Santos

7 December 2022

Santos announces higher shareholder returns and further US$350 million increase in the on-market share buyback

Santos today announced a simplified capital management framework targeting higher shareholder returns and including a minimum annual return of at least 40 per cent of free cash flow.

Santos' strategy is to maintain a disciplined, low-cost operating model that is designed to deliver strong cash flows through the commodity price cycle. The revised capital management framework announced today seeks to maintain an appropriate capital structure that enables Santos to balance the allocation of capital between investment in the business to develop backfill projects, decarbonisation projects, the development of strategic growth and clean fuels projects, and the provision of sustainable returns to shareholders based on the generation of free cash flow.

The simplified capital management framework includes:

- A policy of at least 40 per cent payout of free cash flow from operations[1] (excluding major growth) generated per annum.
- Shareholder returns to be effected by way of cash dividends and/or share buybacks, subject to market conditions and Board discretion.
- An unchanged target gearing[2] range of 15 per cent to 25 per cent.

Santos also announced a further US$350 million increase in the on-market share buyback. This amount is in addition to the US$350 million announced in August 2022, which is approximately 98 per cent complete, and brings the total on-market share buyback amount announced for the 2022 year to US$700 million.

The additional on-market buyback is expected to commence this month. Any shareholder return announced in respect of the 2022 full-year results in February 2023 will be inclusive of the US$350 million increase in the share buyback announced today.

Santos Chair Keith Spence said Santos is generating strong free cash flows at current commodity prices. The Board is therefore pleased to announce higher shareholder returns and an increase in the on-market share buyback, reflecting our confidence in the outlook for the company.

"In addition, the Board shall give consideration to additional shareholder returns from any net proceeds derived from asset divestments through portfolio optimisation once those divestments reach completion and proceeds have been received," Mr Spence said.

"Once the Barossa and Pikka Phase 1 projects commence production, the Board's intention is to consider increasing shareholder returns to at least 50 per cent of free cash flow generated per annum."

This ASX announcement was approved and authorised for release by Kevin Gallagher, Managing Director and Chief Executive Officer.

[1] Free cash flow from operations is defined as operating cash flows less investing cash flows net of acquisitions and disposals and major growth capital expenditure, less lease liability payments. The Board will have the discretion to adjust free cash flow for individually material items.
[2] Gearing is defined as net debt / (net debt + equity).

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