

EQT Corporation (EQT)

\$11.38 (As of 06/25/20)

Price Target (6-12 Months): **\$13.00**

Long Term: 6-12 Months

Zacks Recommendation:
Outperform

(Since: 06/09/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM: C

Value: B

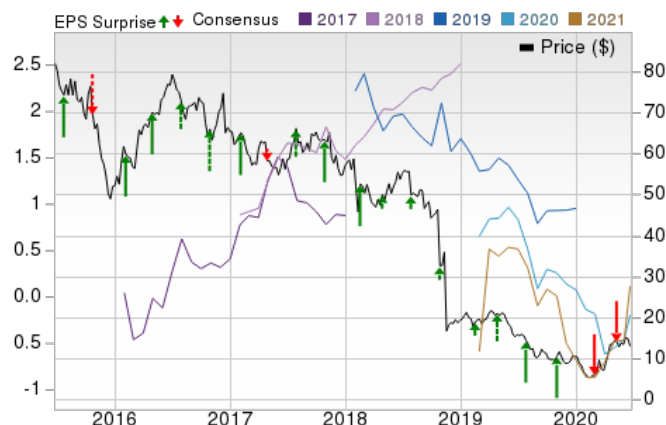
Growth: D

Momentum: C

Summary

EQT Corporation is a pure-play Appalachian explorer that produces the largest volume of natural gas in the United States. It is well placed to capitalize on mounting global clean energy demand. Notably, its core resources in the Marcellus and Utica shale play comprises a huge inventory of undeveloped locations that will enable the company to generate significant gas volumes over the years. Importantly, it lowered 2020 Capex guidance, without reducing production expectations, which reflects increasing operational efficiency. Moreover, it is strongly committed to maintaining an investment-grade credit profile and decided to lower the debt level by 30% by mid-2020. It has reduced total debt by more than \$250 million through the March-quarter 2020. Hence, EQT Corporation is expected to offer substantial upside potential from the current price levels.

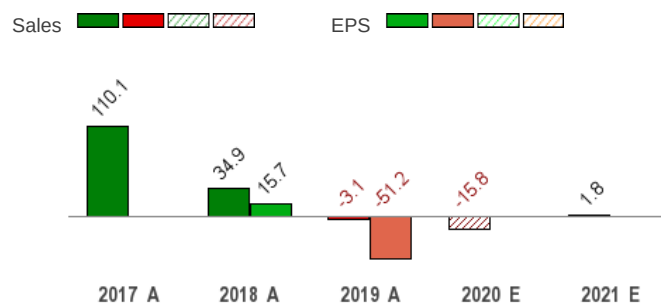
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$17.16 - \$4.21
20 Day Average Volume (sh)	6,571,039
Market Cap	\$2.9 B
YTD Price Change	4.4%
Beta	1.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Oil and Gas - Exploration and Production - United States
Zacks Industry Rank	Top 15% (39 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-133.3%
Last Sales Surprise	17.6%
EPS F1 Est- 4 week change	-24.0%
Expected Report Date	07/23/2020
Earnings ESP	21.9%
P/E TTM	81.3
P/E F1	NA
PEG F1	NA
P/S TTM	0.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	989 E	883 E	909 E	976 E	3,785 E
2020	1,107 A	845 E	894 E	942 E	3,719 E
2019	1,143 A	1,310 A	952 A	1,011 A	4,416 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.29 E	-\$0.14 E	-\$0.13 E	\$0.05 E	\$0.11 E
2020	\$0.14 A	-\$0.17 E	-\$0.15 E	-\$0.01 E	-\$0.21 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 06/25/2020. The reports text is as of 06/26/2020.

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.

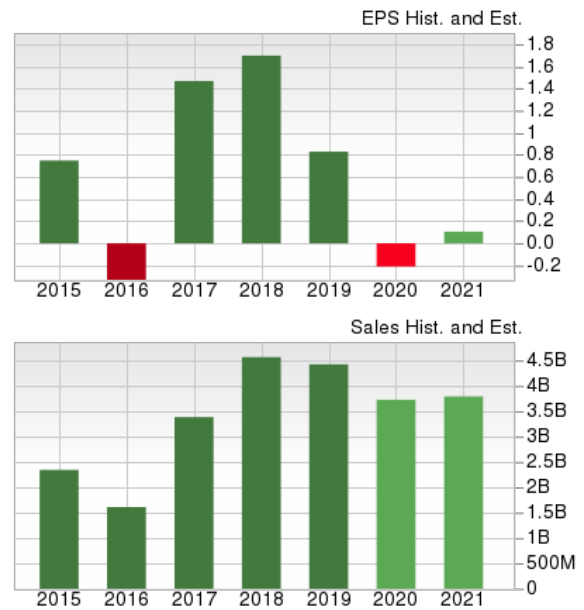
The upstream energy payer's operations in the basin spreads across 1.4 million gross acres, with proved oil and gas reserve potential of 21.8 trillion cubic feet equivalent (Tcfe). Importantly, the company's core resources in the Appalachian Basin comprises huge inventory of drilling locations that will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



Reasons To Buy:

- ▲ EQT Corporation is a pure-play Appalachian explorer which is one of the largest natural gas producers 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. Importantly, in the core Marcellus resource, the company has 1,565 net undeveloped locations. The company also has 120 net undeveloped locations in the core Utica shale play. These undeveloped sites have brightened up the prospects of EQT Corporation's future natural gas production.
- ▲ The leading upstream energy player expects to keep its 2020 production guidance of 1,450–1,500 Bcfe intact despite considerably lowering capital budgets. It expects capital expenditure in the band of \$1.075-1.175 billion for the year, implying a decrease from \$1.77 billion in 2019. Keeping production guidance intact while the capital budget is set to decrease reflects rising capital efficiency in the company's operations. Notably, EQT Corporation anticipates total sales volume in the 360-380 Bcfe range for second-quarter 2020.
- ▲ The company is strongly committed to maintaining an investment-grade credit profile and decided to lower the debt level by 30% by mid-2020. Notably, the company suspended its dividend payouts to pay down near term debt. As of Mar 31, 2020, the company had \$18.7 million in cash and cash equivalents, significantly up from the fourth-quarter level of \$4.6 million. Total debt of \$5,036.9 million declined from the fourth-quarter level of \$5,293 million, which is commendable.

The company is expected to gain from its premium asset base in core Marcellus resources.

Risks

- The company's total operating expenses are on the rise. Total unit costs for 2020 are expected in the range of \$1.34-\$1.46 per Mcfe, the upper limit of which is higher than \$1.44 per Mcfe in 2019. This can affect its bottom line.
 - EQT Corporation is directly exposed to the oil and gas prices and as such, any pullback in the commodity prices may adversely affect the performance of the company.
 - The company anticipates adjusted operating cash flow in the range of \$1.325-\$1.425 billion for 2020, suggesting a fall from \$1.83 billion in 2019.
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Last Earnings Report

EQT Corp. Beats Q1 Earnings on Higher Production

EQT Corp. reported first-quarter 2020 adjusted earnings from continuing operations of 14 cents per share compared with the Zacks Consensus Estimate of break-even earnings. In the year-ago comparable period, the company reported adjusted profit of 83 cents per share.

Total operating revenues declined to \$1,107.1 million from \$1,143.2 million in the prior-year quarter. However, the top line beat the Zacks Consensus Estimate of \$941 million.

The better-than-expected results were due to a year-over-year increase in natural gas equivalent production volumes and lower per unit operating expenses, partially offset by reduced commodity price realizations.

Operations:

Total Production Increases

Sales volume increased to 385.1 billion cubic feet equivalent (Bcfe) of natural gas from the year-ago figure of 383.5 Bcfe. Natural gas sales volume was 369.7 Bcf for the first quarter, up from 363.7 Bcf a year ago. Total liquids sales volume for the quarter was recorded at 1,803 thousand barrels (MBbls), lower than the year-ago period's 2,091 MBbls.

Price Realization Decreases

Average realized price was \$2.49 per thousand cubic feet of natural gas equivalents (Mcf), down from \$3.16 in the year-ago quarter. Natural gas price was recorded at \$2.05 per Mcf, lower than the year-ago level of \$3.30. Oil price was recorded at \$31.63 per barrel, significantly down from \$38.67 in first-quarter 2019. Moreover, ethane sales price was recorded at \$4.05 per barrel for the first quarter, lower than the year-ago level of \$7.23.

Expenses

Total operating expenses were \$1.33 per Mcfe for first-quarter 2020, down from \$1.38 in the prior-year quarter.

Processing expenses were 8 cents per Mcfe, in line with the year-ago figure. Gathering expenses fell to 68 cents per Mcfe from 69 cents in first-quarter 2019. However, transmission costs increased to 38 cents per Mcfe from the year-ago level of 37 cents. Lease operating expenses were 7 cents for the quarter, up from 6 cents in the year-ago period.

Overall, total operating expenses amounted to \$983.7 million, up from \$967.7 million in first-quarter 2019 due to higher impairment charges.

Wells Drilled

The company spud 22 net wells in the first quarter. Of the total, 21 wells were drilled in the PA Marcellus, with the average lateral length being 12,510 feet, and one in the OH Utica, with average lateral length of 14,760 feet.

Cash Flows

EQT Corp.'s adjusted operating cash flow was \$512.7 million for the quarter, down from \$647.4 million a year ago. However, free cash flow rose to \$250.5 million from \$171.3 million in first-quarter 2019.

Capex & Balance Sheet

Total capital expenditure amounted to \$262.1 million for the first quarter, down from \$476 million in the year-ago period.

As of Mar 31, 2020, the company had \$18.7 million in cash and cash equivalents, up from the fourth-quarter level of \$4.6 million. Total debt of \$5,036.9 million declined from the fourth-quarter level of \$5,293 million.

Guidance

In 2020, EQT Corp. expects to drill net 75 wells in the PA Marcellus and two in OH Utica. It intends to drill 21 net wells in WV Marcellus in 2020.

The company anticipates total sales volume in the 360-380 Bcfe range for second-quarter 2020. For full-year 2020, 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 \$1.34-\$1.46 per Mcfe. The metric was recorded at \$1.44 per Mcfe in 2019.

The company anticipates adjusted operating cash flow in the range of \$1.325-\$1.425 billion for 2020, suggesting fall from \$1.83 billion in 2019. It expects capital expenditure in the band of \$1.075-1.175 billion for the year, implying a decrease from \$1.77 billion in 2019. As such, free cash flow will likely be recorded within \$225-\$325 million this year.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	17.62%
EPS Surprise	-133.33%
Quarterly EPS	0.14
Annual EPS (TTM)	0.14

Recent News

EQT Corp. Slashes Q2 Output View, Closes Asset Divestment - May 26, 2020

EQT Corporation trimmed its second-quarter production guidance. Moreover, the company closed the divestment of non-core assets in Pennsylvania and West Virginia for a total of \$125 million in cash. Yesterday, the stock rose 7.4% following the news.

Volume Curtailment Analysis:

Due to demand destruction caused by coronavirus-induced lockdowns, the company decided to reduce gross production by 1.4 billion cubic feet of natural gas equivalent per day (Bcfe/d), earlier this month. The curtailment is expected to be on a temporary basis. If the situation persists through the rest of the second quarter, total quarterly sales volume will likely be in the range of 315-335 Bcfe. The metric is around 45 Bcfe lower than the previous guidance range of 360-380 Bcfe. It achieved sales volumes of 370 Bcfe in the year-ago quarter. However, the upstream energy player anticipates its full-year 2020 production and financial guidance to remain unchanged.

Moreover, second-quarter total operating costs are expected toward the higher limit of the guided range of \$1.34-\$1.46 per thousand cubic feet equivalent (Mcf). In the year-ago quarter, the company's total operating costs were \$1.52 per Mcfe.

Divestment:

It closed the above-mentioned transaction to divest the non-core assets to Diversified Gas and Oil PLC. The move is expected to relieve EQT Corp. of \$47 million in asset retirement obligations and other liabilities. The divestment is expected to reduce the company's debt level by paying down the term loan due next year. It has retained the drilling rights on all acreages except in Tioga County of Pennsylvania.

This asset sale is in line with its commitment of maintaining investment grade credit profile and decision of lowering debt level by 30% within mid-2020. Notably, the company had earlier suspended dividend payouts to pay down near-term debt.

Valuation

EQT Corporation shares are up 4.4% in the year-to-date period, but down 21.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Oils-Energy sector are down 43.1% and 34.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 49.5% and 37.9%, respectively.

The S&P 500 index is down 4.2% in the year-to-date period, but up 5.6% in the past year.

The stock is currently trading at 0.78X forward 12-month sales, which compares to 1.46X for the Zacks sub-industry, 0.74X for the Zacks sector and 3.45X 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 2.66X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$13.00 price target reflects 0.95X 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	0.78	1.46	0.74	3.45
	5-Year High	6.42	3.9	1.46	3.45
	5-Year Low	0.34	0.83	0.58	2.53
	5-Year Median	2.66	2.57	0.99	3.02
EV/EBITDA TTM	Current	4.02	4.47	0.9	4.22
	5-Year High	83.32	16.13	1.54	4.56
	5-Year Low	3.05	3.02	0.52	2.83
	5-Year Median	11.72	6.59	1.31	3.68
P/B TTM	Current	0.3	0.88	0.9	4.22
	5-Year High	1.75	2.82	1.54	4.56
	5-Year Low	0.13	0.39	0.52	2.83
	5-Year Median	0.95	1.79	1.31	3.68

As of 06/25/2020

Industry Analysis Zacks Industry Rank: Top 15% (39 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Antero Resources Corporation (AR)	Neutral	3
Continental Resources, Inc. (CLR)	Neutral	3
California Resources Corporation (CRC)	Neutral	2
Concho Resources Inc. (CXO)	Neutral	2
Murphy Oil Corporation (MUR)	Neutral	3
Noble Energy Inc. (NBL)	Neutral	2
Range Resources Corporation (RRC)	Neutral	2
Southwestern Energy Company (SWN)	Neutral	3

Industry Comparison Industry: Oil And Gas - Exploration And Production - United States				Industry Peers		
	EQT	X Industry	S&P 500	AR	CLR	CXO
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	2
VGM Score	C	-	-	B	C	A
Market Cap	2.91 B	59.41 M	21.24 B	703.18 M	5.94 B	10.18 B
# of Analysts	7	5	14	6	10	9
Dividend Yield	0.00%	0.00%	1.97%	0.00%	0.00%	1.55%
Value Score	B	-	-	A	B	B
Cash/Price	0.01	0.11	0.07	0.00	0.08	0.02
EV/EBITDA	39.48	3.57	12.51	8.89	3.48	8.89
PEG Ratio	NA	4.83	2.87	NA	NA	4.83
Price/Book (P/B)	0.30	0.71	2.90	0.11	0.89	1.22
Price/Cash Flow (P/CF)	1.61	1.19	11.34	0.91	2.12	3.64
P/E (F1)	NA	9.57	20.76	NA	NA	21.14
Price/Sales (P/S)	0.66	0.62	2.18	0.15	1.35	2.31
Earnings Yield	-1.85%	-1.61%	4.55%	-16.03%	-8.60%	4.73%
Debt/Equity	0.52	0.52	0.77	0.94	0.88	0.47
Cash Flow (\$/share)	7.08	2.06	7.01	2.87	7.70	14.21
Growth Score	D	-	-	D	D	A
Hist. EPS Growth (3-5 yrs)	-0.98%	25.68%	10.84%	1.43%	26.23%	41.12%
Proj. EPS Growth (F1/F0)	-125.30%	-85.29%	-10.73%	-370.37%	-162.00%	-19.71%
Curr. Cash Flow Growth	-18.41%	-5.14%	5.46%	-28.33%	-2.29%	25.86%
Hist. Cash Flow Growth (3-5 yrs)	8.61%	3.49%	8.55%	4.79%	1.61%	14.95%
Current Ratio	1.32	1.06	1.29	1.15	1.20	2.16
Debt/Capital	34.26%	40.34%	45.14%	48.58%	46.76%	32.07%
Net Margin	-36.06%	-15.65%	10.53%	-35.36%	9.18%	-210.59%
Return on Equity	0.35%	3.13%	16.06%	-3.77%	8.60%	3.89%
Sales/Assets	0.22	0.29	0.55	0.30	0.28	0.20
Proj. Sales Growth (F1/F0)	-15.79%	-16.60%	-2.70%	-10.13%	-51.67%	-32.56%
Momentum Score	C	-	-	C	A	C
Daily Price Chg	-5.09%	0.00%	0.93%	1.16%	7.67%	0.29%
1 Week Price Chg	-12.76%	-2.44%	0.92%	-2.44%	1.81%	-4.31%
4 Week Price Chg	-14.88%	3.48%	-1.04%	-17.87%	23.33%	-5.79%
12 Week Price Chg	44.23%	46.75%	22.12%	271.26%	95.20%	10.88%
52 Week Price Chg	-21.14%	-52.17%	-8.70%	-51.30%	-61.48%	-49.18%
20 Day Average Volume	6,571,039	392,591	2,782,477	13,369,848	5,687,587	3,671,046
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	6.81%	-0.27%
(F1) EPS Est 4 week change	-24.00%	8.03%	0.00%	34.72%	14.78%	31.03%
(F1) EPS Est 12 week change	61.23%	-19.62%	-12.23%	-95.83%	-150.22%	39.72%
(Q1) EPS Est Mthly Chg	-3.39%	9.62%	0.00%	20.39%	13.10%	32.62%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	B
Growth Score	D
Momentum Score	C
VGM Score	C

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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