

## Permian Resources Corporation

4Q23 Earnings Recap: Executing synergies,  
PO to \$17, Reiterate Neutral

Reiterate Rating: NEUTRAL | PO: 17.00 USD | Price: 15.21 USD

## Adj. EBITDA beat on oil volumes and LOE

Permian Resources Corporation's (PR) adj EBITDA of \$858mm easily beat consensus of \$787mm. Adding back our est. of merger costs (\$94mm), the company exceeded our adj. EBITDA estimate of ~\$800mm mainly on higher oil volumes of ~137,000 bbl/d ahead of ~129,000 Mbbl/d expected, on the pull forward of activity and better productivity. Related is that PR sees lower unit costs, which declined by ~10% qoq. Given this progress, management appears to have already achieved the expected LOE synergies from the Earthstone transaction, ahead of schedule – and has already reduced Earthstone well costs by ~12% to date. Management notes 35% and 20% improvements in both drilling and completions. In our view it seems PR is on track to surpass its initial estimate of \$175mm in synergies.

## Leaning into capital efficient New Mexico asset

PR has announced a pro forma 2024 budget of \$1.9bn - \$2.1bn with corporate and oil volumes expected in the ranges of 300-325 Mboe/d and 145,000 – 150,000 bpd in what management describes as a 'very capital efficient program' with ~70% of activity in New Mexico, 25% in the Texas Delaware and the balance in the Midland Basin. FY capex and oil volumes are in line with Street expectations of \$2.05bn and 148 Mbbl/d while the allocation of activity looks relatively consistent with prior management comments. Note PR declared a variable dividend of 10c and re-purchased ~5mm shares at a weighted average price of \$13.32/sh, which looks accretive based on the current share price: as a reminder, its quarterly fixed dividend steps up to 6c from 5c in 1Q24. At end 4Q23 PR had net debt / EBITDA ratio of ~1x, at the low end of its target range of 1.0x-1.5x.

## Raise PO to \$17, Reiterate Neutral given 13% upside potential

All-in-all, we see 4Q23 looks operationally solid with PR making strong progress on Earthstone synergies. Incorporating faster capex and LOE savings into our DCF based valuation, our PO increases to \$17/sh from \$15/sh, which assumes a long-term price oil and gas price of \$70 WTI / \$4 HH and a ~9% WACC. As observed in our recent initiation report, we believe much of the value associated with the Earthstone acquisition has been discounted so that with ~13% upside potential to our price target we reiterate our Neutral rating at our revised \$17/sh PO.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.32	1.38	1.49	1.72	1.79
GAAP EPS	2.12	1.47	1.55	1.79	1.86
EPS Change (YoY)	164.0%	4.5%	8.0%	15.4%	4.1%
Consensus EPS (Bloomberg)			1.47	1.67	1.95
DPS	0.05	0.42	0.75	0.82	0.84
Valuation (Dec)					
P/E	11.5x	11.0x	10.2x	8.8x	8.5x
GAAP P/E	7.2x	10.3x	9.8x	8.5x	8.2x
Dividend Yield	0.3%	2.8%	5.0%	5.4%	5.5%
EV / EBITDA*	4.7x	2.9x	2.1x	1.9x	1.8x
Free Cash Flow Yield*	12.3%	16.1%	20.1%	22.1%	22.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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Timestamp: 28 February 2024 04:28AM EST

28 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	15.00	17.00
2024E DPS	0.76	0.75

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## Stock Data

Price	15.21 USD
Price Objective	17.00 USD
Date Established	28-Feb-2024
Investment Opinion	C-2-7
52-Week Range	8.94 USD - 15.49 USD
Mkt Val (mn) / Shares Out (mn)	4,875 USD / 320.5
Free Float	87.3%
Average Daily Value (mn)	129.78 USD
BofA Ticker / Exchange	PR / NYS
Bloomberg / Reuters	PR US / PR.N
ROE (2024E)	18.2%
Net Dbt to Eqty (Dec-2023A)	40.9%
ESGMeter™	High

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Mbbl/d - Thousand barrels per day  
Mboe/d - Thousand barrels of oil equivalent per day  
LOE - Lease operating expenses

# iQprofile<sup>SM</sup> Permian Resources Corporation

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	15.1%	8.6%	10.3%	10.5%	10.2%
Return on Equity	18.1%	19.0%	18.2%	19.3%	18.4%
Operating Margin	47.3%	35.1%	40.7%	41.4%	41.0%
Free Cash Flow	600	786	979	1,076	1,111

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.7x	2.7x	2.5x	2.3x	2.3x
Asset Replacement Ratio	1.7x	1.5x	1.4x	1.3x	1.3x
Tax Rate	13.8%	15.1%	22.5%	22.5%	22.5%
Net Debt-to-Equity Ratio	36.8%	40.9%	33.3%	26.8%	20.8%
Interest Cover	10.5x	6.2x	6.7x	7.4x	7.6x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,131	3,121	4,644	4,989	5,210
% Change	106.9%	46.4%	48.8%	7.4%	4.4%
Gross Profit	2,131	3,121	4,644	4,989	5,210
% Change	106.9%	46.4%	48.8%	7.4%	4.4%
EBITDA	1,516	2,433	3,392	3,727	3,885
% Change	159.3%	60.4%	39.4%	9.9%	4.2%
Net Interest & Other Income	(137)	(61)	(341)	(278)	(281)
<b>Net Income (Adjusted)</b>	<b>515</b>	<b>880</b>	<b>1,199</b>	<b>1,385</b>	<b>1,437</b>
<b>% Change</b>	<b>271.9%</b>	<b>70.8%</b>	<b>36.3%</b>	<b>15.5%</b>	<b>3.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	827	937	1,245	1,438	1,494
Depreciation & Amortization	445	1,008	1,512	1,608	1,698
Change in Working Capital	22	(61)	0	0	0
Deferred Taxation Charge	120	162	273	201	147
Other Adjustments, Net	(42)	296	6	(2)	(5)
Capital Expenditure	(772)	(1,556)	(2,057)	(2,170)	(2,223)
<b>Free Cash Flow</b>	<b>600</b>	<b>786</b>	<b>979</b>	<b>1,076</b>	<b>1,111</b>
<b>% Change</b>	<b>191.3%</b>	<b>30.9%</b>	<b>24.6%</b>	<b>9.9%</b>	<b>3.2%</b>
Share / Issue Repurchase	0	(95)	0	0	0
Cost of Dividends Paid	(14)	(104)	(165)	(120)	(120)
Change in Debt	(79)	108	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	60	73	530	963	1,433
Trade Receivables	283	481	481	481	481
Other Current Assets	121	96	96	96	96
Property, Plant & Equipment	7,874	14,036	14,581	15,143	15,668
Other Non-Current Assets	155	279	279	279	279
<b>Total Assets</b>	<b>8,493</b>	<b>14,966</b>	<b>15,967</b>	<b>16,962</b>	<b>17,957</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	606	1,242	1,242	1,242	1,242
Long-Term Debt	2,141	3,849	3,849	3,849	3,849
Other Non-Current Liabilities	90	645	919	1,120	1,267
<b>Total Liabilities</b>	<b>2,836</b>	<b>5,736</b>	<b>6,009</b>	<b>6,210</b>	<b>6,357</b>
<b>Total Equity</b>	<b>5,656</b>	<b>9,230</b>	<b>9,958</b>	<b>10,752</b>	<b>11,600</b>
<b>Total Equity &amp; Liabilities</b>	<b>8,493</b>	<b>14,966</b>	<b>15,967</b>	<b>16,962</b>	<b>17,957</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Oil & Gas Producers

## Company Description

PR is the 8th largest producer in the Permian Basin and the sixth largest producer in the Delaware. Pro forma for its recent Earthstone acquisition, it has pro forma 2022 proved reserves of approximately 1,035 MMboe, of which approximately 43% is oil and approximately 64% proved developed.

## Investment Rationale

Our rating reflects limited upside under our base case that assumes \$80 Brent (\$75 WT) in 2024 with backwardation embedded in our long-term commodity view of \$70 WTI.

## Stock Data

Average Daily Volume 8,532,862

## Quarterly Earnings Estimates

	2023	2024
Q1	0.32A	0.34E
Q2	0.25A	0.35E
Q3	0.36A	0.40E
Q4	0.43A	0.40E

## 4Q23 Earnings Recap

The table compares actuals to estimates and prior yoy and qoq results. Please note PR discusses performance on an adj. basic basis.

### Exhibit 1: PR 4Q23 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	1,123	1,074	762	47%	759	0%
Transportation and Processing	(31)	(32)	(20)	55%	(21)	-2%
Production	(84)	(75)	(54)	56%	(59)	-8%
Production Expenses	(116)	(107)	(74)	55%	(80)	-7%
DD&A	(367)	(366)	(182)	102%	(236)	-23%
Income Tax Expense	(79)	(58)	(41)	93%	(16)	151%
Other Income / Expenses	(243)	(345)	(381)	-36%	(206)	85%
<b>Net Income (Adjusted)</b>	<b>318</b>	<b>198</b>	<b>83</b>	<b>282%</b>	<b>220</b>	<b>-62%</b>
Special Items	95	-	116	-18%	(122)	-195%
<b>Net Income (Reported)</b>	<b>413</b>	<b>198</b>	<b>199</b>	<b>108%</b>	<b>98</b>	<b>102%</b>
Earnings (Adjusted Basic)	0.45	0.35	0.15	203%	0.39	-62%
Earnings (Reported basic)	0.59	0.35	0.36	65%	0.17	105%
Dividend	0.15	0.12	0.05	200%	0.12	-58%

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: PR Earnings Estimates

Earnings estimates move up based on 4Q23 earnings and guidance

	Q1	Q2	Q3	Q4	FY	BBG Consensus
2022A	0.05	0.60	0.70	0.14	1.32	1.70
2023E	0.32	0.25	0.36	0.43	1.38	1.17
Previous	0.32	0.25	0.36	0.33	1.26	n/a
2024E	0.34	0.35	0.40	0.40	1.49	1.47
Previous	0.30	0.34	0.39	0.37	1.40	n/a
2025E	0.43	0.41	0.45	0.43	1.72	1.67
Previous	0.40	0.39	0.43	0.41	1.64	n/a

Source: BofA Global Research, Bloomberg

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## Price objective basis & risk

### Permian Resources Corporation (PR)

Our \$17 PO is based on discounted cash flow assuming a 9% WACC and a long-term price deck of \$4.00 HH / \$70 WTI.

Upside risks are: 1) potential upside to initial synergies from the Earthstone acquisition, 2) Continued efficiency gains on the operational front, and 3) better execution on the ground game activity

Downside risks are: 1) difficulty integrating assets acquired, 2) regulatory risk, and 3) supply chain delays

## 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
<b>BUY</b>				
	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
	Magnolia Oil and Gas	MGY	MGY US	Noah Hungness
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	Chord Energy Corporation	CHRD	CHRD US	John H. Abbott
	Crescent Energy Company	CRGY	CRGY US	John H. Abbott
	Marathon Oil Corp.	MRO	MRO US	Doug Leggate

## US - Large Cap Oils Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
<b>RSTR</b>	Pioneer Natural Resources	PXD	PXD US	Doug Leggate

**iQmethod<sup>SM</sup> 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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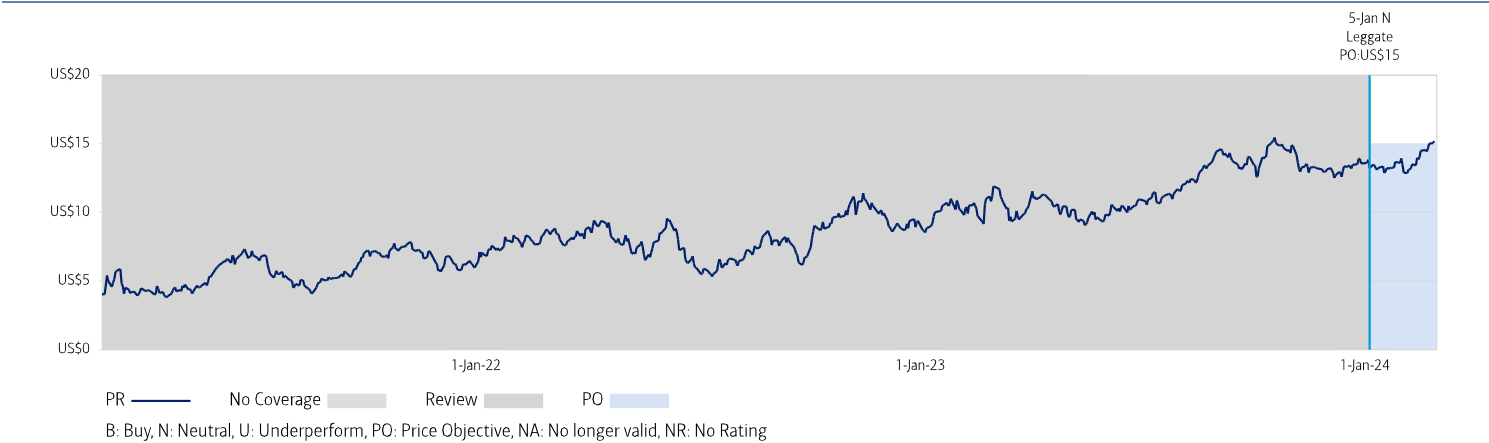
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Permian Resources (PR) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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