

Range Resources Corp

Updating estimates for 02/06 ops update ahead of year end results on February 22nd

Reiterate Rating: BUY | PO: 42.00 USD | Price: 28.73 USD

Better realizations lift 4Q23 adj EPS estimate to \$0.56

Following Range Resources' (RRC) 2/6 8k update on production and pricing, we update our 4Q23 estimates to align with actual disclosures ahead of earnings. Net production of 2.207 bcfe/d is slightly ahead of our estimate (2,171 bcfe/d) comprising 1.540 bcfe/d of natural gas, 104,038 bbl/d of NGLs, and 7,136 bbl/d of oil & condensate. Unhedged natural gas, NGL and oil price realizations are expected to be \$2.40/Mcf, \$24.91/bbl and \$67.75/bbl. Hedging impacts leave gas realizations at \$2.68/Mcf with oil at \$63.42/bbl. Note RRC received an \$8mm contingent gain related the sale of its Terryville asset in 2020. Post this update our 4Q23 adj EPS estimate moves up to \$0.56/sh from \$0.51/sh primarily on better gas realizations (+5c).

Look for comments on growth in 2025 and beyond

RRC is scheduled to report results on February 22nd after the market close with a call the following day at 9am ET. As highlighted in our [4Q23 earnings preview](#), there are several items to watch starting with its 2024 capital & production outlook, where we expect management to maintain a maintenance capital program that is essentially ex-growth. Currently, we assume FY 2024 spending of ~\$595mm. If RRC chooses to position for a better gas price outlook expected in 2025, we expect any upside to spending to be modest (~\$30mm), which may also inform management's view of long-term growth, especially if it looks to maintain market share, as MVP is built out.

Reiterate Buy given long-term constructive view on gas

For 2024, RRC retains hedges that we believe will lift cashflow by \$271mm, implying a FY capex break even around 2.12/mcf (ex hedging). For the full year we expect free cashflow of ~\$576mm. Given current gas price weakness, our expectation is that management will continue to prioritize debt reduction. By our estimates, RRC possibly achieved the upper end of its \$1.0bn - \$1.5bn debt target range in 4Q23. Overall, we continue to view RRC as a lower risk play on an improving long term gas outlook, with its 30% liquids mix, low decline and long inventory life key to maintaining breakeven at the lower end of the sector range. Our \$42 PO remains unchanged, assuming \$4 HH / \$75 WTI.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.03	5.11	2.31	2.52	3.78
GAAP EPS	1.66	4.81	2.88	2.52	3.78
EPS Change (YoY)	NM	151.7%	-54.8%	9.1%	50.0%
Consensus EPS (Bloomberg)			2.23	2.54	3.61
DPS	0	0.16	0.32	0.32	0.32
Valuation (Dec)					
P/E	14.2x	5.6x	12.4x	11.4x	7.6x
GAAP P/E	17.3x	6.0x	10.0x	11.4x	7.6x
Dividend Yield	0%	0.5%	1.1%	1.1%	1.1%
EV / EBITDA*	21.2x	3.3x	6.5x	7.3x	5.6x
Free Cash Flow Yield*	5.7%	20.2%	6.6%	8.3%	12.5%

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

12 February 2024

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Stock Data

Price	28.73 USD
Price Objective	42.00 USD
Date Established	5-Jan-2024
Investment Opinion	C-1-7
52-Week Range	22.61 USD - 37.88 USD
Mkt Val (mn) / Shares Out (mn)	6,934 USD / 241.3
Free Float	96.7%
Average Daily Value (mn)	70.55 USD
BofA Ticker / Exchange	RRC / NYS
Bloomberg / Reuters	RRC US / RRC.N
ROE (2023E)	17.4%
Net Dbt to Eqty (Dec-2022A)	66.3%
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".

NGL – natural gas liquids

MVP – Mountain Valley Pipeline

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Timestamp: 12 February 2024 10:24PM EST

iQprofileSM Range Resources Corp

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	0.6%	36.9%	14.1%	10.1%	12.6%
Return on Equity	27.0%	50.8%	17.4%	16.0%	20.2%
Operating Margin	2.6%	49.6%	33.5%	33.5%	41.5%
Free Cash Flow	395	1,400	456	576	869

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.6x	1.5x	1.8x	1.9x	1.6x
Asset Replacement Ratio	1.1x	1.3x	1.6x	1.7x	1.6x
Tax Rate	318.6%	16.3%	21.7%	23.0%	23.0%
Net Debt-to-Equity Ratio	120.8%	66.3%	42.5%	24.5%	4.4%
Interest Cover	0.3x	14.9x	8.7x	10.6x	29.4x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,340	4,776	3,101	2,630	2,987
% Change	7.4%	104.1%	-35.1%	-15.2%	13.6%
Gross Profit	2,235	4,659	2,977	2,515	2,865
% Change	8.4%	108.4%	-36.1%	-15.5%	13.9%
EBITDA	426	2,723	1,392	1,240	1,601
% Change	689.7%	539.0%	-48.9%	-10.9%	29.1%
Net Interest & Other Income	(250)	(956)	(147)	(83)	(42)
Net Income (Adjusted)	504	1,259	560	614	922
% Change	NM	150.1%	-55.6%	9.7%	50.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	412	1,183	699	614	922
Depreciation & Amortization	365	353	352	359	361
Change in Working Capital	(243)	(169)	(55)	0	0
Deferred Taxation Charge	(60)	239	182	173	135
Other Adjustments, Net	336	258	(163)	24	24
Capital Expenditure	(414)	(465)	(559)	(594)	(573)
Free Cash Flow	395	1,400	456	576	869
% Change	NM	254.2%	-67.4%	26.3%	50.9%
Share / Issue Repurchase	0	(447)	0	0	0
Cost of Dividends Paid	0	(39)	(78)	(78)	(78)
Change in Debt	(395)	(883)	(192)	(506)	(791)

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	214	0	276	781	1,572
Trade Receivables	477	628	15	15	15
Other Current Assets	40	40	212	212	212
Property, Plant & Equipment	5,755	5,255	6,110	6,337	6,549
Other Non-Current Assets	175	211	352	352	352
Total Assets	6,661	6,135	6,964	7,697	8,700
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,152	883	644	644	644
Long-Term Debt	2,733	1,906	1,791	1,791	1,791
Other Non-Current Liabilities	690	469	964	1,137	1,271
Total Liabilities	4,575	3,259	3,398	3,571	3,706
Total Equity	2,086	2,876	3,566	4,126	4,994
Total Equity & Liabilities	6,661	6,135	6,964	7,697	8,700

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

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 2,455,673

Quarterly Earnings Estimates

	2022	2023
Q1	1.18A	0.99A
Q2	1.27A	0.30A
Q3	1.37A	0.46A
Q4	1.30A	0.56E

Estimate changes

Adjusting for the ops update, our estimates change as follows.

Exhibit 1: RRC Earnings Estimates
Estimate changes after 02/06 ops update

	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	0.56	2.31	2.24
Previous	0.99	0.30	0.46	0.51	2.25	n/a
2024E	0.63	0.53	0.59	0.77	2.52	2.53
Previous	0.63	0.53	0.59	0.76	2.51	n/a
2025E	1.03	0.86	0.91	0.97	3.78	3.59
Previous	1.03	0.86	0.91	0.97	3.78	n/a

Source: BofA Global Research, Bloomberg

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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

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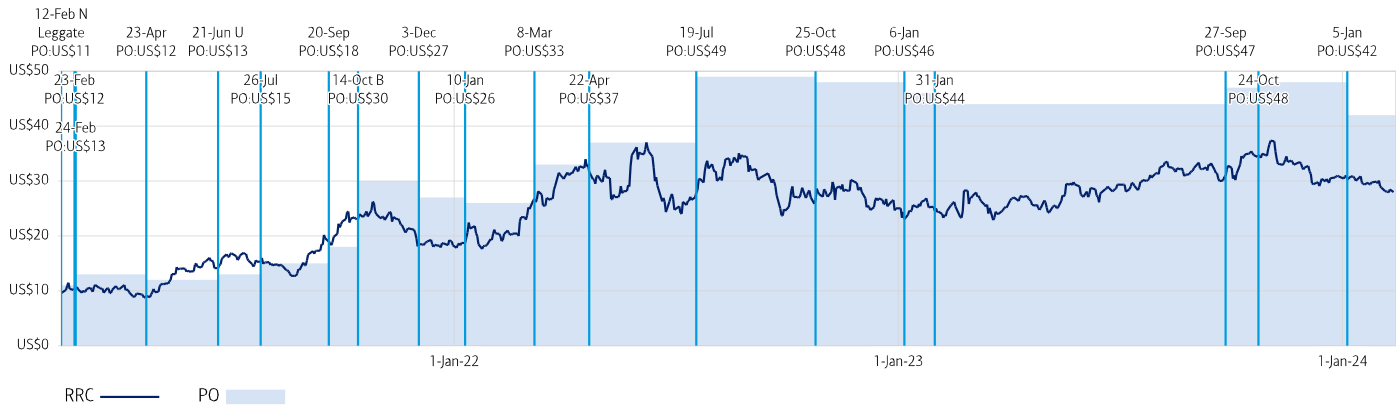
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Important Disclosures

Range (RRC) Price Chart



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

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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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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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