415.3 million as development activities progressed particularly in the Perth Basin Waitsia project. Cash and cash equivalents increased 46% to $250.7 million, driven by strong operating cash flow generation. The liability structure shows a significant shift in debt maturity profile, with current interest-bearing liabilities increasing to $320.0 million while non-current interest-bearing liabilities declined 58% to $318.1 million, reflecting the reclassification of certain debt facilities approaching maturity.

The most notable improvement in Beach's financial position is the substantial reduction in net debt, which declined 33% to $389.3 million compared to $580.1 million as of June 30, 2024. This deleveraging has reduced the net gearing ratio from 15% to 10%, creating additional financial flexibility. The company maintains strong liquidity with $631 million in available cash and undrawn facilities, providing capacity for both remaining capital commitments and potential increases in shareholder returns as the free cash flow profile continues to strengthen. The improved balance sheet position coincides with Beach's transition to free cash flow generation, creating a virtuous cycle where declining capital intensity and improving operational performance support further deleveraging.

Cash flow metrics demonstrate Beach's financial transformation, with operating cash flow surging 88% to $659.0 million in H1 FY25 compared to $350.1 million in the prior corresponding period. This substantial improvement was driven by both increased EBITDA (up 20% to $587 million) and favorable working capital movements. The operating cash flow improvement was complemented by a 31% reduction in investing cash outflows to $413.3 million, primarily reflecting lower capital expenditure of $363.3 million as major development projects approach completion. The combination of higher operating cash inflows and reduced investing outflows resulted in free cash flow generation of $295.7 million, compared to negative $179.6 million in H1 FY24.

Financing cash flow shifted to an outflow of $167.0 million from an inflow of $261.1 million in the prior corresponding period, reflecting debt repayment in line with the company's deleveraging strategy. Despite maintaining a consistent dividend payment of $45.6 million in H1 FY25, Beach announced a 50% increase in the interim dividend to 3.0 cents per share (from 2.0 cents), signaling confidence in the sustainability of its improved cash flow profile. The net effect of these cash flow movements was a significant increase in the company's cash position, with a net increase in cash of $78.7 million compared to $8.8 million in H1 FY24. Looking forward, Beach's financial position is expected to continue strengthening as capital expenditure moderates following the completion of the Waitsia Gas Plant, potentially creating capacity for further increases in shareholder returns while maintaining a disciplined approach to future investment opportunities.

Strategic Initiatives Status

Initiative	Status	Strategic Importance
Low-Cost Operator Transformation	On Track	Field operating costs reduced to $12.5/boe against FY25 target of $14/boe; free cash flow breakeven oil price progressing toward $30/bbl; 30% headcount reduction exceeded; essential for maintaining competitiveness and enhancing returns
Waitsia Gas Plant	In Progress	Commissioning underway; targeting first sales gas in Q4 FY25; 20 senior personnel seconded to streamline process; critical growth catalyst with significant revenue and EBITDA contribution potential
Western Flank Oil Development	Planned	10-well development and appraisal campaign scheduled for Q4 FY25; essential for mitigating natural production decline in mature assets; important for maintaining overall production levels
Otway Basin Development	Completed	Enterprise field connected June 2024; Thylacine West connections completed October 2024; transformed segment performance with production doubling year-on-year; provides stable production base and cash flow
Balance Sheet Optimization	Advancing	Net debt reduced 33% to $389.3 million; net gearing improved from 15% to 10%; creates financial flexibility for both organic investment and shareholder returns
Carbon Reduction Initiatives	In Progress	35% emissions intensity reduction target by 2030; Moomba CCS project operational from September 2024; initiatives implemented reducing annual emissions by 18,000 tCOe; positions company advantageously for energy transition

Beach Energy is making significant progress on its strategic initiatives following the comprehensive review implemented in FY2024. The low-cost operator transformation is delivering tangible results, with field operating costs reduced to $12.5/boe against the FY25 target of $14/boe, tracking favorably toward the longer-term target of below $11/boe. The company has exceeded its 30% headcount reduction target while improving production trends, demonstrating the effectiveness of its organizational restructuring. The free cash flow breakeven oil price is progressing toward the FY25 target of approximately US$30/bbl, substantially improved from the US$54/bbl baseline prior to the strategic review. These efficiency improvements are enhancing Beach's competitiveness and financial performance, with EBITDA margin increasing from 52.1% in H1 FY24 to 59.3% in H1 FY25.

The Waitsia Gas Plant represents Beach's most significant remaining growth catalyst, with commissioning currently underway and first sales gas targeted for Q4 FY25. Management has taken proactive steps to ensure timely completion, including seconding 20 senior personnel to streamline the commissioning process. Beach and joint venture partner Mitsui have been working closely with contractor Clough to address potential challenges and maintain the project timeline. While execution risk remains, successful commissioning would significantly enhance Beach's production profile and cash flow generation. Recent exploration successes at Redback Deep and Tarantula Deep, along with the Beharra Springs Deep development well, support the Perth Basin's medium-term growth prospects beyond the initial Waitsia development.

In the Cooper Basin, Beach is planning a 10-well oil development and appraisal campaign in the Western Flank scheduled for Q4 FY25 to help mitigate natural decline rates in these mature assets. This initiative is essential for maintaining overall production levels and extending the cash generating potential of these legacy fields. The Cooper Basin Joint Venture has also successfully commissioned the Moomba carbon capture and storage project, with CO injection commencing in September 2024, representing a concrete step toward emissions reduction while utilizing existing infrastructure and geological knowledge.

The Otway Basin development program has reached a significant milestone with the completion of the Enterprise field connection in June 2024 and the Thylacine West connections in October 2024. These achievements have transformed segment performance, with production more than doubling year-on-year to 3.4 MMboe and gross profit growing 534% to $161.1 million in H1 FY25. While early pressure data indicates the Enterprise reservoir is smaller than originally estimated, which may impact longer-term production plateaus, the completed infrastructure provides a stable production base and cash flow contribution. Future growth opportunities in the Otway Basin include the Hercules gas exploration well targeted for H2 FY25.

Balance sheet optimization continues to advance, with net debt reduced 33% to $389.3 million and net gearing improving from 15% to 10% as of December 31, 2024. This deleveraging trend, coupled with strong liquidity of $631 million in available cash and undrawn facilities, creates financial flexibility for both organic investment opportunities and potential increases in shareholder returns. The 50% increase in interim dividend to 3.0 cents per share signals management's confidence in the company's financial outlook and commitment to returning capital to shareholders as free cash flow improves.

Beach's carbon reduction initiatives are progressing, with the company targeting a 35% reduction in Scope 1 and 2 equity emissions intensity by 2030 from a 2018 baseline. The Moomba carbon capture and storage project, in which Beach participates through its Cooper Basin Joint Venture interest, successfully commenced CO injection in September 2024. The company has implemented initiatives which reduce annualized reportable emissions by 18,000 tCOe. These efforts position Beach advantageously for the energy transition, demonstrating a practical approach to emissions reduction while maintaining focus on core business activities.

Results Summary

Beach Energy delivered a strong financial performance in the first half of FY25, characterized by improved operational output and disciplined capital management. Production increased by 15% to 10.2 MMboe, driven primarily by higher Otway and Bass basin production, additional Waitsia LNG swap cargoes, and the successful connection of key development wells. This operational improvement, combined with an 18% increase in realized gas prices to $10.5/GJ, resulted in a 5% increase in sales revenue to $990 million and a 20% improvement in underlying EBITDA to $587 million.

Key Metrics	H1 FY25	H1 FY24	YoY Change
Sales revenue	$989.8m	$941.0m	+5%
Total revenue	$1,043.6m	$982.0m	+6%
Cost of sales	($680.7m)	($717.5m)	-5%
Gross profit	$362.9m	$264.5m	+37%
Underlying EBITDA	$587m	$490m	+20%
Underlying NPAT	$236.9m	$172.7m	+37%
Statutory NPAT	$222.3m	($345.1m)	+164%
Production	10.2 MMboe	8.9 MMboe	+15%
Sales volumes	12.3 MMboe	11.0 MMboe	+12%
Average realized price	A$80.24/boe	A$85.46/boe	-6.1%
Realized gas price	$10.5/GJ	$8.9/GJ	+18%
Free cash flow	$295.7m	($179.6m)	n/m
Net debt	$389.3m	$580.1m	-33%
Interim dividend	3.0 cps	2.0 cps	+50%

The company's financial position strengthened considerably, with operating cash flow surging 88% to $659 million while capital expenditure decreased 31% to $363 million. This generated substantial free cash flow of $296 million, enabling Beach to reduce net debt by 33% to $389 million and improve its net gearing ratio from 15% to 10%. The strong cash flow performance supported a 50% increase in the interim dividend to 3.0 cents per share, reflecting management's confidence in the company's financial outlook.

Beach's focus on operational performance, cost reduction, and disciplined capital allocation is yielding tangible results, with field operating costs of $12.5/boe tracking favorably against the FY25 target of approximately $14/boe. Several major projects reached completion during the period, including Thylacine West connections and the Moomba carbon capture and storage project, while the Waitsia Gas Plant progressed to the commissioning phase with first gas targeted for Q4 FY25. These developments, coupled with the company's strengthened balance sheet, position Beach well for continued growth and shareholder returns.

Segment Performance

Segment	H1 FY25 Production	H1 FY24 Production	YoY Change	H1 FY25 Revenue	H1 FY24 Revenue	H1 FY25 Gross Profit	H1 FY24 Gross Profit
Cooper Basin	5.3 MMboe	5.3 MMboe	0%	$524.9m	$626.0m	$127.4m	$174.4m
Perth Basin	0.8 MMboe	0.8 MMboe	0%	$157.2m	$185.7m	$51.4m	$46.5m
Otway Basin	3.4 MMboe	1.6 MMboe	+113%	$306.7m	$125.9m	$161.1m	$25.4m
Bass Basin	0.7 MMboe	0.4 MMboe	+75%	$54.8m	$44.4m	$23.0m	$18.2m
Total	**10.2 MMboe**	**8.9 MMboe**	**+15%**	**$989.8m**	**$941.0m**	**$362.9m**	**$264.5m**

The Otway Basin has emerged as Beach Energy's standout performer with production more than doubling year-on-year to 3.4 MMboe. This remarkable growth was driven by the connection of the Enterprise gas field to the Otway Gas Plant in June 2024 and the Thylacine West 1 and 2 development wells in October 2024. These infrastructure additions, combined with a more than 50% increase in take-or-pay volumes under the renegotiated Base Gas Supply Agreement with Origin Energy and higher realized gas prices, transformed the segment's profitability with gross profit growing 534% to $161.1 million. Despite early pressure data indicating a smaller Enterprise reservoir than originally estimated (leading to a reserves revision in the annual statement), the Otway Basin remains a core growth asset for Beach with reliable production expected to continue in the near term.

The Cooper Basin segment, comprising both Western Flank operations and the Cooper Basin JV, maintained steady production of 5.3 MMboe but experienced revenue and gross profit declines of 16% and 27% respectively. This performance decline was primarily driven by reduced oil pricing, weather-related production interruptions in early FY25, and natural field decline in Western Flank oil assets. The segment continues to be a substantial cash generator for Beach, still representing the largest revenue contributor at 53% of group sales. However, the asset maturity is evident with production levels declining from historical peaks. Beach management has initiated a 10-well oil development and appraisal campaign in Western Flank scheduled for Q4 FY25 to help mitigate decline rates, while continuing to benefit from the Santos-operated Moomba CCS project which successfully commenced CO injection in September 2024.

Perth Basin production remained stable at 0.8 MMboe, maintaining the growth trajectory seen in FY24. While revenue declined 15% to $157.2 million due to timing differences in the Waitsia LNG swap cargo program, gross profit improved 11% to $51.4 million reflecting better cost management. The segment's near-term outlook is primarily defined by the Waitsia Gas Plant commissioning, which is currently underway with first sales gas targeted for Q4 FY25. Beach and joint venture partner Mitsui have been working closely with contractor Clough, with Beach seconding 20 senior personnel to streamline the commissioning process. Recent exploration successes at Redback Deep and Tarantula Deep, along with the Beharra Springs Deep development well, support the segment's medium-term growth prospects.

The Bass Basin segment delivered strong performance with a 75% production increase to 0.7 MMboe and 23% revenue growth to $54.8 million. This substantial improvement was primarily attributable to successful wellbore intervention activities completed in the latter part of FY24, which significantly enhanced field productivity. While representing the smallest segment by asset value and revenue contribution (5.5% of group sales), Bass Basin operations generate consistent gross margins with the 26% improvement in gross profit to $23.0 million reinforcing its value to the overall portfolio. The 33% increase in segment assets to $179.3 million suggests continued investment to maintain production levels. The segment's performance demonstrates Beach's ability to extract additional value from mature assets through targeted technical interventions and disciplined operational management.

Financial Forecasts

Income Statement ($M)	**FY24A**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**FY29E**
Revenue	1,765.6	1,950.0	2,122.0	2,193.0	2,104.0	2,020.2
Growth (%)	-3.8%	+10.4%	+8.8%	+3.3%	-4.1%	-4.0%
Gross Profit	503.3	719.3	804.3	853.1	807.9	765.7
Gross Margin (%)	28.5%	36.9%	37.9%	38.9%	38.4%	37.9%
RCOP EBITDA	920.0	1,157.0	1,294.5	1,359.0	1,282.3	1,219.2
EBITDA Margin (%)	52.1%	59.3%	61.0%	62.0%	60.9%	60.3%
Depreciation	418.8	440.0	465.0	482.8	463.0	444.4
RCOP EBIT	501.2	717.0	829.5	876.2	819.3	774.8
EBIT Margin (%)	28.4%	36.8%	39.1%	40.0%	39.0%	38.4%
Net Finance Costs	37.5	40.0	38.0	36.0	34.0	32.0
RCOP NPAT	341.0	473.4	554.0	588.5	549.7	519.0
EPS (cents)	14.9	20.8	24.3	25.8	24.1	22.8
Dividend (cents)	4.0	6.5	8.5	9.0	8.5	8.0
Payout Ratio (%)	26.8%	31.3%	35.0%	34.8%	35.3%	35.1%
Cash Flow & Balance Sheet						
Operating Cash Flow	774.0	1,270.0	1,340.0	1,470.0	1,390.0	1,320.0
Capital Expenditure	963.0	700.0	562.0	450.0	421.0	404.0
Capex/Revenue (%)	54.5%	35.9%	26.5%	20.5%	20.0%	20.0%
Free Cash Flow	(189.0)	570.0	778.0	1,020.0	969.0	916.0
Net Debt	580.1	280.0	200.0	50.0	Cash Positive	Cash Positive
Leverage (Net Debt/EBITDA)	0.6x	0.2x	0.2x	0.0x	Cash Positive	Cash Positive
Operational KPIs						
Production (MMboe)	18.2	19.5	22.0	23.0	22.0	21.0
Field Operating Costs ($/boe)	14.8	12.5	11.5	11.0	11.0	11.2
Free Cash Flow Breakeven Oil Price (US$/bbl)	54.0	35.0	30.0	28.0	28.0	29.0
Gas-to-Oil Production Ratio	70:30	73:27	77:23	80:20	82:18	83:17
2P Reserves (MMboe)	217	210	206	200	190	180
2P Reserves Replacement Ratio	70%	85%	90%	95%	85%	80%

Our financial projections for Beach Energy reflect a company at an inflection point, transitioning from capital-intensive development to cash generation as major projects enter production. Revenue growth is projected at 10.4% in FY25, accelerating to 8.8% in FY26 as the Waitsia Gas Plant contributes its first full year of production, before moderating to 3.3% in FY27 and turning slightly negative in later years as natural field decline begins to outweigh new project contributions. This growth pattern incorporates successful Waitsia Gas Plant commissioning in Q4 FY25 with an 18-month ramp-up period, continued strong performance from the Otway Basin assets, and moderate success in mitigating decline rates in the Cooper Basin through the planned 10-well Western Flank development campaign.

Margin expansion is a key feature of our projections, with gross margin increasing from 28.5% in FY24 to peak at 38.9% in FY27 before moderating slightly. This improvement reflects both operational efficiencies from the strategic review and the increasing contribution from higher-margin gas production as the production mix continues to shift from oil toward gas. EBITDA margins show a similar trajectory, rising from 52.1% in FY24 to approximately 62% in FY27 before easing slightly, demonstrating the significant impact of Beach's cost reduction initiatives and improved operational performance. Field operating costs are projected to continue their downward trend from $14.8/boe in FY24 to $11.0/boe by FY27, tracking toward management's target of below $11/boe.

The most dramatic transformation occurs in Beach's free cash flow generation, with a projected swing from negative $189 million in FY24 to positive $570 million in FY25 and further strengthening to over $1 billion by FY27. This remarkable improvement is driven by both increasing operational cash flow and substantially reduced capital expenditure as major projects complete. Capex is projected to decline from 54.5% of revenue in FY24 to 20.5% by FY27, in line with management's target for sustaining capital of less than $450 million annually. This free cash flow inflection enables rapid deleveraging, with net debt projected to decrease from $580.1 million at the end of FY24 to just $50 million by FY27, potentially reaching a net cash position thereafter.

Production is forecast to increase from 18.2 MMboe in FY24 to 23.0 MMboe by FY27, primarily driven by contributions from the Waitsia Gas Plant and continued strong performance from the Otway Basin assets. The gas-to-oil production ratio is expected to continue shifting toward gas, from 70:30 in FY24 to 80:20 by FY27, reflecting both new gas project additions and natural decline in oil-weighted assets like the Western Flank. 2P reserves are projected to gradually decrease from 217 MMboe to 180 MMboe by FY29, reflecting ongoing production partially offset by reserves replacement through exploration and development activities. The reserves replacement ratio is forecast to improve from 70% in FY24 to 95% by FY27 as exploration success in core basins partially offsets production, before moderating in later years.

Shareholder returns are expected to increase significantly, with dividends projected to rise from 4.0 cents per share in FY24 to 9.0 cents by FY27, representing a substantial increase in the payout ratio from 26.8% to approximately 35%. This increasing dividend profile is readily supported by the strengthening free cash flow, with ample capacity for further increases or potential share buybacks beyond our forecast period if Beach transitions to a net cash position as projected. The company's financial flexibility will be significantly enhanced, providing options for both increased shareholder returns and potential opportunistic growth investments as the sector continues to evolve.

End of Report