



Bloomsburg Investment Group

Equity Analysis
Parsley Energy, Inc. (PE)

Analyst:

Keegan Carl & Andrew Mies, Class of 2018
Erik Stalford, Class of 2019 Brian Beatty, Class of 2020

Bloomsburg Investment Group Opinion:

With the expected BAT, repealed regulations, and increased demand in crude oil/natural gas, we believe Parsley Energy (PE) is a **STRONG** buy. It would be a welcome addition to the portfolio, as it has no correlation with VLO which we currently own. We understand the inherent risk and volatility involved with owning a domestic E&P company, and we think that it is a great time to purchase the stock. The company is still in the growth stage, and we believe that once it becomes profitable, we will realize capital gains and possibly a future dividend yield.

Corporate Summary:

Parsley Energy, Inc., an independent oil and natural gas company, engages in the acquisition, development, production, exploration, and sale of crude oil and natural gas properties in the Permian Basin in West Texas and Southeastern New Mexico. As of December 31, 2016, its acreage position consisted of 138,567 net acres, including 95,072 net acres in the Midland Basin and 43,495 net acres in the Delaware Basin; and 146.7 net producing horizontal wells and 481.5 net producing vertical wells, as well as an estimated proved oil and natural gas reserves were 222.3 MMBoe. They have transitioned from primarily vertical drilling activity to predominantly horizontal drilling activity (3 vertical and 7 horizontal). The four customers they provide to are Shell Trading (US) Company, Permian Crude Transport, Targa Pipeline Mid-Continent LLC, and Transoil Marketing, LLC. The key elements of the company's strategy are to grow reserves and production by exploiting its liquids rich resource base; and pursue additional leasing and strategic acquisitions. The company was founded in 2008 and is headquartered in Austin, Texas. The CEO's name is Bryan Sheffield.

Corporate Details:

Name	Parsley Energy Inc A
Ticker	PE
Domicile	United States
Sector	Energy
Industry	Oil & Gas E&P
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	30.47
Price 52 Wk High	39.82
Price 52 Wk Low	21.01
Latest Dividend	
Dividend Yield % TTM	
Beta 5 Yr (Mo-End)	
Avg Daily Volume (3 Mo)	4,924,101.11
Shares Outstanding (mil)	274.49
Number of Analysts	6



Parsley Energy Inc A PE

Financial Summary, Year End 2016 (in millions)

Market Capitalization	8,363.65
Total Revenue	457.77
Gross Profit	370.56
Operating Income	31.15
Net Income Cont Ops	-88.92
Net Income	-74.18
Current Assets	299.49
Cash	133.38
Total Assets	3,938.78
Current Liabilities	344.95
Long-term Liabilities	1,504.19
Total Liabilities	1,849.14
Total Equity	2,089.64
Operating Cash Flow	228.19
Investing Cash Flow	-1,885.37
Financing Cash Flow	1,447.47
Change In Cash	-209.71
EBITDA	192.94
Enterprise Value	9,338.81
Capital Expenditure	-1,885.37
P/E Ratio Forward	52.08
PEG Ratio	
Dividend Yield % TTM	

Financial Highlights

- Just released 2016 4th quarter earnings
 - Expect to generate production growth of 62%-78% in 2017
 - Increased production by approximately 80% in 2016
 - Announced acquisitions of approximately 94,000 net acres, bringing total to approximately 227,000 acres
 - Adjusted EBITDAX up 24% compared to quarter 3
 - Increased capital expenditures 72% from previous quarter
 - Meaningfully extended the duration of its oil hedge
- Jan 10 – Offered stock to pay for expansion in Permian Basin.
- Expected to turn profit in early 2017

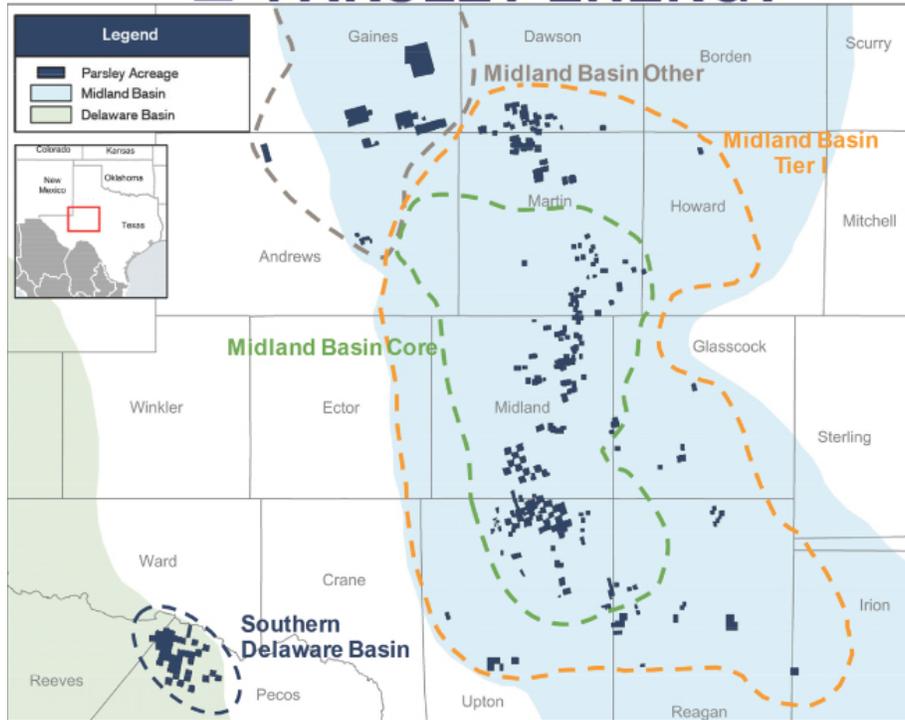
Investment Growth

Time Period: 5/24/2014 to 2/28/2017





Parsley Energy Inc A PE



PE Expects 60% Annual Growth in 2017

Parsley acquired certain mineral interests in the Southern Delaware Basin for an aggregate purchase price of \$43 million. Parsley intends to finance these acquisitions through an equity offering announced concurrently with the acquisitions. The Company also introduced 2017 capital plans and operating guidance that contemplate a 75% increase in net lateral footage and production growth of almost 60% versus 2016, effectively pulling forward value from a growing asset base.

Parsley Energy boosts West Texas production

Parsley reported a loss of about \$21 million in August of 2016 which is the end of the second quarter for Parsley. This loss is about 13 cents per share and \$106 million in revenue. But after non-recurring costs were figured in, Parsley said they earned \$6.8 million or about 4 cents per share which beat Wall Street's expectations. Parsley also said it produced an average of 35,700 barrels of oil equivalent per day — up 60 percent from the same period last year and up 23 percent versus the first quarter of 2016. It even raised its production expectations for the whole year from an average of 31,500-34,500 barrels of oil equivalent per day to 36,000-38,000 barrels of oil equivalent per day.

3/27/2017

Parsley Energy Inc A

US Dollar

Page 3 of 7

Source: Morningstar Direct

Parsley to buy Double Eagle's Permian assets in \$2.8 billion deal

Parsley Energy Inc. said Tuesday it would buy undeveloped land as well as oil-and-gas-producing assets in the oil-rich Permian basin from Double Eagle Energy Permian LLC in a stock-and-cash deal worth about \$2.8 billion.

The transaction would add 71,000 acres to Parsley's Permian holdings, bringing the total to roughly 227,000 acres, and is slated to close before April 20, pending closing conditions.

With the acquisition, Parsley has updated guidance for the 2016 fiscal year, narrowing its production outlook from between an average of 37,000 barrels of oil equivalents a day and 39,000 barrels of oil equivalents a day to a range of 38,100 to 38,300. The company has also increased its 2017 net daily production projections by 5,000 barrels a day to a range of 62,000 to 68,000.

PE to Participate in Scotia Howard Weil Conference

Bryan Sheffield will be participating in the upcoming Energy Conference on March 27-28th in New Orleans, LA to promote the company and discuss current industry trends. PE will be making a presentation on the 28th.



Parsley Energy Inc A PE

Industry Environment:

- We believe the current environment is very promising for Parsley Energy. A pro-American administration, pushing for cut backs on environmental regulations and investments in American owned and operated businesses, creates opportunities for Parsley Energy to expand and dominate. They own a large amount of land in the very desirable Permian Basin and use extremely efficient drilling process, both leading us to further believe in PE's ability to thrive in this environment. The industry as a whole is prone to fluctuation in crude oil prices, and projections are showing that there is an expected increase in prices in the future.

Competitor Comparison

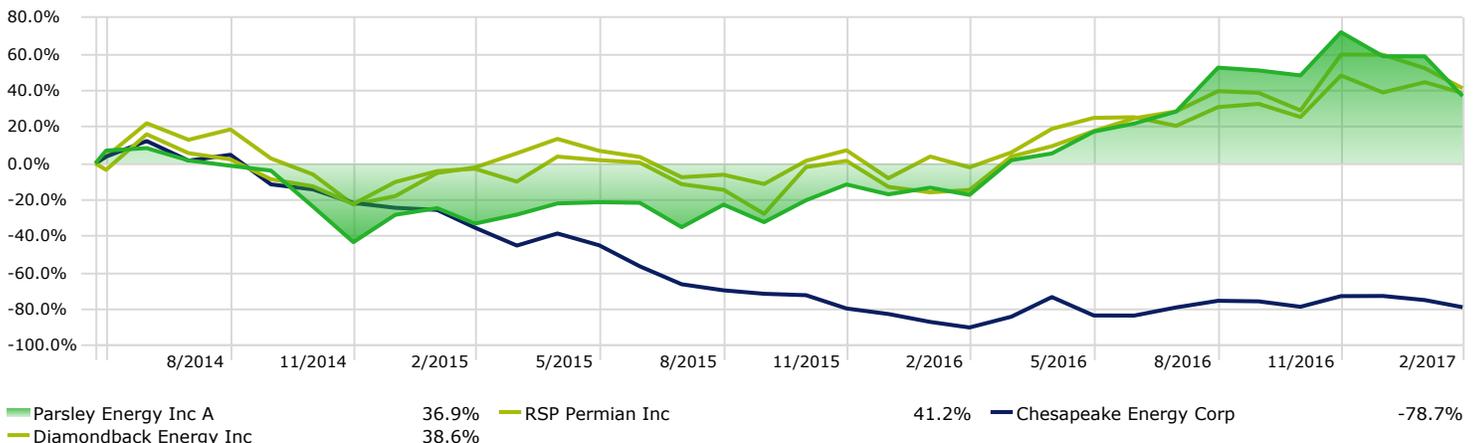
	Revenue (mil)	Revenue % Chg	Gross Profit (mil)	Gross Margin %	Net Income (mil)	Net Income % Chg	Net Margin %	Market Cap (mil) (Daily)	Current Ratio	Receivable Turnover
Parsley Energy Inc A	457.77	71.79	370.56	80.95	-74.18		-16.21	8,363.65	0.87	11.39
RSP Permian Inc	353.86	24.60	274.46	77.56	-24.85		-7.02	6,130.77	7.17	9.24
Chesapeake Energy Corp	7,872.00	-38.33	455.00	5.78	-4,401.00		-62.58	4,733.66	0.59	10.25
Diamondback Energy Inc	527.11	17.99	398.62	75.62	-165.03		-31.31	8,990.05	8.56	9.91

Competitor Comparison (Cont.)

	Asset Turnover	ROA %	Total Debt to Total Equity	ROE %	Beta 5 Yr	P/E Ratio Forward	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Free Cash Flow / Sales % TTM
Parsley Energy Inc A	0.14	-2.30	0.53	-4.42		52.08		4.00		
RSP Permian Inc	0.09	-0.62	0.33	-0.94		39.84		1.79		
Chesapeake Energy Corp	0.52	-32.47			1.97	6.44				
Diamondback Energy Inc	0.13	-4.07	0.30	-5.92		27.70	0.66	2.43		

Investment Growth

Time Period: 5/24/2014 to 2/28/2017





Parsley Energy Inc A PE

Strengths:

Horizontal Drilling Development Potential: most of acreage owned is suited towards horizontal drilling, 4,246 total drilling locations have been identified as of December 31, 2016.

Experienced Management: average management executive has 20 years of experience in drilling; technical team that consists of engineers and geologists has average experience of 14 years. 20.9% of shares outstanding are in possession of executives, giving strong incentive for company to perform well.

Operating Control over All Production: PE operated in 96% of wells in which they have a stake. Very efficient use of resources.

Conservative Balance Sheet: lots of flexibility for future expansion, have \$600 million available in borrowing capacity

Capital Expenditure: Currently have three vertical rigs and seven horizontal, expecting to add 3-7 additional horizontal rigs by end of 2017

Crude Oil/Nat Gas Demand & Prices: Both demand and prices are expected to increase in the future, which will entice PE to drill more and increase revenues

Opportunities:

Expansion of Acreage: by acquiring more land, they will likely be able to produce more oil, inherently providing with more sources of revenue

- Midland Basin: 230 net horizontal drilling locations
- Wolfcamp/Lower Sprawberry: 1 drilling location, estimated 1200 bls/day from three locations

Regulation Repeal: President Trump is expected to reduce regulations, allowing PE to save on compliance costs (specifically workplace safety) and less environmental regulation for the drilling of oil

Favorable Industry in Current Environment: President Trump has a pro-American sustained energy plan in place, where drilling is promoted within the United States border. This entails higher production and less importing of oil, causing domestic companies such as PE to see an uptick in production.

Weaknesses:

OPEC Risk: OPEC has essentially the most influence on the price of crude oil. Due to this, all E&P companies are exposed to the risk that OPEC either increases output (decreasing prices) or limits output (increasing prices). Regardless, non-OPEC oil producing countries can produce as much as they like, leading to both Game Theory and potential oversaturation and shortages in the market.

Crude Oil Price Risk: the price of crude oil directly influences how PE operates. When oil is down, they may stop drilling or drill at a reduced rate due to lack of profitability.

Few # of High Volume Customers: Four companies consist of over 70% of sales, with Royal Dutch Shell accounting for over 40% of sales.

Threats:

Exxon-Mobil: had a large expansion and investment in the Permian Basin

Lawsuit Potential: Dangerous working conditions may bring about setbacks and costly lawsuits

Politics: The volatility of the current administration is a concern, as proposals may not get passed

Clean energy is in the future: crude oil may become obsolete in the future



Parsley Energy Inc A PE

Valuation: Discount Cash Flow Model (DCF)

Using the DCF model, we came up with an intrinsic value of \$34.91 for PE, giving it approximately a 15% upside. We determined this based on high growth in revenues and operating income, as well as an expectation that dividends are going to be paid at some point in the future once they turn into a profitable operation. We are also expecting share repurchases to continue.

Valuation: Discount Dividend Model (DDM)

As PE does not pay a dividend, we cannot use the discount dividend model.

Valuation: Multiple Valuation

We cannot use the multiple valuation method as PE has a negative EPS and does not pay dividends.



Parsley Energy Inc A PE

Bloomsburg Investment Group Disclaimer

This report was developed by student members of the Bloomsburg Investment Group (BIG). The purpose of the report is to provide research analysis of securities to potential and existing donors of The BIG Fund. The report is designed to exemplify the abilities of our members through investment research and analysis. Analysts of the Bloomsburg Investment Group and The BIG Fund are not registered brokers, investment advisors, or licensed financial professionals. The generated opinion of our analysts is not an offer or solicitation to buy or sell any security, and due diligence is recommended before making any financial transaction. Information included in this report was compiled from different public sources. Not all relevant data was included into the report, and accuracy is not guaranteed. Students, faculty, and staff of Bloomsburg University may have a financial interest in any company listed in this report.

This report was developed on the assumption that crude oil stays within 25% of the \$54.50 price/barrel and that Natural Gas revenues make up no more than 25% of PE's revenues.

Sources Cited

WSJ.com

cnbc.com

marketwatch.com

eia.gov

finance.yahoo.com

Seeking Alpha

Parsley Energy

Capital IQ