



Figure 32: Relative Value – Higher Quality Gassy

Higher Quality Gassy	AR	RRC	SWN	GPOR
Bond Details				
Rank	Senior	Senior	Senior	Senior
Maturity	1-Jun-23	15-Mar-23	23-Jan-25	1-May-23
Coupon	5.63	5.00	4.95	5.63
Am't Outstanding	750	750	1000	350
S&P/Rtg	Ba3(Stable)/ BB(Stable)	Ba3(Pos)/ BB+(Stable)	B1(Stable)/BB-(Pos)	B2(Pos)/B+(Pos)
Bond Pricing				
Bid Price	104.0	98.5	103.8	102.0
YTW (in %)	4.36	5.33	6.02	5.96
OAS (in bps)	215	312	371	378
Play/Basin exposure (based on Q3 17 prod)	Appalacha-100%	Appalacha-80% North Louisiana - 20%	Appalacha -66% Fayetteville -34%	Ulca-82% SCOOP - 18%
LTM Operational and Credit Metrics ⁽¹⁾				
Production (Bcfe)	631	704	861	354
Production Growth YoY (%)	25%	34%	-7%	41%
Gas Mbt	76%	67%	80%	86%
EBITDA (\$M)	1,488	1,090	1,138	828
Unhedged EBITDA	1,161	987	1,174	677
Total Debt (\$M)	4,511	3,982	4,438	2,039
Cash (\$M)	24	1	989	206
Market Cap	6,416	5,047	3,187	2,225
Enterprise Value (\$M)	11,835	9,025	8,359	4,059
Borrowing Base (\$M)	6,000	3,000	NA	1,000
Commitment (\$M)	4,000	2,000	800	NA
Revolver Available (\$M)	2,848	628	486	763
Net Leverage	3.0x	3.7x	3.0x	2.6x
Unhedged Net Leverage	3.9x	4.0x	2.9x	2.7x
Interest Coverage	5.3x	6.7x	4.4x	6.6x
Liquidity Available (\$M)	2,872	629	1,475	966
Debt/Flowing Mcfe	2,399	2,005	1,760	1,700
Debt/EV - Current	30%	44%	53%	50%
LTM Cash Flow Bridge				
EBITDA ⁽²⁾	1,488	1,090	1,138	828
Current tax	11	0	14	(23)
Capex	(1,603)	(904)	(1,145)	(1,103)
Change in W/C	(33)	(64)	(76)	63
Cash Available for Debt Service	(338)	122	(71)	(434)
Interest (excl capitalized interest)	(281)	(162)	(144)	(85)
FCF	(617)	(46)	(215)	(519)
Acquisition	(483)	(61)	0	(1,336)
Divestitures	172	30	13	8
FCF (incl asset sale)	(928)	(72)	(202)	(1,850)
Reserve Metrics as of FY16				
1P Reserve (Bcfe)	15,384	10,310	5,253	2,319
Proved Developed Mx (%)	45%	52%	96%	37%
Liquid Mx (%)	39%	33%	7%	7%
Reserve Life ⁽³⁾	18	14	6	6
PV-10	3,676	3,727	1,665	696
Reserve Life (PD) ⁽⁴⁾	8.3	7.3	5.8	2.2
Net Debt/1P (\$/mcf)	0.3	0.4	0.7	0.8
EV/1P (\$/mcf)	0.8	0.9	1.6	1.8
PV-10/debt	0.81x	0.94x	0.38x	0.34x
Senior Unsecured Debt coverage ⁽⁵⁾	1.05x	0.93x	0.61x	0.46x
Hedge Ratio - FY18/19 ⁽⁶⁾				
FY 18E Production Hedged	79%	43%	48%	67%
FY 18E Hedge Floor Price (\$/boe)	\$3.91	\$3.63	\$2.99	\$3.35
FY 19E Production Hedged	72%	3%	10%	7%
FY 19E Hedge Floor Price (\$/boe)	\$3.50	\$3.43	\$2.65	\$3.01
LTM Per unit metrics				
Unhedged Realiz -before differentials (\$/Mcf)	3.39	3.53	3.22	3.34
Basis differential/Gathering cost /Trans cost (\$/Mcf)	(1.56)	(1.67)	(0.85)	(1.20)
Unhedged Realiz -after diff's and midstr. costs (\$/Mcf)	1.83	1.86	2.37	2.14
Cash Operating Costs ⁽⁴⁾	0.39	0.45	1.04	0.39
Third Party Midstream EBITDA (\$/Mcf)	0.00	0.00	0.11	0.00
Operating Cash Margin (\$/Mcf)	1.45	1.41	1.43	1.75
Interest (\$/Mcf)	0.36	0.23	0.32	0.27
Net Cash Margin (\$/Mcf)	1.09	1.18	1.11	1.48
Operating Cash Margin (in %)	43%	40%	45%	52%
Net Cash Margin (in %)	32%	33%	35%	44%
3 Yr FD (excl Price Revisions)	0.60	0.56	0.70	0.69

(1) EBITDA, debt, cash, revolver and debt/flowing bbl numbers PF for post Q3 17 events and acquisitions & divestitures done during LTM period

(2) Reported LTM EBITDA and does not include PF impact

(3) Reserve life based on FY 17 consensus production

(4) Debt coverage is based on PV-10, cash, hedges MTM (@ \$55/3 in '18 and \$50/3 thereafter for oil/gas respectively) and midstream assets

(5) Production numbers for FY 18 and FY 19 as per consensus

(6) Operating cash costs consists of upstream segment LOE, gathering & processing and cash G&A costs

Source: Company data, Bloomberg Finance LP, Deutsche Bank