

## EQT Corporation (EQT)

**\$7.06** (As of 03/09/20)

Price Target (6-12 Months): **\$9.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/08/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: C

Growth: D

Momentum: F

### Summary

EQT Corporation is a pure-play Appalachian explorer that produces the largest volume of natural gas in the United States. Given its capacity to produce huge volumes of natural gas, it is well placed to capitalize on mounting clean energy demand in the domestic market. Notably, its core resources in the Appalachian Basin comprises huge inventory of drilling locations that will enable the company to generate significant gas volumes over the years. However, the company recently reported lower-than-expected earnings owing to a year-over-year decrease in natural gas equivalent production volumes and lower commodity price realization. Moreover, weak gas pricing scenario has been hurting the company's bottom line. The upstream energy player has also been paying lower dividend than the oil-energy sector over the past few years.

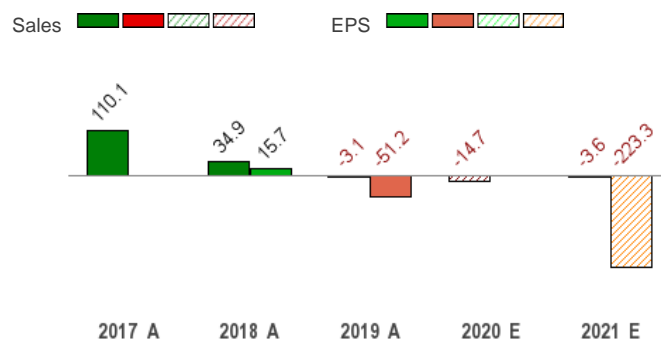
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$21.86 - \$4.21
20 Day Average Volume (sh)	11,256,241
Market Cap	\$1.8 B
YTD Price Change	-35.2%
Beta	0.58
Dividend / Div Yld	\$0.12 / 1.7%
Industry	<a href="#">Oil and Gas - Exploration and Production - United States</a>
Zacks Industry Rank	Top 43% (108 out of 253)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-133.3%
Last Sales Surprise	6.5%
EPS F1 Est- 4 week change	-62.7%
Expected Report Date	04/23/2020
Earnings ESP	73.1%
P/E TTM	8.5
P/E F1	NA
PEG F1	NA
P/S TTM	0.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	985 E	861 E	871 E	939 E	3,633 E
2020	974 E	908 E	923 E	961 E	3,769 E
2019	1,143 A	1,310 A	952 A	1,011 A	4,416 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.02 E	-\$0.42 E	-\$0.44 E	-\$0.23 E	-\$0.97 E
2020	\$0.04 E	-\$0.14 E	-\$0.15 E	-\$0.04 E	-\$0.30 E
2019	\$0.83 A	\$0.09 A	-\$0.06 A	-\$0.03 A	\$0.83 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/09/2020. The reports text is as of 03/10/2020.

## Overview

Based in Pittsburgh, PA, EQT Corporation is primarily an explorer and producer of natural gas, with primary focus on the Appalachian Basin in Ohio, Pennsylvania and West Virginia. The basin has been a major contributor to natural gas production growth in the United States. Notably, in terms of average daily sales volumes, EQT Corp is the largest natural gas producer in the domestic market.

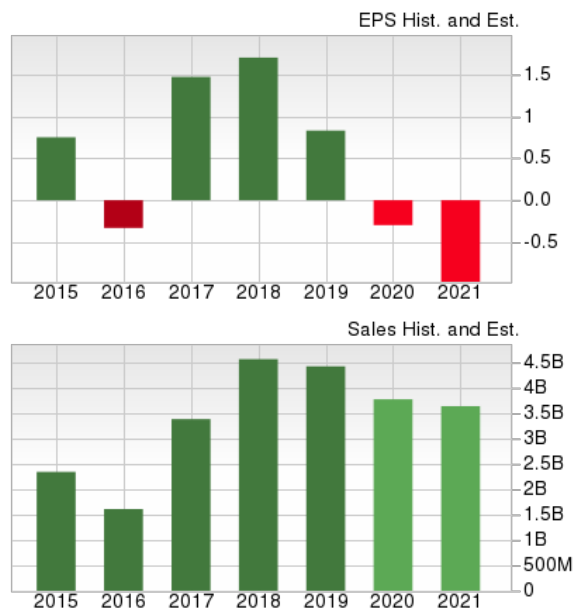
The upstream energy payer's operations in the basin spreads across 1.4 million gross acres, with proved oil and gas reserve potential of 21.8 trillion cubic feet equivalent (Tcfe). Importantly, the company's core resources in the Appalachian Basin comprises huge inventory of drilling locations that will fetch the company with oil and gas volumes over the next 15 to 20 years.

Investors should know that through 2019, the company has decided to spud 112 net wells. This comprises wells in the Marcellus shale play in Pennsylvania, West Virginia and Ohio that is likely to back the company's incremental production volumes in the years to come.

EQT Corp has set its strategic priorities to lower operating costs while maximizing production volumes. The company's priorities also involve maximizing returns from capital investments and increasing shareholders' returns while maintaining a strong balance sheet. It is to be noted that EQT Corp is the only company in the Appalachian Basin that is considered investment grade.

EQT Corp is also committed toward divesting non-core acres that don't complement the company's business. In 2018, the company divested non-core properties in the Permian Basin for a consideration of \$56.9 million. EQT Corp also divested 2.5 million of net acres in the Huron play as the company considered those assets as non-core.

At the end of 2019, the company had proved developed reserves of 12.4 trillion cubic feet equivalent, 7.7% higher than the 2018 level. Of the total, 84.5% was located in the Marcellus region. Through 2019, the company produced 1,507,896 million cubic feet equivalent of natural gas. Of the total volumes, natural gas comprises more than 95%.



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## Reasons To Buy:

- ▲ EQT Corporation is a pure-play Appalachian explorer which produces the largest volume of natural gas in the United States. For operating in the prolific gas basin, the company employs advanced technologies like horizontal drilling. With huge production volumes of natural gas, the company is well placed to capitalize on the mounting demand for clean energy in the United States.
- ▲ The company has a huge inventory of drilling locations in the core Appalachian Basin that could provide significant production volumes. Notably, the leading upstream energy player expects to keep 2019 and 2020 production volumes almost flat despite considerably lowering capital budgets for the respective years.
- ▲ Being a leading natural gas producer, EQT Corporation is well placed to play the crucial role of lowering global greenhouse gas emissions. Moreover, the company is strongly committed to maintain investment grade credit profile and has decided to lower debt level 30% by mid-2020.

The company expects its premium asset base to contribute nearly \$3 billion to adjusted free cash flow over the next five years.

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### Reasons To Sell:

- ▼ The pricing scenario of natural gas has declined significantly over the past year. Being a leading natural gas producer, the weak commodity price is hurting the company's business.
- ▼ The company has been persistently paying lower dividend yield than the oil-energy sector over the past few years. While the company has a dividend yield of 1.7%, the sector averaged 7.4%.
- ▼ The company's lack of geographic diversification is concerning, since its entire asset base is located in the Appalachian Basin. As such, it is more vulnerable to basin-specific delays and interruptions in production from wells, which can potentially hamper growth.

Weak gas pricing scenario has been hurting the company's bottom line.

## Last Earnings Report

### EQT Corp Q4 Earnings Miss Estimates, Revenues Beat

EQT Corporation reported fourth-quarter 2019 adjusted loss from continuing operations of 3 cents per share against the Zacks Consensus Estimate of earnings of 9 cents. In the year-ago comparable period, the company reported adjusted profit of 79 cents per share.

Total operating revenues declined to \$1,011.5 million from \$1,245.1 million in the prior-year quarter. However, the top line beat the Zacks Consensus Estimate of \$962 million.

The lower-than-expected earnings were caused by a year-over-year decrease in natural gas equivalent production volumes and lower commodity price realizations, partially offset by decline in total operating expenses.

The company recently made a 15-year gathering agreement with Equitrans Midstream Corporation, which pushed the minimum volume commitment level to 3 Bcf per day. The move is expected to boost EQT Corp's profits by reducing per unit costs in the coming days.

### Proved Reserves

At the end of 2019, the company had proved developed reserves of 12.4 trillion cubic feet equivalent, 7.7% higher than the 2018 level. Of the total, 84.5% was located in the Marcellus region.

### Operations:

#### Production Declines

Sales volume declined to 373.5 billion cubic feet equivalent (Bcfe) of natural gas from the year-ago figure of 393.9 Bcfe. Natural gas sales volume was 357.2 Bcf in the fourth quarter, down from 372.9 Bcf a year ago. Total liquids sales volume in the quarter was recorded at 2,720 thousand barrels (MBbls), lower than the year-ago period's 3,504 MBbls.

#### Price Realization Decreases

Average realized price of natural gas equivalents was \$2.54 per thousand cubic feet, down from \$3.13 in the year-ago quarter. Natural gas price was recorded at \$2.64 per Mcf, lower than the year-ago level of \$3.86. Oil price was recorded at \$36.76 per barrel, significantly down from \$46.17 in the fourth-quarter 2018.

### Expenses

Total selected operating expenses were \$1.37 per unit in fourth-quarter 2019, down from \$1.53 in the prior-year quarter.

Notably, processing expenses were 8 cents per thousand cubic feet equivalent (Mcf) compared with 9 cents in the fourth quarter of 2018. However, gathering expenses rose to 57 cents per Mcf from 54 cents in the year-ago period. Transmission costs increased to 52 cents per Mcf from the year-ago level of 46 cents. Lease operating expenses were 6 cents in the quarter, up from 4 cents in the year-ago period.

### Wells Drilled

The company spud 30 net wells in the fourth quarter. Of the total, 24 wells were drilled in the PA Marcellus, with the average lateral length being 12,750 feet, and six were drilled in the OH Utica, with the average lateral length being 11,540 feet.

### Cash Flows

EQT Corp's adjusted operating cash flow was \$503 million in the quarter, down from \$692.6 million a year ago. Free cash flow rose to \$147.5 million from \$134.2 million in fourth-quarter 2018.

### Capex & Balance Sheet

Total capital expenditure amounted to \$355.5 million in the fourth quarter, down from \$558.4 million in the year-ago period.

As of Dec 31, 2019, the company had \$4.6 million in cash and cash equivalents, and \$5.3 billion of total debt.

### Guidance

In first-quarter 2020, EQT Corp expects to drill net 18 wells in the PA Marcellus and one in OH Utica. It intends to run two-three top-hole rigs in 2020.

It is continuing an asset monetization plan to deleverage its portfolio, which will likely be executed by mid-2020.

The company anticipates total sales volume in the 360-370 Bcfe range for first-quarter 2020. For full-year, it expects total sales volume within 1,450-1,500 Bcfe, indicating a decline from the 2019 level of 1,507 Bcfe.

Total unit costs for 2020 are expected in the range of \$1.38-\$1.50 per Mcfe. The metric was recorded at \$1.44 per Mcfe in 2019.

The company anticipates adjusted operating cash flow in the range of \$1.50-\$1.60 billion for 2020, suggesting fall from \$1.83 billion in 2019. It expects capital expenditure in the band of \$1.15-1.25 billion for the year, implying a decrease from \$1.77 billion in 2019.

Quarter Ending **12/2019**

Report Date	Feb 27, 2020
Sales Surprise	6.49%
EPS Surprise	-133.33%
Quarterly EPS	-0.03
Annual EPS (TTM)	0.83

## Valuation

EQT Corporation shares are down 34.8% in the year-to-date period and 61.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Oil-Energy sector are down 60.1% and 40.5% in the year-to-date period, respectively. Over the year-to-date period, the Zacks sub-industry and sector are down 60.1% and 40.5%, respectively. Over the past year, the Zacks sub-industry and the sector are down 35.8% and 43.4%, respectively.

The S&P 500 index is down 14.4% in the year-to-date period and 0.2% in the past year.

The stock is currently trading at 0.48X forward 12-month sales, which compares to 1.08X for the Zacks sub-industry, 0.53X for the Zacks sector and 2.91X for the S&P 500 index.

Over the past five years, the stock has traded as high as 6.42X and as low as 0.34X, with a 5-year median of 2.93X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$9.00 price target reflects 0.61X F12M sales.

The table below shows summary valuation data for EQT.

Valuation Multiples - EQT					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.48	1.08	0.53	2.91
	5-Year High	6.42	3.8	1.45	3.44
	5-Year Low	0.34	1.08	0.53	2.54
	5-Year Median	2.93	2.73	0.99	3
P/CF	Current	0.97	2.61	2.44	14.26
	5-Year High	12.55	17.66	9.13	22.67
	5-Year Low	0.68	2.61	2.44	11.78
	5-Year Median	7.31	7.38	5.89	16.38
P/B TTM	Current	0.18	0.78	0.75	3.69
	5-Year High	1.97	3.45	1.6	4.56
	5-Year Low	0.13	0.78	0.75	2.85
	5-Year Median	1.06	2.18	1.31	3.63

As of 03/09/2020

## Industry Analysis Zacks Industry Rank: Top 43% (108 out of 253)



## Top Peers

Antero Resources Corporation (AR)	Outperform
Continental Resources, Inc. (CLR)	Neutral
California Resources Corporation (CRC)	Neutral
Concho Resources Inc. (CXO)	Neutral
Murphy Oil Corporation (MUR)	Neutral
Noble Energy Inc. (NBL)	Neutral
Range Resources Corporation (RRC)	Neutral
Southwestern Energy Company (SWN)	Neutral

Industry Comparison Industry: Oil And Gas - Exploration And Production - United States				Industry Peers		
	EQT Neutral	X Industry	S&P 500	AR Outperform	CLR Neutral	CXO Neutral
<b>VGM Score</b>	<b>F</b>	-	-	<b>D</b>	<b>A</b>	<b>B</b>
Market Cap	1.80 B	49.38 M	19.13 B	315.35 M	2.62 B	9.40 B
# of Analysts	12	5	13	6	10	11
Dividend Yield	1.70%	0.00%	2.26%	0.00%	2.84%	1.67%
<b>Value Score</b>	<b>C</b>	-	-	<b>A</b>	<b>A</b>	<b>C</b>
Cash/Price	0.00	0.07	0.05	0.00	0.01	0.01
EV/EBITDA	35.32	2.97	11.99	8.54	2.41	8.45
PEG Ratio	NA	0.36	1.68	NA	0.47	1.01
Price/Book (P/B)	0.18	0.32	2.64	0.05	0.37	0.54
Price/Cash Flow (P/CF)	1.00	0.91	10.70	0.38	0.92	3.36
P/E (F1)	NA	3.47	15.44	6.80	3.99	12.99
Price/Sales (P/S)	0.41	0.36	2.05	0.07	0.57	2.05
Earnings Yield	-4.25%	14.07%	6.47%	14.55%	25.11%	7.70%
Debt/Equity	0.54	0.54	0.70	0.91	0.75	0.22
Cash Flow (\$/share)	7.08	1.71	7.01	2.87	7.70	14.21
<b>Growth Score</b>	<b>D</b>	-	-	<b>F</b>	<b>A</b>	<b>A</b>
Hist. EPS Growth (3-5 yrs)	5.07%	5.07%	10.85%	-3.04%	12.86%	32.27%
Proj. EPS Growth (F1/F0)	-135.74%	-5.34%	6.25%	279.63%	-21.38%	20.60%
Curr. Cash Flow Growth	-18.41%	3.41%	6.09%	-28.33%	-2.29%	25.86%
Hist. Cash Flow Growth (3-5 yrs)	8.61%	4.88%	8.52%	4.79%	1.61%	14.95%
Current Ratio	1.30	0.74	1.24	0.89	0.90	0.89
Debt/Capital	34.99%	38.87%	42.57%	47.64%	42.85%	18.19%
Net Margin	-27.66%	1.67%	11.69%	-29.58%	16.75%	-15.35%
Return on Equity	1.97%	2.11%	16.74%	-1.47%	12.20%	3.38%
Sales/Assets	0.22	0.27	0.54	0.27	0.29	0.18
Proj. Sales Growth (F1/F0)	-14.67%	4.13%	3.76%	-6.45%	-1.54%	5.22%
<b>Momentum Score</b>	<b>F</b>	-	-	<b>B</b>	<b>D</b>	<b>C</b>
Daily Price Chg	10.48%	-17.60%	-7.65%	-20.29%	-52.53%	-17.60%
1 Week Price Chg	8.86%	-5.99%	-0.67%	-13.75%	-21.64%	-14.73%
4 Week Price Chg	38.16%	-33.97%	-19.26%	-34.52%	-72.52%	-38.17%
12 Week Price Chg	-27.44%	-43.00%	-17.26%	-58.96%	-78.98%	-40.80%
52 Week Price Chg	-62.25%	-67.22%	-6.83%	-86.22%	-82.35%	-52.14%
20 Day Average Volume	11,256,241	280,733	2,684,709	13,333,996	5,724,317	2,688,998
(F1) EPS Est 1 week change	-44.44%	0.00%	0.00%	0.00%	-4.27%	0.00%
(F1) EPS Est 4 week change	-62.73%	-7.38%	-0.06%	65.32%	-24.10%	-12.54%
(F1) EPS Est 12 week change	-331.77%	-10.87%	-0.46%	75.14%	-13.97%	-8.18%
(Q1) EPS Est Mthly Chg	-55.29%	-12.59%	-0.40%	95.00%	-30.20%	-7.87%

## Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	D
Momentum Score	F
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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