BofA SECURITIES

US Oil and Gas

# M&A speculation: Examining a hypothetical Diamondback / Endeavor merger

**Industry Overview**

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Equity
United States
Oils

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## Diamondback has the currency to make an accretive deal

Reported speculation around consolidation amongst the US E&Ps continues – this time between Diamondback (FANG) and one of the last, large private Permian operators, Endeavor Energy. Frankly, in such a fragmented basin, everybody of scale basically fits with everyone else. But given the reported speculation, examining a hypothetical merger of equals between two similar-sized companies has the potential to release significant synergies and address some of the questions that have framed our Underperform rating on FANG. Of course, the current press reports are speculation, but given the potential to create a $50bn Permian 'pure play' that could conceivably take the place of Pioneer, we believe there is merit to examining the scenario reported by both Reuters and the WSJ. Our conclusion: if reports are accurate, FANG has the currency to make an accretive deal.

## What we know about Endeavor & how it might fit FANG

Endeavor's current portfolio has oil & gas production of ~355,000 boepd (56% oil) with ~347,000 net acres in the Midland basin with a high (~95%) working interest. Our last equity team meeting with Endeavor was in 2022: at that time the CFO cited ~9,000 locations, half of which were defined as 'tier one'. Critically, its strategy delivered growth with oil & gas production that jumped 50% from 2019-2020. Following the trend of private to public acquisitions, we fully expect activity would slow to stabilize production, and hence reset free cashflow if Endeavor was part of a public company. Diamondback management has a strong operating track record in the Permian - and a solid history of accretive acquisitions. This would be no different in our view: moreover the hypothetical acquisition of one of the last significant asset packages in the core of the Permian basin would address some of the concerns that have framed our investment opinion on Diamondback – inventory depth in Midland. In a scenario where a $25-30bn acquisition (per a December Reuters article) was funded 50/50 debt & equity, we believe accretion metrics would comfortably be >10% for EPS, CFPS and FcF and potentially reset FANG's investment case as one of the 'rate of change' plays amongst the US oils as seen with OXY/CrownRock, XOM/PXD, CVX/HES, and CHK/SWN.

## Hypothetical deal could potentially reset FANG investment case

Our Underperform rating on Diamondback reflects our view that when adjusted for the consolidated free cashflow associated with its 57% ownership of Venom, FANG's stand-alone share price looks overvalued ($70 WTI basis). With a strategy that is ex growth, albeit with reliable operating performance in top tier assets, it has been difficult for us to identify the rate of change that could reset FANG's investment case. While there are many variables within a hypothetical M&A scenario, it is not difficult to see how compelling strategic logic for any sizeable Permian merger would make sense. For FANG, we believe it could potentially release significant value through operating & capital synergies. With inevitable disposal opportunities, we will watch with interest on whether the latest round of press speculation becomes reality. But with FANG's equity trading above our view of fair value, any reasonable potential deal that exploits that currency could probably make sense.

**Update:** At 6am EST on Feb 12 the deal was confirmed – and speculation is now reality.

### Glossary

boe – barrel of oil equivalent
bbl – barrel
bpd – barrel per day
E&P – exploration and production
HH – Henry Hub
WSJ – Wall Street Journal
WTI – West Texas Intermediate

### Tickers:

| | |
|---|---|
| CHK | Chesapeake |
| CVX | Chevron |
| HES | Hess |
| OXY | Occidental |
| PXD | Pioneer |
| SWN | Southwestern |
| XOM | ExxonMobil |


**Refer to important disclosures on page 10 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.** 12658407

Timestamp: 12 February 2024 06:45AM EST

# Assessing more M&A speculation

## Diamondback has the currency to make an accretive deal

Speculation around consolidation amongst the US E&Ps continues to be the 'theme du jour' with several deals preceded by the usual round of speculation.

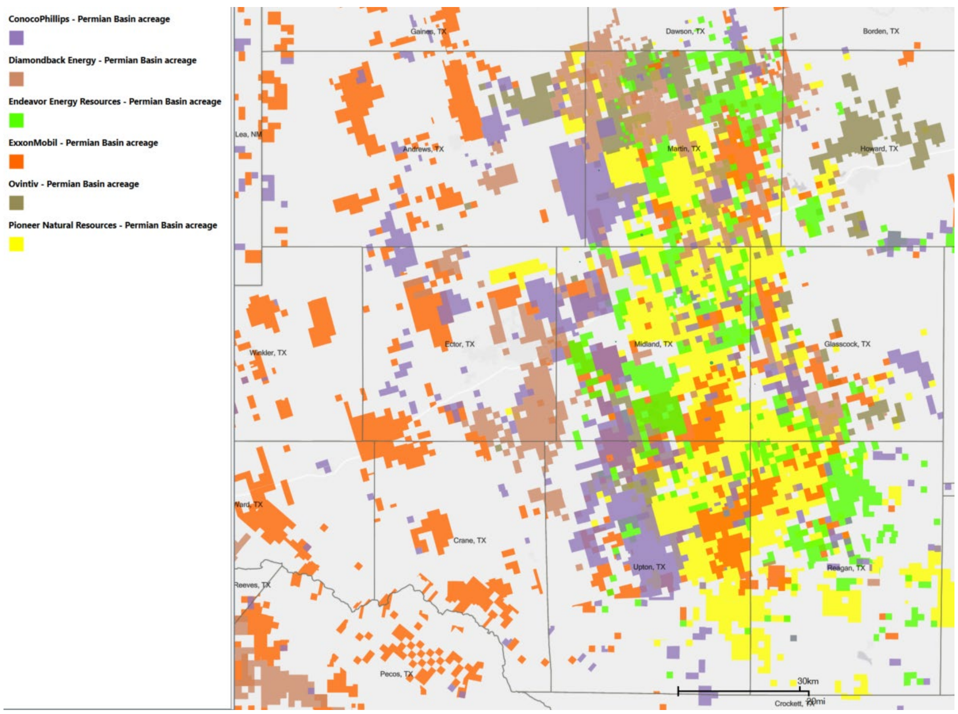
- In December 2023, Reuters reported that privately held Endeavor Energy resources, owned 100% by founder Autry Stevens may be preparing for a possible sale process in 1Q24, with a projected valuation of $25bn-$30bn;

- Over the weekend, the Wall Street Journal duly followed, suggesting that in fact it is Diamondback Energy that is close to announcing an agreed deal.

Of course, it is only speculation. But since this speculation first re-emerged in December 2023, all the major players have been mentioned – at least those of a scale that could potentially contemplate such a deal for what is one of the largest producers in the Midland basin. The maps below show the lay of the land around who has acreage in and around Endeavor.

**Exhibit 1: Midland acreage map**

Everyone fits with everyone else




**Source:** Rystad

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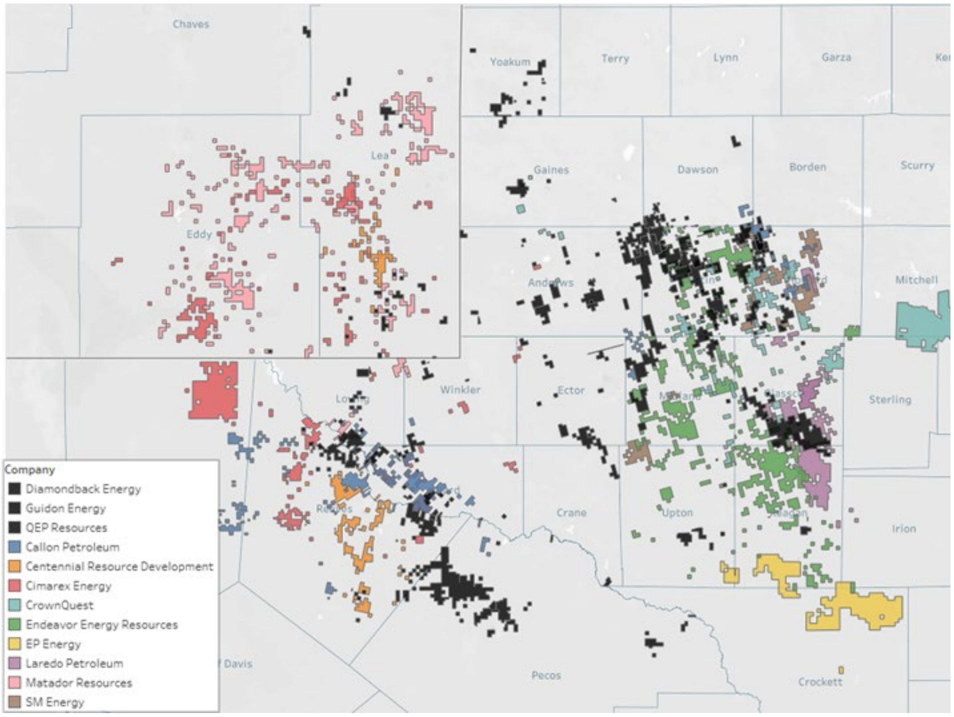
This is not Endeavor's first Rodeo, so to speak. In 2018 speculation at that time suggested a final round of bidders had come down to two – ExxonMobil and Shell, only for the seller, Autry Stevens to pull back from the sale. XOM has since agreed a merger with Pioneer, while Shell exited the Permian with its sale to ConocoPhillips. Pioneer had also made it known that it coveted a potential merger with Endeavor, which is to all intents and purposes a 'jig saw' fit with XOM and PXD.

Still, per the article, 85-year-old Mr Stevens is a critical enabler of who the buyer will be and for now, it would appear that both Reuters and the WSJ have reported Diamondback as the winner of what is arguably a coveted asset, with amongst the largest remaining drilling inventory in the Permian basin. The map below shows specifically how Endeavor might fit with Diamondback.

**Exhibit 2: Diamondback & Endeavor acreage has strong geographical fit**
Diamondback black, Endeavor green




**Source:** Rystad

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## What do we know about Endeavor?

As a private company data on Endeavor comes from access to its public debt portal. Key data points framing its current portfolio include:

- As of 3Q23, Endeavor had oil and gas production of ~355,000 boepd (56% oil).
- For context, production has been growing in contrast to many 'public' peers. FY 2023 production guidance is pegged at ~340,000 boepd essentially double 2020 levels of ~170,000 boepd.
- 3Q23 capex was ~$805mm, noting again production was growing. Since 1Q18 through 3Q23, oil & gas production has increased at a quarterly cagr of 10%.

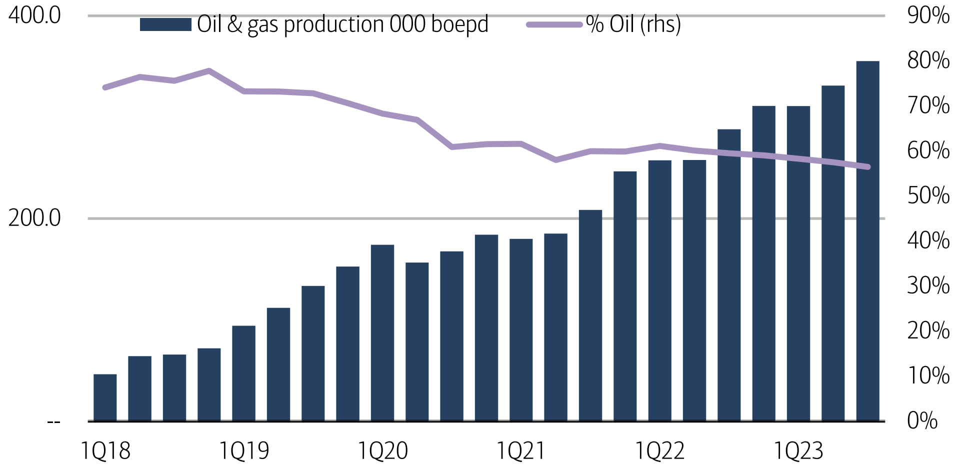
Endeavor holds around 347,000 net acres in Midland basin with a high (~95%) working interest. However, our understanding is that it also holds ~ 87k net royalty acres.

Our last equity team meeting with Endeavor was in 2022. At that time the then CFO framed the outlook – suggesting ~9,000 locations, half of which it defined as 'tier one'. Critically we discussed management's approach to capital allocation with the backdrop one where public E&Ps had moderated spending during the COVID collapse in oil prices during 2020. For context, Eandeavor's oil & gas production jumped 50% from 2019-2020. At that time, key takeaways were as follows:

- Endeavor planned to maintain activity levels running 15 rigs and 4 frac crews in 2022/23, which it saw as an optimal level and which was expected to drive growth for the next 3-4 years until reaching a production plateau
- Mr Button noted Endeavor is not likely to slow down unless oil falls a lot closer to $45/bbl, which it suggested was its FCF breakeven level: at $60/bbl or above it would continue at the current pace.

The chart below shows Endeavor's oil & gas production profile since 2018.

**Exhibit 3: Endeavor production profile**
10% quarterly cagr since 1Q18 (through 3Q23)




**Source:** Rystad, BofA Global Research

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At the time of our meeting Endeavor also highlighted that cash on hand was meaningfully ahead of debt by ~$1bn. At end 3Q23, Endeavor still had net cash of ~$1.2bn. Per our credit team, cumulative free cashflow was essentially zero, and in fact saw Endeavor add net debt over the period.

Following the trend of private to public acquisitions, we fully expect activity would slow to stabilize production, and hence reset free cashflow.

## How might it impact Diamondback?

Diamondback management has a strong operating track record in the Permian basin, and a solid history of accretive acquisitions. The strategic logic of an acquisition of Endeavor, as with several potential tie-ups in the highly fragmented Permian basin is obvious – geographical overlap and the benefit of scale with all that brings in terms of purchasing power, operating cost synergies, best practice, capital efficiency etc. If a deal were to be confirmed, significant synergies would be a case of not if, but how much. However, acquiring one of the last significant asset packages in the core of the Permian basin would also address some of the concerns that have framed our investment opinion on Diamondback – inventory depth.

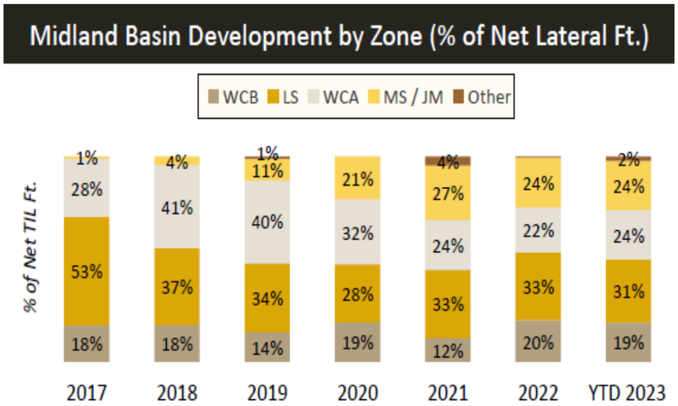
As reviewed in our recent 3Q23 earnings recap, we examined the outlook for FANG's investment case on the assumption of a 15-year inventory life. However, we also noted that our assumption was likely the limit of what the market may be prepared to discount, under current capital conditions and before debating relative capital allocation between the Midland and Delaware.

- With management's current capital allocation that is 85% Midland / 15% Delaware, and with costs per lateral foot 50% higher in the Delaware, we believe the veracity of a 15-year inventory at current capital conditions needs closer examination;
- More important perhaps is that of ~310 net well completions planned in 2023, the implication is that FANG's current Midland inventory depth stands closer to 11 years.

While we see its Delaware inventory closer to 30 years, we assume higher well costs, meaning sustaining capital would skew higher over time with the completion mix changing.

**Exhibit 4: FANG is drilling very few 'other' wells**

98% of 2023 wells drilled YTD exclude 'other'




**Source:** FANG

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**Exhibit 5: Ex Other FANG discloses 2,846 net Hz locations**

85% of 310 net wells in 2023 implies a Midland inventory depth of ~11yrs

Midland Basin Gross (Net) Locations Economic at $50 / Bbl(1)

| | 5,000'+ | 7,500'+ | 10,000'+ | Total | Avg. Lateral |
|---|---|---|---|---|---|
| MS / JM | 63 (28) | 265 (205) | 668 (568) | **996 (801)** | *9,700'* |
| LS | 105 (52) | 219 (159) | 821 (690) | **1,145 (901)** | *9,900'* |
| WCA | 100 (41) | 121 (90) | 477 (391) | **698 (522)** | *9,500'* |
| WCB | 84 (36) | 210 (153) | 528 (434) | **822 (622)** | *9,400'* |
| Other[2] | 145 (63) | 334 (256) | 1,315 (1,109) | **1,794 (1,428)** | *9,700'* |
| Total | **497 (220)** | **1,149 (863)** | **3,809 (3,192)** | **5,455 (4,275)** | ***9,700'*** |

7% increase to Midland Basin net lateral footage vs. YE 2021

**Source:** FANG

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In our prior analysis that supports our DCF valuation at flat $70 WTI from 2026, we assume a 15-year inventory, on an ex-growth basis, and assuming capital efficiency and the free cashflow capacity of the portfolio does not change (benchmarked under 3Q23 conditions ex the fully consolidated FcF of Viper). Again, our analysis is fully reviewed in our 3Q23 earnings recap.

Before considering valuation, we see the strategic rationale for the potential deal as compelling, if reports are confirmed – not least as it would immediately address the inventory issue. Referencing the table below we summarize a number of key metrics to frame what a hypothetical tie up might look like. Some key observations include:

- By our assessment, using Endeavor's characterization of 95% of its inventory as 'core', FANG's pro-forma inventory would improve from ~11yrs to 14 yrs, and significantly greater if a greater share of Endeavor's inventory is in fact 'core'.

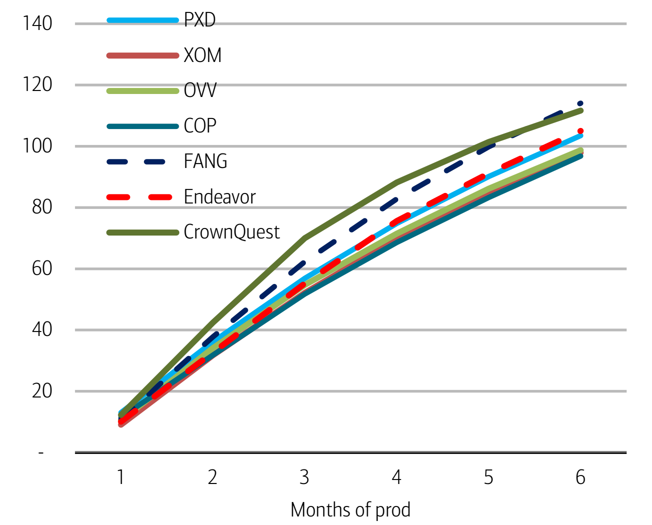
- Total oil and gas production would be over 800,000 boepd, providing FANG with the benefit of significant scale and production optimization opportunities.

- Capital & possibly production efficiency could improve, assuming FANG's ex-growth model was adopted across the Endeavor portfolio. For example, we note FANG's capital efficiency of ~$17/boe is 2/3rds of Endeavor.

Of course, absent greater disclosure from Endeavor many of these factors will inevitably be given greater clarity in the event a deal is in fact in the works.

An additional and perhaps critical consideration is how FANG might finance a transaction: remember the press article suggests Endeavor could be valued at $25bn - $30bn, which would put it similar to the current value of FANG and recent (pending) acquisition value of privately held CrownRock by Occidental.

**Exhibit 6: Midland basin cumulative oil 2023 type curve**
FANG productivity betters Endeavor




**Source:** Rystad, BofA Global Research

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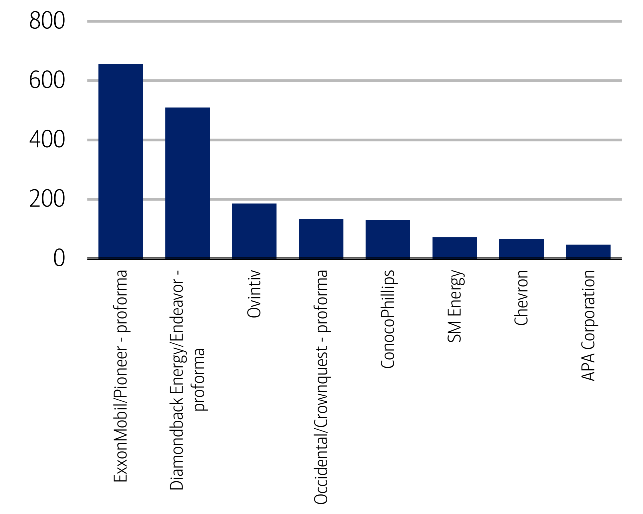
**Exhibit 7: Oil production in midland pro-forma *replace & fix format**
Endeavor would catapult FANG to #2 in the basin




**Source:** Rystad, BofA Global Research

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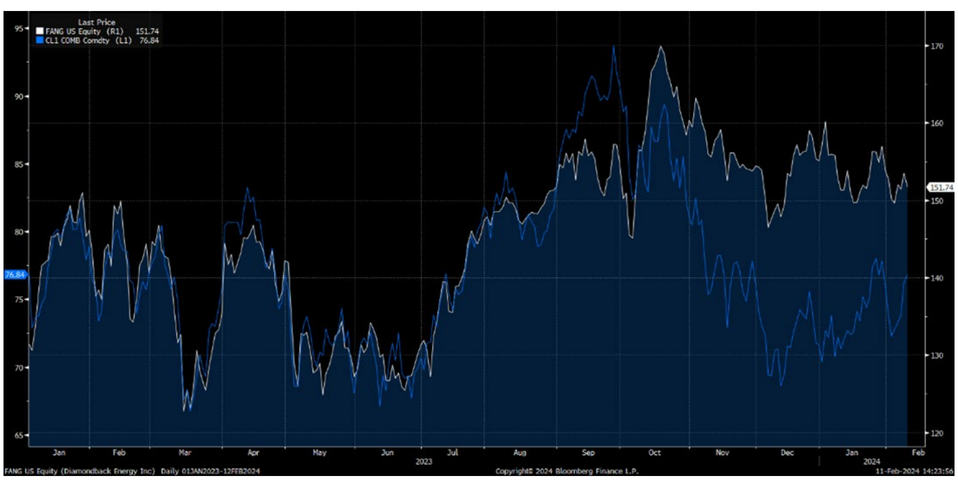
However, since consolidation accelerated with the agreed merger of ExxonMobil with Pioneer Natural resources, Diamondback's absolute share performance has held up quite well vs the underlying commodity, which had previously paced FANG's share performance per the chart below.

**In the event acquisition speculation became a reality, the value of FANG's equity is arguably attractive.**

**Exhibit 8: FANG share price has outperformed the underlying commodity**
...since ExxonMobil's acquisition of Pioneer was announced in Oct



**Source:** Bloomberg

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## Operating metrics

For now, we will take the press article value of $25bn - $30bn and assume a deal financed at 50% debt / 50% equity to assess what that might look like net to FANG shareholders.

**Exhibit 9: Key operating parameters**
FANG, Endeavor and Crownrock as a proxy for comparison

| as at 3Q23 | Diamondback | Endeavor | Potential pro-forma | Memo: Crownrock |
|---|---|---|---|---|
| **Production / acreage** | | | | |
| Oil 000 bpd | 266 | 199 | 465 | 74.48 |
| Total oil & gas production 000 boepd | 453 | 355 | 808 | 152 |
| % oil | 59% | 56% | 58% | 49% |
| *of which VNOM 000 boepd* | *34.5* | | | |
| Market Cap $bn | 27.2 | 28.7 | 55.9 | 10.8 |
| Net debt - FANG | 4.87 | -1.2 | 3.7 | 1.2 |
| EV | 32.1 | 27.5 | 59.6 | 12.0 |
| Net acres | | | | |
| Midland | 322,000 | 347,000 | | 94,000 |
| Delaware | 146,000 | | | |
| *Implied EV / flowing $000 / boe* | *71* | *77* | | *79* |
| *Implied EV / flowing net acre* | *69* | *79* | | *128* |
| **Free cashflow** | | | | |
| FANG | 644 | 353.5 | | |
| VNOM | 240 | | | |
| Total | 884 | | | |
| FcF / boe - FANG | 16.7 | 10.8 | | |
| Capex | 645 | 805 | | |
| per boe (ex VNOM) | 16.8 | 24.6 | | |
| **Balance sheet** | | | | |
| Cash | 827 | 2,073 | | |
| Debt | 6,377 | 907 | | |
| Net debt | 5,550 | -1,166 | | |
| of which VNOM | 680 | | | |
| of which FANG | 4,870 | | | |
| **Operations** | | | | |
| FY Gross wells TIL | 330 | 273 | | |
| FY net wells | 310 | | | |
| Midland | 85% | 100% | | |
| Delaware | 15% | | | |
| **Guidance** | | | | |
| G&A | 0.85-1.05 | | | |
| LOE | 5.10-5.41 | 5.95 | | |
| GP&T | 1.65-1.80 | | | |
| Capex | 2680 | 3425 | | |
| *per boe* | *16.2* | *20.7* | | |
| **Inventory** | | | | |
| Net locations | | | | |
| Midland | | | | |
| Main activity | 2847 | 4500 | 7347 | |
| Other | 1428 | 4500 | 5928 | |
| Total | 4275 | 9000 | 13275 | |
| Implied inventory (years) - main activity | 10.8 | 16.5 | 13.7 | |
| Delaware | | | | |
| Main activity | 1939 | | | |
| Other | 1670 | | | |
| Total | 269 | | | |
| Implied inventory (years) - main activity | 35.9 | | | |

**Source:** BofA Global Research

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Leaning on our credit team's outlook for Endeavor, the table below summarizes what a $27.5bn acquisition, financed 50/50, debt and equity might look like. Frankly, assuming cash cost synergies at 50% of Endeavor's G&A (both companies Midland offices are one block from each other) and realigning its capex to an ex-growth pace on a $/boe, in line with FANG we believe a hypothetical deal could deliver meaningful free cashflow synergies to FANG.

The table below summarizes our view of hypothetical EPS, CFPS and free cashflow per share accretion which we peg at 14%, 17% and 14% respectively by 2026, assuming $70 WTI, $4.00 HH natural gas (from 2026). Critical assumptions are that FANG foregoes its variable dividend policy, pivoting back to share buy backs and that Endeavor's growth capital normalizes at an ex-growth levels similar in capital intensity to FANG.

**Exhibit 10: Hypothetical accretion math**
Assuming a merger of equals, $27.5bn value funded 50/50 with equity and debt

| Diamondback Energy: | Pre-Deal | +Endeavor | Post-Deal |
|---|---|---|---|
| Shares (Sept. 30th 2023) | 179 | 94 | 273 |
| Sh Price (2/8/24) | $151.74 | $151.74 | $151.74 |
| Market Cap | 27,161 | 14,330 | 41,491 |
| New Debt | - | 14,330 | 14,330 |
| Debt | 6,377 | 913 | 7,290 |
| Cash | 827 | 2,073 | 2,900 |
| Net Debt | 5,550 | 13,170 | 18,720 |
| Enterprise Value | 32,711 | 27,500 | 60,211 |
| *Diamondback Energy:* | 2024 | 2025 | 2026 |
| Shares | 179 | 179 | 179 |
| Net Income | 3,391 | 3,330 | 3,248 |
| **Cash Flow** | **5,136** | **5,091** | **5,018** |
| Total Capex | (2,452) | (2,460) | (2,389) |
| **Free Cash Flow** | **2,684** | **2,631** | **2,628** |
| Common Dividend | (601) | (601) | (601) |
| **Total Cash Returns** | **(601)** | **(601)** | **(601)** |
| **Excess Cash** | **2,083** | **2,030** | **2,027** |
| *Endeavor:* | | | |
| Net Income | 3,372 | 3,423 | 3,423 |
| **Cash Flow** | **4,641** | **4,788** | **4,788** |
| Capex | (3,254) | (3,254) | (3,025) |
| **Free Cash Flow** | **1,387** | **1,534** | **1,534** |
| Regular Dividend | (50) | (50) | (50) |
| Total Cash Return | (50) | (50) | (50) |
| Excess Cash | 1,337 | 1,484 | 1,484 |
| *Diamondback Energy Proforma:* | | | |
| Shares | 179 | 179 | 179 |
| New Shares | 94 | 94 | 94 |
| **Total Shares** | **273** | **273** | **273** |
| FANG Net Income | 3,391 | 3,330 | 3,248 |
| Endeavor Net Income | 3,372 | 3,423 | 3,423 |
| Interest Expense (on new debt) | (931) | (931) | (931) |
| Synergies (50% Endeavor SG&A, A-tax) | (59) | (65) | (65) |
| **Proforma Net Income** | **5,773** | **5,757** | **5,675** |
| FANG C/flow | 5,136 | 5,091 | 5,018 |
| Endeavor C/flow | 4,641 | 4,788 | 4,788 |
| Interest (after tax) | (792) | (792) | (792) |
| Synergies ( SG&A, after tax) | (59) | (65) | (65) |
| **ProForma Cash Flow** | **8,927** | **9,022** | **8,949** |
| FANG Capex | (2,452) | (2,460) | (2,389) |
| Endeavor Capex | (3,254) | (3,254) | (3,050) |
| Capex Synergies | 1,074 | 1,074 | 1,074 |
| **Proforma Capex** | **(4,632)** | **(4,640)** | **(4,366)** |
| **Proforma Free Cash Flow** | **4,294** | **4,382** | **4,584** |
| Diamondback Proforma | | | |
| EPS | $21.12 | $21.06 | $20.76 |
| CFPS | $32.66 | $33.01 | $32.74 |
| FCFS | $15.71 | $16.03 | $16.77 |
| Accretion / Dilution | | | |
| EPS | 11% | 13% | 14% |
| CFPS | 14% | 16% | 17% |
| FCFS | 5% | 9% | 14% |

**Source:** BofA Global Research

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## Summary

Our Underperform rating on Diamondback reflects our view that when adjusted for the consolidated free cashflow associated with its 57% ownership of Venom, FANG's stand-alone share price is overvalued. Note we value its 57% ownership in VNOM at its publicly traded equity value. With a strategy that is ex growth, albeit with reliable operating performance in top tier assets, it has been difficult for us to identify the rate of change that can reset FANG's investment case. While there are too many variables within a hypothetical M&A scenario where Diamondback has a potential 'merger of equals' with Endeavor, it is not difficult to see how compelling strategic logic for any sizeable Permian merger would make sense, but could also release significant value through operating and capital synergies. With inevitable disposal opportunities, we will watch with interest in whether the latest round of press speculation becomes reality. But with FANG's equity trading above our view of fair value any reasonable deal that exploits that currency could probably make sense, in our view.

**Exhibit 11: Stocks mentioned**
Prices and ratings for stocks mentioned in this report

| BofA Ticker | Bloomberg ticker | Company name | Price | Rating |
|---|---|---|---|---|
| FANG | FANG US | Diamondback | US$ 151.74 | C-3-7 |

**Source:** BofA Global Research

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## Price objective basis & risk

**Diamondback Energy Inc. (FANG)**
Our price objective of $129/sh assumes ex growth discounted cash flow value, which assumes $75 Brent and $70 West Texas Intermediate (WTI) long term. We also assume long-term Henry Hub natural gas as $4.00. We apply a long-term (post-tax) weighted average cost of capital (WACC) of 8.2%, which is based on the BofA strategy team's assumed risk premium and a five-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 higher oil & gas prices, new & unexplored plays, and further technological advances that add downside pressures to costs.

## 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 | CNQ | CNQ US | Doug Leggate |
| | Canadian Natural Resources | YCNQ | CNQ CN | 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 | OVV | OVV US | Doug Leggate |
| | Ovintiv Inc | YOVV | OVV CN | Doug Leggate |
| | Range Resources Corp | RRC | RRC US | Doug Leggate |
| | Suncor | SU | SU US | Doug Leggate |
| | Suncor | YSU | SU CN | 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 |
| **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 |

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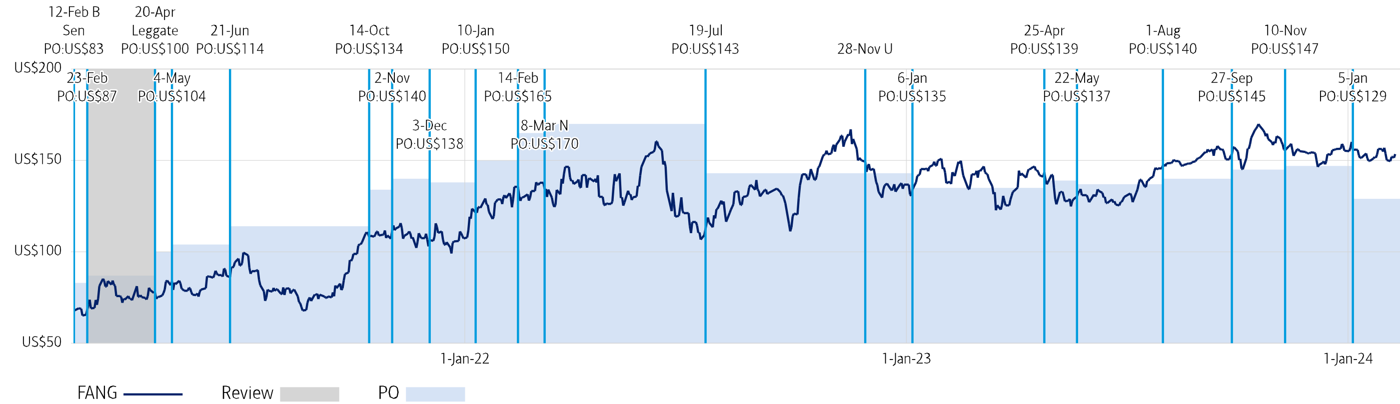
## Important Disclosures

**Diamondback (FANG) 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% |

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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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