Merger Closing Call

Operator:

Welcome to the Amplify Energy and Midstates Petroleum merger closing call. Earlier today, Amplify issued a press release announcing the closing of the merger transaction. In addition, Amplify issued an updated investor presentation, both of which are available on Amplify's website at www.amplifyenergy.com. During this call, all participants will be placed in a listen-only mode. After the prepared remarks, the management team at Amplify will take questions from participants. Today's call is being recorded and a replay of the call will be available until Tuesday, August 20th by dialing 855-859-2056 and then entering conference ID #6776695.

I would now like to turn the conference over to Martyn Willsher, Senior Vice President and Chief Financial Officer of Amplify Energy Corp…

Martyn Willsher – CFO:

Good morning and welcome to the Amplify Energy teleconference to discuss the closing of our merger with Midstates Petroleum and our updated plans to return capital to shareholders. Ken Mariani, Amplify's President and Chief Executive Officer, will lead a discussion on our go-forward strategy including our return of capital plans, and I will follow with some additional transaction highlights and updated guidance. After our prepared remarks, we will take questions from the investor community.

Before I turn the call over to Ken, I would like to remind you that some of our remarks may contain forward-looking statements and are based on certain assumptions and expectations of the Amplify management team. These remarks reflect management's current views with regard to future events and are subject to various risks, uncertainties and assumptions. Although the management team believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct and undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this call. Please refer to the Amplify SEC filings for a list of factors that may cause actual results to differ materially from those in the forward-looking statements made during this call.

With this in mind, I will now turn the call over to Ken Mariani. Ken…

Ken Mariani – CEO:

Thank you, Martyn. I appreciate all our stockholders joining us today as we close this exciting merger transaction. I am thrilled to be able to lead this combined company, but I would be remiss if I did not start by thanking the Midstates' team for their dedication and commitment during this merger process. We are grateful for their expertise and continued professional efforts, as we now shift our focus to integrating these two companies in a timely and cost-effective manner.

This strategic merger has many substantial advantages for stockholders with a diversified, low-risk, PDP-focused platform creating a peer-leading free cash flow profile. The strong free cash flow and low leverage of the combined entity provides us with the capacity to return capital to investors but also positions us for further potential market consolidation opportunities.

As part of our closing press release today, Amplify announced a new recurring quarterly dividend of $0.20 per share, which provides our shareholders with an outstanding current dividend yield of 18%. Due to Amplify's strong and sustainable free cash flow profile, Amplify is uniquely positioned in the small cap E&P market to provide a recurring dividend to our investors. Moving forward, we will look to grow this dividend over time through additional free cash flow generated from internal development opportunities or external M&A activities.

In addition to the dividend, our Board has also authorized a share buyback program of $25 million, which we will be able to initiate with immediate effect. Our combined company enterprise value of $409 million represents a substantial discount of 47% to our proved developed reserve value of $777 million based on current strip pricing. As such, we believe that our shares are deeply undervalued in the current market and will attempt to repurchase shares while this disconnect remains in place.

As members of the management team at Amplify, we remain committed to executing on our strategic plans for the company and prudently returning capital to our investors.

I will now turn the call over to Martyn for his remarks…

Martyn Willsher – CFO:

Thank you, Ken.

I would like to reiterate to our investors some of the additional strengths of the combined company that were highlighted in the investor presentation posted earlier today.

Following the merger, Amplify's balance sheet is now even stronger, with net debt to LTM adjusted EBITDA of just 1.2x compared to pre-merger Amplify's net debt to LTM adjusted EBITDA of 1.4x. Going forward we intend to keep this ratio below 2.0x, while also providing our investors with a significant return of capital through our recurring dividend and share buyback programs.

Our credit facility was recently amended to include the Mississippi Lime assets and as part of that process, we have established a borrowing base of $530 million for the combined entity. With net debt of only $223 million, Amplify's liquidity will be approximately $305 million at closing. In addition, our second half 2019 free cash flow forecast has a midpoint of $21 million, which is approximately $42 million on an annualized basis.

The predictable, low declines of our diversified asset base, robust hedging program, strong balance sheet and free cash flow profile provide us with the flexibility to sustain our dividend program and will also allow us to continue to opportunistically consider additional merger and acquisition targets for future growth. Preserving our strong balance sheet and favorable liquidity position will also enable us to manage through commodity price volatility and deliver competitive corporate returns regardless of where we are in the market cycle.

Before I provide further details on our second half 2019 guidance highlights, I would like to remind our investors that the combined company is trading today on the NYSE under the ticker symbol “MPO”, but as stated in today’s press release, our ticker symbol will change to “AMPY” beginning with tomorrow’s trading day.

Moving back to second half 2019 guidance, some additional highlights include production of 30,400 to 33,700 Boe/d (which will be ~50% liquids) and Adjusted EBITDA of $60 to $68 million. Following the merger, approximately 70% of the Company’s second half 2019 production is hedged, which will help to protect the Company’s cash flows from commodity price volatility. Going forward, Amplify intends to pursue a conservative hedging strategy that is focused on locking in prices to protect our free cash flow and return of capital programs.

As previously discussed, this merger transaction will also result in significant cost savings that are now expected to be approximately $21 million annually. These savings are derived primarily from G&A synergies, and after fully realizing these savings, our G&A efficiency will be in the top quartile of our peer group. Due to the timing implications of integrating the platforms, our second half 2019 G&A guidance of $2.30 to $2.70 / Boe only reflects partial savings from these synergies, but we expect to be able to fully realize the impact of the cost savings beginning in the first quarter of 2020. We are currently projecting recurring cash G&A expenses of $6.5 million per quarter in 2020, but we are continuing to review opportunities for further cost reductions.

The midpoint of our capex guidance for the remainder of the year is $38 million, with an expected range of $35 to $41 million. Approximately 53% (or $20 million) of this capital will be invested in Bairoil, primarily to fund the remainder of the plant expansion project, which is expected to come online in the fourth quarter of 2019. The expansion will provide additional CO_2 recycling capacity and allow currently shut-in wells to be turned back online, increasing oil production by approximately 900 Boe/d. We anticipate that this project has an IRR of approximately 25% based on current prices, and we expect that production increases will be fully realized over the subsequent eighteen months following the project's completion.

In addition, we anticipate spending approximately $11 million (or 29% of second half 2019 capital spend) on our Mississippi Lime capital workover program focused on converting electric submersible pumps to rod-lift, which is a more efficient artificial lift technology for this operation. We believe these investments to be low-risk with a strong IRR of 35%, while also maximizing the economic life of producing wells and materially reducing future electricity and maintenance costs associated with these wells.

The remainder of our capital budget will be spent predominantly on well work, facilities and other maintenance activities across our assets in offshore California, East Texas and Eagle Ford.

Before taking questions, I'd like to announce that Amplify will be presenting at EnerCom in Denver on Tuesday, August 13th at 4:30 PM Mountain Time. Ken and I will also be available for one-on-one meetings throughout the day on Monday, August 12 and Tuesday, August 13, prior to the presentation. We look forward to continuing to educate our investors and potential investors on the Amplify investment opportunity.

This concludes our prepared remarks for this morning's call, and we would now like to invite analysts and investors to ask any questions they have for the management team. Operator, please open the line for any questions…

Ken Mariani – CEO:

In closing, I would like reiterate the investment highlights for the new Amplify Energy. We truly believe that our assets are significantly undervalued by the market, offering investors an attractive entry point with a current market capitalization approximately 47% below our proved developed reserve value. Our shallow decline, high margin assets with minimal capex requirements are complemented by ample liquidity, low leverage and a robust hedging program, as evidenced by our annualized second half 2019 free cash flow profile of $42 million. The free cash flow generation capability of our assets allows us to sustainably return capital to shareholders with a remarkable dividend yield of 18% and supplement the dividend with our $25 million share buyback program. We are also excited to consider further additional market consolidation opportunities to enhance scale, increase return of capital to shareholders, while continuing our focus on operational excellence.

I would like to again thank the Midstates team and our advisors for their great work in getting this transaction closed. I would also like to thank both companies' hard-working employees, and the respective boards of directors for having the vision to make this merger possible. Finally, I'd like to thank our shareholders for their trust in this management team during a period of extreme volatility in the oil and gas industry. We believe this combination will create significant value for our investors, and we appreciate your support as we execute on our strategic plans.

This concludes our call, thank you for joining us today and as always, please don't hesitate to reach out to us with any additional questions.