

Range Resources Corp

4Q23 Earnings recap: C/flow beats - sector leading inventory depth back in focus

Reiterate Rating: BUY | PO: 42.00 USD | Price: 32.88 USD

Cashflow beats: but its RRC inventory life that matters

Range Resources (NYSE:RRC), reported adj EPS of \$0.63, beating BofAe \$0.56 and consensus of ~\$0.48 respectively. Versus our estimate the beat was on lower costs and tax. Note that FY production of 2.21 bcfed (70% nat gas), was pre-announced in its 2/6 8-k which is essentially flat yoy consistent with its maintenance production philosophy. Cashflow from operations ex w/c \$300mm beat consensus at \$242mm, comfortably covering capex of \$135mm. FY23 capex moved to top end of guidance at \$614mm (guide of \$575-615mm), partly on continued efficiency from its single frac crew. FcF of \$166mm, was used mainly for debt reduction and dividends: at year end net debt stood at \$1.54bn, down \$71mm sequentially and down from \$1.87bn at end 2022. Net debt is now at the upper end of its long-standing net debt target of \$1.5-1.0bn. In summary another solid, if uneventful quarter that reinforces the benefit of RRC's 30% liquids mix as a cushion for RRC's portfolio break even that stands around \$1.50/mcf including the benefit of hedges on some 55% of 2023 production at an average floor of \$3.70/mcf.

FY24 guide stays with maintenance, lean to liquids

2024 guidance highlights maintenance capital of \$575mm, up marginally from \$540mm - \$565mm while total capex of \$620mm-\$670mm, is above consensus of \$600mm but includes 1-off costs for water infrastructure & acreage additions. Management has otherwise left maintenance capital assumption at \$575mm although in 2024 the mix of well completions leans towards liquids (13 o/o 49 dry gas wells vs 23 o/o of 55 in 2023). With 4Q23 earnings management reiterates one key point we believe differentiates RRC vs peers – a 30+ year inventory, with gas breakeven below \$2.50/mcf, characterizing RRC as a free cash annuity and the base case for how we think about value.

Reiterate Buy: Is RRC effectively an annuity? PO \$42/share

RRC has not made any change to gas production guidance: frankly the fact that it only has one frac crew means slowing activity is impractical, and leaves growth as an outcome of continued improvements in capital efficiency. For now, RRC's outlook is anchored to the fortunes of long-term US natural gas, but with our thesis that the dynamics of US natural gas are poised for structural change, we see its extraordinary low-cost inventory lending itself to a transparent valuation that has 25% upside potential under our base case that assumes long-term \$4.00/mcf. Rating unchanged at Buy, PO \$42. See Exhibit 2 inside for our model changes.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.11	2.38	2.05	3.45	3.95
GAAP EPS	4.81	3.60	2.05	3.45	3.95
EPS Change (YoY)	151.7%	-53.4%	-13.9%	68.3%	14.5%
Consensus EPS (Bloomberg)			2.54	3.60	3.85
DPS	0.16	0.32	0.32	0.32	0.32
Valuation (Dec)					
P/E	6.4x	13.8x	16.0x	9.5x	8.3x
GAAP P/E	6.8x	9.1x	16.0x	9.5x	8.3x
Dividend Yield	0.5%	1.0%	1.0%	1.0%	1.0%
EV / EBITDA*	3.7x	6.3x	9.2x	6.7x	6.2x
Free Cash Flow Yield*	17.6%	5.2%	4.3%	9.7%	10.8%

* For full definitions of *IQmethod™* measures, see page 6.

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Stock Data

Price	32.88 USD
Price Objective	42.00 USD
Date Established	5-Jan-2024
Investment Opinion	C-1-7
52-Week Range	22.72 USD - 37.88 USD
Mkt Val (mn) / Shares Out	7,935 USD / 241.3 (mn)
Free Float	96.6%
Average Daily Value (mn)	92.37 USD
BofA Ticker / Exchange	RRC / NYS
Bloomberg / Reuters	RRC US / RRC.N
ROE (2024E)	12.4%
Net Dbt to Eqty (Dec-2023A)	41.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Glossary

Bcfed: - billion cubic feet equivalent per day
C/flow: cashflow
Mcf: - tThousand cubic feet
o/o: out of

iQprofileSM Range Resources Corp

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	36.9%	16.7%	8.2%	11.6%	11.3%
Return on Equity	50.8%	17.3%	12.4%	18.1%	17.5%
Operating Margin	49.6%	37.0%	28.5%	38.4%	40.8%
Free Cash Flow	1,400	415	339	773	854

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.7x	2.1x	1.6x	1.5x
Asset Replacement Ratio	1.3x	1.6x	1.9x	1.6x	1.6x
Tax Rate	16.3%	20.8%	23.0%	23.0%	23.0%
Net Debt-to-Equity Ratio	66.3%	41.4%	30.8%	12.0%	-3.0%
Interest Cover	14.9x	10.3x	7.9x	18.3x	NM

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,776	3,374	2,577	2,987	3,090
% Change	104.1%	-29.3%	-23.6%	15.9%	3.4%
Gross Profit	4,659	3,256	2,435	2,836	2,936
% Change	108.4%	-30.1%	-25.2%	16.4%	3.5%
EBITDA	2,723	1,600	1,093	1,504	1,621
% Change	539.0%	-41.2%	-31.7%	37.7%	7.7%
Net Interest & Other Income	(956)	(150)	(93)	(63)	(22)
Net Income (Adjusted)	1,259	575	495	834	954
% Change	150.1%	-54.3%	-13.9%	68.5%	14.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,183	871	495	834	954
Depreciation & Amortization	353	350	357	359	359
Change in Working Capital	(169)	(121)	0	0	0
Deferred Taxation Charge	239	220	142	129	93
Other Adjustments, Net	258	(343)	24	24	24
Capital Expenditure	(465)	(563)	(679)	(573)	(576)
Free Cash Flow	1,400	415	339	773	854
% Change	254.2%	-70.4%	-18.4%	128.3%	10.5%
Share / Issue Repurchase	(447)	0	0	0	0
Cost of Dividends Paid	(39)	(77)	(77)	(77)	(77)
Change in Debt	(883)	(151)	(261)	(696)	(777)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	0	235	496	1,192	1,969
Trade Receivables	628	48	48	48	48
Other Current Assets	40	212	212	212	212
Property, Plant & Equipment	5,255	6,389	6,711	6,925	7,142
Other Non-Current Assets	211	352	352	352	352
Total Assets	6,135	7,236	7,819	8,729	9,722
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	883	644	644	644	644
Long-Term Debt	1,906	1,792	1,792	1,792	1,792
Other Non-Current Liabilities	469	964	1,105	1,235	1,327
Total Liabilities	3,259	3,399	3,541	3,670	3,763
Total Equity	2,876	3,766	4,207	4,987	5,888
Total Equity & Liabilities	6,135	7,165	7,748	8,657	9,651

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Oil & Gas Producers

Company Description

Range is primarily a producer of natural gas with operations in Appalachia. The company specializes in developing low-risk, long-lived natural gas reserves in unconventional gas formations.

Investment Rationale

Our Buy rating on RRC reflects the company's large inventory, contiguous acreage position, and low opex and capex costs.

Stock Data

Average Daily Volume 2,809,394

Quarterly Earnings Estimates

	2023	2024
Q1	0.99A	0.42E
Q2	0.30A	0.45E
Q3	0.46A	0.50E
Q4	0.63A	0.67E

4Q23 Earnings summary

The table below compares actuals to estimates and prior yoy and qoq results

Exhibit 1: RRC Earnings Variance

Y/Y and Q/Q Comparison (\$ in Millions, except in per share data)

Segment Earnings	4Q23A	4Q23E	4Q22A	YOY	3Q23A	QOQ
Total Rev & Non-Op Inc	941	634	1,630	-42%	610	54%
Production Expenses	(27)	(32)	(34)	-21%	(27)	-1%
DD&A	(91)	(91)	(91)	0%	(88)	4%
Income Tax Expense	(77)	(37)	(184)	-58%	(16)	390%
Other Income / Expenses	(280)	(350)	(5)	5092%	(492)	-43%
Net Income (Adjusted)	153	124	312	-51%	111	38%
Special Items	(157)	-	(502)	-69%	62	-354%
Net Income (Reported)	310	124	814	-62%	49	527%
Earnings (Adjusted)	0.63	0.51	1.30	-51%	0.46	39%
Earnings (Reported)	1.28	0.51	3.39	-62%	0.20	533%
Dividend	0.08	0.08	0.08	0%	0.08	0%

Source: BofA Global Research; Company data

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Estimate Changes

Adjusting for results and updated guidance, our estimates change as follows:

Exhibit 2: RRC Earnings Estimates Changes

Actual earnings vs consensus

	Q1	Q2	Q3	Q4	FY	BBG Consensus
2022A	1.18	1.27	1.37	1.30	5.11	5.03
2023E	0.99	0.30	0.46	0.63	2.38	2.25
Previous	0.99	0.30	0.46	0.56	2.31	n/a
2024E	0.42	0.45	0.50	0.67	2.05	2.54
Previous	0.63	0.53	0.59	0.77	2.52	n/a
2025E	0.95	0.78	0.83	0.89	3.45	3.59
Previous	1.03	0.86	0.91	0.97	3.78	n/a

Source: BofA Global Research, Bloomberg

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Benchmark valuation \$42/share

Benchmarking fair value for RRC at 4Q23 conditions, reset to our long term \$70 WTI / \$4.00 HH gas price deck, we continue to RRC's valuation as attractive, with a transparent valuation anchored on >20 years of resource.

Exhibit 3: RRC valuation benchmarked off 4Q23 actual FcF

DCF cut for simplicity at 2075

25 year case

Shares (mn)	241
Net Debt, consolidated (\$mn)	(1,580)
Memo:Capex (\$mn)	575

Scenarios:	WACC	LT Oil	LT Gas
High	7.5%	\$70.00	\$3.50
Base	7.5%	\$70.00	\$4.00
Low	7.5%	\$80.00	\$4.00
Strip	7.5%	\$85.00	\$4.75

Benchmarked on 4Q23 actual		
NPV	Eq val	per sh
9,182	7,552	31
11,364	9,784	42
14,013	12,383	51
17,003	15,373	64

Benchmarked on 2023 av. ytd		
NPV	Eq val	per sh
9,056	7,426	31
11,541	9,961	42
13,880	12,250	51
16,868	15,238	63

BofA Commodity Deck		Decline %		Annualized FCF				Annualized FCF (Normalized)				Average
Oil	Gas			1Q23	2Q23	3Q23	4Q23	1Q23	2Q23	3Q23	4Q23	



Exhibit 3: RRC valuation benchmarked off 4Q23 actual FcF

DCF cut for simplicity at 2075

25 year case

12/31/24	\$75.0	\$2.75		282	37	73	203	(439)	383	239	176	61
12/31/25	\$70.0	\$3.55		1,128	148	290	813	709	779	748	859	746
12/31/26	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/27	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/28	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/29	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/30	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/31	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/32	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/33	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/34	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/35	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/36	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/37	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/38	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/39	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/40	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/41	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/42	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/43	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/44	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/45	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/46	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/47	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/48	\$70.0	\$4.00		1,128	148	290	813	916	978	951	910	948
12/31/49	\$70.0	\$4.00	20%					1,175	1,224	1,235	1,202	1,211
12/31/50	\$70.0	\$4.00	17%					975	1,016	1,025	997	1,005
12/31/51	\$70.0	\$4.00	14%					839	873	881	858	864
12/31/52	\$70.0	\$4.00	12%					738	769	775	755	761
12/31/53	\$70.0	\$4.00	10%					664	692	698	679	685
12/31/54	\$70.0	\$4.00	8%					611	636	642	625	630
12/31/55	\$70.0	\$4.00	6%					574	598	604	588	592
12/31/56	\$70.0	\$4.00	6%					540	562	567	552	557
12/31/57	\$70.0	\$4.00	6%					508	529	533	519	523
12/31/58	\$70.0	\$4.00	6%					477	497	501	488	492
12/31/59	\$70.0	\$4.00	6%					448	467	471	459	462
12/31/60	\$70.0	\$4.00	6%					422	439	443	431	435
12/31/61	\$70.0	\$4.00	6%					396	413	416	405	408
12/31/62	\$70.0	\$4.00	6%					372	388	391	381	384
12/31/63	\$70.0	\$4.00	6%					350	365	368	358	361
12/31/64	\$70.0	\$4.00	6%					329	343	346	337	339
12/31/65	\$70.0	\$4.00	6%					309	322	325	316	319
12/31/66	\$70.0	\$4.00	6%					291	303	306	297	300
12/31/67	\$70.0	\$4.00	6%					273	285	287	280	282
12/31/68	\$70.0	\$4.00	6%					257	268	270	263	265
12/31/69	\$70.0	\$4.00	6%					242	252	254	247	249
12/31/70	\$70.0	\$4.00	6%					227	236	239	232	234
12/31/71	\$70.0	\$4.00	6%					213	222	224	218	220
12/31/72	\$70.0	\$4.00	6%					201	209	211	205	207
12/31/73	\$70.0	\$4.00	6%					189	196	198	193	194
12/31/74	\$70.0	\$4.00	6%					177	185	186	181	183
12/31/75	\$70.0	\$4.00	6%					167	174	175	170	172

Source: BofA Global Research

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Price objective basis & risk

Range Resources Corp (RRC)

Our \$42 PO is based on ex growth discounted cash flow value, which assumes long-term \$4.00 HH / \$70 WTI/ \$75 Brent. We apply a long-term (post tax) WACC of approximately 7.3%, which is based on the BofA strategy team's assumed risk premium and a 5-year monthly beta.

Downside risks to our price objective are (1) the oil and gas price and margin environment, (2) significant delays to the new upstream projects critical to its production targets, and (3) inability to capture the price environment due to cost pressures (opex, capex, and taxation). Upside risks to our price objective are (1) higher gas prices, (2) potential asset sales that improve leverage outlook, and (3) further cost reductions

Analyst Certification

I, Doug Leggate, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	APA Corporation	APA	APA US	Doug Leggate
	Canadian Natural Resources	YCNQ	CNQ CN	Doug Leggate
	Canadian Natural Resources	CNQ	CNQ US	Doug Leggate
	Chesapeake Energy	CHK	CHK US	Doug Leggate
	Chevron Corp.	CVX	CVX US	Doug Leggate
	ConocoPhillips	COP	COP US	Doug Leggate
	Coterra Energy Inc	CTRA	CTRA US	Doug Leggate
	EQT Corporation	EQT	EQT US	John H. Abbott
	ExxonMobil Corp.	XOM	XOM US	Doug Leggate
	Granite Ridge Resources, Inc	GRNT	GRNT US	John H. Abbott
	Imperial Oil	IMO	IMO US	Doug Leggate
	Imperial Oil	YIMO	IMO CN	Doug Leggate
	Kimbell Royalty Partners	KRP	KRP US	John H. Abbott
	Occidental Petroleum Corp.	OXY	OXY US	Doug Leggate
	Ovintiv Inc	YOVV	OVV CN	Doug Leggate
	Ovintiv Inc	OVV	OVV US	Doug Leggate
	Range Resources Corp	RRC	RRC US	Doug Leggate
	Suncor	YSU	SU CN	Doug Leggate
	Suncor	SU	SU US	Doug Leggate
NEUTRAL				
	California Resources Corporation	CRC	CRC US	Kalei Akamine
	CNX Resources	CNX	CNX US	John H. Abbott
	Delek US Holdings, Inc.	DK	DK US	Doug Leggate
	Devon Energy Corp.	DVN	DVN US	Doug Leggate
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	EOG Resources	EOG	EOG US	Doug Leggate
	Gulfport Energy Corporation	GPOR	GPOR US	Doug Leggate
	HF Sinclair Corporation	DINO	DINO US	Doug Leggate
	Marathon Petroleum Company	MPC	MPC US	Doug Leggate
	PBF Energy	PBF	PBF US	Doug Leggate
	Permian Resources Corporation	PR	PR US	Doug Leggate
	Phillips 66	PSX	PSX US	Doug Leggate
	Valero Energy Corp.	VLO	VLO US	Doug Leggate
UNDERPERFORM				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott



US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate
	National Fuel Gas Company	NFG	NFG US	John H. Abbott
	Northern Oil and Gas	NOG	NOG US	John H. Abbott
	Vital Energy Inc	VTLE	VTLE US	John H. Abbott
RSTR				
	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of **iQmethod** are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

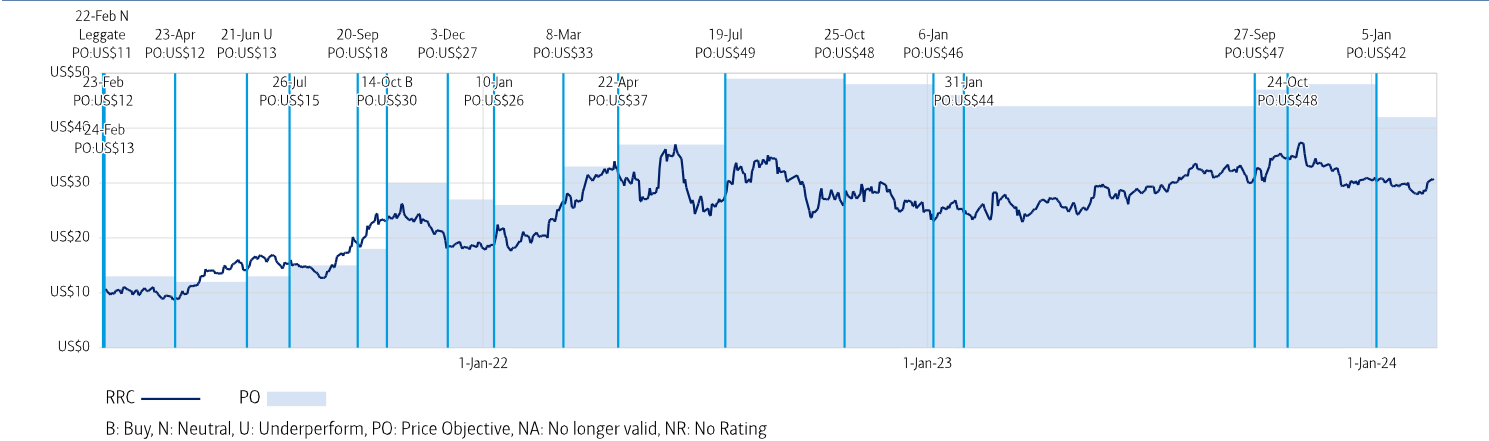
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Disclosures

Important Disclosures

Range (RRC) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Energy Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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