

enerPLUS

ERF: TSX & NYSE

IRC 2018

July 13, 2018

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Attractive NAV

Discount to Peers

Diversified
Operations

Buy Recommendation

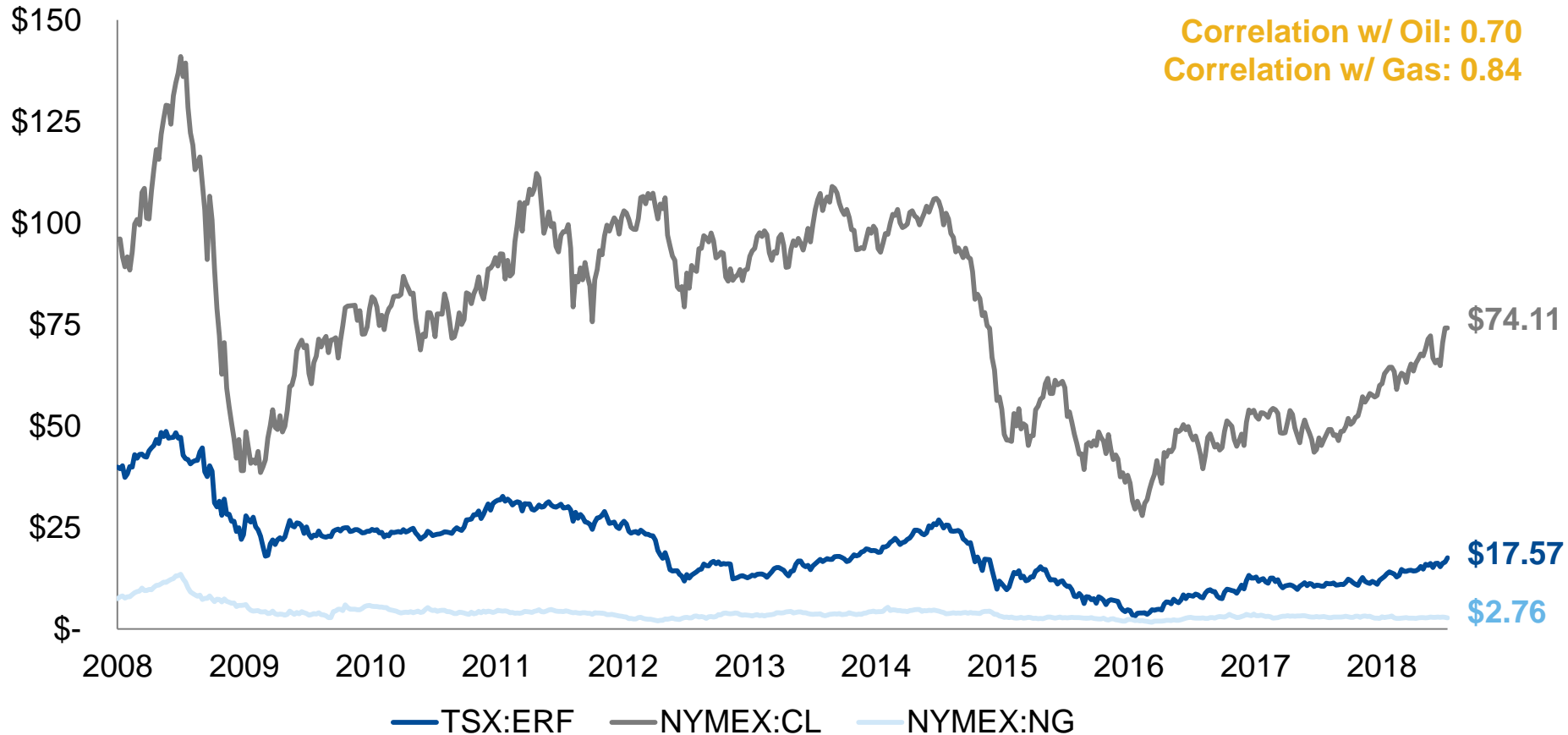
Current Price: \$17.00

Target Price: \$20.00

Upside: ~18%

Setting the Table: Stock Price Performance

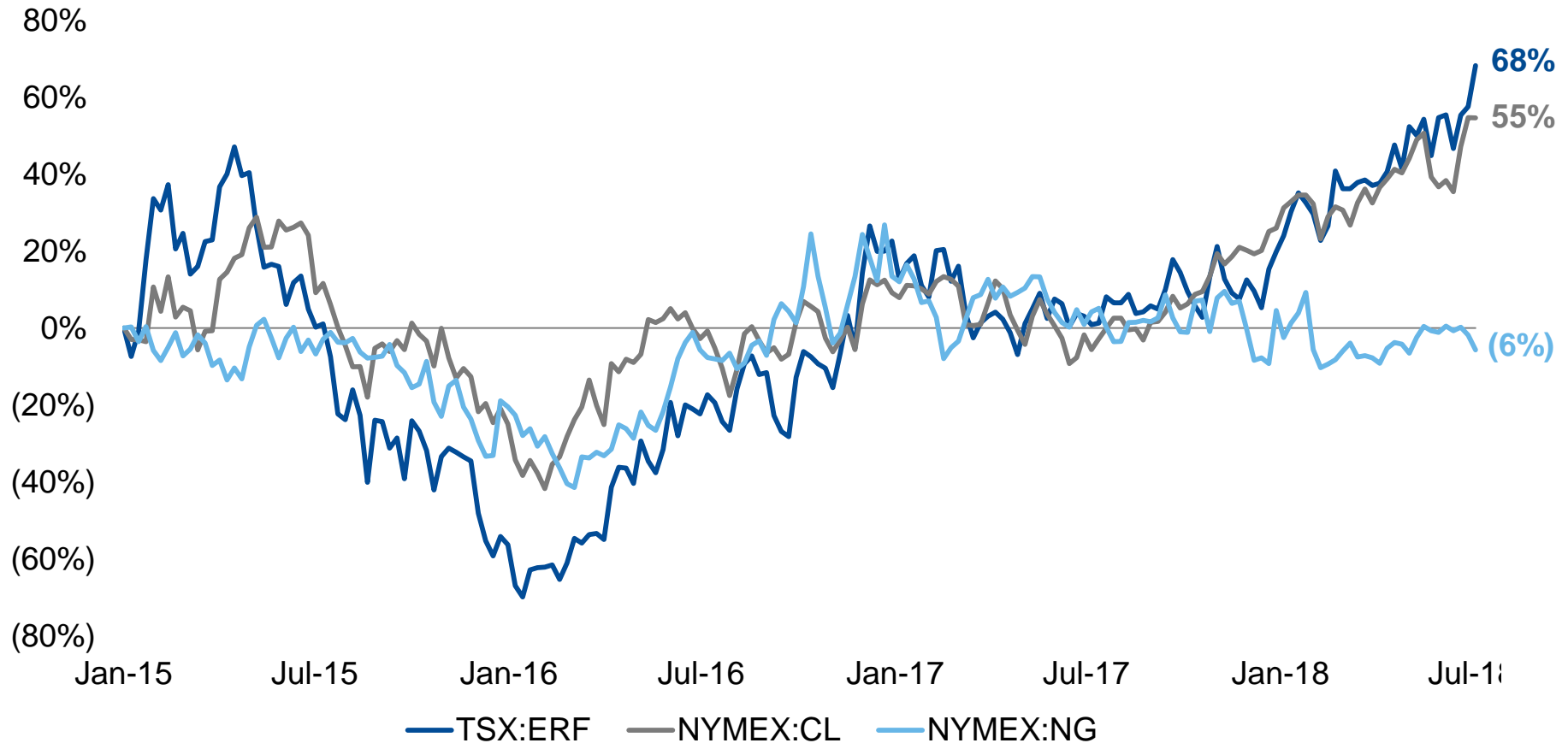
10-Year Price Performance



Enerplus' stock price is **highly correlated** with commodity prices

Setting the Table: Stock Price Performance

Price Return Since 2015 Oil Crash



Enerplus has **recovered** well from the in 2014-15 oil crash

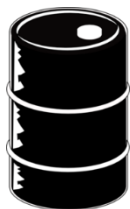
Business Overview

Company Overview

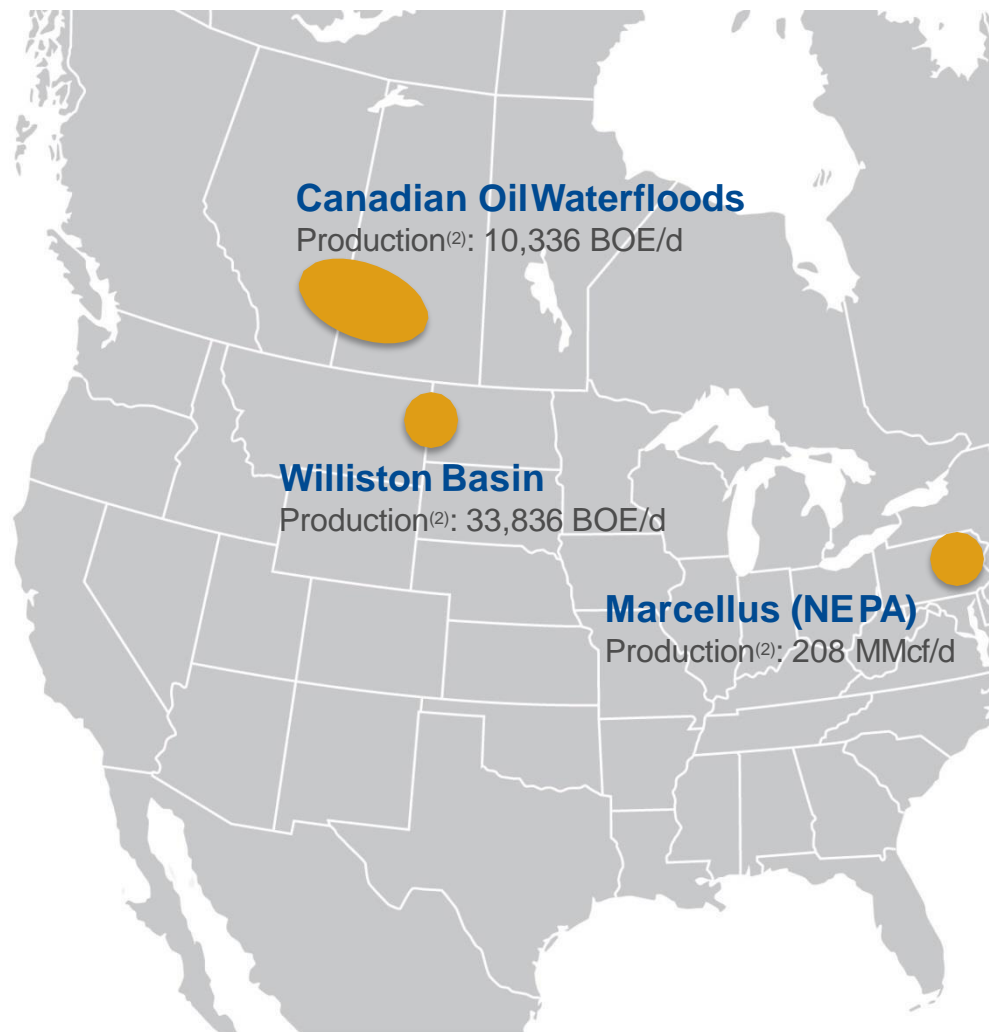
- Upstream (E&P) Oil and Gas Company
- Canada + U.S.



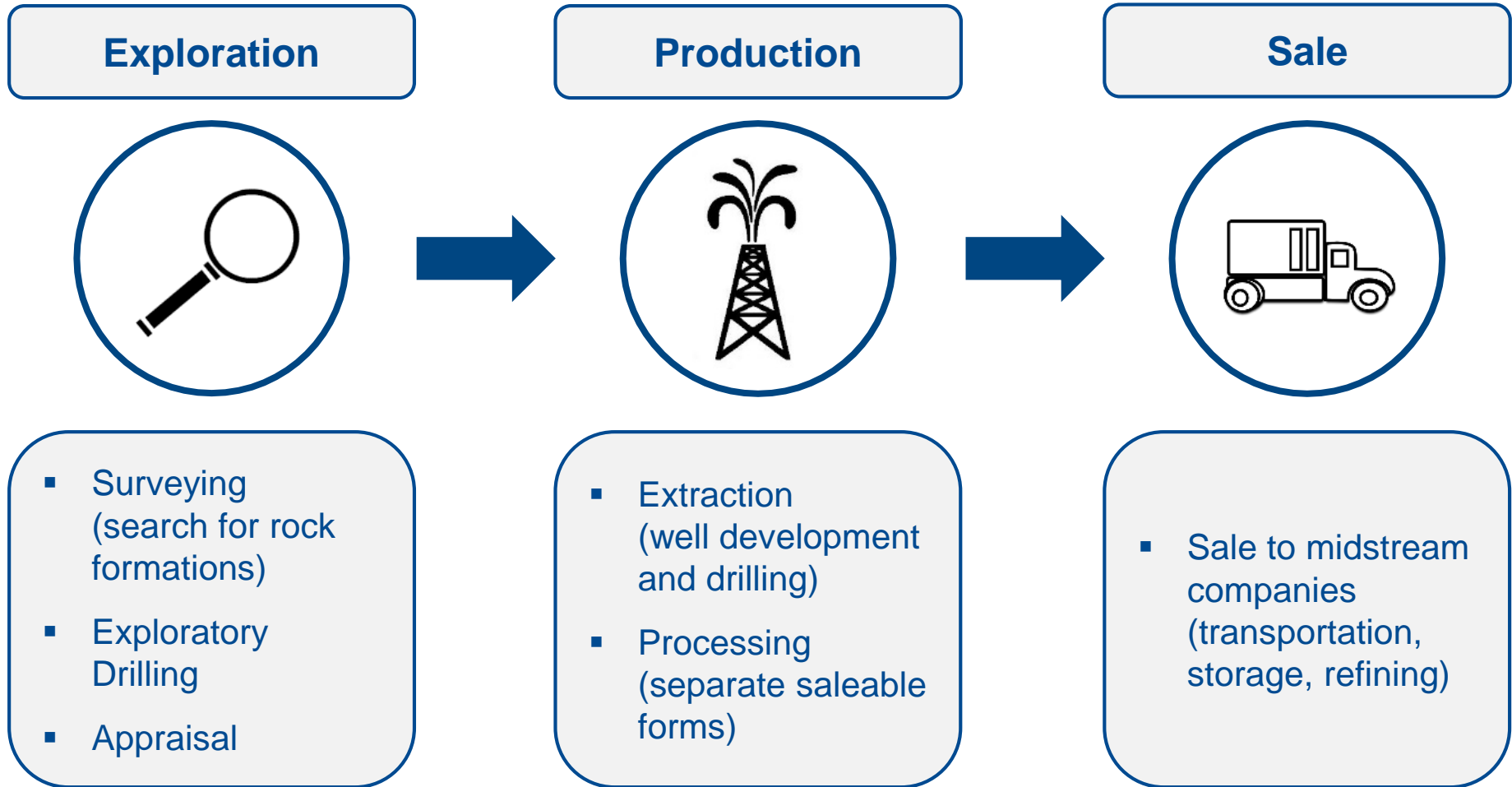
- Oil, Gas, and Natural Gas Liquids



- Proved Reserves:
226,496,000 Barrel of Oil Equivalent
- Probable Reserves:
95,768,000 Barrel of Oil Equivalent

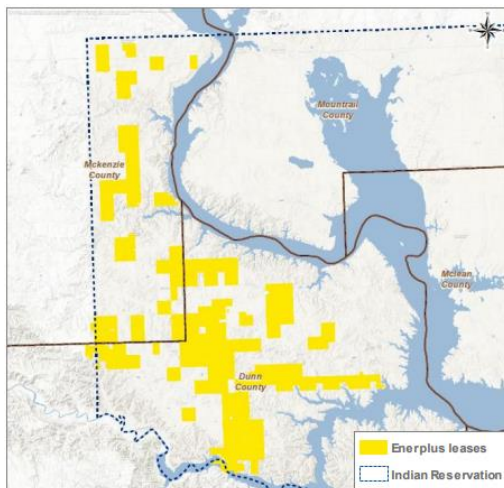


How Does Enerplus Make Money?



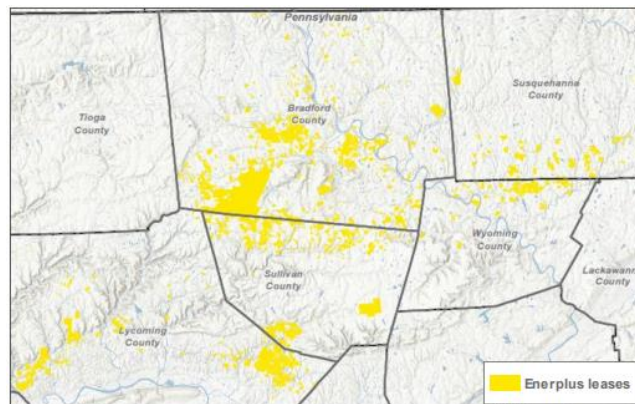
Enerplus generated **~\$18 / barrel** in operating cash profits in 2017

What are the Main Assets?



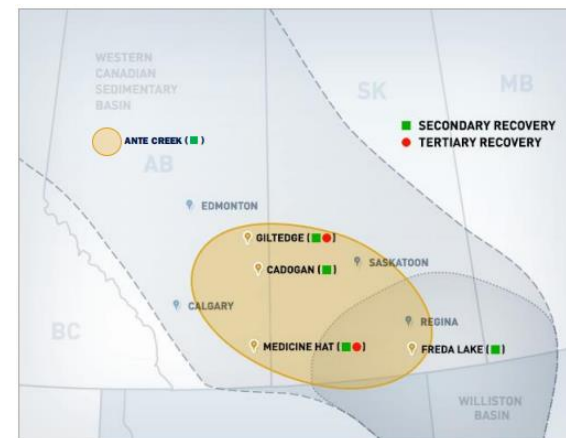
Williston Basin

- **Oil / NGL / Gas:**
83% / 9% / 8%
- **2017 Production:**
30,372 BOE / day
- **2P Reserves:**
171 MMBOE



Marcellus Formation

- **Oil / NGL / Gas:**
0% / 0% / 100%
- **2017 Production:**
208 MMcf / day
- **2P Reserves:**
918 Bcf



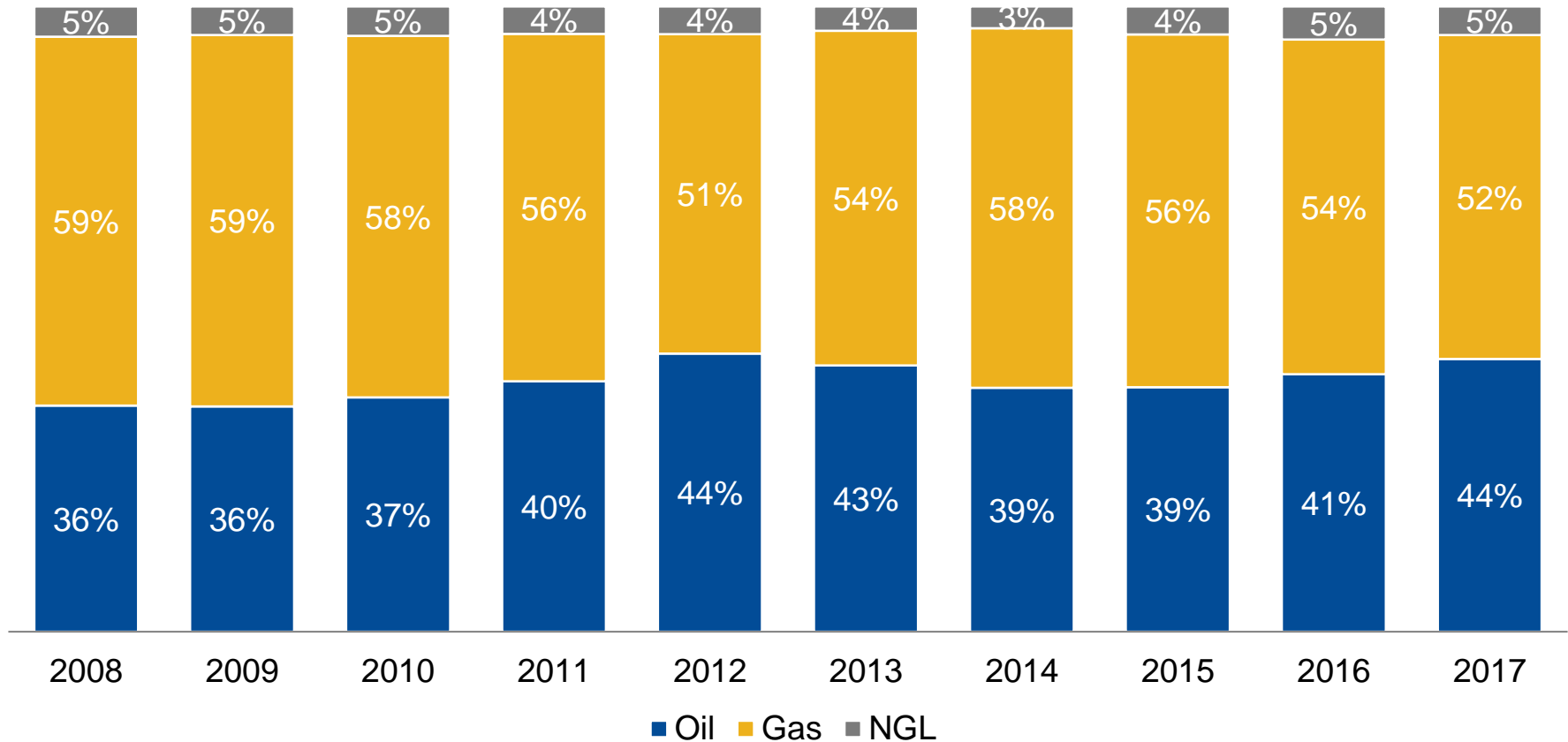
Canadian Oil - Waterfloods

- **Oil / NGL / Gas:**
91% / 1% / 8%
- **2017 Production:**
10,336 BOE / day
- **2P Reserves:**
44.8 MMBOE

Enerplus holds **high-quality assets** in desirable areas of production

What Does Enerplus Sell?

Production Breakdown by Product (BOE)



Enerplus has a diversified product mix, **strategic focus is on oil**

Investment Thesis



Attractive NAV with significant **exploratory upside** and **DJ Basin option value**



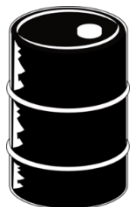
Trading at a **discount to peers** – **strong balance sheet** deserves a premium



Diversified operations with **high quality assets** and catalysts

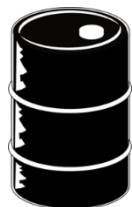
1) Solid Base For NAV Calculations

Proved Reserves (90%)



99,701,000
Barrels

Probable Reserves (50%)



55,221,000
Barrels

Total Asset Base for NAV



117,341,000
Barrels



697,617,000
Mcf



205,801,000
Mcf



730,756,000
Mcf



10,525,000
Barrels



6,247,000
Barrels



12,596,000
Barrels

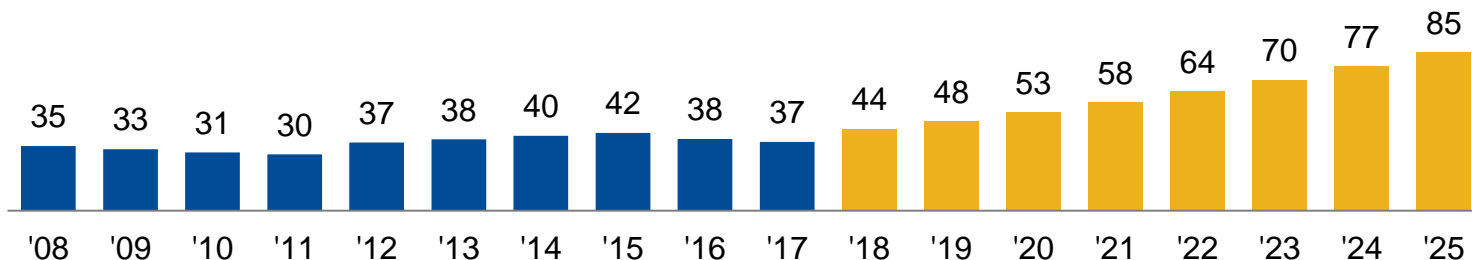
Our NAV model starts with **251,730,000 Equivalent Barrels of Oil**

1) Increasing Production Capacity

Avg. Daily Production Volumes

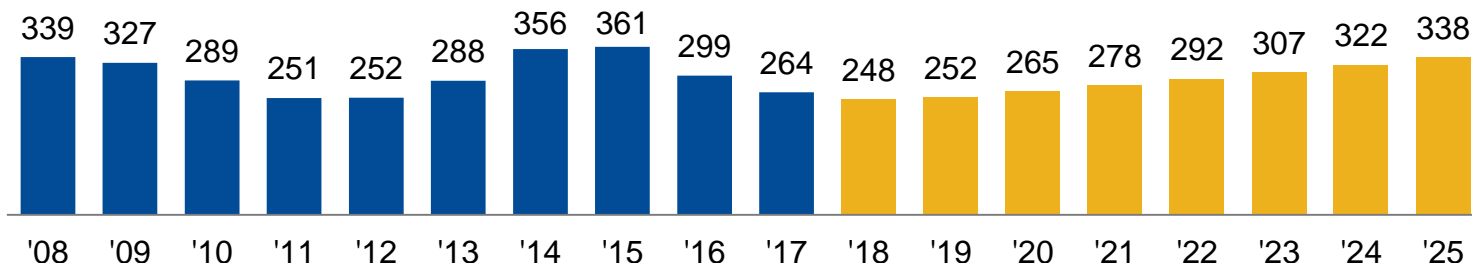
Crude Oil
(Mbbbl/d)

Growth: 10%



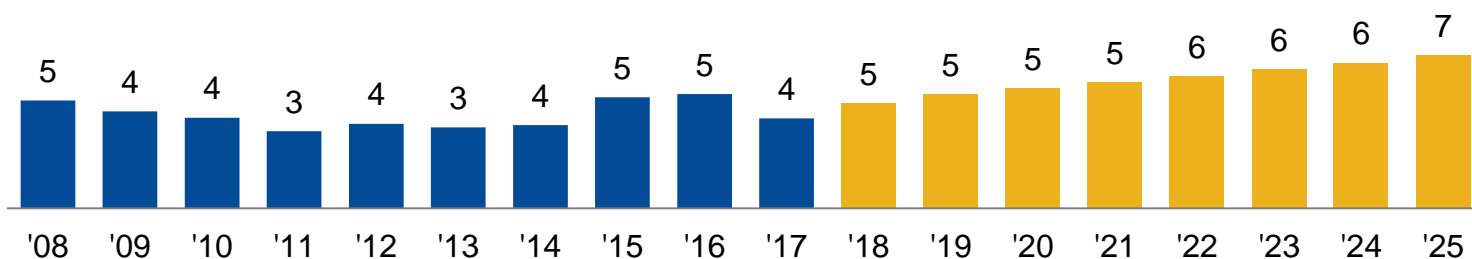
Natural Gas
(MMcf/d)

Growth: 5%



NGL
(Mbbbl/d)

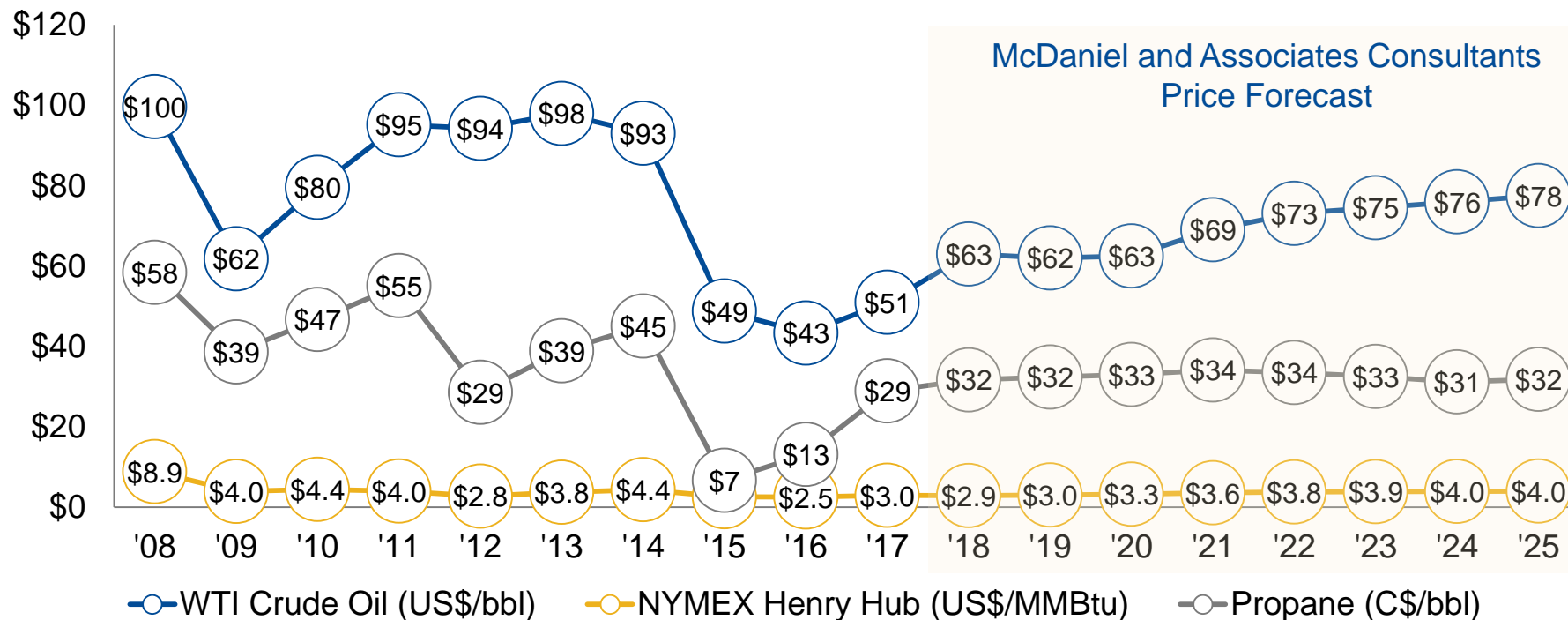
Growth: 5%



Production growth in line with management guidance and analyst estimates

1) Favourable Pricing Forecast

Pricing Benchmarks



Royalties and Production Taxes
25% of Sales

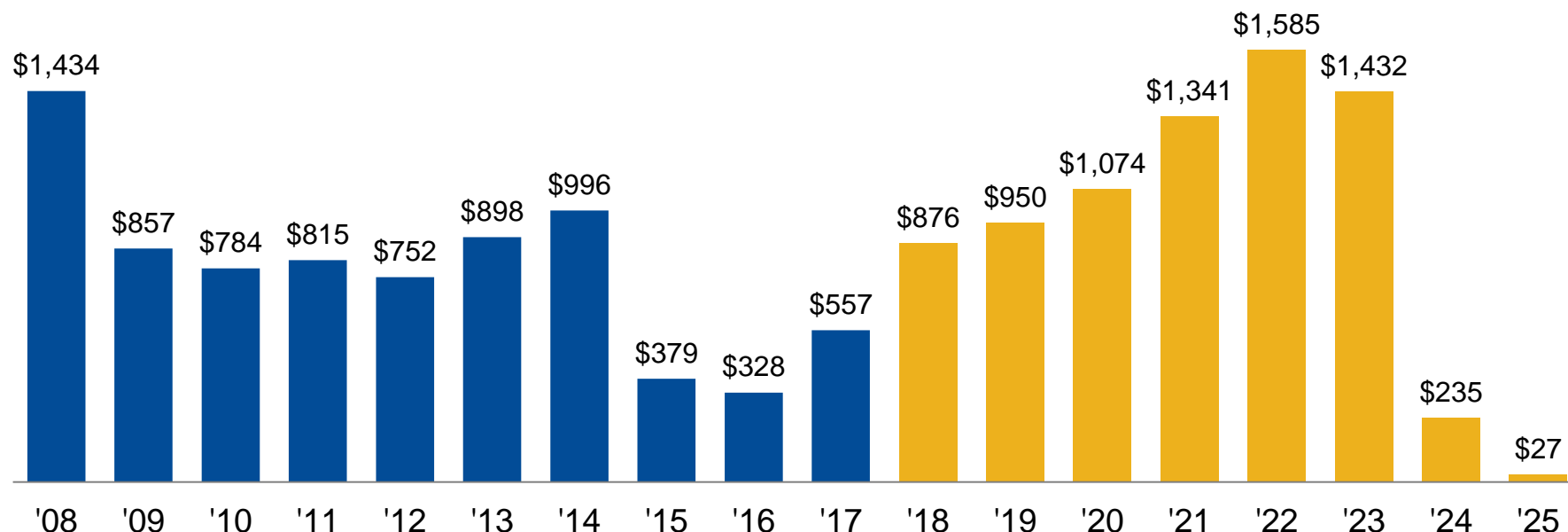
Cash Operating Expenses
\$7.00 / BOE

Transportation Costs
\$3.60 / BOE

Cash Margins of ~55% in line with management guidance and analyst estimates

1) Solid Cash Flow Generation

Operating Cash Flow (\$mm)



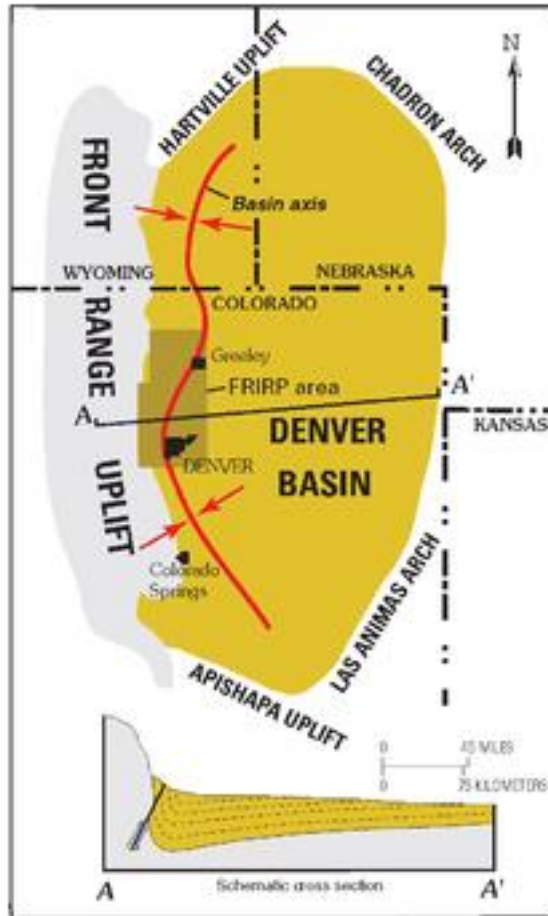
NAV \$16.00 (10% Discount Rate)	+	Other Assets \$4.47	-	Liabilities \$4.40	=	Equity Value ~\$16.00
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NAV model implies a value of **\$16 / share**, current share price is \$17

1) Attractive NAV with Further Upside



1) DJ Basin Has Significant Option Value



Holding Description

- Enerplus holds 35,000 acres
- First DJ Basin well has produced 85,000 BOE in 2018
- Reserves are 73% Oil
- Forecasted to drill up to **3 wells** in the DJ Basin in 2018
- Precedent Transaction:
 - End of 2017
 - 32,000 acres of DJ Basin undeveloped land sold for US\$608mm

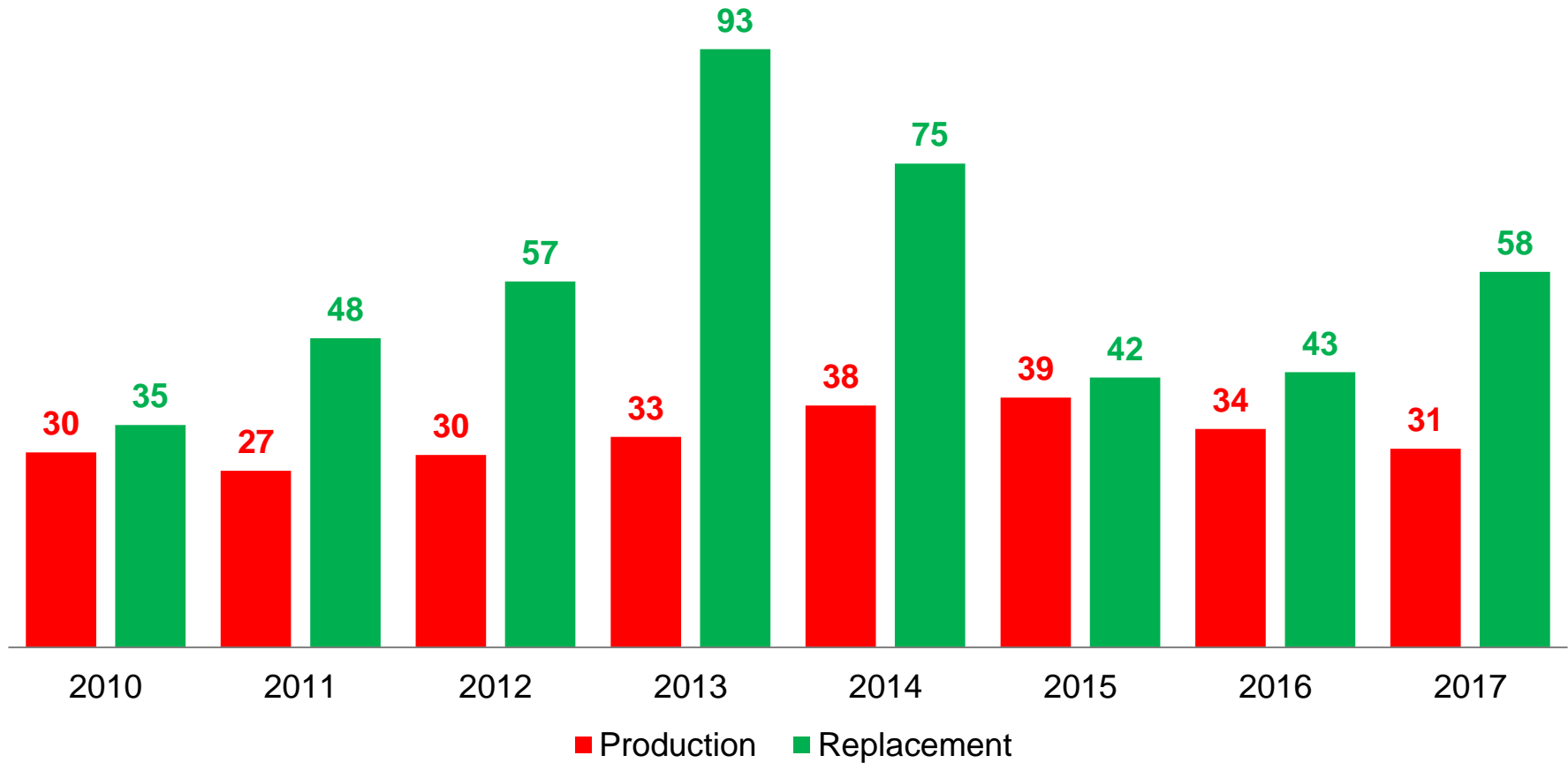
We estimate Enerplus' DJ Basin position to be worth **\$2.70 / Share**

1) Attractive NAV with Further Upside



1) Potential Upside From Future Exploration

Annual Production and 2P Replacement Volumes (MMboe)



Enerplus has consistently **replaced >100% of annual production**

1) Attractive NAV with Exploratory Upside



Current Price: \$17

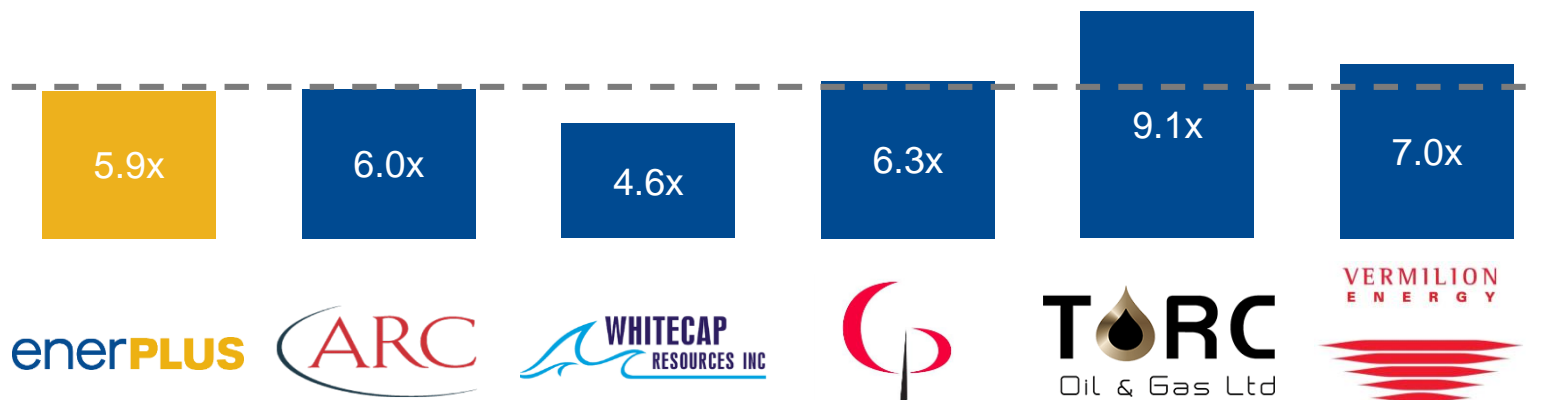
Target Price: ~\$20

Implied Upside: ~20%

2) Comparable Companies Analysis

EV / 2018E DACF

Average: 6.5x



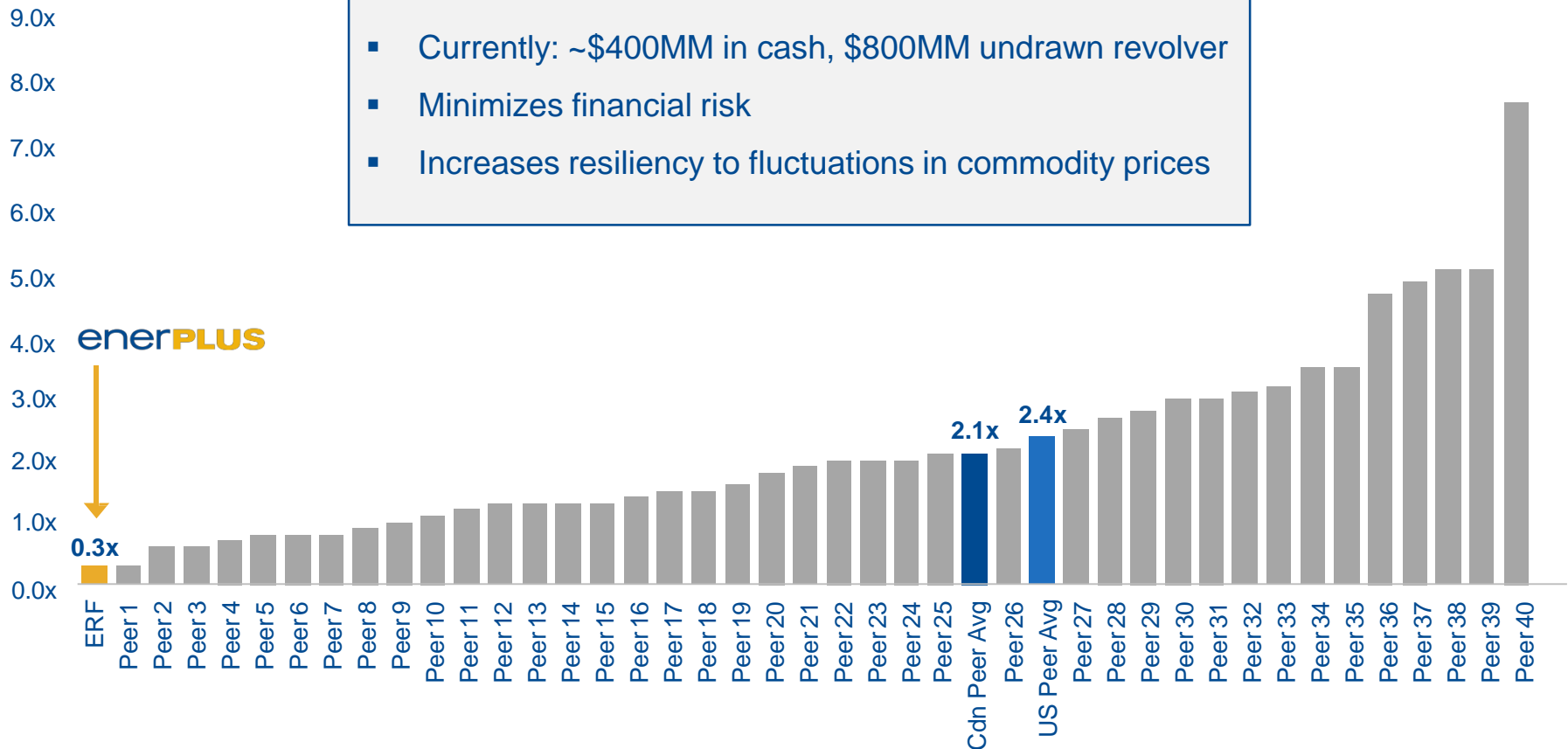
Enterprise Value	\$4.3bn	\$5.5bn	\$5.1bn	\$10.0bn	\$1.9bn	\$8.5bn
Cash Flow Margin	47%	48%	53%	54%	56%	56%
Production (mboe/d)	89.2	133.7	74.3	183.4	23.0	88.0
% Gas	45%	71%	14%	10%	15%	50%

Enerplus is trading at an ~11% discount to its peers

2) Best In Class Balance Sheet

Net Debt / 2018E Cash Flow

- Currently: ~\$400MM in cash, \$800MM undrawn revolver
- Minimizes financial risk
- Increases resiliency to fluctuations in commodity prices



Financial position among the **strongest** in peer group

3) Diversified Operations and High Quality Assets

Product Diversification

~50/50 split between oil and natural gas

Low correlation between the two prices (0.25)

Geographic Diversification

High-quality assets in several geographic areas

Reduced risk of cost inflation

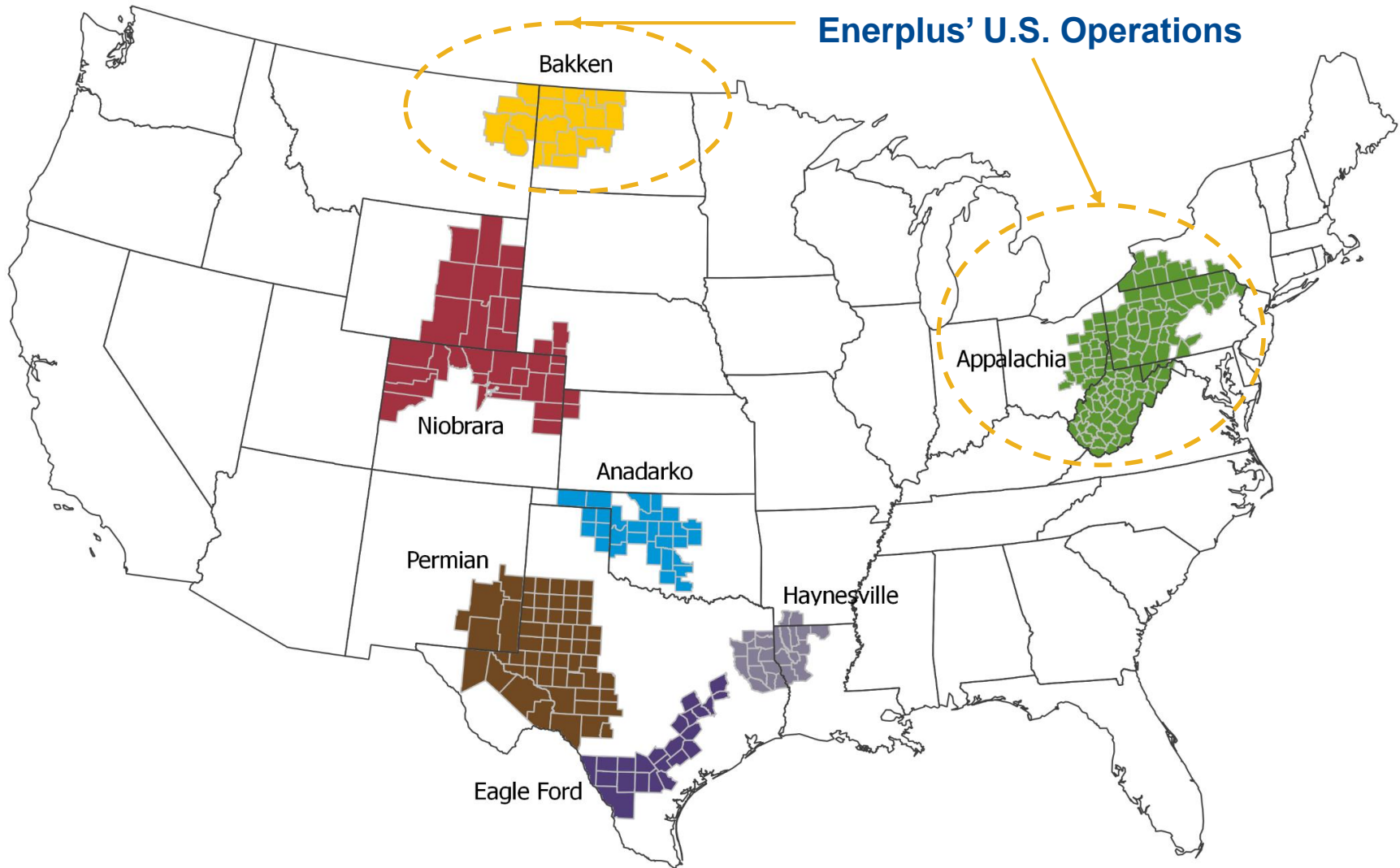
Desirable Core Areas of Production

Bakken oil in high demand (light and sweet)

Increasing infrastructure → decreasing price differential

Enerplus is **highly diversified** in various desirable areas of production

3) Map of U.S. Shale Oil Reserves



3) Favourable Movement in Price Differentials

Enerplus Selling Price Differential vs. WTI and Henry Hub Respectively

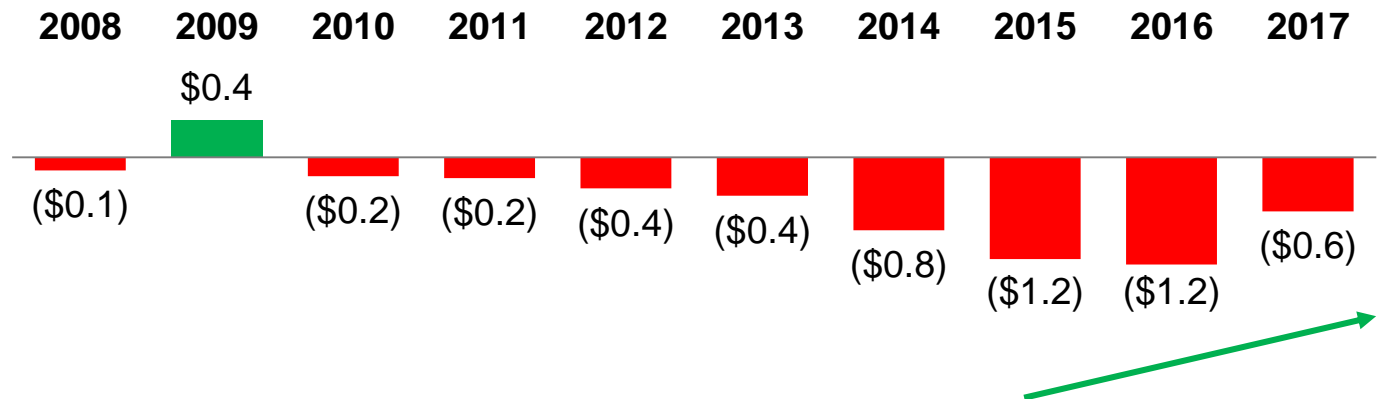
Bakken Formation

\$9 bn infrastructure build-out to begin in 2 years



Marcellus

Recently developed Cove Point plant in Maryland



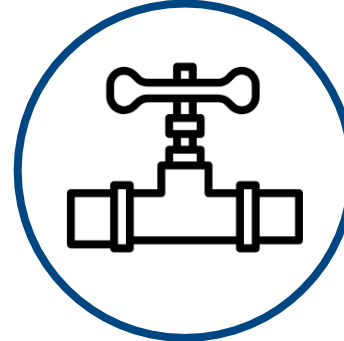
Price differential is expected to continue improving due to increasing **infrastructure**



Sensitive to
commodity
prices and FX
rates



Unable to meet
production
estimates



Reduced
infrastructure in
company's area
of focus



Cost inflation in
core areas

Attractive NAV

Discount to Peers

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Buy Recommendation

Current Price: \$17.00

Target Price: \$20.00

Upside: ~18%

Appendices

Historical
Multiples

Cash Margin
Expansion

Hedging
Summary

Hedging
Positions

Reserves

Bakken
Precedent
Transactions

Management

Industry
Overview

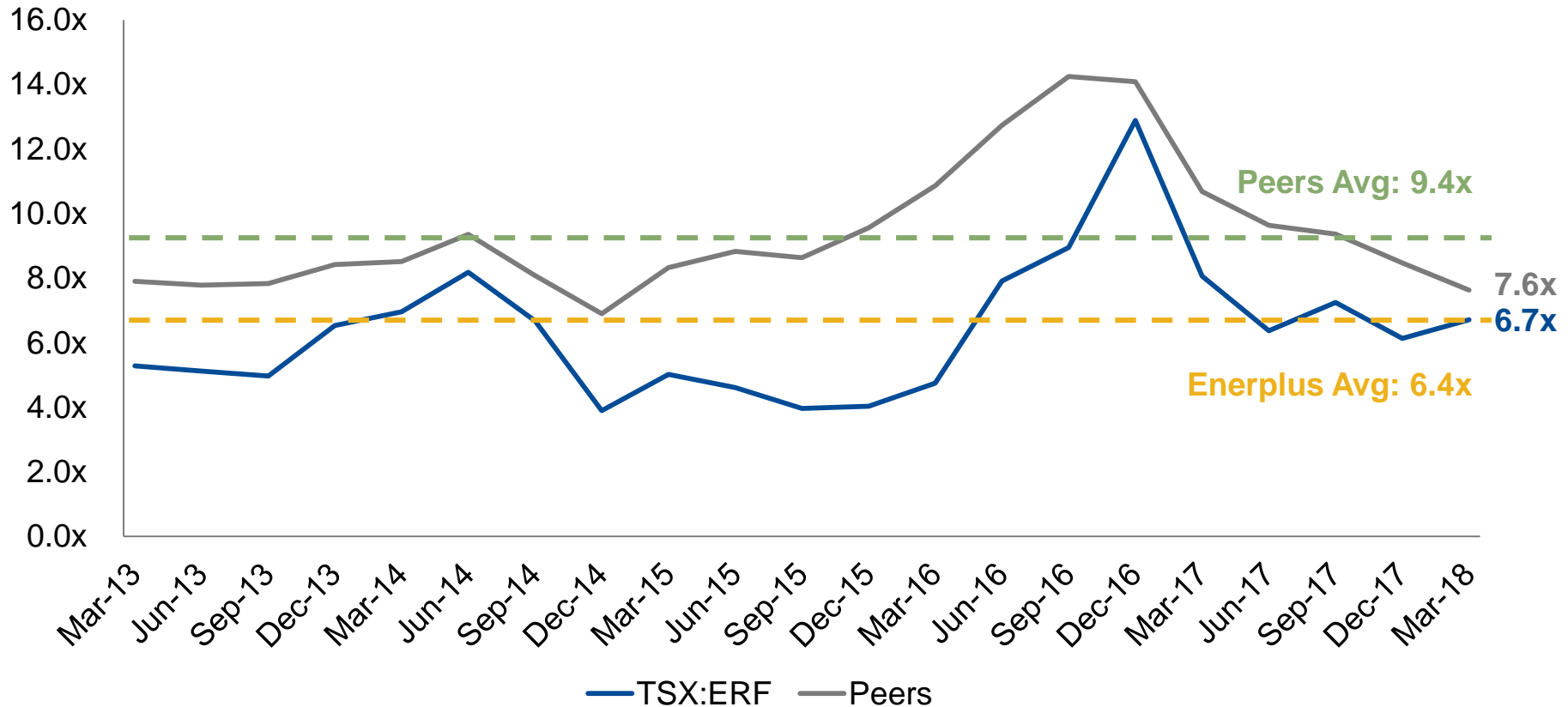
OPEC
timeline

Industry
Trends

Natural Gas
Uses

Oil Uses

EV / LTM DACF



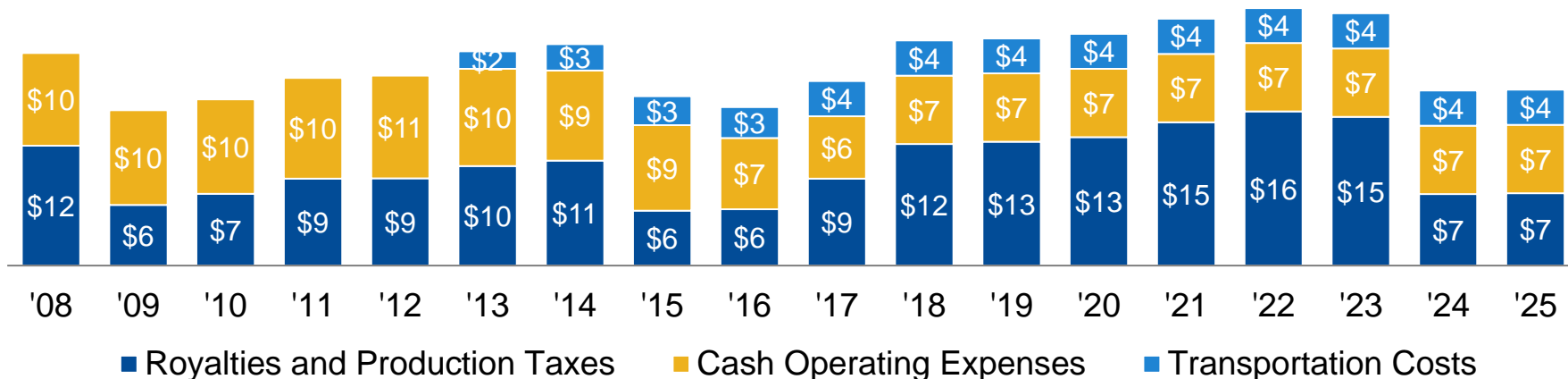
Enerplus is trading at a discount to its peers

Cash Margin Expansion

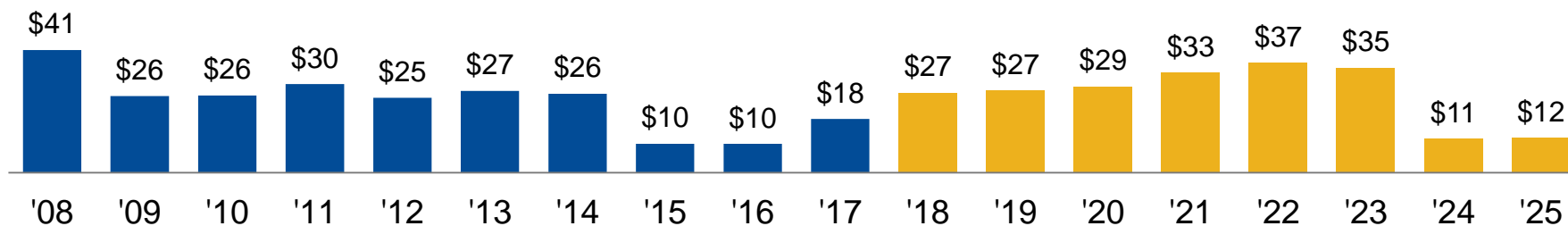
Margin expansion expected to continue driven by:

- Lower costs – divestment of higher cost assets
- Improved realized pricing – narrowing Bakken and Marcellus differentials
- Increasing crude oil production mix

Costs Structure Over Time (\$ / BOE)



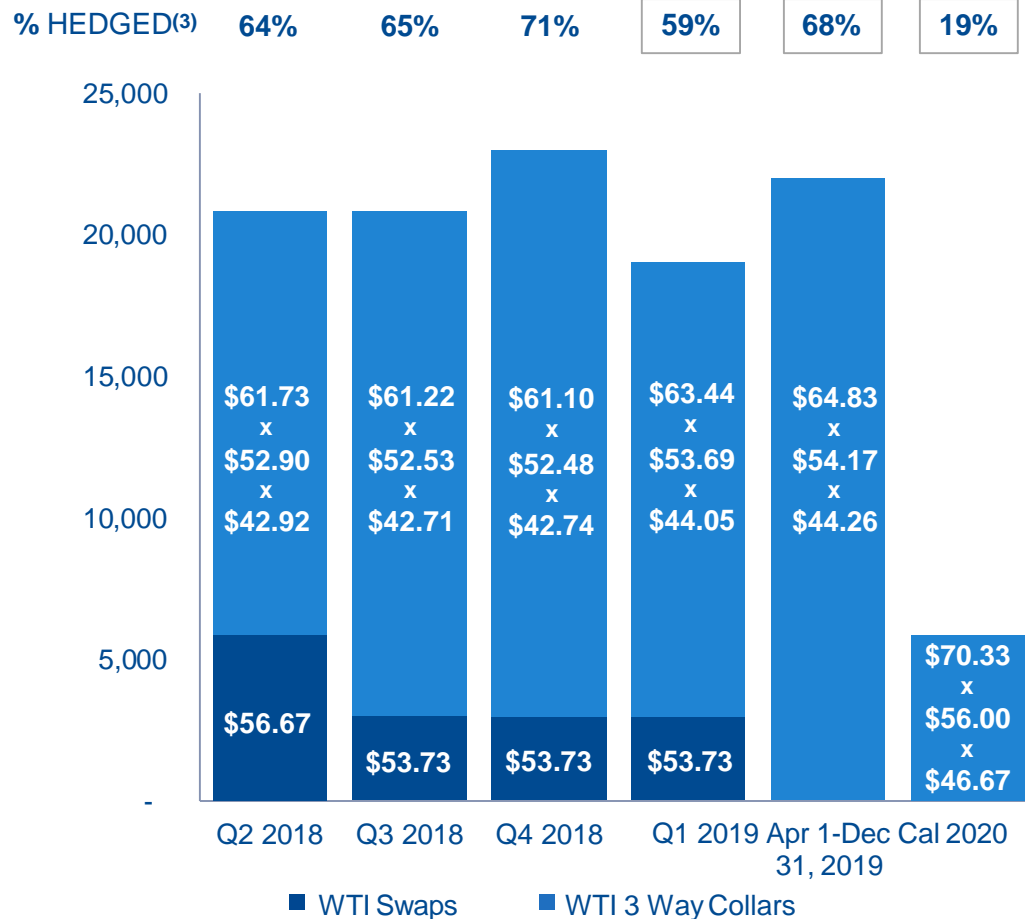
Cash Netback Before Hedging (\$ / BOE)



Hedging Summary

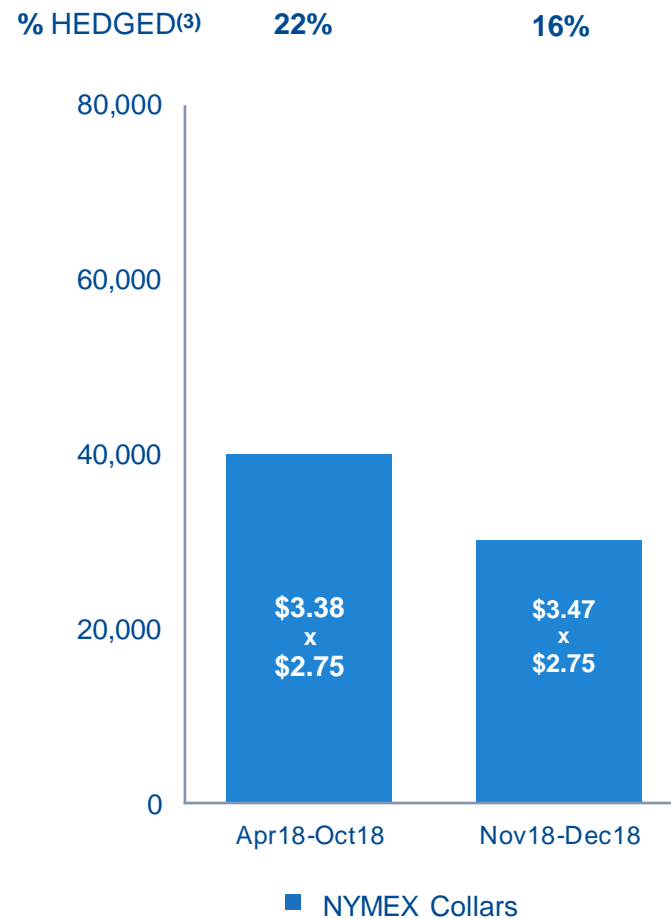
Crude Oil Hedging Summary⁽¹⁾⁽²⁾

bbls/day; WTI US\$/bbl



Natural Gas Hedging Summary⁽¹⁾⁽²⁾

Mcf/day; NYMEX US\$/Mcf



Hedging Positions

WTI Crude Oil (US\$/bbl) ⁽¹⁾

	Jan 1, – Jan 31, 2018	Feb 1, – Mar 31, 2018	Apr 1 – Jun 30, 2018	Jul 1 – Sep 30, 2018	Oct 1 – Dec 31, 2018	Jan 1, – Mar 31, 2019	Apr 1, – Dec 31, 2019
Swaps							
Sold Swaps	\$55.38	\$58.32	\$55.38	\$53.73	\$53.73	\$53.73	-
Volume (bbls/d)	5,000	7,000	5,000	3,000	3,000	3,000	-
Three-Way Collars							
Sold Puts	\$42.83	\$42.83	\$42.92	\$42.71	\$42.74	\$44.05	\$44.09
Volume (bbls/d)	13,000	13,000	15,000	18,000	20,000	16,000	20,000
Purchased Puts	\$53.04	\$53.04	\$52.90	\$52.53	\$52.48	\$53.69	\$53.94
Volume (bbls/d)	13,000	13,000	15,000	18,000	20,000	16,000	20,000
Sold Calls	\$61.99	\$61.99	\$61.73	\$61.22	\$61.10	\$63.44	\$63.84
Volume (bbls/d)	13,000	13,000	15,000	18,000	20,000	16,000	20,000

NYMEX Natural Gas (US\$/Mcf) ⁽¹⁾

	Jan 1 – Mar 31, 2018	Apr 1, – Oct 31, 2018	Nov 1, – Dec 31, 2018
Collars			
Purchased Puts	\$2.75	\$2.75	\$2.75
Volume (Mcf/d)	30,000	40,000	30,000
Sold Calls	\$3.47	\$3.38	\$3.47
Volume (Mcf/d)	30,000	40,000	30,000

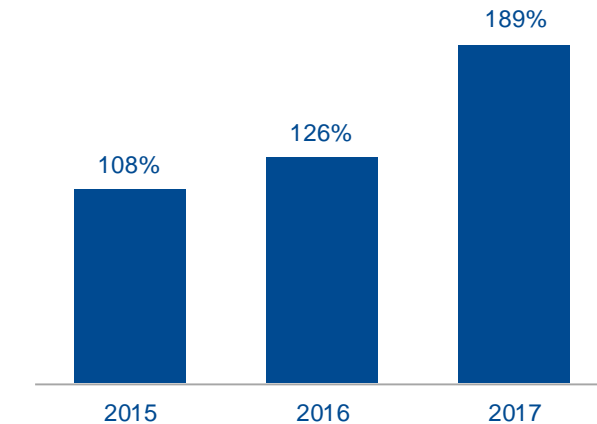
Approximately 65% of 2018 crude oil production protected and 61% of 2019 crude oil production protected.

Reserves

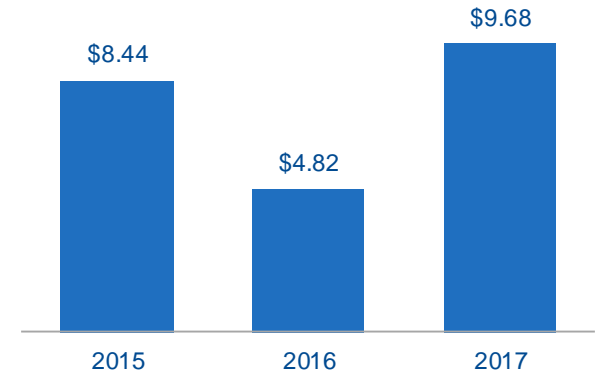
Strong Organic Replacement at Competitive Costs

- Replaced 189% of 2017 production
 - 414% in North Dakota
 - 132% in Marcellus
- Competitive F&D costs with over 80% of capital directed to oil plays over last three years
- 1P reserves account for 70% of 2P; PD reserves account for 47% of 2P

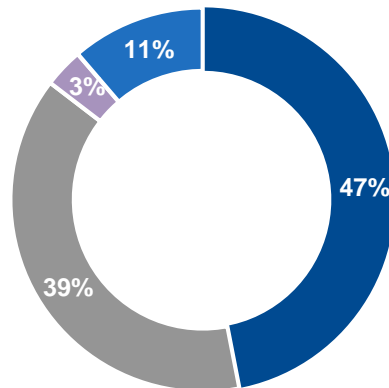
2P Organic Reserves Replacement



2P Finding & Development Costs (\$/boe)

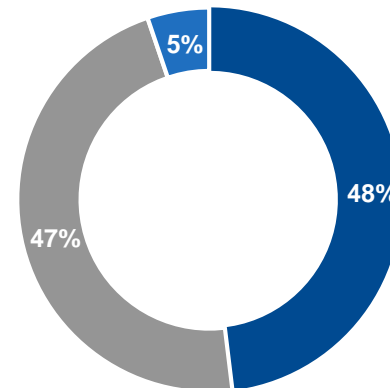


2P Reserves by Area



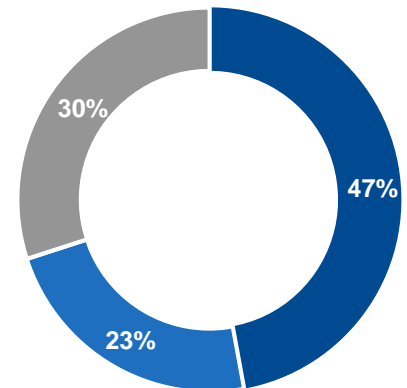
■ Williston Basin
■ Marcellus
■ Other
■ Cdn Waterfloods

2P Reserves by Commodity



■ Oil
■ Gas
■ NGL

2P Reserves by Category



■ PD
■ PUD
■ Probable

Date	Acquiror	Target	Production (\$/Boe/d)	Reserves (P+P) (\$/Boe)	Location
30-Jun-16	Angelus Private Equity	Samson Oil & Gas	\$29,554	\$9.99	North Stockyard, Williston Basin
14-Jun-16	Lime Rock Resources	Natural Resource Partners	\$43,303	\$4.39	McKenzie Co., Williston Basin
27-May-16	Undisclosed	Arsenal Energy	\$41,968	\$3.27	Mountrail Co., Williston Basin
25-May-16	New Emerald Holdings	Emerald Oil	\$16,712	\$6.54	McKenzie Co., Williston Basin
5-Jan-16	Samson Oil & Gas	Undisclosed	\$32,074	n/a	Foreman Butte, North Dakota
6-Nov-15	Undisclosed	Enerplus	\$70,941	n/a	North Dakota
21-Oct-15	Resource Energy Partners	American Eagle Energy	\$32,255	\$3.23	Divide Co., Williston Basin
15-Oct-15	Lime Rock Resources	Occidental Petroleum	\$45,412	\$6.12	Russian Creek, Williston Basin
15-Sep-15	Energy 11	Kaiser-Francis Oil	\$90,305	n/a	Mountrail Co., Williston Basin
22-Jan-15	Undisclosed	American Eagle Energy	\$98,039	\$4.82	Divide Co., Williston Basin



Ian C. Dundas

- President, Chief Executive Officer
- 16 Years of Experience at Enerplus
- Previously held several executive positions in merchant banking business



Raymond J. Daniels

- Senior Vice President, Operations
- 11 Years of Experience at Enerplus
- Previously held technical roles with Chevron Petroleum and a number management positions with ConocoPhillips



Jodine Jenson Labrie

- Senior Vice President, Chief Financial Officer
- 15 Years of Experience at Enerplus
- Previously held an executive role at U.S. bank and senior manager at KPMG



Edward McLaughlin

- President, U.S. Operations
- 6 Years of Experience at Enerplus
- Previously held senior positions within the industry

Peer Avg consists of the companies used in the comparable analysis

	Board	Value	Peer Avg
Structure	No. Directors	9	10
	% Non-Exec Directors	89	87
Diversity	% Women Directors	22	20
	Avg. Age	60	64
	Age Range	16	18
Entrenchment	Avg. Tenure (Years)	6.75	7.4
	No. Directors over 5y Tenure	6	6
	No. Directors over 10y Tenure	2	3

	Executives	Value	Peer Avg
Structure	No. Executives	9	13
	% Women Executives	11	11
Diversity	Avg. Age	-	-
	CEO Age	50	56
	Avg. Tenure (Years)	7.73	7.58
Entrenchment	CEO Tenure (Years)	5.08	3.97
	% Execs Holding Shares	100	69
Ownership	% CEO Ownership	0.033	0.1248

Industry Outlook

Short-term:

- Supply growth, particularly rising US production
- Weaker demand from OECD countries
- Stronger demand from China and non-OECD economies

Long-term:

- Economic growth drives demand
- Consistent increase in global supply
- Technological and geopolitical factors

Upside and Downside Factors in 2018

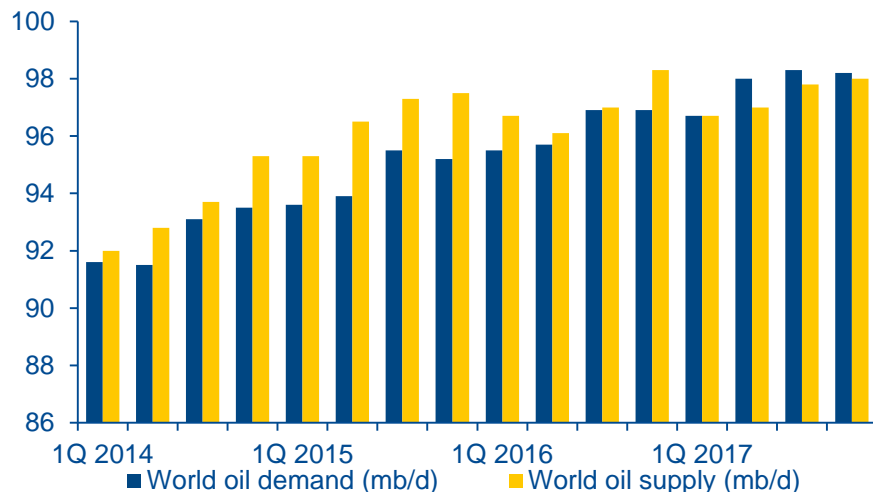
Upsides

- OPEC and Russia agreed to extend a deal to limit supply by 1.8 million bpd to end of 2018.
- Iran and Iraq conflicts threaten output

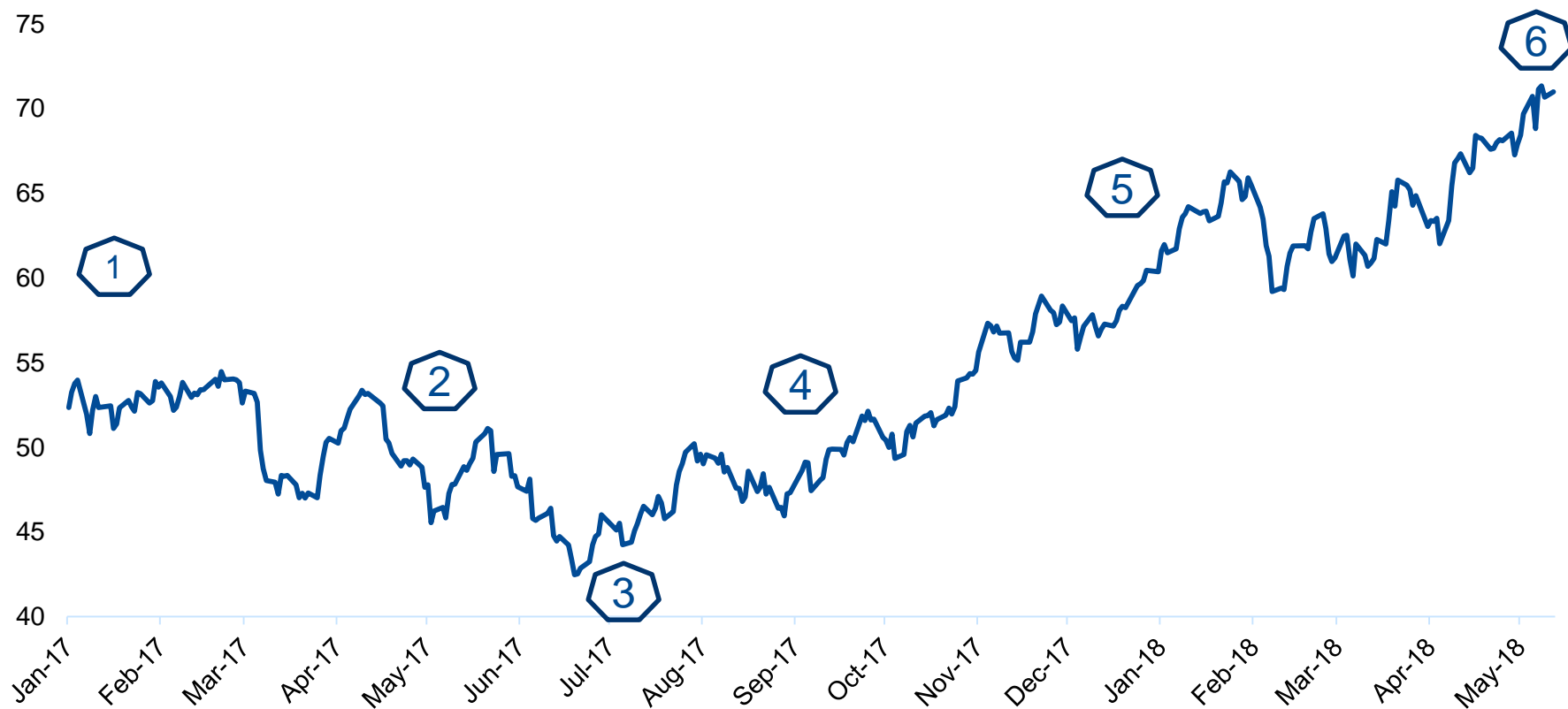
Downsides

- Wide gap between WSC and WTI due to limitations in pipeline

World Oil Supply and Demand



- Global oil demand expected to climb by 1.45M barrels/day in 2019
- Demand slightly below 2018's growth rate, to average 100.3M barrels/day
- Non OPEC supply considerably stronger at 2.1M barrels/day, highest since 2014



1. OPEC oil production cuts due to take effect
2. Extended production cut on OPEC producers due to imbalance in oil demand and supply
3. Unexpected rise in US crude oil inventories and global oversupply
4. Saudi Arabia and Russia backed extending output cuts
5. US daily production broke 10m barrels per day; Trump moved to open offshore waters to drillings
6. US abandoned Iran Nuclear Deal

Industry Trends



69% of O&G executives intend to pursue M&A in 2018, focused on E&P



Optimistic sentiment for the industry, particularly natural gas



Focus on technology and sustainable investing

Success Factors

As a strong business, Enerplus is well-positioned to take advantage of increased M&A activity

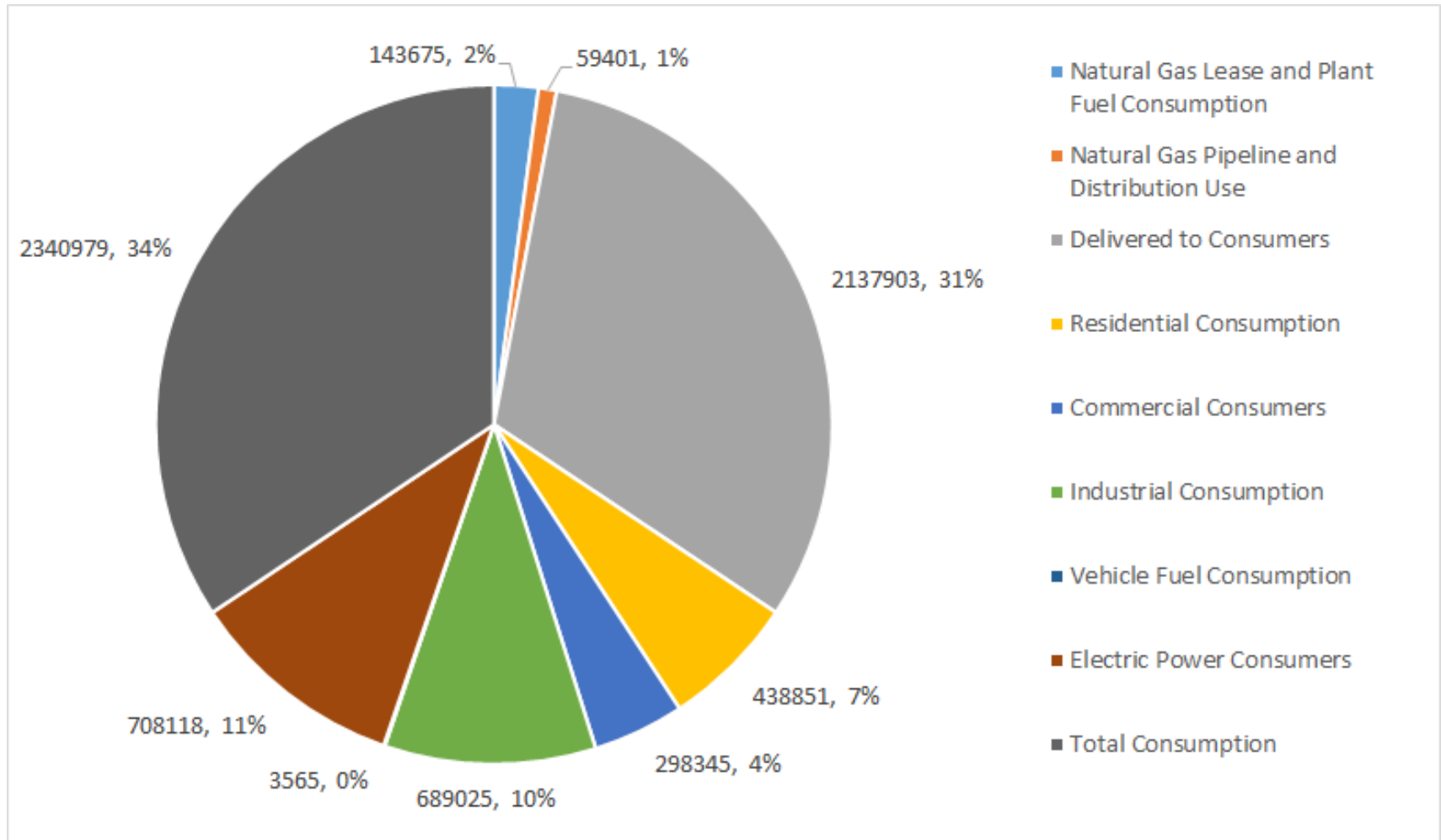
Enerplus is well-diversified with a near 50/50 split between oil and natural gas

Enerplus has made investments which resulted in ~20% lower emissions per year for the past 3 years

Enerplus is **well-positioned** to take advantage of industry drivers

- Trump's administration choking off supply from Iran (OPEC's 3rd largest producer)
- UAE and Saudi's boosting supplies to 405400 barrels/day to 10.42M - biggest jump
- Recent oil surge in past 18 months providing higher prices for shale drillers and other producers with higher prices to resume operations
- North American oil boom means OPEC members are producing enough to cover for themselves, factoring in Venezuela's economic crisis and US sanctions on Iran in 3+ years according to OPEC
- Iranian exports of 2.5M barrels a day strains abilities of Saudi's and partners
- Oil trading at near 3Y high due to concerns of supply crunch from disruptions in Libya, Venezuela, US Sanctions on Iran

Natural Gas End Uses (in MMcf)



Uses of Distillate Fuel Oil (in thousand gallons)

U.S. Distillate Sales and Deliveries to

