

Southwestern Energy Corp.

Move to No Rating on SWN given plans to merge with Chesapeake Energy

Rating Change: NO RATING | PO: NA | Price: 6.30 USD

No longer trading on stand-alone fundamentals

We move to No Rating on Southwestern Energy (SWN) given its plans to merge with Chesapeake Energy (CHK) in an all-stock transaction valued at \$7.4bn as was announced on January 11, 2024. Based upon this pending deal, we believe shares are no longer trading on stand-alone fundamentals, and investors should no longer rely on our prior rating or price objective.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.05	1.31	2.10	0.48	0.60
GAAP EPS	(0.03)	1.66	2.10	0.48	0.60
EPS Change (YoY)	169.2%	24.8%	60.3%	-77.1%	25.0%
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	6.0x	4.8x	3.0x	13.1x	10.5x
GAAP P/E	NM	3.8x	3.0x	13.1x	10.5x
EV / EBITDA*	3.9x	1.3x	5.1x	4.9x	4.3x
Free Cash Flow Yield*	4.8%	3.8%	-1.4%	1.2%	-0.8%

* For full definitions of *IQmethod*SM measures, see page 5.

24 January 2024

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Stock Data

Price	6.30 USD
Investment Opinion	-6-
52-Week Range	4.57 USD - 7.69 USD
Mrkt Val (mn) / Shares Out (mn)	6,932 USD / 1,100.3
Free Float	99.4%
Average Daily Value (mn)	142.99 USD
BofA Ticker / Exchange	SWN / NYS
Bloomberg / Reuters	SWN US / SWN.N
ROE (2023E)	11.9%
Net Dbt to Eqty (Dec-2022A)	100.4%
ESGMeter TM	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"](#).

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Timestamp: 24 January 2024 12:46PM EST

iQprofileSM Southwestern Energy Corp.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	31.2%	69.7%	6.9%	5.7%	6.4%
Return on Equity	64.6%	45.7%	11.9%	7.7%	8.8%
Operating Margin	35.8%	49.2%	13.6%	19.3%	22.5%
Free Cash Flow	331	260	(96)	83	(55)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.6x	1.7x	3.3x	3.6x	3.1x
Asset Replacement Ratio	1.9x	1.8x	1.7x	1.4x	1.4x
Tax Rate	NM	2.7%	2.5%	23.0%	23.0%
Net Debt-to-Equity Ratio	259.5%	100.4%	62.8%	57.0%	52.9%
Interest Cover	16.5x	40.1x	5.7x	5.5x	6.6x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	6,277	15,002	6,020	4,388	4,513
% Change	172.0%	139.0%	-59.9%	-27.1%	2.8%
Gross Profit	5,107	13,386	4,268	2,641	2,873
% Change	241.6%	162.1%	-68.1%	-38.1%	8.8%
EBITDA	2,791	8,553	2,135	2,220	2,489
% Change	NM	206.4%	-75.0%	4.0%	12.1%
Net Interest & Other Income	(2,272)	(5,479)	1,557	(153)	(154)
Net Income (Adjusted)	831	1,462	651	535	662
% Change	276.0%	75.9%	-55.5%	-17.9%	23.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(27)	1,849	2,319	535	662
Depreciation & Amortization	546	1,174	1,314	1,372	1,476
Change in Working Capital	(209)	0	0	0	0
Deferred Taxation Charge	0	0	53	160	60
Other Adjustments, Net	1,053	(603)	(1,551)	(116)	(116)
Capital Expenditure	(1,032)	(2,160)	(2,232)	(1,868)	(2,136)
Free Cash Flow	331	260	-96	83	-55
% Change	NM	-21.5%	NM	NM	NM
Share / Issue Repurchase	0	(100)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	1,483	(21)	(225)	(83)	261

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	28	50	26	26	232
Trade Receivables	708	1,781	723	723	723
Other Current Assets	2,391	173	497	497	497
Property, Plant & Equipment	9,650	10,312	11,819	12,430	13,207
Other Non-Current Assets	NA	NA	NA	NA	NA
Total Assets	12,777	12,316	13,065	13,676	14,659
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,961	2,086	1,910	1,910	1,910
Long-Term Debt	5,412	4,392	4,196	4,112	4,374
Other Non-Current Liabilities	1,329	1,514	321	480	541
Total Liabilities	10,702	7,992	6,427	6,503	6,824
Total Equity	2,075	4,324	6,638	7,173	7,835
Total Equity & Liabilities	12,777	12,316	13,065	13,676	14,659

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Oil & Gas Producers

Company Description

Southwestern is one of the largest US natural gas producers. Its primary producing locations are in the Marcellus Shale.

Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Stock Data

Average Daily Volume 22,697,080

Quarterly Earnings Estimates

	2022	2023
Q1	0.40A	0.31A
Q2	0.33A	0.09A
Q3	0.32A	0.10A
Q4	0.26A	0.09E



Price objective basis & risk

Southwestern Energy Corp. (SWN)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Analyst Certification

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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
	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

US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Diamondback Energy Inc.	FANG	FANG US	Doug Leggate
	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

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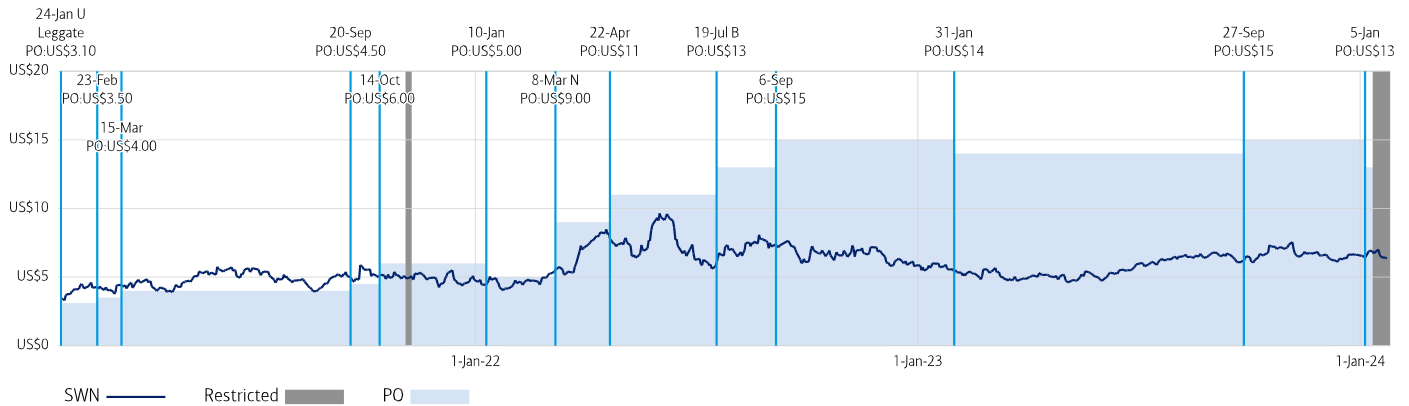
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Southwestern (SWN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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