

# Rockdale Marcellus

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CASE STUDY

JANUARY 2022

## HOULIHAN LOKEY



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

## Energy & Power M&A

### 2020 M&A Advisory Rankings All U.S. Energy & Power Transactions

	Advisor	Deals
<b>1</b>	<b>Houlihan Lokey</b>	<b>28</b>
1	Evercore Partners	28
3	Goldman Sachs & Co	19
4	Lazard	17
5	Moelis & Co	14
5	AlixPartners	14

Source: Refinitiv (formerly known as Thomson Reuters)

**No. 1** M&A Advisor U.S. Energy & Power

## Corporate Finance

### 2020 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
<b>1</b>	<b>Houlihan Lokey</b>	<b>210</b>
2	Goldman Sachs & Co	172
3	JP Morgan	132
4	Evercore Partners	126
5	Morgan Stanley	123

Source: Refinitiv (formerly known as Thomson Reuters)

**No. 1** U.S. M&A Advisor

**Top 5** Global M&A Advisor

**Leading** Capital Markets Advisor

## Financial Restructuring

### 2020 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
<b>1</b>	<b>Houlihan Lokey</b>	<b>106</b>
2	PJT Partners Inc	63
3	Lazard	50
4	Rothschild & Co	46
5	Moelis & Co	39

Source: Refinitiv (formerly known as Thomson Reuters)

**No. 1** Global Restructuring Advisor

**1,400+** Transactions Completed Valued  
at More Than \$3.0 Trillion Collectively

## Financial and Valuation Advisory

### 2001 to 2020 Global M&A Fairness Advisory Rankings

	Advisor	Deals
<b>1</b>	<b>Houlihan Lokey</b>	<b>956</b>
2	JP Morgan	876
3	Duff & Phelps	802
4	Morgan Stanley	599
5	BofA Securities Inc	542

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion  
Advisor Over the Past 20 Years

**1,000+** Annual Valuation Engagements

# Case Study | Rockdale Marcellus

Houlihan Lokey served as Rockdale's exclusive financial advisor with respect to the sale of substantially all of its natural gas assets to Repsol.

## Sale Process Overview

- Rockdale hired Houlihan Lokey in late September 2021 to run a sale process on its behalf
- Houlihan Lokey commenced the marketing process outreach on October 11, within ~three weeks of being engaged
- In addition to traditional sale process workstreams, Houlihan Lokey's mandate included renegotiating the gathering agreement with UGI
- Marketing process generated robust interest: ~50 NDAs, 18 data room presentations, 11 first round IOIs, three binding bids
- Strong interest from broad universe of buyers, including publics, sponsors/sponsor-backed, other privates, family offices, etc.
- Competitive process led to live auction with opening lead bid of ~\$194 million by TXCR
- Successful auction with multiple rounds of bidding resulted in ultimate purchase price of ~\$224 million by Repsol
- The transaction closed on January 19, 2022

 **ROCKDALE**

has sold substantially all of its assets to



Company Advisor

## Exceptional Results

Substantial value paid for upside

Robust valuation metrics (e.g., 4.5x–5.6x FY22 PDP operating cash flow; see following page for additional metrics/detail)

Seamless execution on expedited timeline (~three months from launch to close)

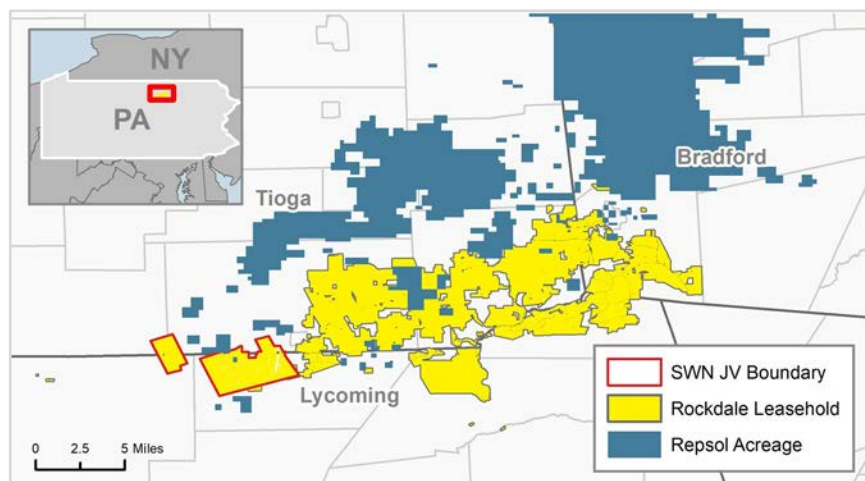
# Case Study | Rockdale Marcellus (cont.)

Houlihan Lokey  
Value-Add

High-Touch  
Process

- Senior deal team members conducted all buyer communications and presented all data room presentations
- High frequency of communications with buyers to explain process intricacies
  - E.g., process for renegotiating UGI agreement; non-traditional PSA terms/diligence process; timeline and auction dynamics; etc.
- Frequent, crisp communication was key to cultivating buyer interest and competitive tension
- Houlihan Lokey leveraged its keen insight into Appalachia buyer universe
- Performed bottom-up technical analysis with thoughtful, well-documented support for upside
- Led UGI strategy/negotiations (renegotiated agreement anticipated to provide substantial undiscounted savings vs. prepetition agreement)
- Ran parallel “staple financing” process to source acquisition financing to support buyer efforts

## Asset Map



## Key Valuation Metrics

	Input	Value Metric
Transaction Value (TV)	~\$224MM	NA
TV / Flowing Mcf/d <sup>(1)</sup>	~70,500 Mcf/d	~\$3,200 / Mcf/d
TV / FY22 PDP OCF <sup>(2)</sup>	~\$40MM <sup>(3)</sup> / \$50MM <sup>(4)</sup>	5.6x <sup>(3)</sup> / 4.5x <sup>(4)</sup>
Implied PDP PV-X <sup>(2)(3)</sup>	NA	~5%
Upside Value <sup>(5)</sup> / Locations	91 / 111 Locations <sup>(6)</sup>	~\$835K / ~\$685K

**Robust valuation metrics notwithstanding UGI overhang**

(1) Based on estimated December 2021 net production. (2) Assumes effective date of December 31, 2021, and Henry Hub and Leidy basis differential forward curves as of December 16, 2021, with average implied Leidy price per MMBtu of \$2.90 in 2022, \$2.66 in 2023, \$2.46 in 2024, \$2.33 in 2025, \$2.25 in 2026, \$2.29 in 2027, and prices held flat thereafter. (3) Pro forma for renegotiated UGI agreement; includes effect of estimated MVC deficiency payments. (4) Pro forma for renegotiated UGI agreement; excludes effect of anticipated MVC deficiency payments. (5) Upside value equal to transaction value less PDP PV-12 of ~\$148 million. (6) Location counts reflect: (i) at high-end, all sellside case locations; and (ii) at low end, excludes locations associated with near-term expiring acreage and incomplete laterals.

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