

Pioneer Natural Resources

(PXD)

280.00 +7.39 (+2.71%)

At close 5/27/2022 04:00PM EDT

CEO	Description
Scott Sheffield	Pioneer Natural Resources Company operates as an independent oil and gas exploration and production company in the United States. The company explores for, develops, and produces oil, natural gas liquids (NGLs), and gas. It has operations in the Midland Basin in West Texas. As of December 31, 2021, the company had proved undeveloped reserves and proved developed non-producing reserves of 130 million barrels of oil, 92 million barrels of NGLs, and 462 billion cubic feet of gas; and owned interests in 11 gas processing plants. Pioneer Natural Resources Company was founded in 1997 and is headquartered in Irving, Texas.
Sector	
Energy	
Industry	
Oil & Gas E&P	
Exchange	
NYSE	

At the end of trading Friday, Pioneer finished 84.65 percent above its market price one year ago (151.64, 24-May-21), with a positive 96.14 percent return, including over \$17 in dividend payments. Pioneer is experiencing a solid 2022; it is up 54.96 percent this year (180.69, 3-Jan-22), with a YTD return of 61.14 percent, including very strong dividend payments in February and May.

Our DCF valuation indicates Pioneer is at **fair value** as compared the current market, with an implied share price between 286.69 – 322.59.

Target Price Value Spread: ± 3%		
Undervalued	Fair Value	Overvalued
\$278.08	\$278.09 - \$332.26	\$332.27

Our valuation assumes a 34 percent growth in revenue for 2022; which might be very conservative. Pioneer enjoyed 154.41 percent revenue growth last year, and at the end of the first quarter this year, PXD is experiencing 100.62 percent growth in revenue as compared to the first quarter 2021 (\$21 billion TTM). At the same time last year, PXD’s revenue was up 54.44 percent.

The implied share price lower limit is based on using comparable firms and the upper limit is calculated utilizing Weyerhaeuser’s capitalization.

Comparable Companies Unlevered Beta								
		Levered β	MVoDebt	MVoEquity	Debt/Equity	Tax Rate	Unlevered β	WACC
ConocoPhillips	COP	1.363	19,934.00	144,609.08	13.78%	36.45%	1.253	8.530
Devon Energy	DVN	2.610	6,734.00	47,828.56	14.08%	2.93%	2.296	13.920
Marathon Oil	MRO	2.767	4,014.00	22,091.58	18.17%	5.78%	2.363	14.330
Occidental Petroleum	OXY	2.095	30,388.00	60,009.48	50.64%	37.33%	1.590	9.520
EOG Resources	EOG	1.779	5,907.00	74,533.00	7.93%	21.39%	1.675	10.520
Average		2.123			20.92%	20.78%	1.835	11.364
Median		2.095			14.08%	21.39%	1.675	10.520

Pioneer Natural Resources Company Relevered Beta					
	Unlevered β	Debt/Equity	Tax Rate	Relevered β	WACC
Relevered Beta	1.835	16.52%	22.87%	2.069	10.587

Pioneer Natural Resources Company

PXD

Target price range: \$286.69 - \$322.59

Oil & Gas Exploration & Production

	2021	2022	2023	2024	2025	2026
	0	1	2	3	4	5
EBIT	\$ 6,527,000.0	\$ 4,638,150.0	\$ 4,285,650.6	\$ 6,353,995.6	\$ 9,420,567.4	\$ 13,967,131.3
Tax Expense	1,492,724.9	1,020,393.0	942,843.1	1,397,879.0	2,072,524.8	3,072,768.9
NOPLAT	5,034,275.1	3,617,757.0	3,342,807.4	4,956,116.6	7,348,042.6	10,894,362.4
Depreciation	-	1,355,113.2	1,252,124.6	1,856,426.2	2,752,376.5	4,080,731.3
CapEx	3,169,000.0	2,633,735.3	2,433,571.4	3,608,064.2	5,349,391.8	7,931,120.7
Δ NWC	1,411,000.0	(31,470.3)	(157,208.3)	922,443.9	1,367,634.7	2,027,683.9
Unlevered FCF	3,276,275.1	2,307,664.5	2,004,152.3	4,126,922.5	6,118,662.0	9,071,656.9
Terminal Value						107,755,594.0
PV of UFCF	3,276,275.1	2,086,739.1	1,638,784.0	3,051,496.0	4,091,084.5	70,635,274.6

Enterprise Value \$ 81,503,378.2

Net Debt 3,449,000.0
 Implied Equity \$ 78,054,378.2

Outstanding Shares 241,960.0
Implied Share Price \$322.59

* Using 1.609 Beta resulting in 10.587% WACC

USD\$ in thousands

	2021	2022	2023	2024	2025	2026
	0	1	2	3	4	5
Free Cash Flow	3,276,275.1	2,307,664.5	2,004,152.3	4,126,922.5	6,118,662.0	9,071,656.9
<i>Discount Factor</i>		0.89	0.78	0.70	0.62	0.55
Present Value of Free Cash Flow		2,044,390.5	1,572,943.4	2,869,458.1	3,768,957.4	4,950,426.0

Enterprise Value \$ 72,815,326.1

Net Debt 3,449,000.0
 Implied Equity \$ 69,366,326.1

Outstanding Shares 241,960.0
Implied Share Price \$286.69

TV EBITDA 6,527,000.0
 Exit Multiple 18.3
 Terminal Value (TV) 119,163,795.9
Discount Factor 0.48
 PV of TV 57,609,150.7
 PV of FCF 15,206,175.4

* Using relevered 2.0692 Beta (based on comparables) resulting in 12.878% WACC

USD\$ in thousands

Assumptions:

- Using tax rate of 22.00% for projected years
- Terminal Value long-term growth rate is 2.000%
- 2.42% Risk free rate
- Pioneer Natural Resources Company Beta = 1.609
- 5.80% Equity Risk Premium