



Magnolia Oil & Gas

Third Quarter 2022 Earnings Presentation

November 2, 2022



Disclaimer



FORWARD LOOKING STATEMENTS

The information in this presentation and the oral statements made in connection therewith include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of present or historical fact included in this presentation, regarding Magnolia Oil & Gas Corporation’s (“Magnolia,” “we,” “us,” “our” or the “Company”) financial and production guidance, strategy, future operations, financial position, estimated revenues, and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this presentation, including any oral statements made in connection therewith, the words could, should, will, may, believe, anticipate, intend, estimate, expect, project, the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations and assumptions about future events. Except as otherwise required by applicable law, Magnolia disclaims any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this presentation. Magnolia cautions you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the control of Magnolia, incident to the development, production, gathering and sale of oil, natural gas and natural gas liquids. In addition, Magnolia cautions you that the forward looking statements contained in this press release are subject to the following factors: (i) the economic effects of the COVID-19 pandemic and actions taken by federal, state and local governments and other third parties in response to the pandemic; (ii) the outcome of any legal proceedings that may be instituted against Magnolia; (iii) Magnolia’s ability to realize the anticipated benefits of its acquisitions, which may be affected by, among other things, competition and the ability of Magnolia to grow and manage growth profitably; (iv) changes in applicable laws or regulations; (v) geopolitical and business conditions in key regions of the world; and (vi) the possibility that Magnolia may be adversely affected by other economic, business, and/or competitive factors, including inflation. Should one or more of the risks or uncertainties described in this press release occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. Additional information concerning these and other factors that may impact Magnolia’s operations and projections can be found in its filings with the Securities and Exchange Commission (the “SEC”), including its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on February 17, 2022. Magnolia’s SEC filings are available publicly on the SEC’s website at www.sec.gov.

NON-GAAP FINANCIAL MEASURES

This presentation includes non-GAAP financial measures, including free cash flow, EBITDAX, adjusted EBITDAX, adjusted cash operating costs and adjusted cash operating margin. Magnolia believes these metrics are useful because they allow Magnolia to more effectively evaluate its operating performance and compare the results of its operations from period to period and against its peers without regard to accounting methods or capital structure. Magnolia does not consider these non-GAAP measures in isolation or as an alternative to similar financial measures determined in accordance with GAAP. The computations of these non-GAAP measures may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDAX should not be considered an alternative to, or more meaningful than, net income as determined in accordance with GAAP. Certain items excluded from free cash flow, adjusted EBITDAX, adjusted cash operating costs and adjusted cash operating margin are significant components in understanding and assessing a company’s financial performance, and should not be construed as an inference that its results will be unaffected by unusual or non-recurring terms.

As performance measures adjusted EBITDAX, adjusted cash operating costs and adjusted cash operating margin may be useful to investors in facilitating comparisons to others in the Company’s industry because certain items can vary substantially in the oil and gas industry from company to company depending upon accounting methods, book value of assets, and capital structure, among other factors. Management believes excluding these items facilitates investors and analysts in evaluating and comparing the underlying operating and financial performance of our business from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis. As a liquidity measure, management believes free cash flow is useful for investors and widely accepted by those following the oil and gas industry as financial indicators of a company’s ability to generate cash to internally fund drilling and completion activities, fund acquisitions, and service debt. Our presentation of adjusted EBITDAX, free cash flow, adjusted cash operating costs and adjusted cash operating margin may not be comparable to similar measures of other companies in our industry. A free cash flow reconciliation is shown on page 13, adjusted EBITDAX reconciliation is shown on page 14 of the presentation and adjusted cash operating costs and adjusted cash operating margin reconciliations are shown on page 9.

INDUSTRY AND MARKET DATA

This presentation has been prepared by Magnolia and includes market data and other statistical information from sources believed by Magnolia to be reliable, including independent industry publications, governmental publications or other published independent sources. Some data is also based on the good faith estimates of Magnolia, which are derived from its review of internal sources as well as the independent sources described above. Although Magnolia believes these sources are reliable, it has not independently verified the information and cannot guarantee its accuracy and completeness.

Third Quarter 2022 Key Financial Metrics



- Record production volumes combined with higher year-over-year product prices resulted in significantly better financial metrics compared to the prior year period.
- Based on strong well results from both of our assets, ongoing efficiencies, and higher non-operated activity, third quarter total production increased 21% YOY.
 - Giddings and other production increased 30% YOY.
- Generated \$234 million of free cash flow and 65% Operating Income margins in 3Q22.
- During 3Q22, we repurchased a total of 3 million shares; repurchased 13.1 million shares YTD.

Key Financial Metrics	3Q22	3Q21	% Change
Net income (\$ MM)	\$287	\$160	79%
Diluted EPS (\$ per share)	\$1.29	\$0.67	93%
Operating income margin %	65%	60%	5%
Total production (Mboe/d)	81.5	67.4	21%
Giddings & Other production (Mboe/d)	47.9	36.8	30%
Adjusted EBITDAX (\$ MM) ⁽¹⁾	\$386	\$222	74%
D&C capex (\$ MM)	\$114	\$67	70%
D&C capex as a % of adjusted EBITDAX	30%	30%	0%
Free cash flow (\$ MM) ⁽¹⁾	\$234	\$143	63%
Cash balance as of period end (\$ MM)	\$690	\$245	181%
Weighted average diluted shares outstanding (MM) ⁽²⁾	218	236	-8%

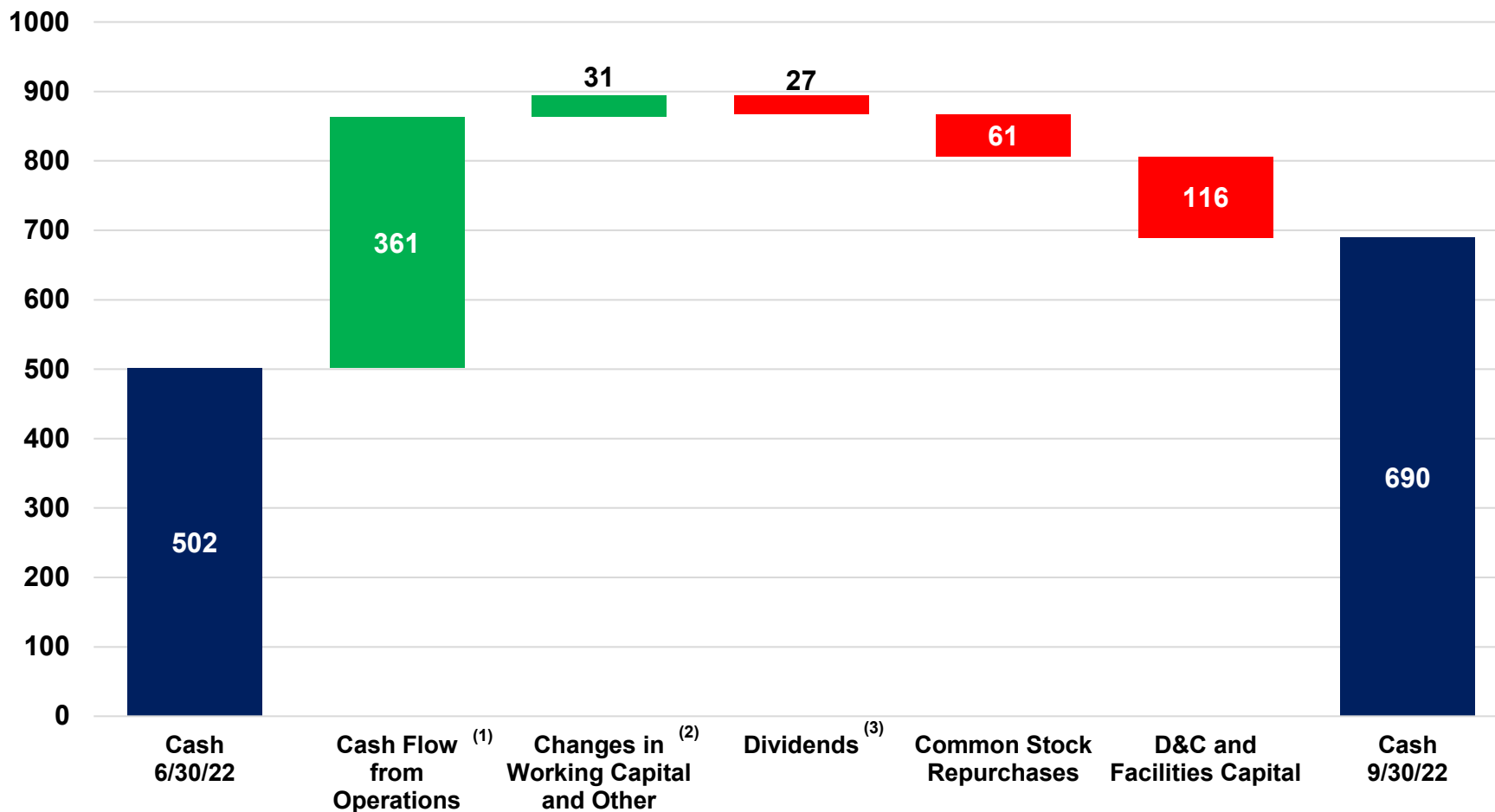
(1) Adjusted EBITDAX and Free Cash Flow are non-GAAP measures. For a reconciliation of the most comparable GAAP measure see pages 14 and 13.

(2) Weighted average total shares outstanding include diluted weighted average shares of Class A Common Stock outstanding during the period and shares of Class B Common Stock, which are anti-dilutive in the calculation of weighted average number of common shares outstanding.

3Q 2022 QTD Cash Flow Reconciliation



(In millions)



(1) Cash flow from operations before changes in working capital.

(2) Includes \$39 MM change in working capital including capital accruals and offset by a \$8 MM change in other investing and financing items.

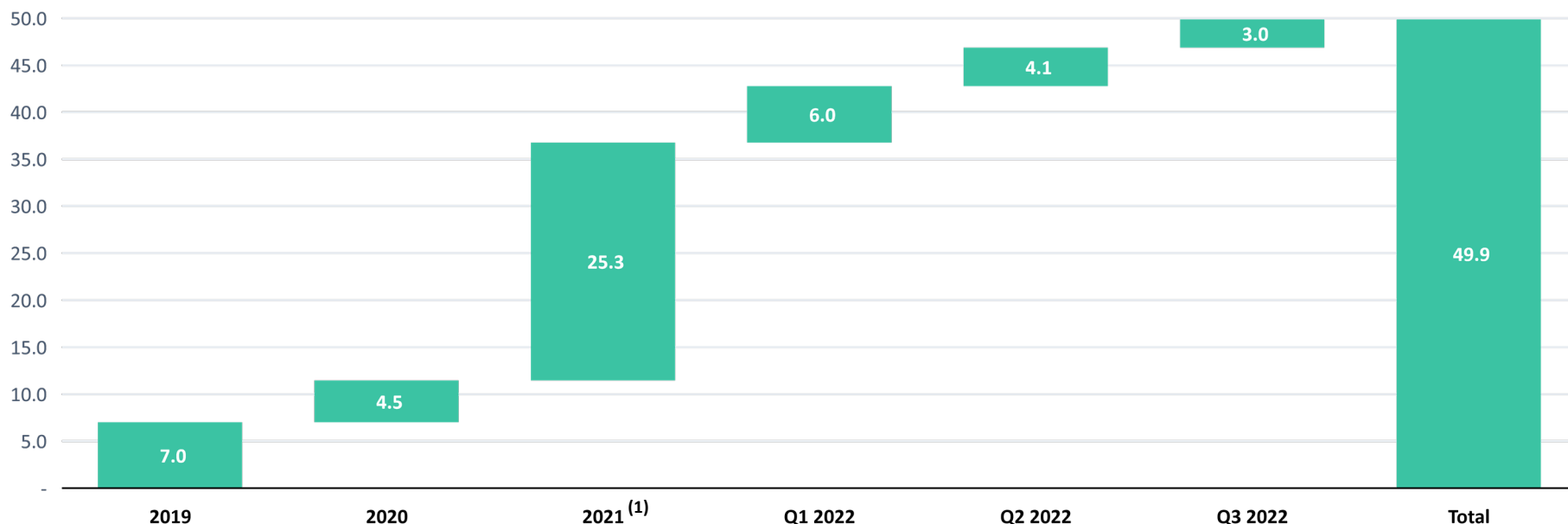
(3) Includes \$19 MM of dividends paid to Class A shareholders and \$8 MM of distributions to noncontrolling interest holders.

Share Repurchase Summary Through 3Q 2022



- Since the initial repurchase authorization in 3Q19, Magnolia has reduced its dilutive share count by 25.0⁽¹⁾ million shares of Class A common stock as well as 24.9 million shares of Class B common stock, for a **total reduction of 49.9 million shares, or approximately 19% of the diluted shares outstanding as of the authorization date.**
 - Repurchased 3 million shares during 3Q22.
- Magnolia plans to continue to opportunistically repurchase at least 1% of the total shares outstanding each quarter.
- There are 9.3 million shares remaining under the current share repurchase authorization.

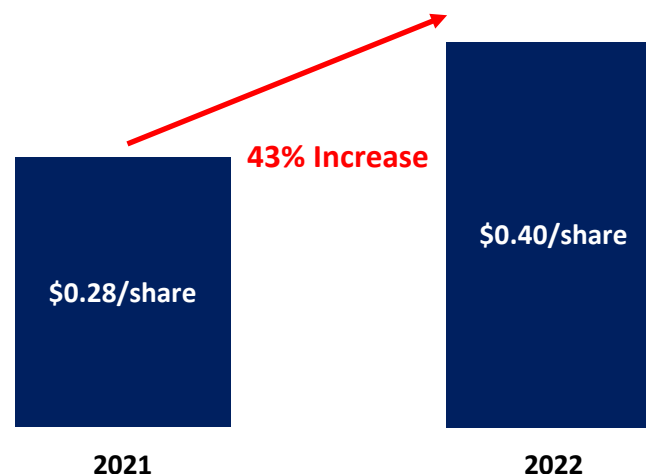
Share Reduction Summary (Million Shares)



(1) Class A share reduction includes 3.6 million non-compete shares that were paid in cash in lieu of stock in 2021.

Dividend Principles

- **Secure & Sustainable** – Dividend is safe, and supported by our strong balance sheet, prudent spending and consistent free cash flow
- **Paid out of Earnings** – Dividend is paid out of earnings generated by the business, and will not exceed 50% of the prior year's reported net income
- **Dividend Growth** – We expect each of these regular dividend payments to grow annually based on execution of our plan, which includes moderate production growth and share reduction



- The quarterly dividend rate of \$0.10 per share is a 43% annualized increase from 2021.
- Differentiated dividend framework is aligned with the principles of our business model and reinforces our plan and demonstrates the quality of our assets.
- Our approach is meant to appeal to long-term investors who seek dividend safety, moderate and regular dividend growth, and a dividend that is paid out of actual earnings.
- We intend to use this dividend framework to demonstrate the underlying results of our business in a stable product price environment (\$55 oil and \$3.50 natural gas), and within our current cost structure.
- Our objective is to provide a superior total shareholder return by improving the per share value of the enterprise while providing a secure and growing dividend.

Magnolia Oil & Gas – Summary Balance Sheets



(in thousands)

	September 30, 2022	December 31, 2021
Cash	\$689,539	\$366,982
Current assets	209,421	150,936
Property, plant and equipment, net	1,374,849	1,216,087
Other assets	26,827	12,737
Total assets	\$2,300,636	\$1,746,742
Current liabilities	\$341,972	\$218,545
Long-term debt, net	389,794	388,087
Other long-term liabilities	99,164	94,861
Total equity	1,469,706	1,045,249
Total liabilities and equity	\$2,300,636	\$1,746,742

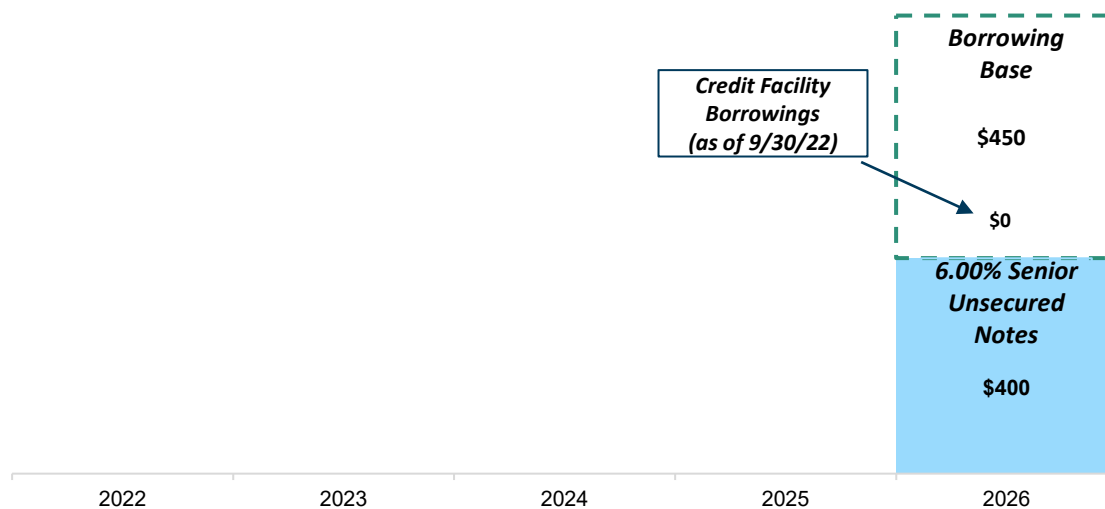
3Q 2022 Capital Structure and Liquidity Overview



Capital Structure Overview

- Maintaining low financial leverage profile
 - Currently have a net cash position of \$290 MM
 - Net Debt / Q3 Annualized adjusted EBITDAX of -0.2x
- Current Liquidity of \$1.1 billion, including fully undrawn credit facility ⁽¹⁾
- No debt maturities until senior unsecured notes mature in 2026

Debt Maturity Schedule (\$MM)



Capitalization & Liquidity (\$MM)

Capitalization Summary	As of 9/30/2022
Cash and Cash Equivalents	\$690
Revolving Credit Facility	\$0
6.00% Senior Notes Due 2026	\$400
Total Principal Debt Outstanding	\$400
Total Equity ⁽²⁾	\$1,470
Net Debt / Q3 Annualized Adjusted EBITDAX	-0.2x
Net Debt / Total Book Capitalization	-15%
Liquidity Summary	As of 9/30/2022
Cash and Cash Equivalents	\$690
Credit Facility Availability	\$450
Liquidity ⁽¹⁾	\$1,140

(1) Liquidity defined as cash plus availability under revolving credit facility.

(2) Total Equity includes noncontrolling interest.

Magnolia Oil & Gas – Margin and Cost Structure



<i>\$ / Boe, unless otherwise noted</i>	<i>For the Quarter Ended September 30, 2022</i>	<i>For the Quarter Ended September 30, 2021</i>
Revenue	\$64.40	Δ \$18.43/boe \$45.97
Total Cash Operating Costs:		
Lease Operating Expenses ⁽¹⁾	(4.59)	(3.79)
Gathering, Transportation & Processing	(2.57)	(1.86)
Taxes Other Than Income	(3.55)	(2.27)
Exploration Expenses	(0.16)	(0.05)
General & Administrative Expenses ⁽²⁾	(2.20)	(1.92)
Total Adjusted Cash Operating Costs ⁽³⁾	(13.07)	(9.89)
Adjusted Cash Operating Margin ⁽³⁾	\$51.33	\$36.08
Margin %	80%	78%
Non-Cash Costs:		
Depreciation, Depletion, and Amortization	(9.20)	(7.74)
Asset Retirement Obligations Accretion	(0.11)	(0.21)
Non-cash stock based compensation	(0.46)	(0.47)
Total non-cash expenses	(9.77)	(8.42)
Operating Income Margin	\$41.56	\$27.66
Margin %	65%	60%

(1) Lease operating expenses exclude non-cash stock based compensation of \$0.3 MM, or \$0.04 per boe, and \$0.1 MM, or \$0.02 per boe, for the quarters ended September 30, 2022 and 2021.

(2) General and administrative expenses exclude non-cash stock based compensation of \$3.1 MM, or \$0.42 per boe, and \$2.8 MM, or \$0.45 per boe, for the quarters ended September 30, 2022 and 2021, respectively.

(3) Adjusted cash operating costs and adjusted cash operating margin are non-GAAP measures. For reasons management believes this is useful to investors, refer to slide 2 "Non-GAAP Financial Measures."

ENVIRONMENTAL

Air Emissions

Reduced our 2021 GHG intensity rate by 9.5% compared to 2020, following an 8.2% reduction in 2019

Flaring

Do not conduct routine flaring; reduced our 2021 gas flared as a percent of total production by 72% compared to 2019

Fugitive Emissions

Integrate vapor recovery towers and units into storage tanks to minimize fugitive emissions

Surface Impacts

Use pad drilling to significantly reduce surface acreage needed for operations

Groundwater

Routinely install 7 alternating layers of steel and cement as a barrier between wellbores and groundwater

SOCIAL

Workforce Health & Safety

Have not recorded a fatal accident in connection with our operations since the company's inception

Training

In 2021, full-time field employees each received an average of 37 hours of safety training

Diversity

As of December 31, 2021, 26% of our employees were women (38% in our Houston corporate office) and 31% identified as a member of a minority group, as defined by the U.S. EEOC⁽¹⁾

Compensation

In 2021, every Magnolia employee received a minimum of 1,000 shares under our long-term incentive program

Workplace Flexibility

We offer a workplace flexibility program to eligible employees who can work from home effectively

GOVERNANCE

Board Independence

71% of board members are independent

Board Diversity

29% of board members are women; 14% identify as a member of a minority group

Executive Compensation

Ratio of 2021 Chief Executive Officer's compensation to median employee's compensation was 2.14 to 1

Say-on-Pay

More than 92% of stockholders approved say-on-pay at 2022 Annual Meeting of Stockholders

Oversight

Expanded the duties of our Nominating and Corporate Governance Committee to include formal oversight of ESG policies and practices

Magnolia 2022 Sustainability Report is Available on Our Website Under the Sustainability Tab

(1) U.S. Equal Employment Opportunity Commission

Appendix

Magnolia Oil & Gas – Overview



- High-quality, low-risk pure-play South Texas operator with a core Eagle Ford and Austin Chalk position acquired at an attractive entry multiple
- Significant scale and PDP base generates material free cash flow, reduces development risk, and increases optionality
- **Asset Overview:**
 - ~23,600 net acres in a well-delineated, low-risk position in the core of Karnes County, representing some of the most prolific acreage in the United States with industry leading break-evens
 - ~450,000 net acres in the Giddings area, a re-emerging oil play with significant upside and what we believe to be substantial inventory
 - Both assets expected to remain self funding and within cash flow

Market Statistics

Trading Symbol (NYSE)	MGY
Share Price as of 10/31/2022	\$25.68
Common Shares Outstanding ⁽¹⁾	216 million
Market Capitalization	\$5.5 billion
Long-term Debt – Principal	\$400 million
Cash as of 9/30/2022	\$690 million
Total Enterprise Value	\$5.3 billion

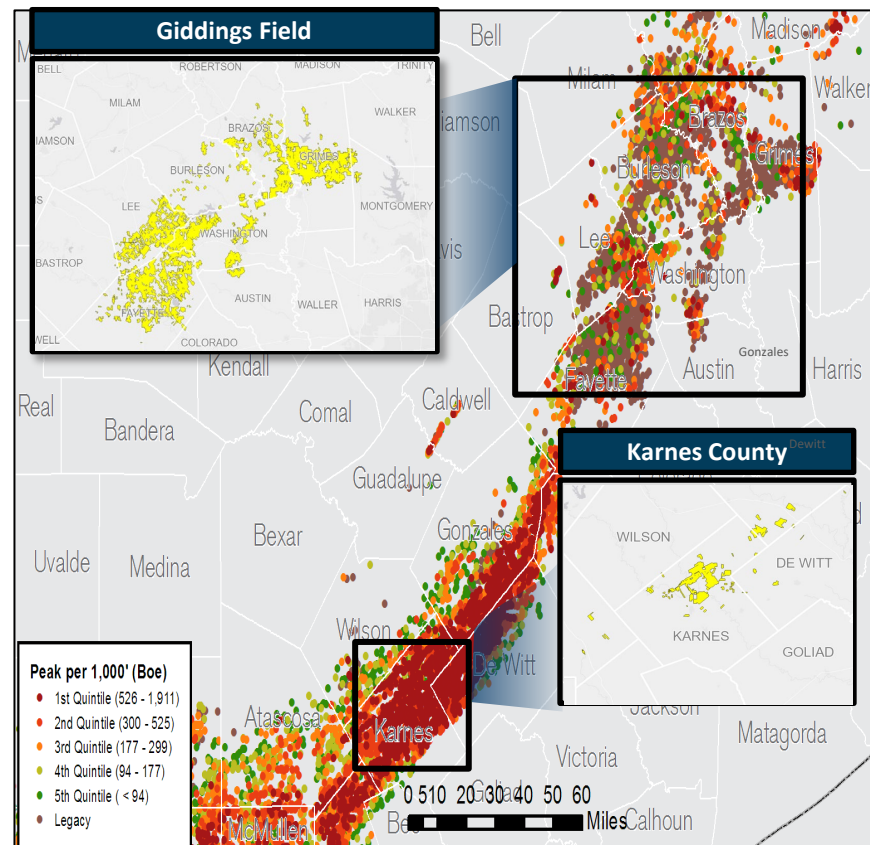
Operating Statistics

	Karnes	Giddings	Total
Net Acreage	23,622	448,263	471,885
3Q22 Net Production (Mboe/d) ⁽²⁾	33.6	47.9	81.5

(1) Common Stock outstanding includes Class A and Class B Stock.

(2) Giddings includes other production not located in the Giddings Field.

~472,000 Net Acre Position Targeting Two of the Top Oil Plays in the U.S.



Free Cash Flow Reconciliations



<i>(in thousands)</i>		
Free Cash Flow Reconciliation	For the Quarter Ended September 30, 2022	For the Quarter Ended September 30, 2021
Net cash provided by operating activities	\$410,681	\$221,904
Add back: Net change in operating assets and liabilities	(49,438)	(10,677)
Cash flows from operations before net change in operating assets and liabilities	\$361,243	\$211,227
Additions to oil and natural gas properties	(116,050)	(68,388)
Changes in working capital associated with additions to oil & gas properties	(11,342)	621
Free cash flow ⁽¹⁾	\$233,851	\$143,460

(1) Free cash flow is a non-GAAP measure. For reasons management believes this is useful to investors, refer to slide 2 "Non-GAAP Financial Measures."

Adjusted EBITDAX Reconciliations



(in thousands)

Adjusted EBITDAX reconciliation to net income	For the Quarter Ended September 30, 2022	For the Quarter Ended September 30, 2021
Net income	\$286,963	\$159,907
Exploration expenses	1,173	317
Asset retirement obligations accretion	814	1,329
Depreciation, depletion and amortization	68,972	47,993
Interest expense, net	5,263	7,474
Income tax expense	19,358	3,631
EBITDAX ⁽¹⁾	\$382,543	\$220,651
Non-cash stock based compensation expense	3,462	2,910
Unrealized loss on derivatives, net	-	(2,043)
Adjusted EBITDAX ⁽¹⁾	\$386,005	\$221,518

(1) EBITDAX and Adjusted EBITDAX are non-GAAP measures. For reasons management believes these are useful to Investors, refer to slide 2 "Non-GAAP Financial Measures."

Magnolia Oil & Gas – Operating Highlights



	For the Quarter Ended September 30, 2022	For the Quarter Ended September 30, 2021
Production:		
Oil (MBbls)	3,381	2,851
Natural gas (MMcf)	13,364	11,429
Natural gas liquids (MBbls)	1,892	1,444
Total (Mboe)	7,500	6,200
Average daily production:		
Oil (Bbls/d)	36,751	30,989
Natural gas (Mcf/d)	145,257	124,224
Natural gas liquids (Bbls/d)	20,568	15,692
Total (Boe/d)	81,529	67,385
Revenues (in thousands):		
Oil revenues	\$317,243	\$195,642
Natural gas revenues	100,124	43,781
Natural gas liquids revenues	65,596	45,619
Total Revenues	\$482,963	\$285,042
Average Sales Price:		
Oil (per Bbl)	\$93.83	\$68.62
Natural gas (per Mcf)	7.49	3.83
Natural gas liquids (per Bbl)	34.66	31.60
Total (per Boe)	\$64.40	\$45.97
NYMEX WTI (per Bbl)	\$91.64	\$70.55
NYMEX Henry Hub (per Mcf)	\$8.19	\$4.01
Realization to benchmark: ⁽¹⁾		
Oil (% of WTI)	102%	97%
Natural gas (% of Henry Hub)	91%	96%

(1) Benchmarks are the NYMEX WTI and NYMEX HH average prices for oil and natural gas, respectively.

Magnolia Oil & Gas – Production Results



	Combined	Karnes	Giddings & Other	Combined	Karnes	Giddings & Other
	For the Quarter Ended September 30, 2022			For the Quarter Ended September 30, 2021		
Production:						
Oil (MBbls)	3,381	1,828	1,553	2,851	1,631	1,220
Natural gas (MMcf)	13,364	3,869	9,495	11,429	3,872	7,557
Natural gas liquids (MBbls)	1,892	621	1,271	1,444	540	904
Total (Mboe)	7,500	3,094	4,406	6,200	2,816	3,384

Average Daily Production Volume:

Oil (MBbls/d)	36.8	19.9	16.9	31.0	17.7	13.3
Natural gas (MMcf/d)	145.3	42.1	103.2	124.2	42.1	82.1
Natural gas liquids (MBbls/d)	20.6	6.8	13.8	15.7	5.9	9.8
Total (MBoe/d)	81.5	33.6	47.9	67.4	30.6	36.8