



# National Fuel<sup>®</sup>

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# Overview of Segment Valuation

**National Fuel (NYSE: NFG), founded in 1902, is a vertically integrated energy company with three segments:**

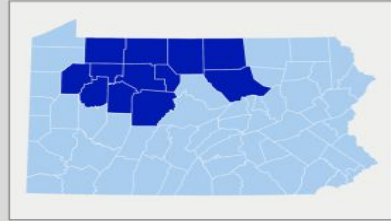
- **E&P (Seneca):** 300+ Bcfe/year from Marcellus & Utica shale
- **Midstream:** Regulated pipelines & storage in PA/NY
- **Utility:** Gas distribution to 740K+ customers in NY/PA with stable returns

## Valuation Methodologies Used

Segment	Valuation Metric	Key Assumptions	Valuation Basis
E&P (Seneca Resources)	EV/EBITDA	5.5x on \$610M EBITDA	Discounted for scale & concentration risk
Midstream (Pipeline & Gathering)	EV/EBITDA	10.5x	Stable regulated cash flow; comps: WMB, ETRN
Utility	P/E Ratio	17x on ~\$190M Net Income	Aligned with peers like Atmos Energy

# E&P Segment Valuation — Seneca Resources

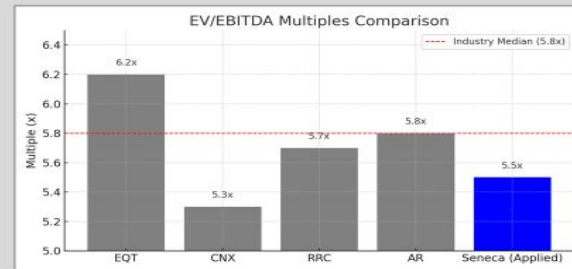
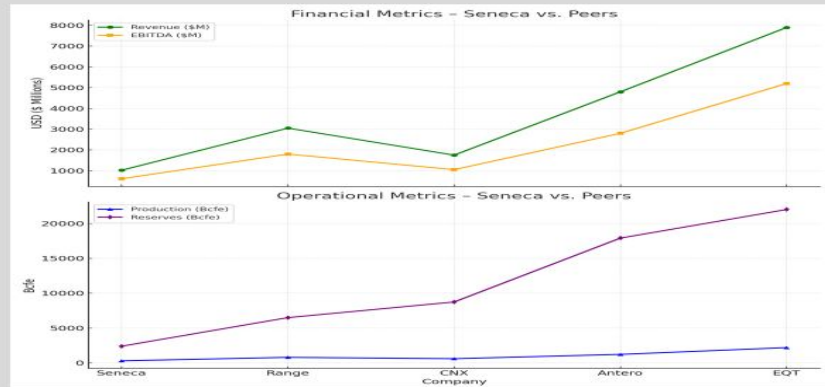
Seneca Resources manages National Fuel's upstream operations in the Appalachian Basin, focused on Marcellus and Utica shale. Its advantage lies in low-cost natural gas production, but its valuation is constrained by regional exposure and lack of transparency as part of a diversified company.



- ◆ Valuation Methodology
  - EV/EBITDA approach
  - Comps: EQT, CNX, RRC, AR
  - Industry Median: 5.8x
  - Applied: 5.5x (discounted for scale and region)

- ◆ Segment Financials
  - Revenue: \$1,020M
  - EBITDA: \$610M
  - Production: 310 Bcfe
  - Reserves: 2,400 Bcfe

Metric	Value
EBITDA (LTM)	\$610 million
EV/EBITDA Multiple	5.5x
EV = (\$610M × 5.5x)	\$3,355 million
Net Debt	\$750 million
Equity Value	\$2,605 million



# Core Message & Strategic Takeaways

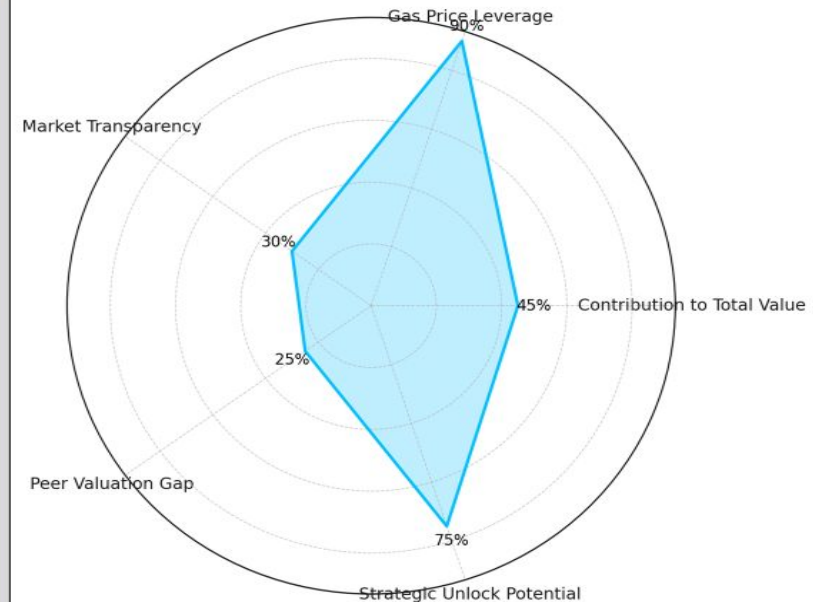
## Core Message

Seneca Resources represents a high-value, high-volatility asset that contributes ~45% of National Fuel's intrinsic value under a sum-of-the-parts approach. However, this value is not recognized by the market due to Seneca's integration within a conglomerate structure dominated by low-growth utility and midstream operations.

## Key Strategic Takeaways

- Seneca accounts for ~45% of total valuation, but its standalone value is hidden inside NF's blended multiple.
- High gas leverage means it offers significant upside potential, but also cyclical risk — requiring investor segmentation.
- A JV or improved segment disclosure could unlock value and align Seneca with higher-multiple peers like EQT or CNX.

Seneca Resources - Strategic Impact Profile



# Midstream & Pipeline Segments

- NFG's Midstream segment includes:
  - NFG Midstream: Gathering in Appalachia (Marcellus Shale)
  - Empire Pipeline: 249-mile FERC-regulated system
- Provides internal gas flow from E&P to market
- Ensures operational synergy and cost control

## Valuation Methodology:

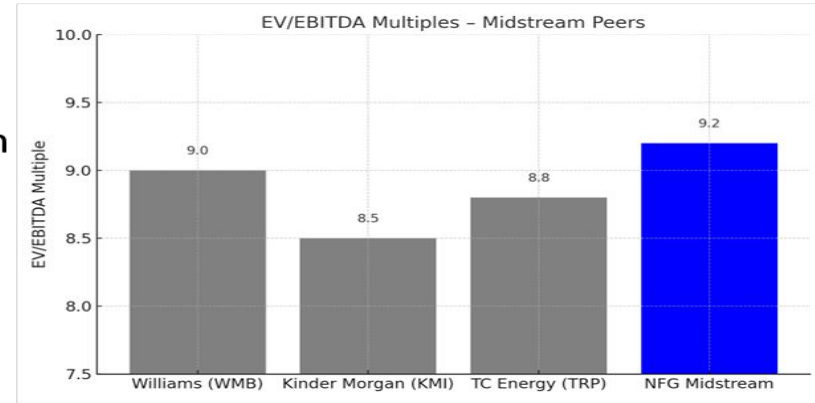
- Peer comps: WMB, KMI, TRP
- EV/EBITDA range: 8.5x–10x (NFG ~9.2x)
- The Equity value coming to ~ \$3022.25Mn
- Optional DCF cross-check for stability

## Strategic Advantages:

- Vertical integration for margin capture
- Location leverage in Marcellus with takeaway capacity
- Connectivity to Northeast demand centers

## Key Takeaways:

- Midstream = low capex, stable cash flow stabilizer
- Reduces basis risk and supports long-term value



# Utility Segment Valuation

- Peer Companies: Atmos Energy (NYSE: ATO), Spire Inc. (NYSE: SR) selected as benchmarks for valuation
- EV/EBITDA Valuation: \$2.94B using a 12.25x multiple on \$240M EBITDA
- P/E Ratio Valuation: \$2.55B based on a 17x multiple of \$150M net income
- Price-to-Book Valuation: \$2.4B–\$3.2B based on 1.2–1.6x P/B of \$2.0B book value
- Dividend Discount Model: Estimated valuation of \$5.0B from projected dividend streams
- Valuation Range and Primary Estimate: Overall range \$2.5B–\$3.2B; primary valuation at \$2.94B

Approach	Estimate
EV/EBITDA	\$2.94B (12.25× × \$240M)
P/E Multiple	\$2.55B (17× × \$150M)
Price-to-Book	\$2.4B – \$3.2B
<b>Midpoint Range</b>	<b>\$2.94B</b>

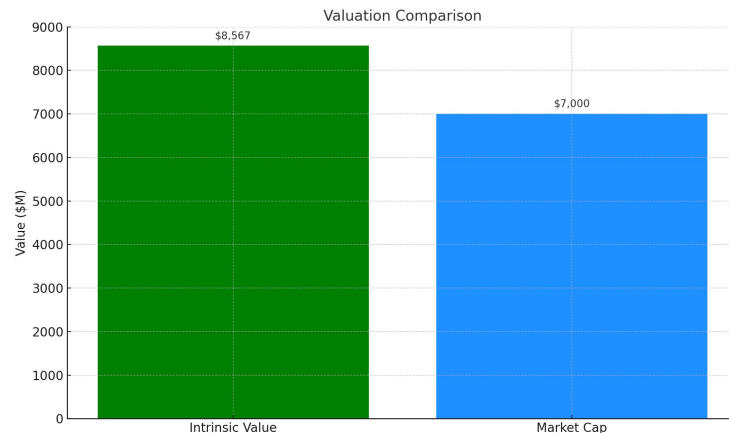
# SOTP vs. Market Cap + Strategic Recommendations

Segment	Valuation Method	Value (\$M)
1 E&P (Seneca)	EV/EBITDA (5,5x)	2605.0
2 Midstream	EV/EBITDA (9,2x)	3022.0
3 Downstream	EV/EBITDA, P/E, P/B	2940.0
4 Total	—	8567.0

## Conclusion: **BUY/HOLD Recommendation**

- National Fuel is **undervalued by ~20-25%** based on segment fundamentals
- Each unit is strong on a standalone basis; value obscured in consolidated form
- Long-term upside from potential Utility Business Expansion (Stability)

- **E&P (Seneca):** EV/EBITDA is standard for upstream assets due to high capex and earnings volatility.
- **Midstream:** EV/EBITDA captures stable, infrastructure-like cash flows in pipeline businesses.
- **Utility:** P/E is most appropriate given the predictable, regulated net income stream.





# National Fuel®

That's all from us—unless  
there are questions,  
compliments, or job offers.

Thankyou!!!

