



## Range Resources Trade Sees Momentum Continuing in 2020

Ticker/Price: RRC (\$5.60)

### Analysis:

**Range Resources (RRC)** with a trade on 4/28 that opened 4,950 September \$6/\$4 bull risk reversals at a \$0.40 debit and follows some smaller bullish activity, a former active trader that has been quiet but January 2021 \$3 call open interest stands near 6900 and the \$5 calls open interest at 7700. RRC has been on the comeback trail looking to string together its fifth straight week with a higher close, and out of a base that targets a move to \$8. The \$1.4B natural gas company has rallied 80% over the past quarter as natural gas prices have based and rallied modestly while Oil has tanked. RRC trades 9.4X FY20 EV/EBITDA and 0.58X Book with a 1.46% dividend yield. RRC is a top Marcellus Shale name and has one-half million net acres in Southwest Appalachia, a leader in NGL exports and the first US E&P to export ethane. RRC has peer leading well costs and a shallow base decline leading to low maintenance capital requirements. It has also improved cost structure to support stronger FCF and enhance margins. RRC has been reducing debt and executed \$785M in asset sales. It remains focused on further asset sales and has \$1.7B in available liquidity. Analysts have an average target of \$3.50 on shares and short interest is high at 28% of the float. RRC has not seen a lot of analyst coverage with its low price now, JPM downgrading on 3/25 seeing a COVID-19 related demand shock and cited risk with near-term debt maturities. Hedge Fund ownership rose 1.4% in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** RRC could be a big comeback story if natural gas pricing improves while COG the more stable play. I have avoided Energy for a long time now and still see a less than favorable backdrop.

**Confidence Ranking:** \$\$

