

AJ Lucas Group

Riverstone's interest in Cuadrilla acquisition

AJ Lucas (AJL) has acquired Riverstone's interest in the UK shale gas explorer, Cuadrilla Resources. As a result, AJL's holding in Cuadrilla will increase from 47.6% to c 93%. Under the terms of Cuadrilla's shareholders' agreement, AJL has offered to acquire the shares of Cuadrilla's remaining shareholders on the same terms as those being acquired from Riverstone; this step is now underway. The remaining shares are primarily held by current and former Cuadrilla employees. The transaction should simplify decision making and alignment as AJL and Cuadrilla continue to work with regulators and other UK shale gas operators, providing information to allow the UK government to lift the current moratorium on hydraulic fracturing.

Year-end	Revenue (A\$m)	Gross profit (A\$m)	Operating cash flow (A\$m)	Adj EBITDA* (A\$m)	Capex (A\$m)	Net debt (A\$m)
06/18	127.1	21.6	(13.1)	15.4	(13.5)	75.0
06/19	143.8	24.8	14.8	21.1	(27.4)	109.5
06/20e	N/A	N/A	N/A	N/A	N/A	N/A
06/21e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *Before share of loss from equity accounted investees, asset sales and one-off costs, before UK investment overhead and after Australian overheads.

AJL's acquisition of Riverstone shares in Cuadrilla shows its commitment to developing shale gas in the UK. The transaction allows AJL greater input and alignment with Cuadrilla on setting a strategy and operating plans in the Bowland area and allows for more direct exposure and influence within the industry. With c 93% interest, AJL will have a better ability to manage fund allocation in Cuadrilla.

In 2020, AJL expects limited operational activities at Preston New Road, although Cuadrilla will focus on working with industry peers and regulators providing information to allow the UK government to lift the current moratorium on hydraulic fracturing. This could potentially unlock a new domestic source of natural gas for the UK and help the country meet its climate change goals.

Our forecasts remain under review.

Increased stake in Cuadrilla

Oil & gas

6 February 2020

Price **A\$0.08**

Market cap **A\$98m**

Net debt (A\$m) at 30 June 2019 109.5

Shares in issue 1,193.2m

Free float 22%

Code AJLX

Primary exchange ASX

Secondary exchange N/A

Share price performance



Business description

AJ Lucas Group has investments in the exploration and commercialisation of shale gas in the UK through licence equity interests and a stake in Cuadrilla. It also has an Australia-based operating business unit, Lucas Drilling Services.

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