

IPAA Private Capital Conference

A&D Market Update

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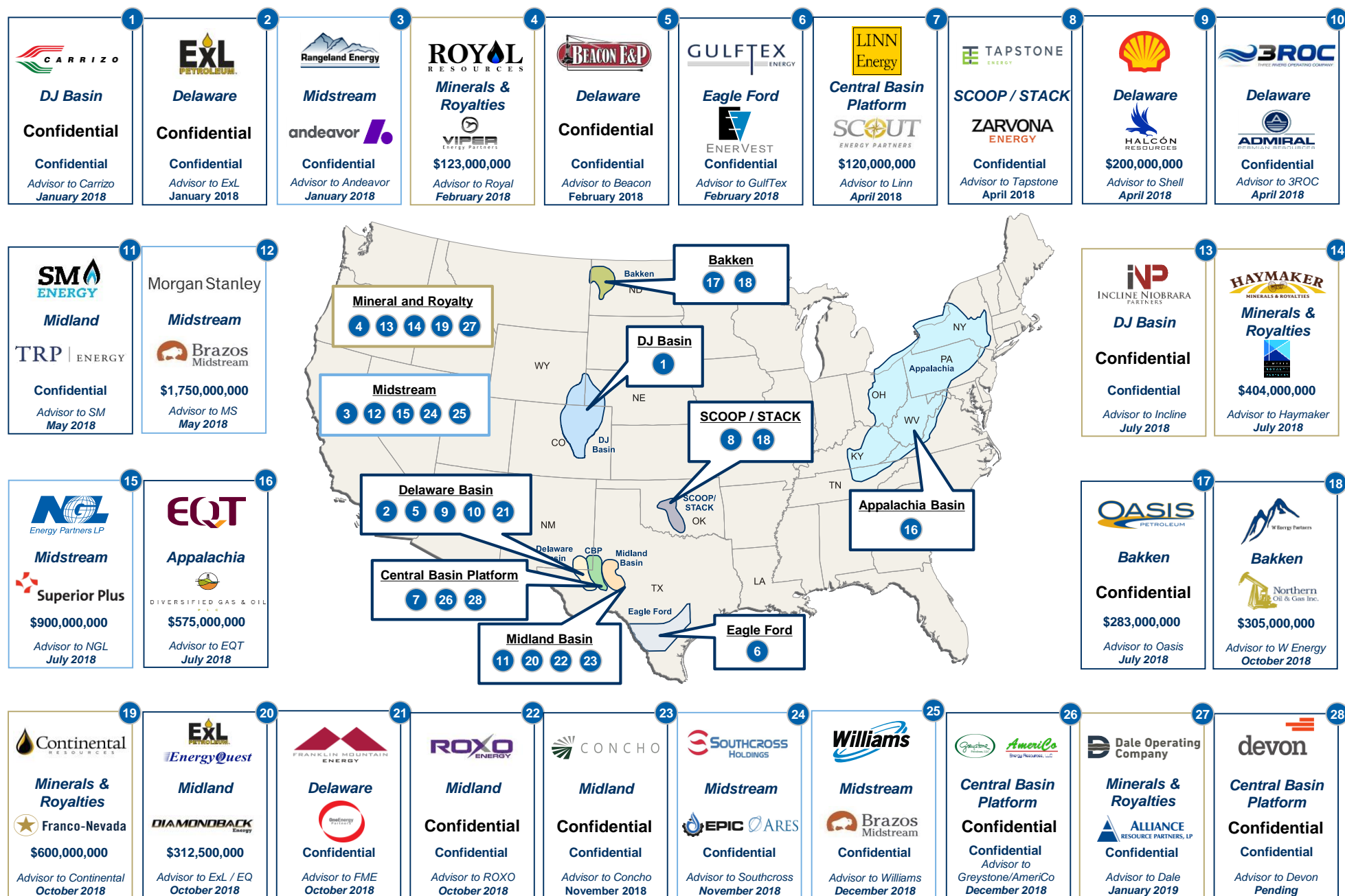
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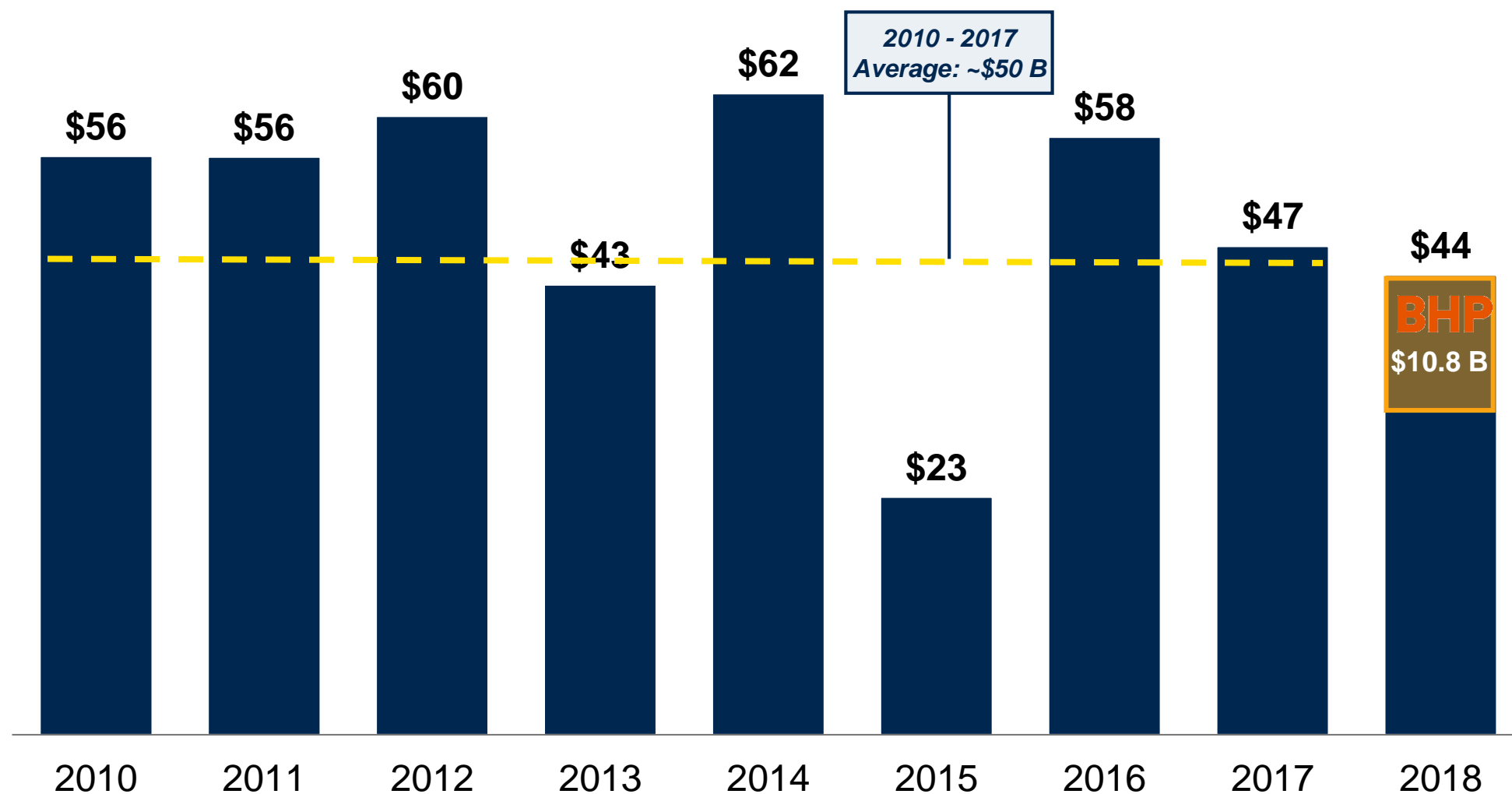
RBC Capital Markets
RBC Richardson Barr

Recent Select RBC-Advised U.S. Transactions



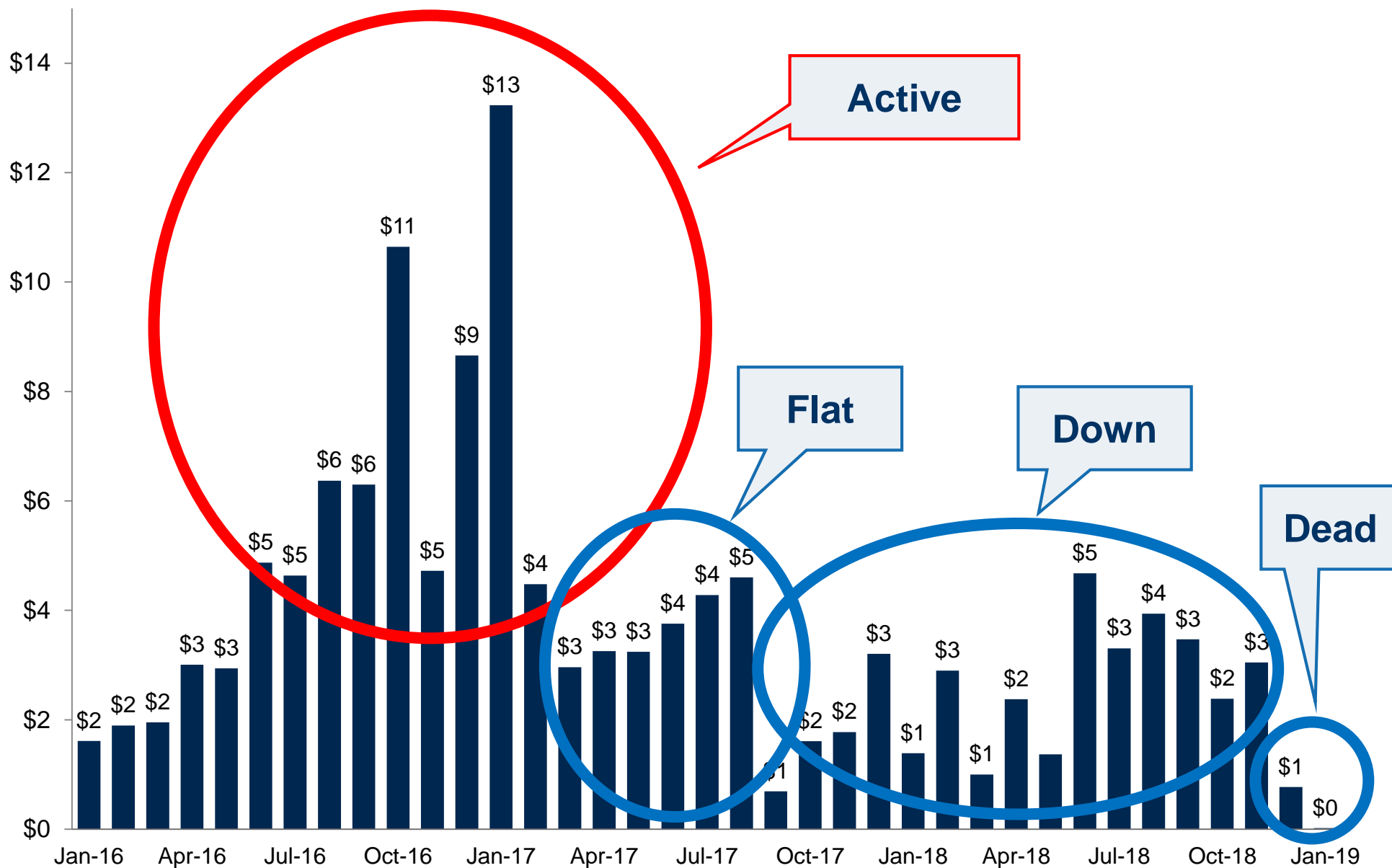
Annual A&D Asset Supply

Annual U.S. E&P Onshore Transaction History (\$B) ⁽¹⁾



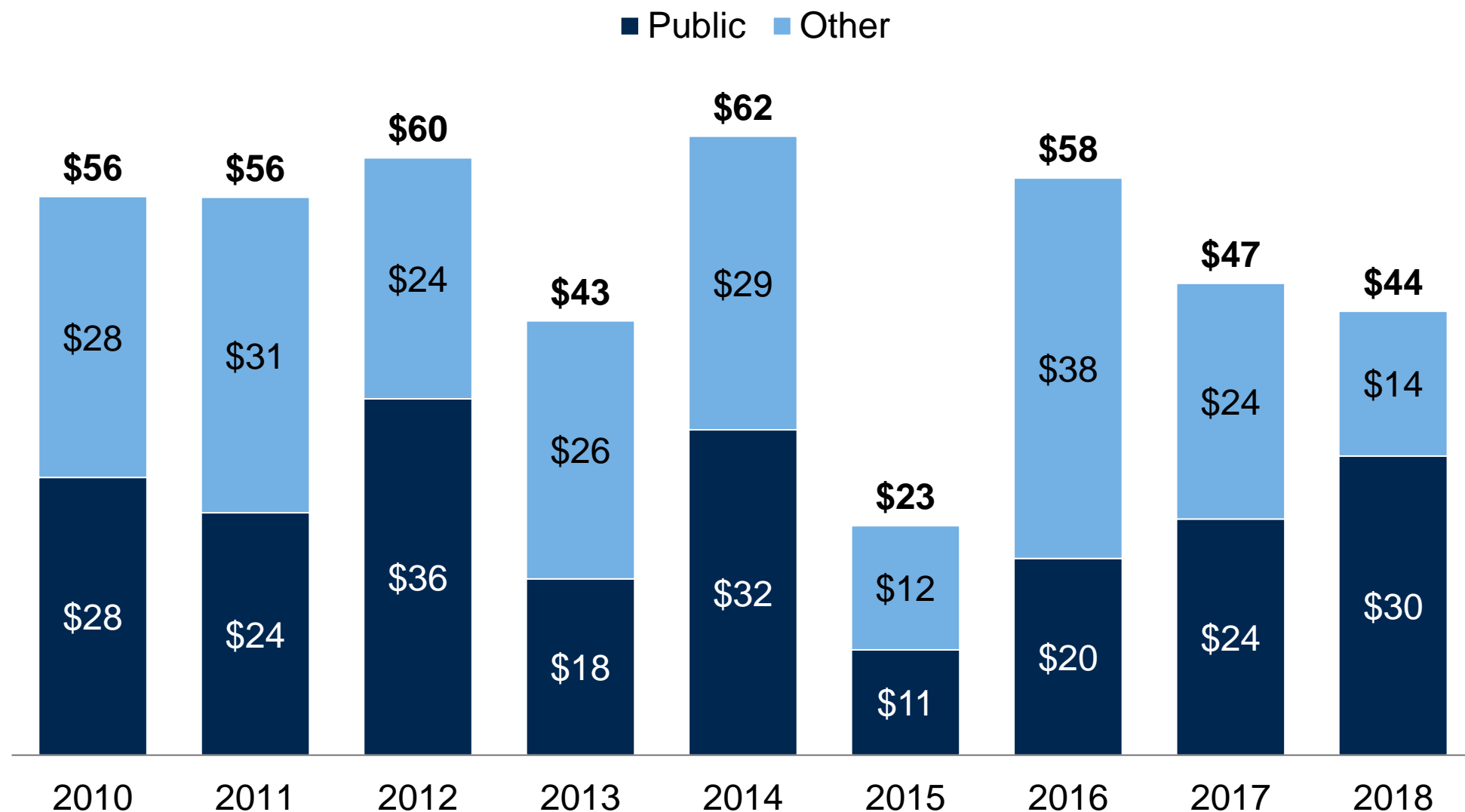
Monthly A&D Asset Supply

\$ in Billions



Who Is Selling?

Annual U.S. E&P Onshore Transaction History (\$B) ⁽¹⁾

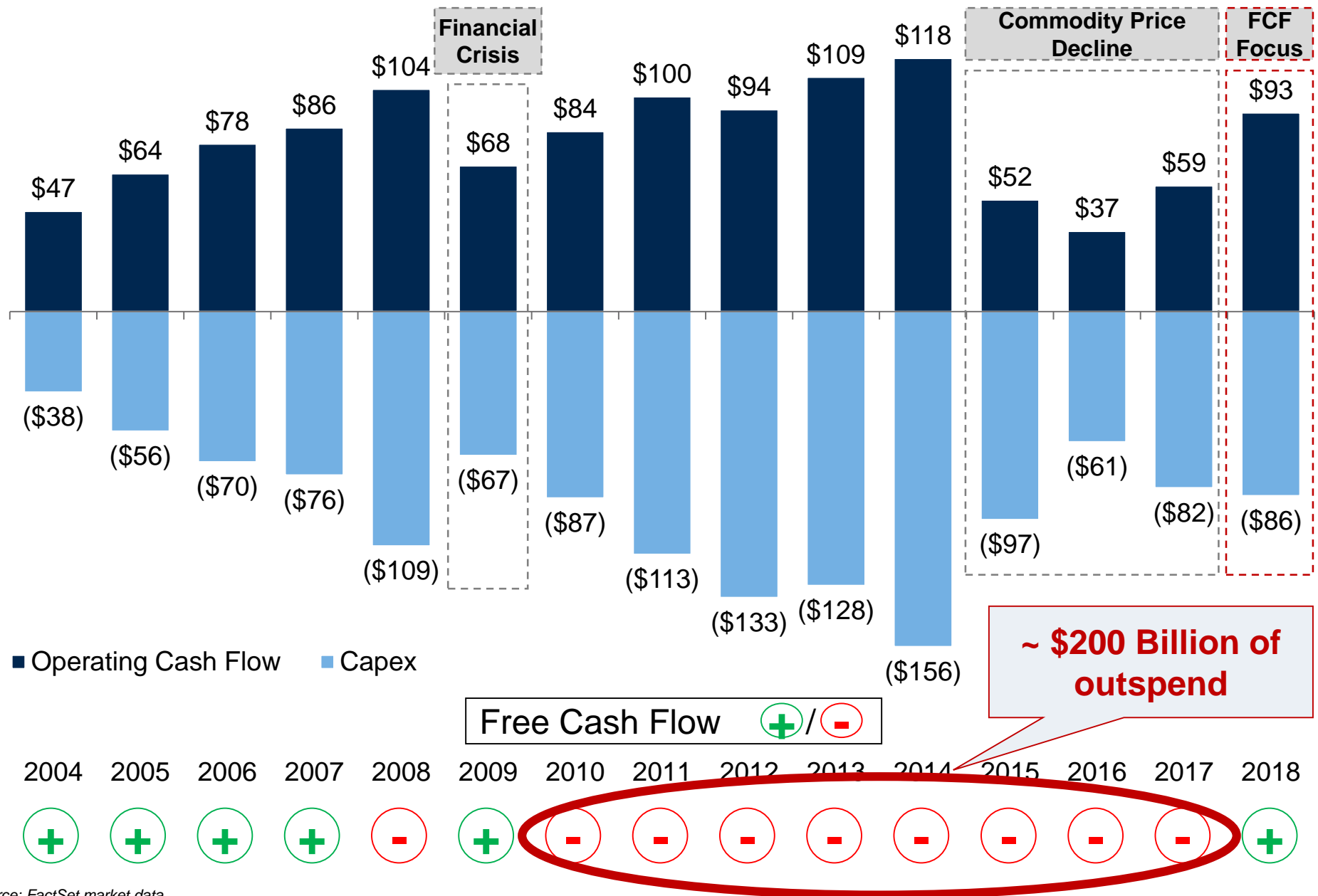


% Public	50%	43%	60%	41%	53%	46%	34%	50%	67%
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4 Source: RBC Richardson Barr internal database, public filings, company press releases.
 (1) Includes onshore U.S. asset transactions greater than \$20 million.

Why Are Publics Selling?

(\$ in billions, unless otherwise specified)

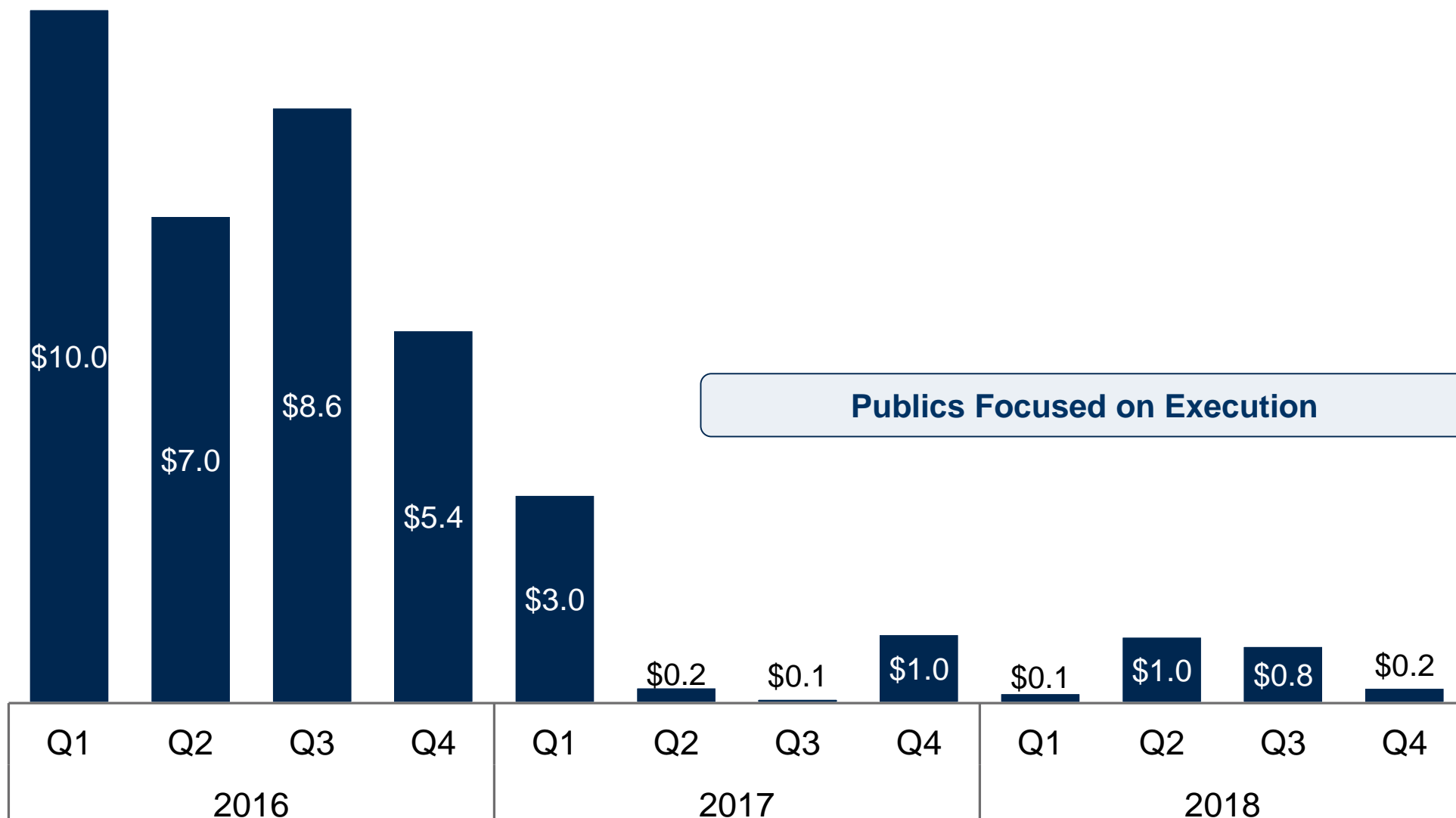


Source: FactSet market data.

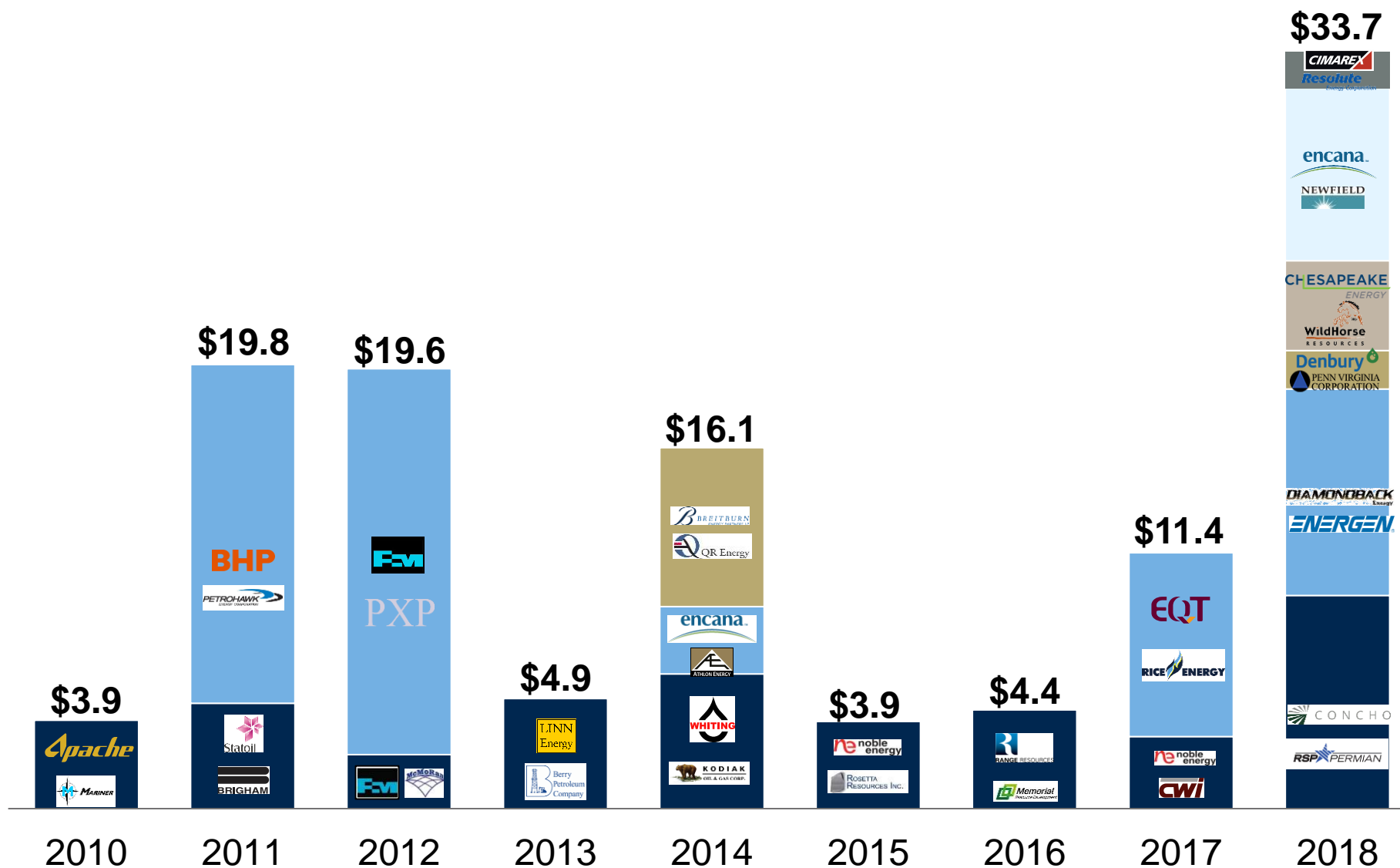
Equity Markets Shut As Investors Demand Execution

Equity Offerings by Quarter Since 2016 (\$B)

Publics Aggressively Buying



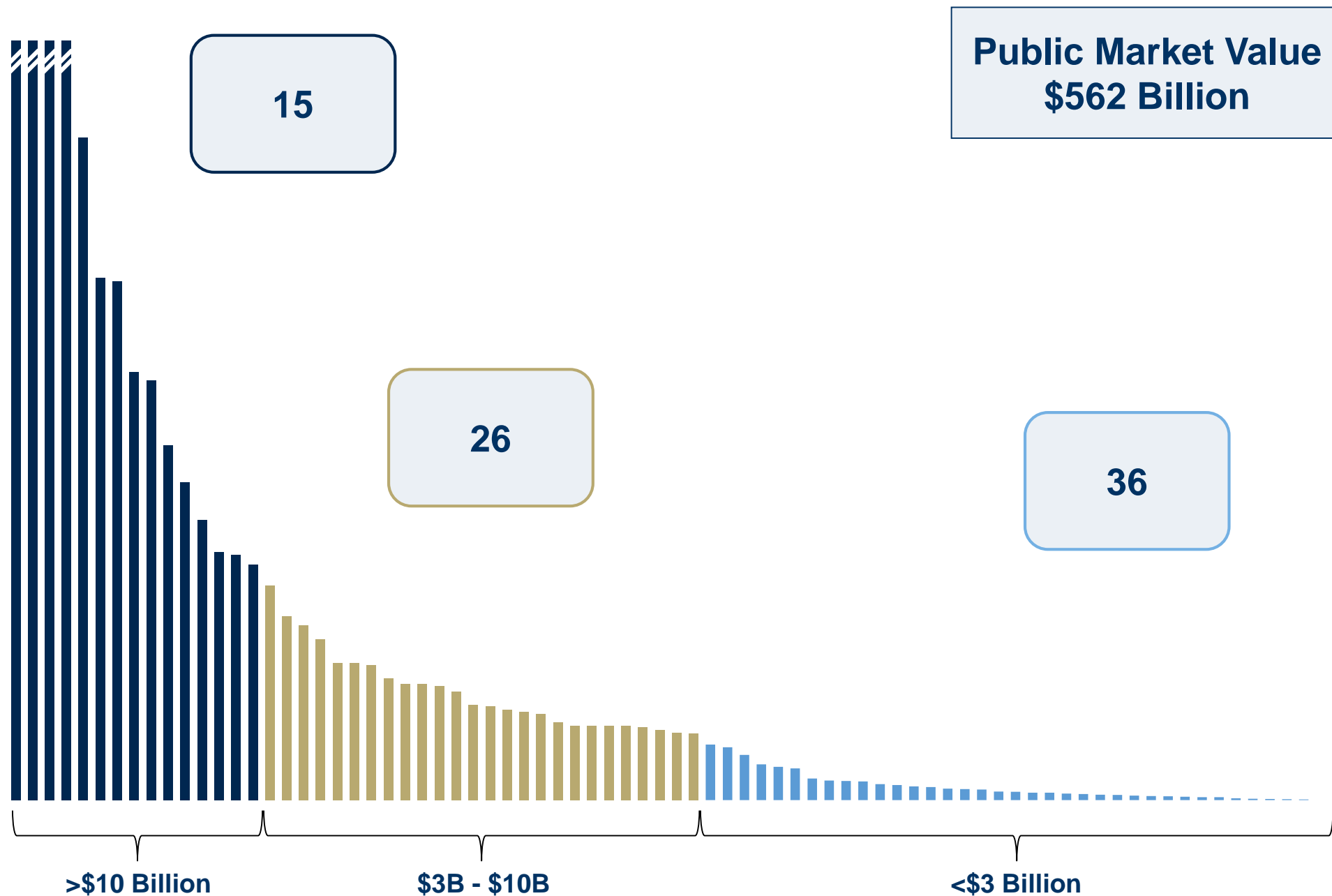
M&A Picked Up Dramatically In 2018



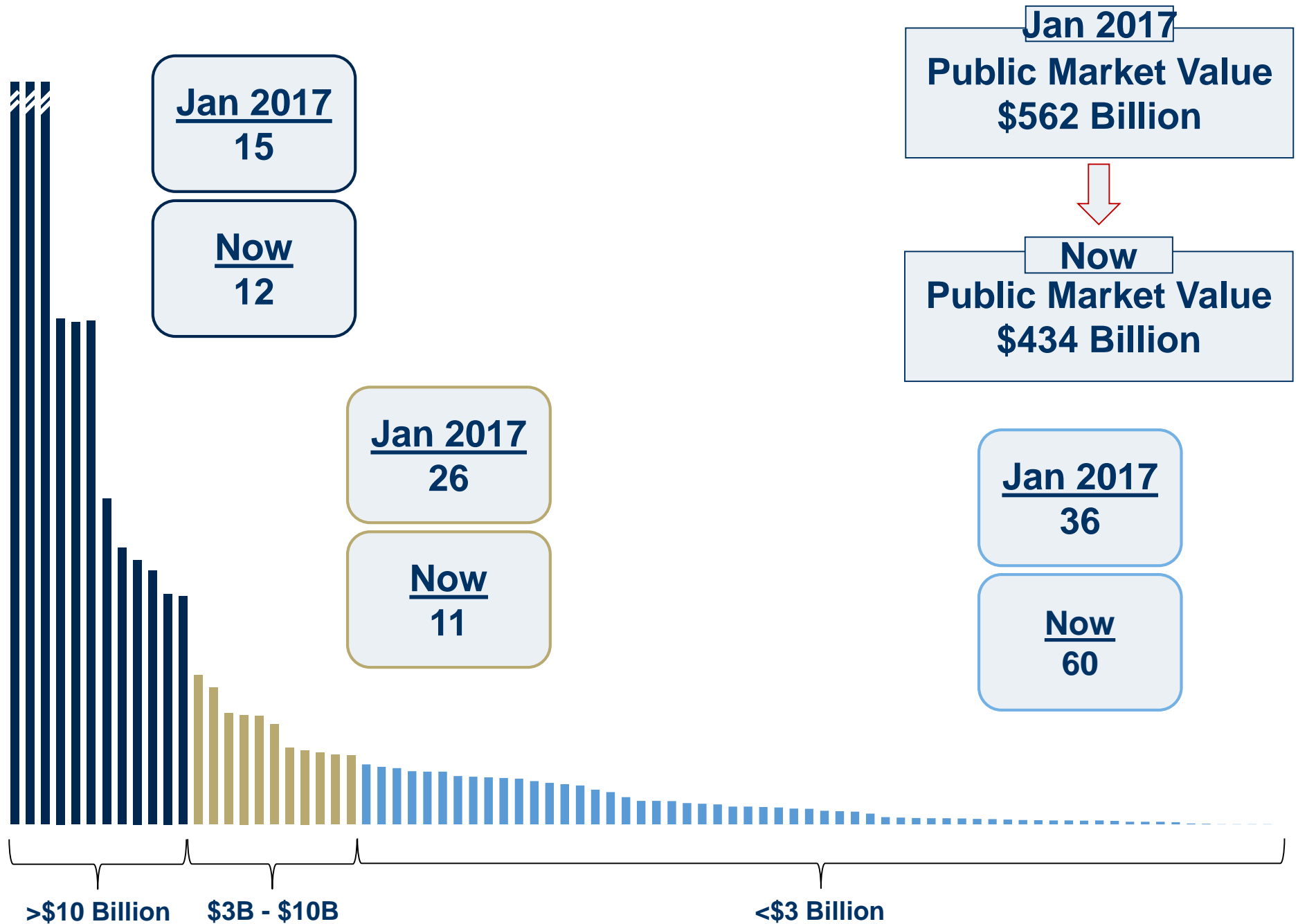
Deal Count	1	2	2	1	3	1	1	2	6
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7 Source: RBC Richardson Barr database, public filings
 (1) Select onshore corporate M&A transactions greater than \$1.0 billion

Public E&P Universe – January 2017

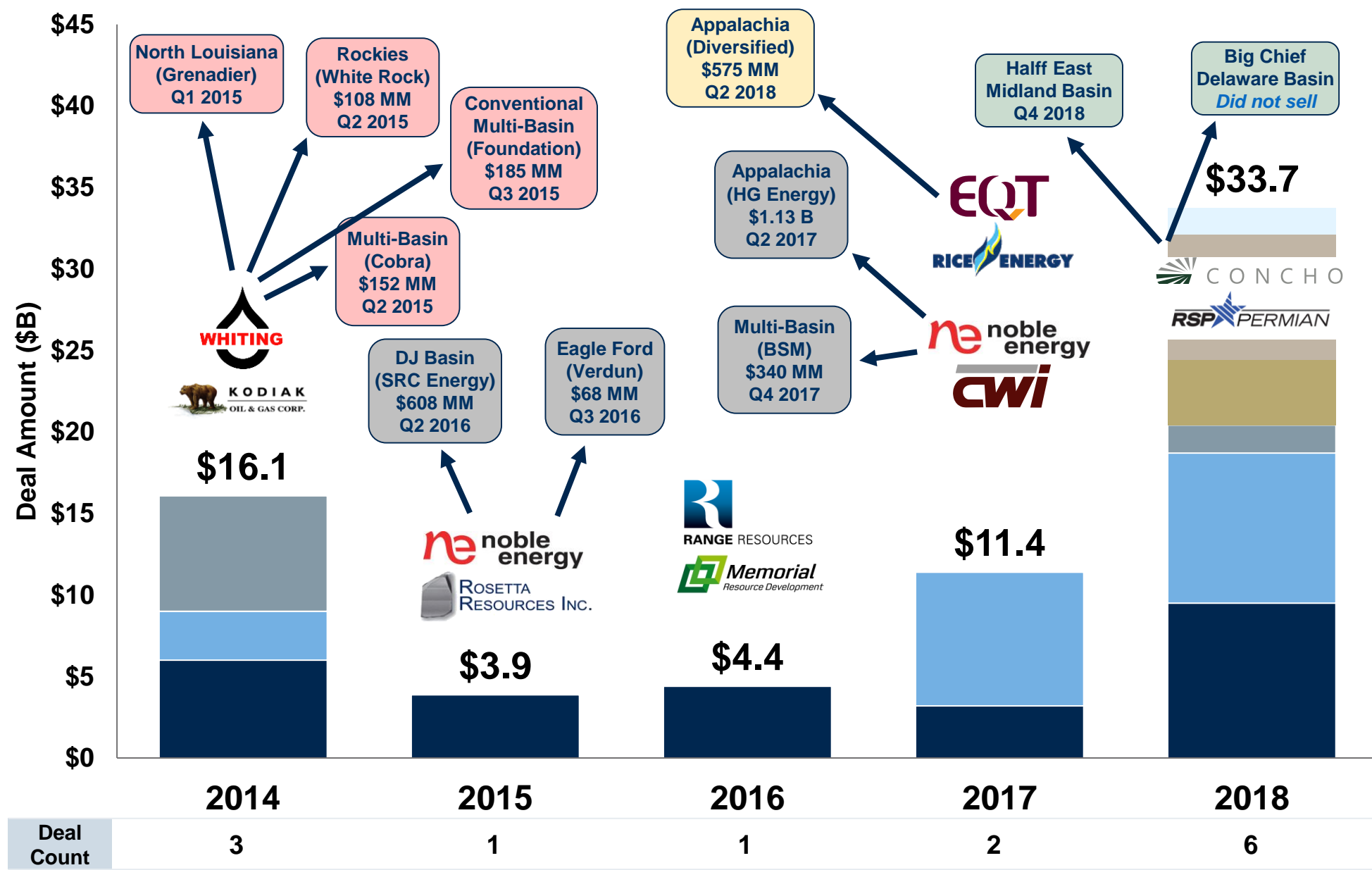


Public E&P Universe – Today



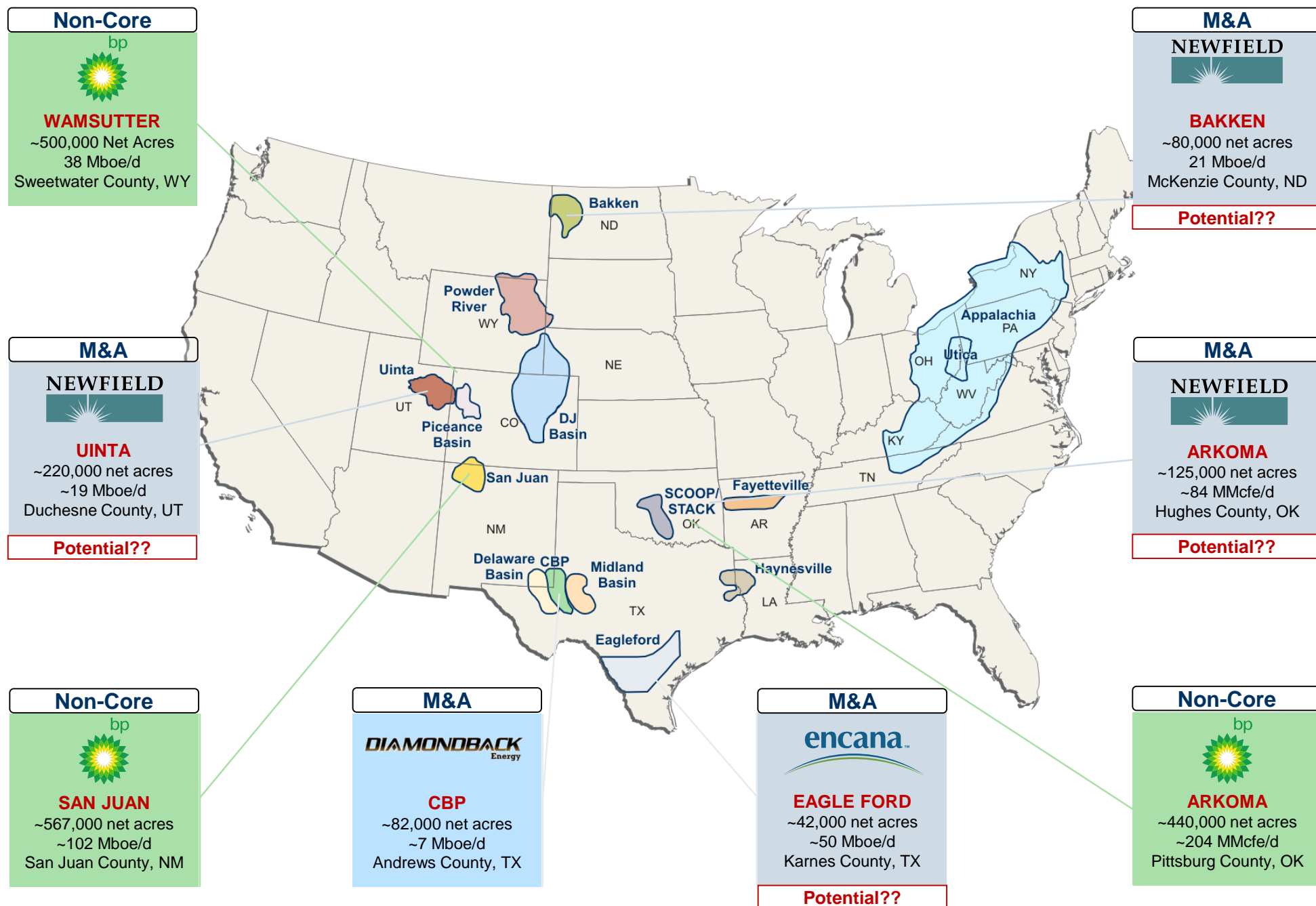
M&A Has Been An Important Driver For Asset Supply...

Portfolio Management After M&A has Led to Significant Divestitures in Recent Years (\$ in Billions)



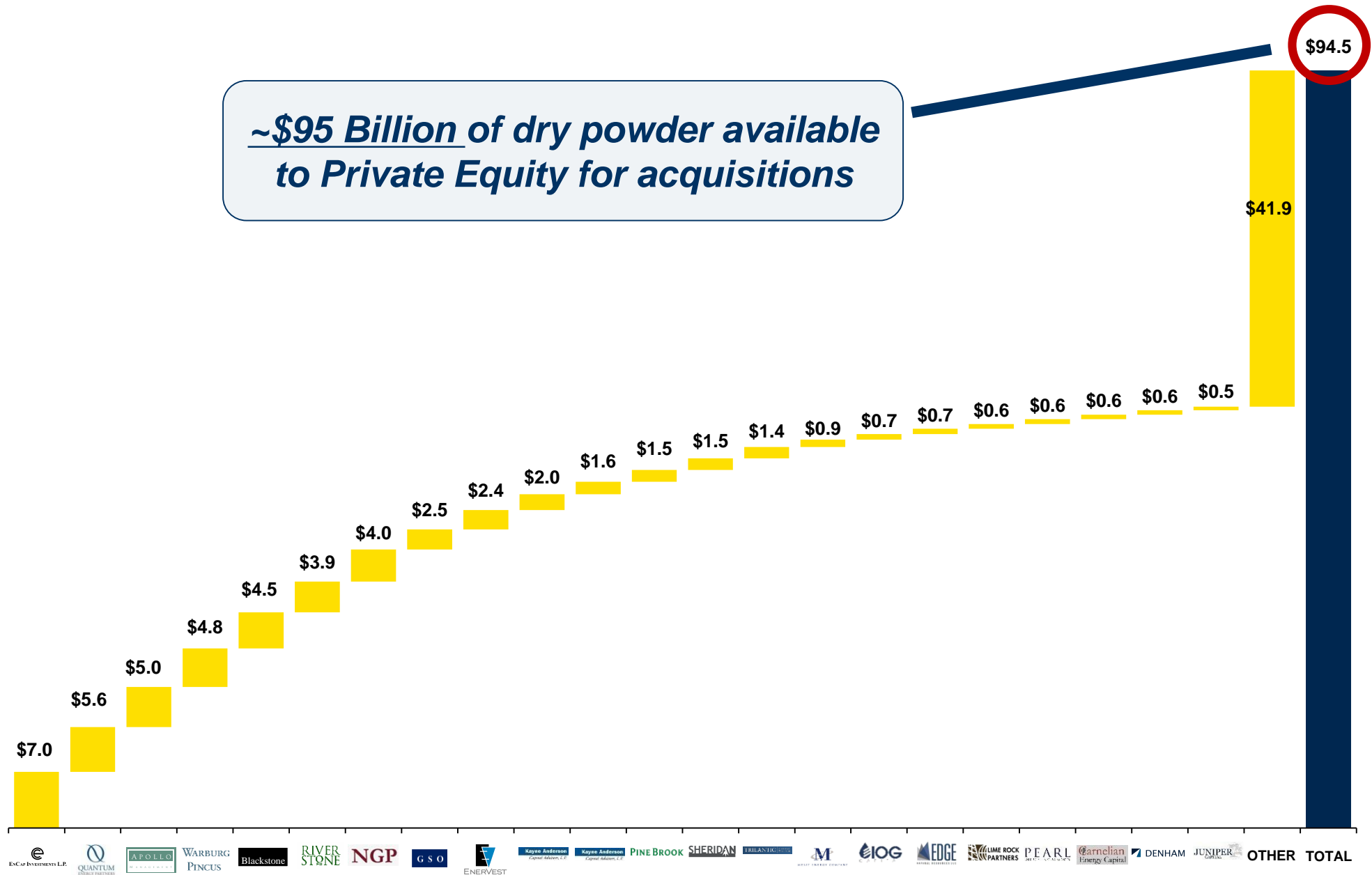
10 Source: RBC Richardson Barr internal database, public filings, company press releases.
(1) Select corporate M&A transactions greater than \$1.0 billion.

...And Should Continue To Provide Lots Of Opportunities



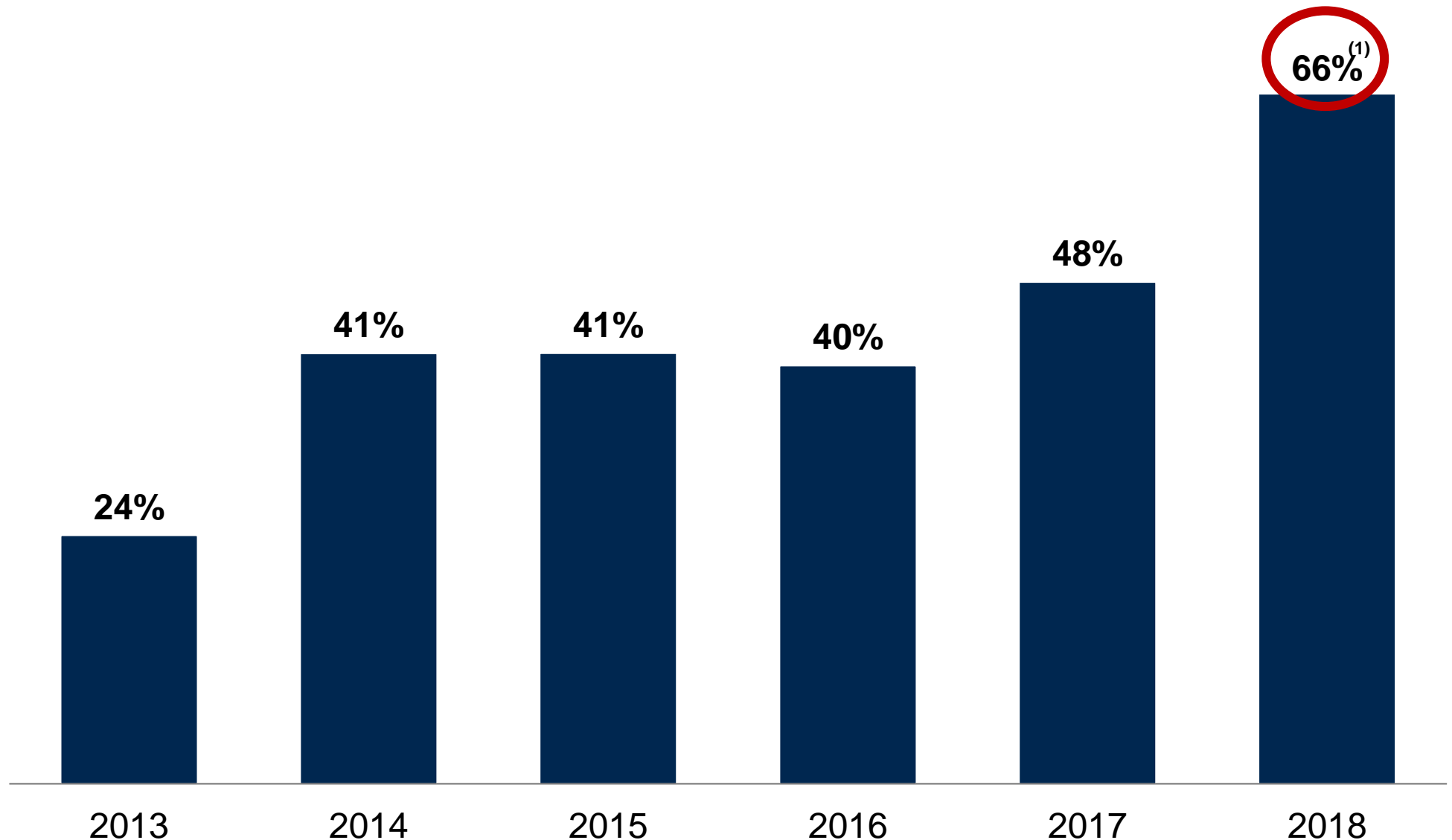
Private Equity Has An Abundance Of Dry Powder...

~\$95 Billion of dry powder available to Private Equity for acquisitions



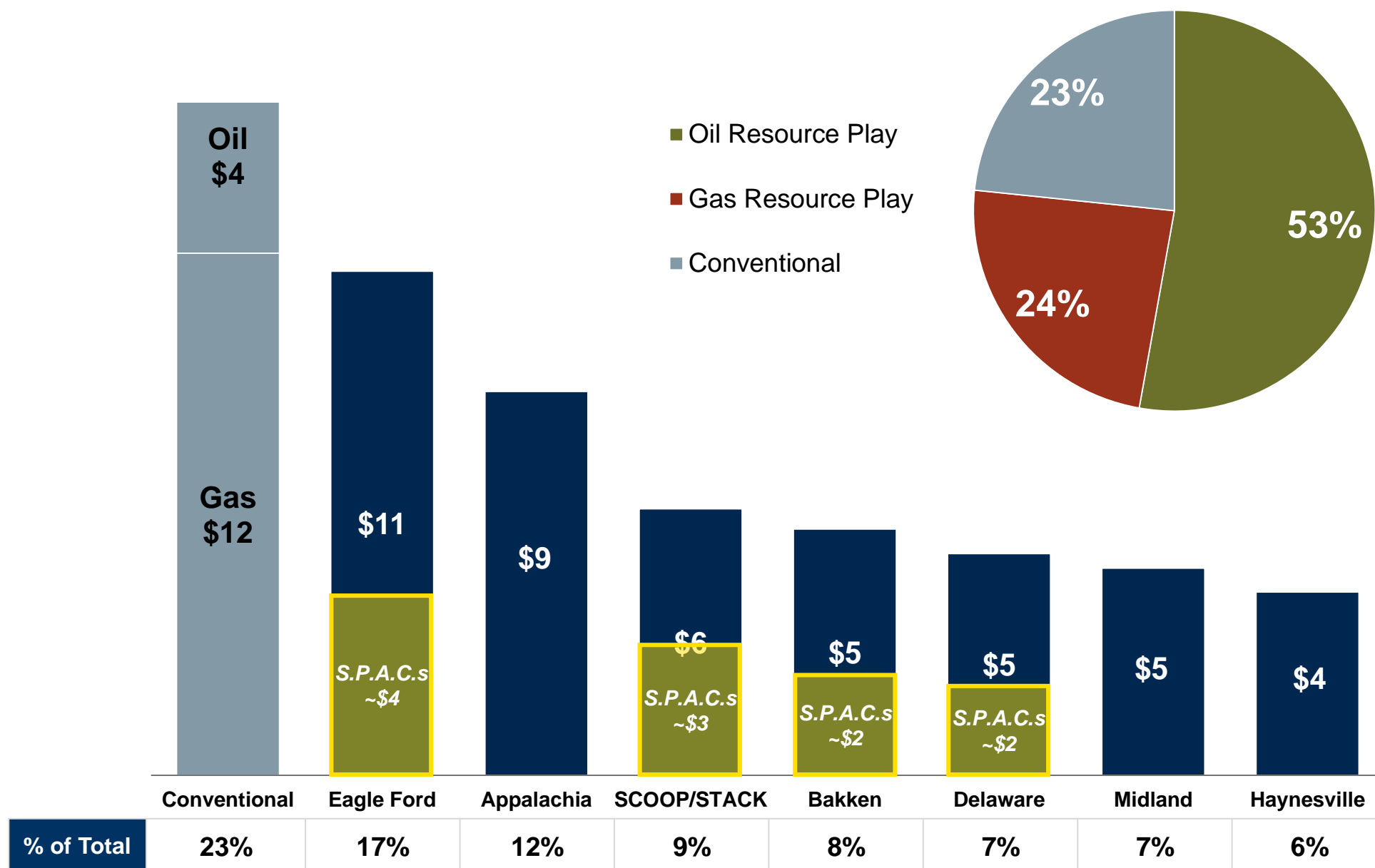
...And Has Become The Dominant Buyer In Today's Market

% Private Equity Buyers By Year



Where And What Has Private Equity Been Buying?

PE Asset Demand since 2016 (\$B)



Private Equity Buying Behind Publics – Conundrum or Opportunity?

Pros

- ✓ **Big Land Positions: 10k – 100k+ Net Acres**
- ✓ **No Clock Ticking: Generally all HBP**
- ✓ **Serendipity: Generally all depths / all rights so multiple zones to exploit now or down the road**
- ✓ **Cost savings: Reduce big company LOE and G&A from day one**
- ✓ **Efficiencies: Low-hanging fruit, e.g. better “plumbing”**
- ✓ **Unloved: Neglected and undercapitalized assets**
- ✓ **Cash Flow: Most likely spitting out free cash flow from day one**
- ✓ **Valuation: PDP to PDP+**
 - Lock in hedges on PSA
 - Get upside for free

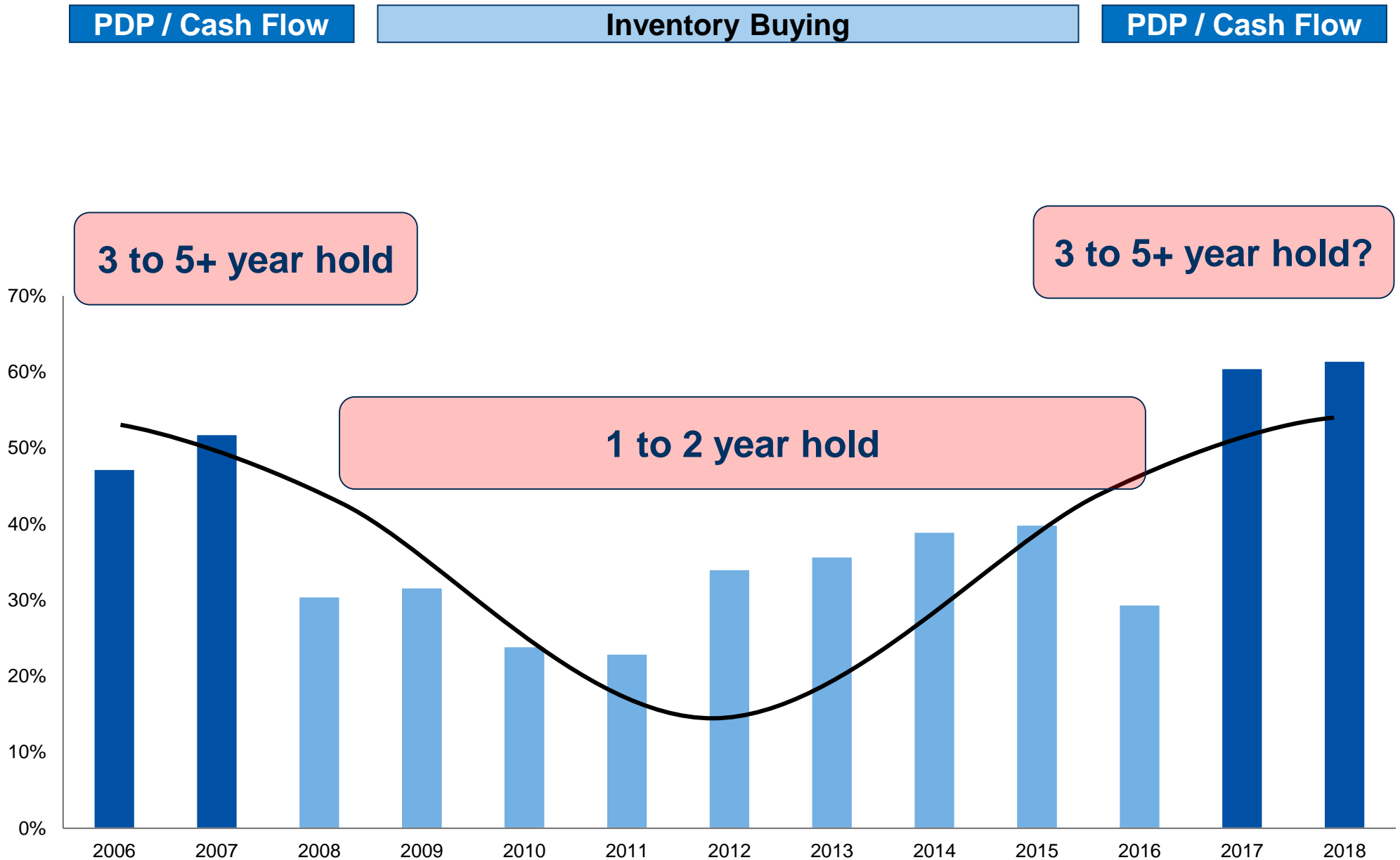
Private Equity Buying Behind Publics – Conundrum or Opportunity?

Cons

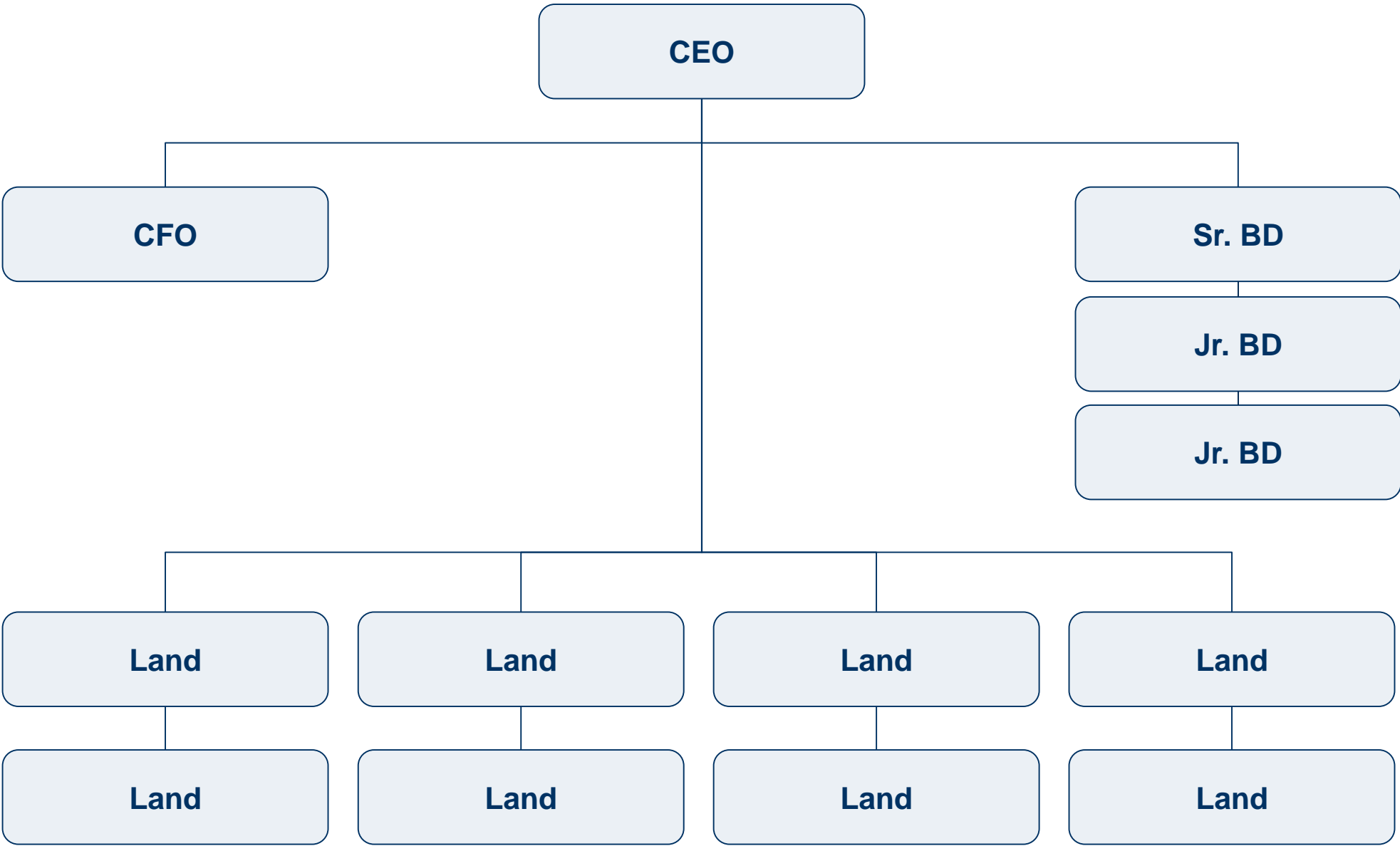
EXIT??

Private Equity – We've Seen This Movie Before!

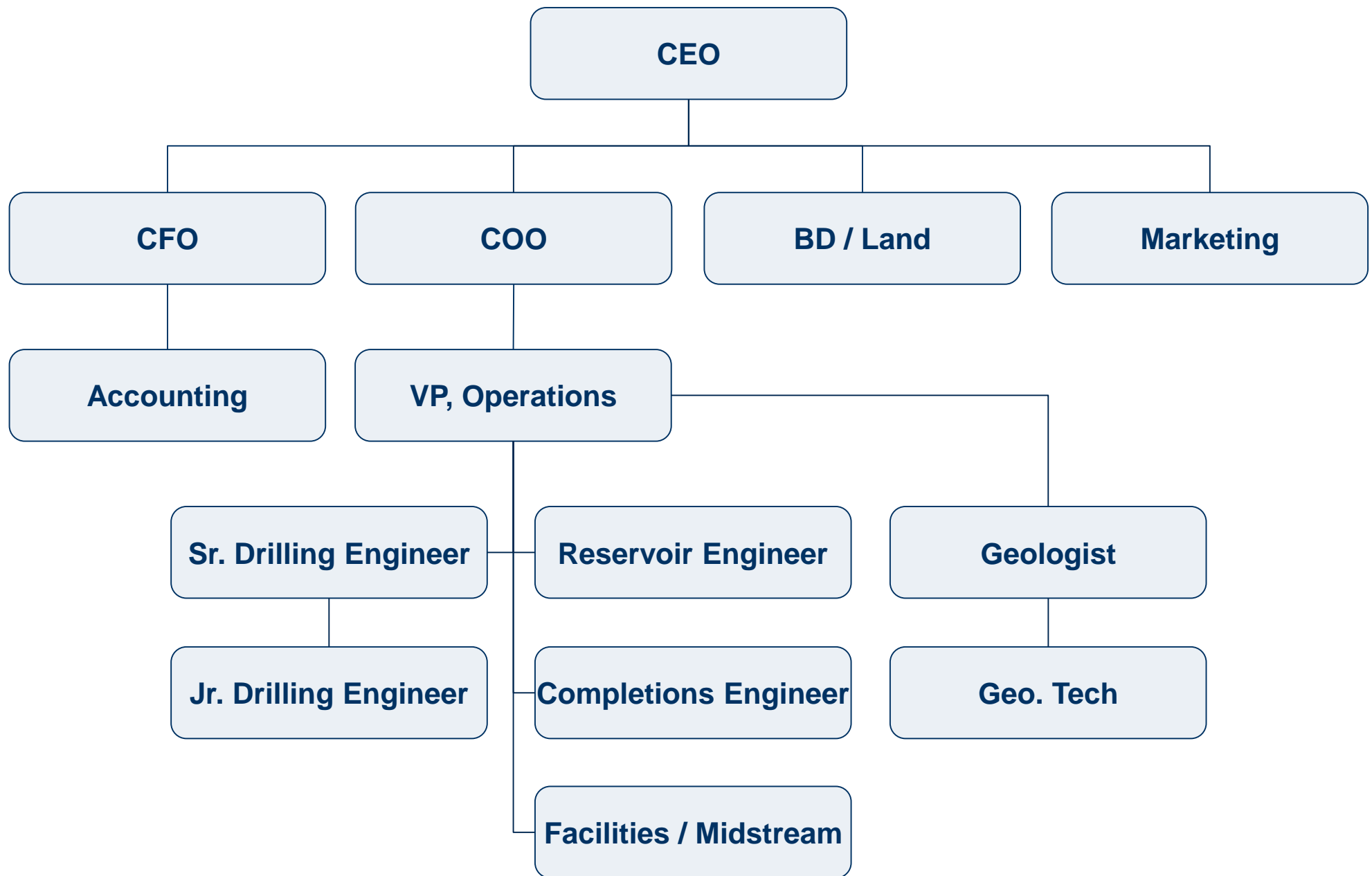
% Of Value Allocated To PDP (1)



Then – Portfolio Co. Org Chart (Lease and Flip)



Now – Portfolio Co. Org Chart (Hold, Develop and Exploit)



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