

# Magnolia Oil & Gas Corporation Investor Presentation – June 2023



# 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, 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”) 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 supply and demand for oil, natural gas, NGLs, and other products or service, including the impacts of actions taken by OPEC and other state-controlled oil companies ; (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 the operations and projections discussed herein can be found in Magnolia’s filings with the Securities and Exchange Commission (the “SEC”), including its Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Magnolia’s SEC filings are available publicly on the SEC’s website at [www.sec.gov](http://www.sec.gov).

## NON-GAAP FINANCIAL MEASURES

This presentation includes non-GAAP financial measures, including adjusted net income, free cash flow, EBITDAX, adjusted EBITDAX, adjusted cash operating costs, adjusted cash operating margin and adjusted operating income 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, adjusted cash operating margin and adjusted 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 net income, adjusted EBITDAX, adjusted cash operating costs, adjusted cash operating margin and adjusted operating income 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 net income, adjusted EBITDAX, free cash flow, adjusted cash operating costs, adjusted cash operating margin and adjusted operating income margin may not be comparable to similar measures of other companies in our industry. A free cash flow reconciliation is shown on page 19, adjusted EBITDAX reconciliation is shown on page 21 of the presentation, adjusted net income is shown on page 22, and adjusted cash operating costs, adjusted cash operating margin and adjusted operating income margin reconciliations are shown on page 20.

## 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.

# 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:**
  - ~22,800 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
  - ~460,000 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

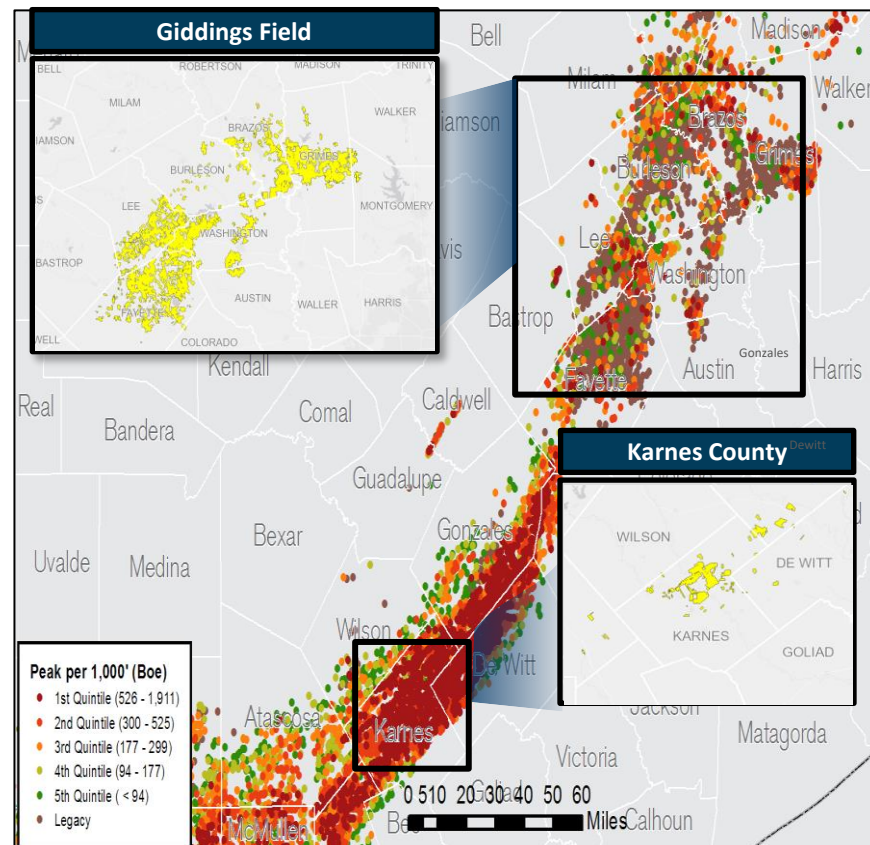
## Market Statistics

Trading Symbol (NYSE)	MGY
Share Price as of 6/19/2023	\$20.73
Common Shares Outstanding <sup>(1)</sup>	212 million
Market Capitalization	\$4.4 billion
Long-term Debt – Principal	\$400 million
Cash as of 3/31/2022	\$667 million
Total Enterprise Value	\$4.1 billion

## Operating Statistics

	Karnes	Giddings	Total
Net Acreage	22,785	459,246	482,031
1Q23 Net Production (Mboe/d) <sup>(2)</sup>	27.0	52.3	79.3

~482,000 Net Acre Position Targeting Two of the Top Oil Plays in the U.S.



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

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

## Magnolia Value Creation Principles

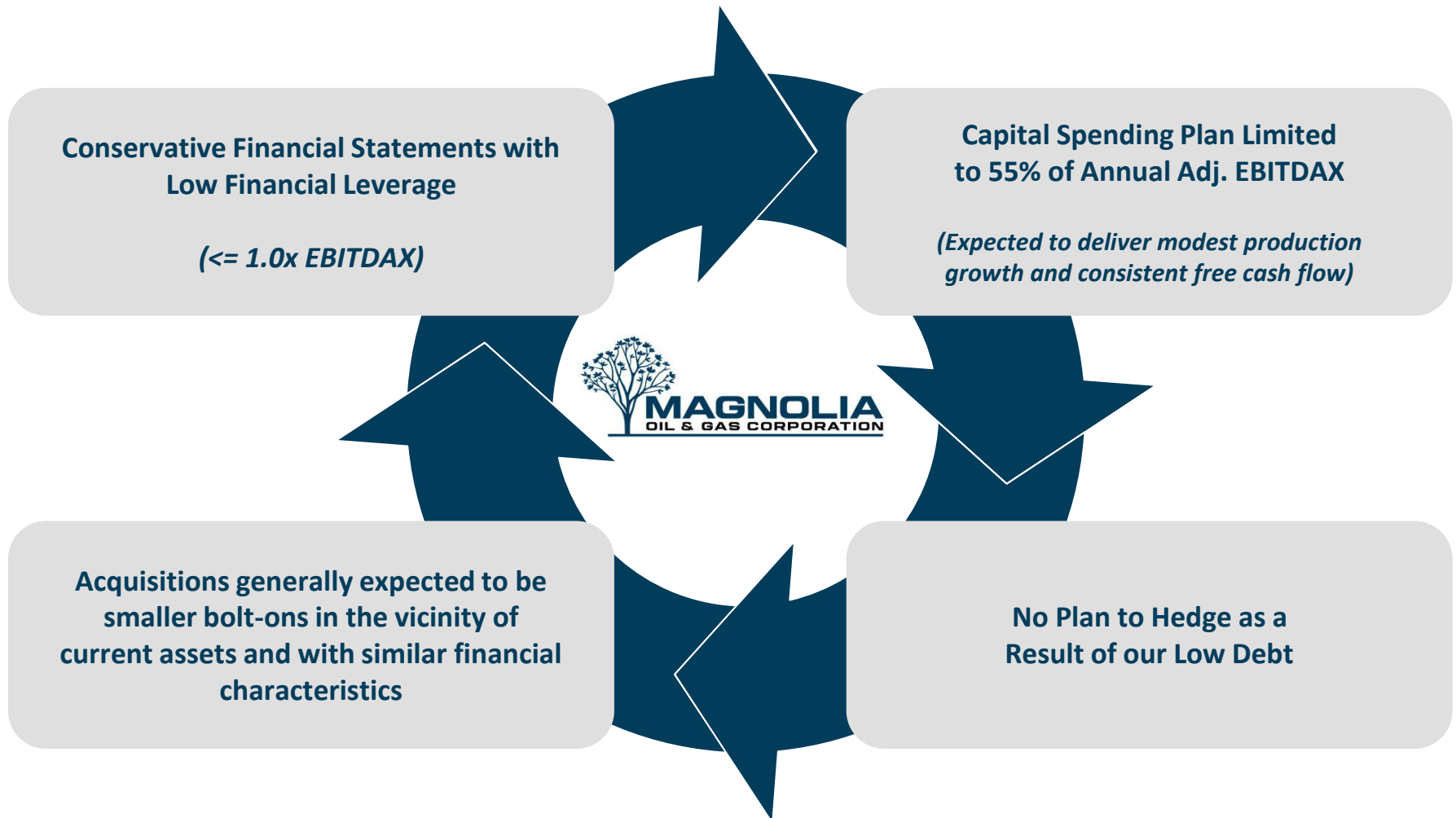
- 1 Generate moderate annual organic production growth**
- 2 Limit D&C capital to 55% of annual Adjusted EBITDAX, providing significant free cash flow**
- 3 Maintain conservative financial leverage profile**
- 4 Generate high full-cycle operating margins**
- 5 Prudent & effective reinvestment of free cash flow to maximize shareholder returns**

## Objectives & Execution

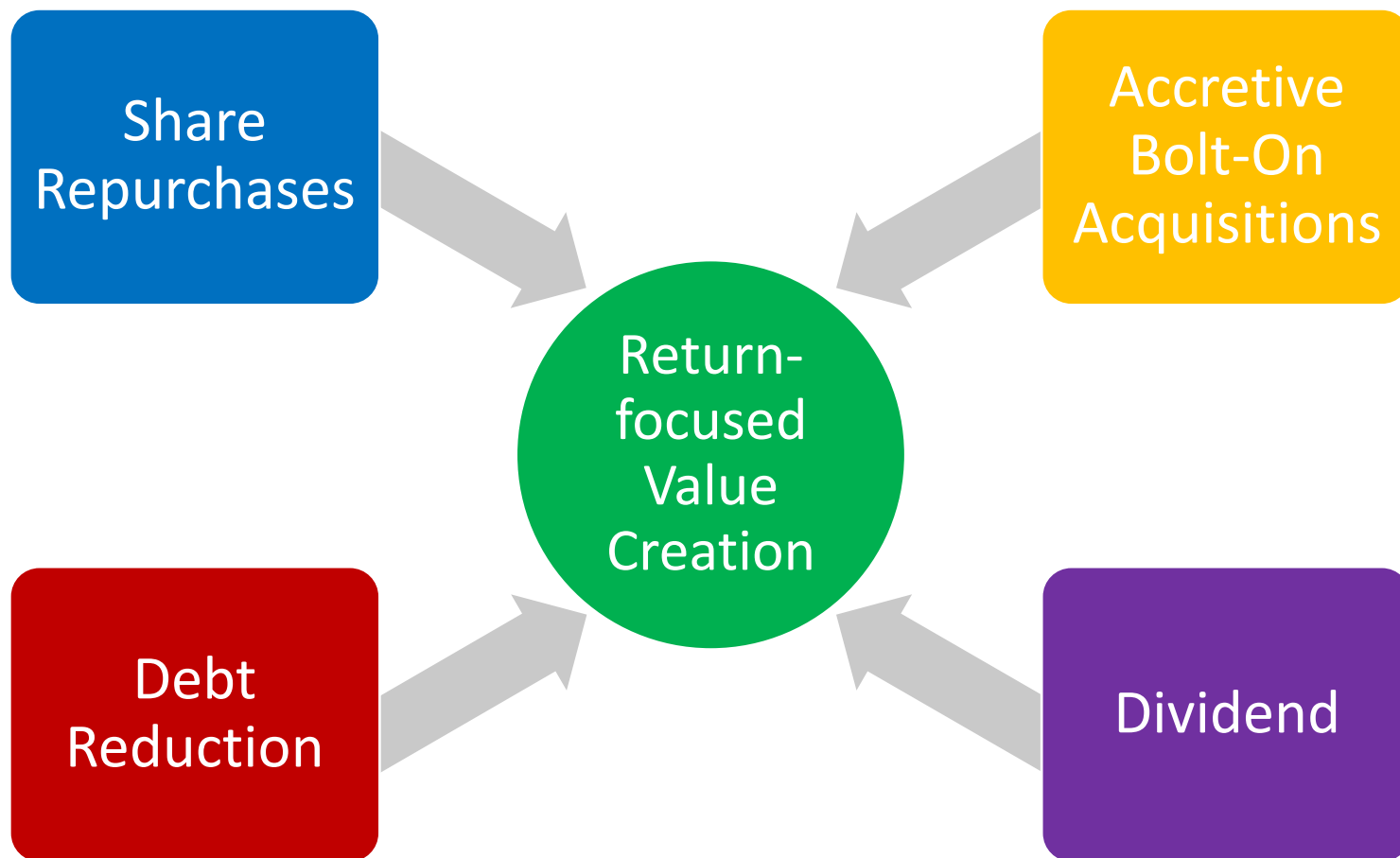
- 2022 production growth was 14%
- Actual D&C capital spending since company inception through 1Q23 is 45% of Operating Cash Flow
- \$400 million of principal debt outstanding and \$667 million of cash on the balance sheet as of 3/31/23
- Operating income margins were 63% during 2022
- Closed ~\$452 million of bolt-on acquisitions since inception while increasing our Karnes net acreage position by ~35% and Giddings by ~33%
- Repurchased 54.7 <sup>(1)</sup> million shares of Magnolia stock since inception of repurchase program (3Q19)
- Increased the dividend 15% in 2023 to \$0.46 per share annually

(1) Includes Class A, Class B, and non-compete shares paid in cash.

# Magnolia Oil & Gas – Prudent Financial Policy



Return-focused, long-term value creation through (1) moderate annual production growth, (2) share repurchases, (3) accretive bolt-on acquisitions, and (4) a secure and growing dividend.

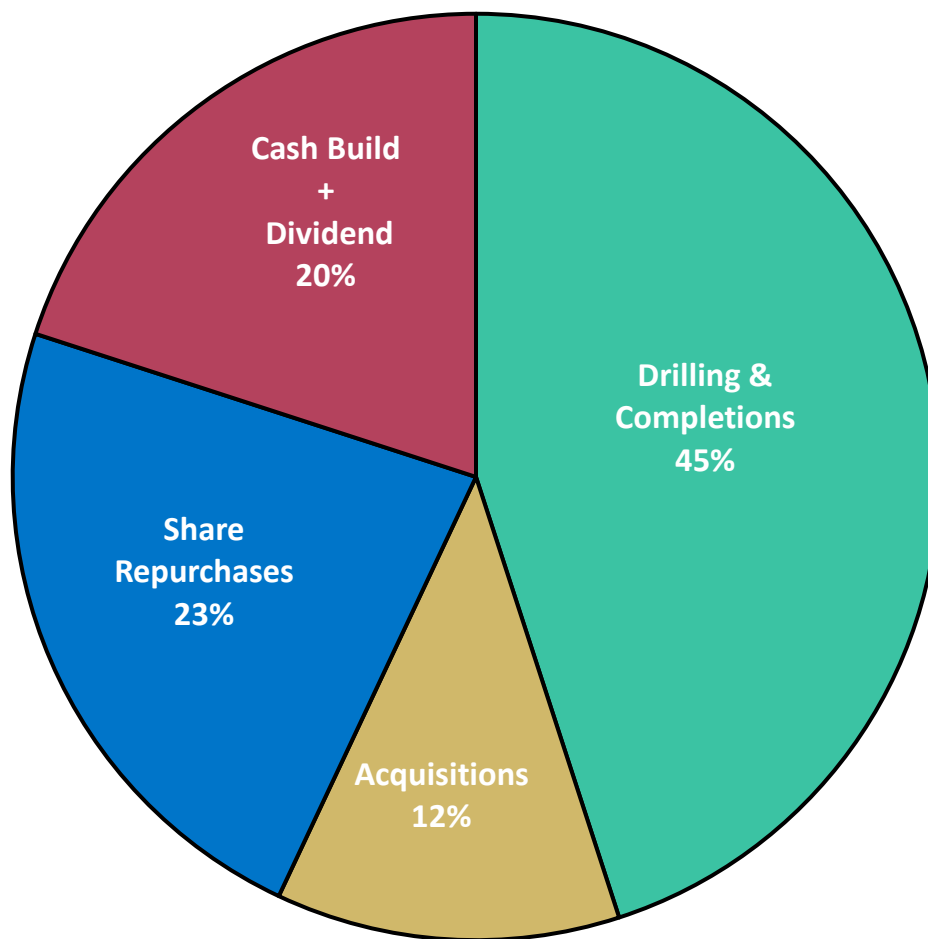


Consistent free cash flow generation allows for prudent and effective reinvestment to maximize Magnolia's total shareholder return proposition.

# Cash Flow Allocation Matches Magnolia's Business Model



*(Percentage of Operating Cash Flow <sup>(1)</sup> – Since Inception - 7/31/18 thru 3/31/23)*



(1) Operating Cash Flow is cash flow from operations before changes in working capital.



# Share Repurchase Summary Through 1Q 2023



- Since the initial repurchase authorization in 3Q19, Magnolia has reduced its dilutive share count by 27.8<sup>(1)</sup> million shares of Class A common stock as well as 26.9 million shares of Class B common stock, for a **total reduction of 54.7 million shares, or approximately 21% of the diluted shares outstanding as of the authorization date.**
  - Repurchased 2.4 million shares during 1Q23.
- Magnolia plans to continue to opportunistically repurchase at least 1% of the total shares outstanding each quarter.
- There are 6.5 million shares remaining under the current share repurchase authorization.

## Share Reduction Summary (Million Shares)

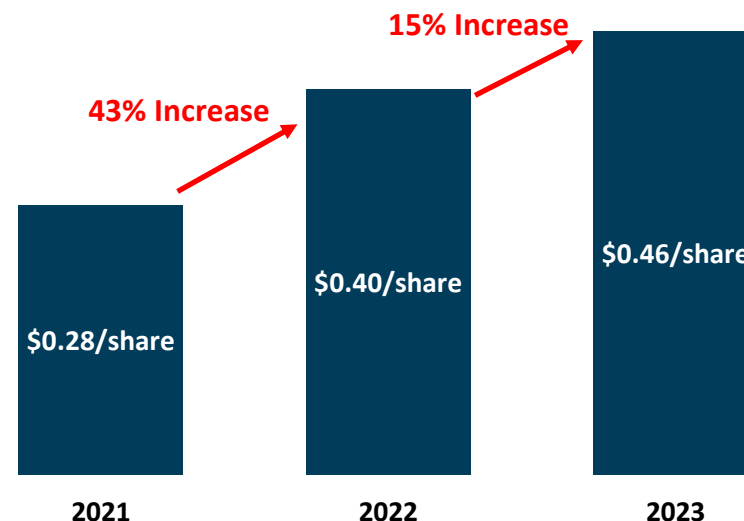


(1) Class A share reduction includes 3.6 million non-compete shares that were paid in cash in lieu of stock in 2021.



## 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 \$0.115 per share is a 15% increase from 2022.
- 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.

## Level of Risk Generally Acceptable to Magnolia

<b><u>Risk Factor</u></b>	<b><u>Low</u></b>	<b><u>Moderate</u></b>	<b><u>Fully Exposed</u></b>
<b>Geologic/Exploratory</b>	✓		
<b>Political</b>	✓		
<b>Cost Risk</b>		✓	
<b>Reinvestment</b>		✓	
<b>Commodity</b>			✓
<b>Financial</b>	✓		



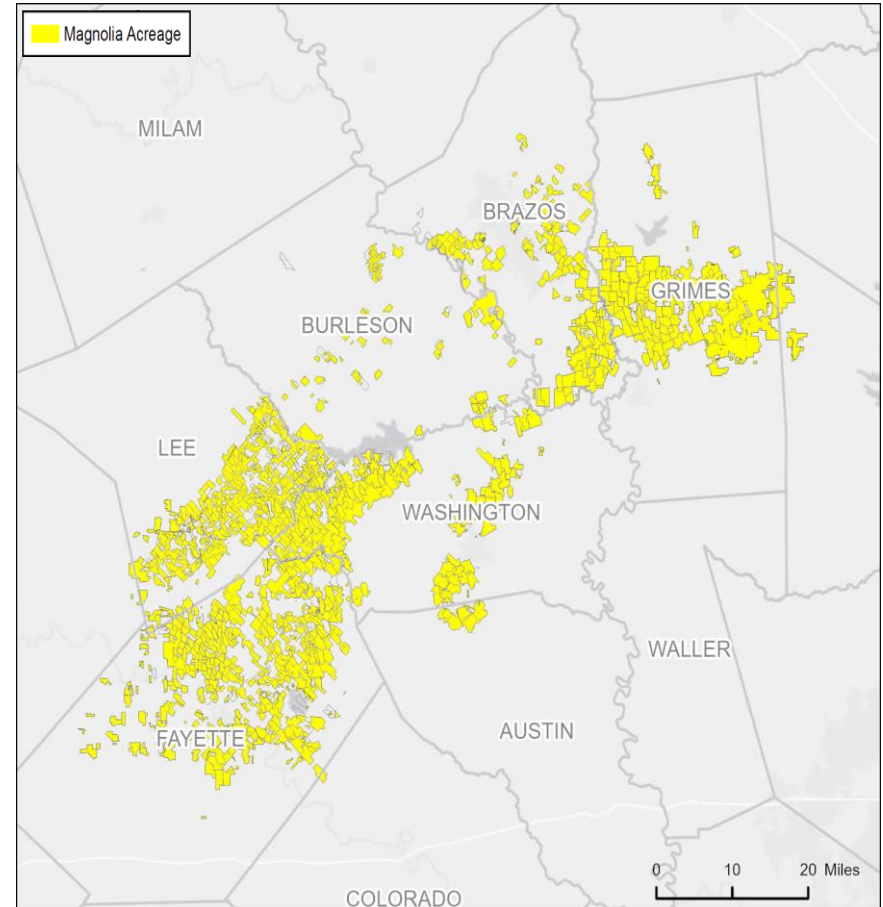
# Asset Overview

# Giddings Field – Development & Appraisal Opportunities

## Giddings Asset Overview

- Emerging, high-growth asset with extensive inventory potential and significant development flexibility
- ~650,000 gross acres (~460,000 net acres) that is 99% HBP and 98% operated. 1Q 2023 production averaged 51.3 Mboe/d (39% oil, 68% liquids)
- HBP nature of asset allows for systematic delineation and optimization of play while generating free cash flow
- Shallower production declines allow for more stable cash flows and beneficial with higher future oil prices
- Modern high-intensity completions have resulted in a step-change improvement in well performance
- Have successfully transitioned 70,000 acres to development
- We could have at least 1,000 locations based on conservative spacing assumptions

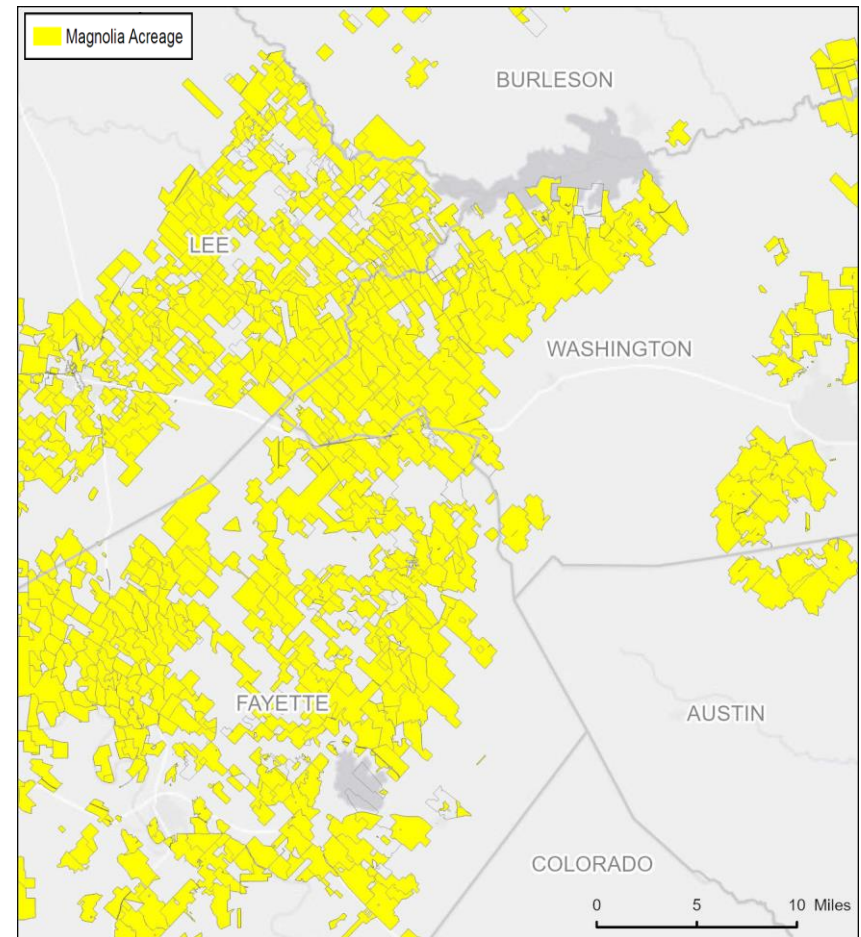
## Lease Map



**With significant scale and high HBP position, Giddings offers a unique opportunity to develop an emerging play while generating free cash flow**

# Giddings Field – Development

- MGY has identified some contiguous acreage blocks which have produced consistent results to date. One of these areas comprises ~70,000 acres.
  - Operating one full-time rig drilling development wells in this area
  - Have greater than 90 horizontal wells online
- 1Q23 production at Giddings has increased 28% YOY
- We entered full field development during 2021
  - Primarily drilling 4 well pads
  - Drilling efficiency increased 20% compared to 2021
  - Have averaged 8,000 ft laterals during 2022
- Benefits of Giddings:
  - Low entry costs and high economic returns
  - Shallower production declines
  - High EURs with low F&D Costs



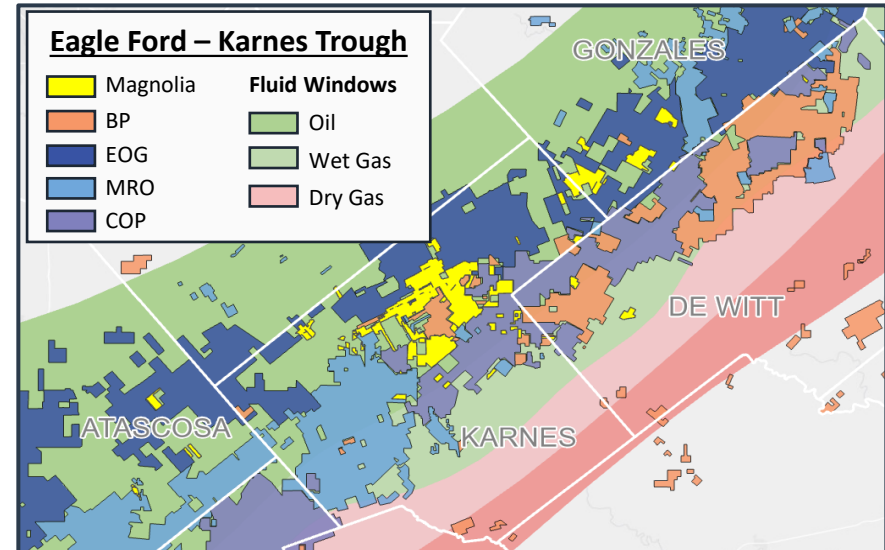
Note: All MGY Giddings acreage not displayed on map.

# Karnes County – Core Eagle Ford and Austin Chalk

## Key Asset Highlights

- World-class acreage footprint located in the core of the Eagle Ford, substantially de-risked
  - ~22,800 net acres, 60% operated, 98% HBP, 27.0 Mboe/d 1Q23 production (58% oil, 78% liquids)
  - EOG represents ~60% of non-operated activity
- Provides substantial free cash flow
  - Full field development allows for operational efficiencies and improved performance
- Well-known, repeatable acreage position targeting multiple benches and represents some of the best economics in North America

## Premier Position in the Core of the Eagle Ford



**Core position in Karnes County Oil Window adjacent to EOG and Marathon  
and less than 1-year new well paybacks**



## 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 2022, full-time field employees each received an average of 37 hours of safety training

### Diversity

As of December 31, 2022, 25% of our employees were women (39% in our Houston corporate office) and 30% identified as a member of a minority group, as defined by the U.S. EEOC<sup>(1)</sup>

### Compensation

In 2022, 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 2022 Chief Executive Officer's compensation to median employee's compensation was 22.26 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





## High Quality Assets Positioned for Success

- Coveted position in core of Karnes County with industry leading breakevens
- Emerging position in the Giddings Field with 70,000 acres now in development.



## Positive Free Cash Flow and Leading Margins

- One of the select upstream independents that has generated substantial free cash flow after capital expenditures
- Leading free cash flow yield at a wide range of commodity prices versus the vast majority of the E&P group



## Multiple Levers of Growth

- Modest organic growth through proven drilling while remaining well within cash flow (~55% of EBITDAX)
- Low debt and strong free cash flow allows Magnolia to pursue accretive bolt-on acquisitions or buy back stock which improves the Company's per share metrics



## Strong Balance Sheet, Financial Flexibility & Conservative Financial Policy

- Conservative leverage profile with \$667 million of cash and only \$400 million of principal total debt outstanding<sup>(1)</sup>
- Substantial liquidity of \$1.1 billion<sup>(1)</sup>

<sup>(1)</sup> Liquidity defined as cash plus availability under revolving credit facility as of 3/31/2023.



# Appendix

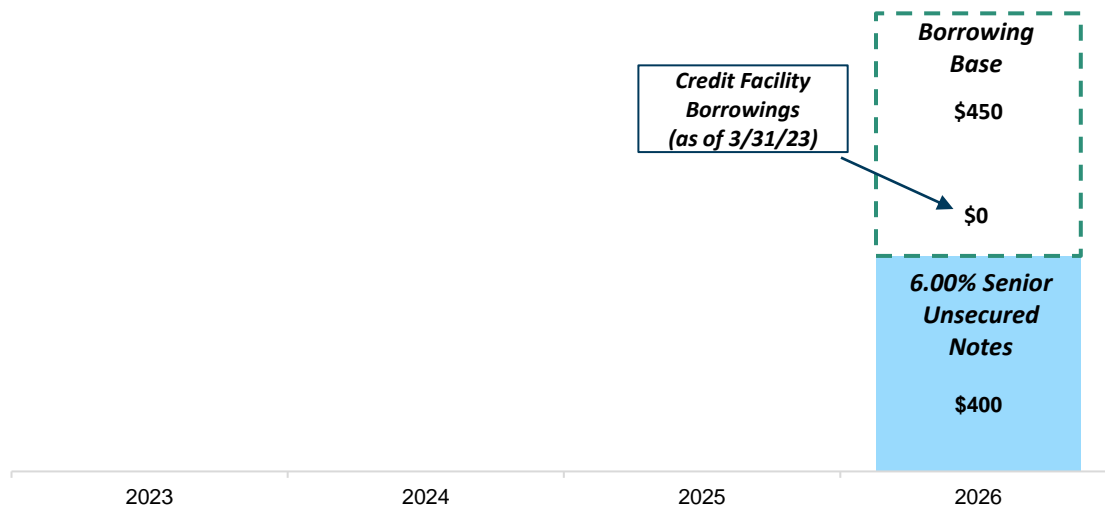
# 1Q 2023 Capital Structure and Liquidity Overview



## Capital Structure Overview

- Maintaining low financial leverage profile
  - Currently have a net cash position of \$267 MM
  - Net Debt / Q1 annualized adjusted EBITDAX of -0.3x
- Current Liquidity of \$1.1 billion, including fully undrawn credit facility <sup>(1)</sup>
- No debt maturities until senior unsecured notes mature in 2026

## Debt Maturity Schedule (\$MM)



## Capitalization & Liquidity (\$MM)

### Capitalization Summary As of 3/31/2023

Cash and Cash Equivalents	\$667
Revolving Credit Facility	\$0
6.00% Senior Notes Due 2026	\$400
<b>Total Principal Debt Outstanding</b>	<b>\$400</b>
<b>Total Equity <sup>(2)</sup></b>	<b>\$1,767</b>

Net Debt / Q1 Annualized Adjusted EBITDAX	-0.3x
Net Debt / Total Book Capitalization	-12%

### Liquidity Summary As of 3/31/2023

Cash and Cash Equivalents	\$667
Credit Facility Availability	\$450
<b>Liquidity <sup>(1)</sup></b>	<b>\$1,117</b>

(1) Liquidity defined as cash plus availability under revolving credit facility.  
 (2) Total Equity includes noncontrolling interest.

# Free Cash Flow Reconciliations



<i>(in thousands)</i>	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
Net cash provided by operating activities	\$219,823	\$238,869
Add back: Changes in operating assets and liabilities	(5,647)	29,343
<b>Cash flows from operations before changes in operating assets and liabilities</b>	<b>\$214,176</b>	<b>\$268,212</b>
Additions to oil and natural gas properties	(138,645)	(84,230)
Changes in working capital associated with additions to oil & gas properties	(14,977)	13,946
<b>Free cash flow<sup>(1)</sup></b>	<b>\$60,554</b>	<b>\$197,928</b>

(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."

# Magnolia Oil & Gas – Margin and Cost Structure



<i>\$ / Boe, unless otherwise noted</i>	<i>For the Quarter Ended March 31, 2023</i>	<i>For the Quarter Ended March 31, 2022</i>
Revenue	\$43.18	\$58.44
Total Cash Operating Costs:		
Lease Operating Expenses <sup>(1)</sup>	(5.87)	(4.41)
Gathering, Transportation & Processing	(1.78)	(2.45)
Taxes Other Than Income	(2.70)	(3.23)
Exploration Expense	-	(0.86)
General & Administrative Expense <sup>(2)</sup>	(2.30)	(2.23)
Total Adjusted Cash Operating Costs <sup>(3)</sup>	(12.65)	(13.18)
<b>Adjusted Cash Operating Margin <sup>(3)</sup></b>	<b>\$30.53</b>	<b>\$45.26</b>
<b>Margin %</b>	<b>71%</b>	<b>77%</b>
Non-Cash Costs:		
Depreciation, Depletion, and Amortization	(9.90)	(8.21)
Impairment of oil and natural gas properties <sup>(4)</sup>	(2.20)	-
Asset Retirement Obligations Accretion	(0.12)	(0.12)
Non-cash stock based compensation	(0.53)	(0.45)
Total non-cash costs	(12.75)	(8.78)
<b>Operating Income Margin</b>	<b>\$17.78</b>	<b>\$36.48</b>
Add back: Impairment of oil and natural gas properties <sup>(4)</sup>	2.20	-
<b>Adjusted Operating Income Margin <sup>(3)</sup></b>	<b>\$19.98</b>	<b>\$36.48</b>
<b>Margin %</b>	<b>46%</b>	<b>62%</b>

**92% of the decrease in  
Adjusted Operating  
Margin is due to price**

**\$15.26/Boe**

**\$16.50/Boe**

- (1) Lease operating expenses exclude non-cash stock based compensation of \$0.4 MM, or \$0.06 per boe, and \$0.2 MM, or \$0.04 per boe, for the quarters ended March 31, 2023 and 2022, respectively
- (2) G&A expenses exclude non-cash stock comp of \$3.4 MM, or \$0.47 per boe, and \$2.7 MM, or \$0.41 per boe, for the quarters ended March 31, 2023 and 2022, respectively
- (3) Adjusted cash operating costs, adjusted cash operating margin and adjusted operating income margin are non-GAAP measures. For reasons management believes this is useful to investors, refer to slide 2 "Non-GAAP Financial Measures."
- (4) The proved property impairment was related to the natural gas well located in St. Martin Parish, Louisiana.

# Adjusted EBITDAX Reconciliations



<i>(in thousands)</i>	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
Net income	\$106,677	\$208,620
Exploration expenses	11	5,538
Asset retirement obligation accretion	841	789
Depreciation, depletion and amortization	70,701	53,106
Interest (income) expense, net	(487)	9,357
Income tax expense	19,605	18,100
<b>EBITDAX <sup>(1)</sup></b>	<b>\$197,348</b>	<b>\$295,510</b>
Impairment of oil and natural gas properties <sup>(2)</sup>	15,735	-
Non-cash stock based compensation expense	3,772	2,885
<b>Adjusted EBITDAX <sup>(1)</sup></b>	<b>\$216,855</b>	<b>\$298,395</b>

(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."

(2) The proved property impairment was related to the natural gas well located in St. Martin Parish, Louisiana.

# Adjusted Net Income Reconciliation



<i>(in thousands)</i>	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
Net income	\$106,677	\$208,620
Adjustments:		
Impairment of oil and natural gas properties <sup>(1)</sup>	15,735	-
Change in estimated income tax <sup>(2)</sup>	(3,089)	-
<b>Adjusted Net Income <sup>(3)</sup></b>	<b>\$119,323</b>	<b>\$208,620</b>

<i>(in thousands)</i>	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
<b>Total Share Count</b>		
Diluted weighted average shares of Class A Common Stock outstanding during the period	192,054	183,163
Weighted average shares of Class B Common Stock outstanding during the period <sup>(4)</sup>	21,827	44,267
<b>Total weighted average shares of Class A and B Common Stock, including dilutive impact of other securities <sup>(4)</sup></b>	<b>213,881</b>	<b>227,430</b>

(1) The proved property impairment was related to the natural gas well located in St. Martin Parish, Louisiana.

(2) Represents corporate income taxes at an assumed annual effective tax rate of 19.6% for the quarter ended March 31, 2023.

(3) Adjusted Net Income is a non-GAAP measure. For reasons management believes this is useful to investors, refer to slide 2 "Non-GAAP Financial Measure."

(4) Shares of Class B Common Stock, and corresponding Magnolia LLC Units, are anti-dilutive in the calculation of weighted average number of common shares outstanding.