



Crescent Energy

Crescent Energy Finance (NYSE: CRGY)

Analyst: Isabella Monteiro

Investment Thesis

We recommend an overweight position of Crescent Energy Finance's (CRGY) 7.625% Senior unsecured 2032 notes. CRGY or "the Company", is a US-based energy operator focused on exploration and production (E&P) in the Eagle Ford and Uinta basins. Crescent drills for oil, natural gas, and natural gas liquids while utilizing a growth-through-acquisition strategy to ensure financial stability and long-term growth. We expect Crescent's acquisition of Ridgemar Energy to be immediately accretive, enhancing FCF by leveraging existing drill pads, reducing CAPEX, and strengthening its Eagle Ford presence by 50%. Despite short-term concerns around negative FCF from acquisition costs, Crescent's efficient asset base and minimal upfront development needs positions it for strong cash flow growth. With production at 219,000 Boe/d (39% oil, 58% liquids), Crescent benefits from a high-quality, low-decline asset profile, ensuring stable production and sustained profitability. This strong production base, combined with existing infrastructure and improved drilling efficiencies, positions Crescent to generate consistent cash flow with minimal capital expenditures. We anticipate Crescent's strategic expansion into natural gas to provide long-term upside, with its pro forma output including 44% natural gas post-SilverBow acquisition. We expect by YE27, the spread of OXY's 7.625% 2032s to tighten ~40-55 bps.

Figure 1: Capitalization Table

Crescent Energy Finance Capitalization Table									
	9/30/24	2/19/25	Interest	Cash				Debt / Adj. EBITDA	
	Face	Price	Market	Rate	Interest	Maturity	YTW	OAS	FY22A FY23E
Cash & Cash Equivalents	\$136								
First Lien									
Revolver Due 2029	572	-	572	S + 275	40				
Total First Lien Debt	\$572		\$572		\$40				0.21x 0.20x
Net First Lien Debt	436		436						0.16x 0.15x
Senior Unsecured									
Notes due 2028	1,000	99.5	995	7.38%	74	2/15/28	6.5%	209 bps	
Notes due 2032	1,100	100.7	1,107	7.43%	82	4/01/27	7.4%	302 bps	
Notes due 2033	1,000	104.7	1,047	6.18%	62	7/15/27	7.4%	255 bps	
Total Senior Debt	\$3,672		\$3,721		\$258				1.35x 1.29x
Net Senior Debt	3,536		3,585						1.30x 1.24x
Total Debt	\$4,245		\$4,294		\$298				1.56x 1.49x
Total Net Debt	4,109		4,158						1.51x 1.44x
Earnings									
FY22A Adj. EBITDA	\$2,715								
FY23E Adj. EBITDA	\$2,851								

Liquidity	
RCF Commitment	\$2,000
(-) RCF Borrowings	572
RCF Availability	\$1,428
(+) Cash	136
Total Liquidity	\$1,564

Source: Company Filings, Bloomberg

Minutemen Fixed Income Fund

MFIF

Minutemen Fixed Income Fund

Security Data

Bond Maturity: 04/01/2032

Rating: B1/BB-

Rank: Senior Unsecured

Price: 100.742

Yield-to-worst: 7.40%

Coupon: 7.625%

OAS: 269.5 bps

CUSIP: 45344LAD5

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Company Overview

Based in Houston, Texas, Crescent Energy is a differentiated U.S. energy company committed to delivering value through a disciplined, returns-driven growth-through-acquisition strategy. The company is positioned for a long-term balanced portfolio that combines stable cash flows from low-decline production with a deep, high-quality development inventory. After their recent SilverBow acquisition, Crescent is a top three producer (by gross operated production) in the Eagle Ford basin. Crescent Energy became a publicly traded company in December 2021 and has since experienced significant growth, having tripled its size through strategic acquisitions that have strengthened its financial position by generating steady cash flow. Crescent's management team is a diverse group of professionals from backgrounds in energy, finance, and investment who have prioritized risk management, profitability, and long-term value creation. Its core operations are centered in Texas and the Rocky Mountain region, where it owns a mix of productive oil and gas assets along with a strong pipeline of future development opportunities. The company proactively manages its environmental footprint and strives to incorporate sustainability into its operations whenever possible.

Industry Overview

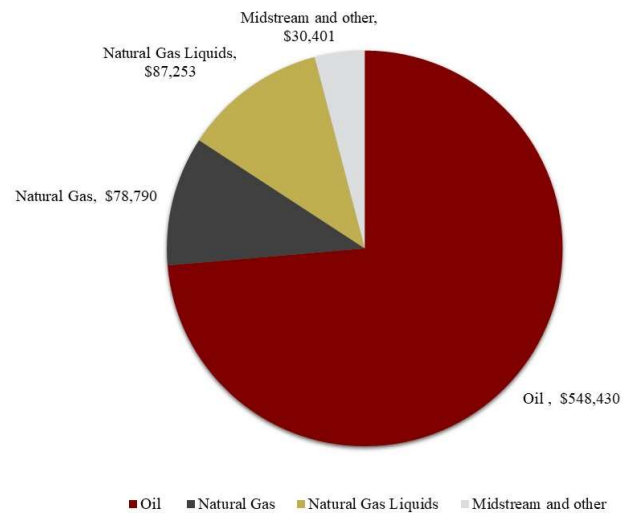
The energy industry's exploration and production (E&P) sector focuses on the discovery, extraction, and initial processing of crude oil and natural gas. This sector plays a crucial role in global energy supply, heavily influenced by technological advancements, regulatory policies, and fluctuating commodity prices. The industry, valued at ~\$5.3 trillion in 2024, is expected to grow at a CAGR of 6.2% through 2030, driven by rising energy demand, particularly in developing economies, as well as continued investments in offshore and unconventional oil and gas resources. Technological advancements in hydraulic fracturing, horizontal drilling, and enhanced oil recovery methods have improved production efficiency and lowered operational costs. OPEC+ shapes global oil prices by adjusting production, while competition comes from shifting supply and demand, geopolitical tensions, and cost advantages of major players like Saudi Arabia and U.S. shale. The industry's fierce competition leads to price swings, investment cycles, and constant innovation to stay profitable. As of February 25, 2025, the West Texas Intermediate (WTI) benchmark for U.S. crude oil stands at \$70.46 per barrel, while the Henry Hub (HH) benchmark for U.S. natural gas is trading at \$4.13 per million Btu (MMBtu).

Investment Rationale and Catalysts

Eagle Ford Region Acquisition Completed in Q1 2025

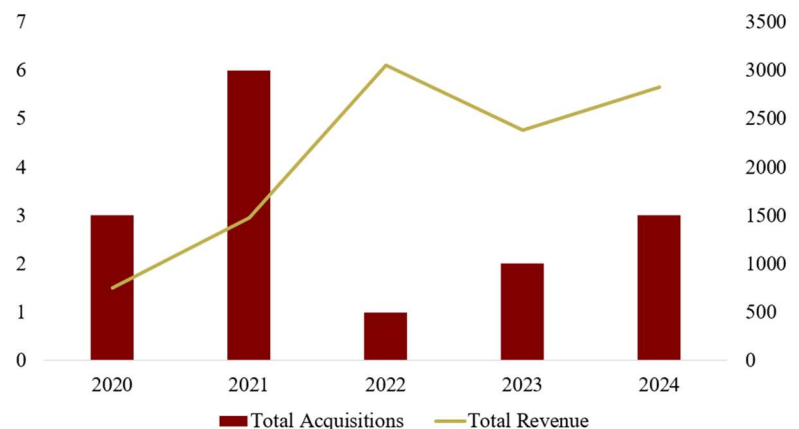
Crescent Energy's \$905 million acquisition of Ridgemar Energy's Eagle Ford assets in Q1 2025 adds 80,000 acres to its holdings, bringing its total to 540,000 net acres in the region while strengthening its M&A-driven growth strategy. Along with the \$2.1 billion SilverBow deal earlier in 2024, this brings Crescent's total M&A activity to \$4 billion over 18 months. The transaction includes contingent oil price payments of up to \$170 million between 2026 and 2027 if WTI exceeds \$70 per barrel. The market reaction has largely focused on Crescent's increasing leverage, with total debt rising to \$3.3 billion and a net leverage ratio of 2.7x, the highest among peers. However, Crescent expects the acquisition to be immediately effective in terms of cash flow, free cash flow, and net asset value. Pre-existing drill pads reduce upfront capital expenditures, ensuring cash flow contributions begin immediately. Despite concerns over rising interest expenses, which increased 43% year-over-year, the company expects growing revenue and positive free cash flow this quarter. The Eagle Ford acquisition improves cash flow efficiency by leveraging existing infrastructure and reducing capital expenditures. Crescent's operational efficiencies—such as a 25% increase in drilling speed and enhanced hydraulic fracturing—should help offset financial pressures. While debt remains a key factor to monitor, Crescent's focus on acquiring cash-generating assets rather than capital-intensive projects positions it well. We believe the market has not yet priced in the immediate compensation Crescent will receive from this acquisition.

Figure 2: Revenue by Segment (\$ in millions)



Source: Company Filings

Figure 3: Proven Acquisition Strategy compared to Revenue Growth (\$ in millions)

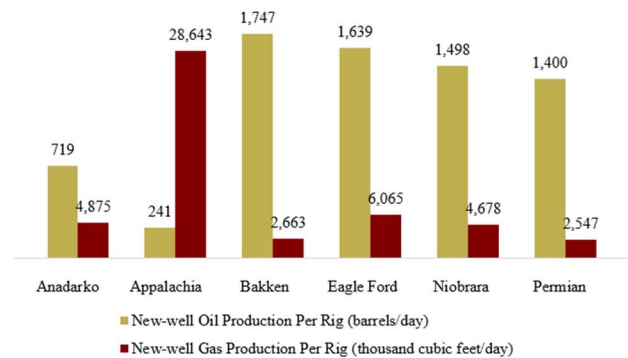


Source: Company Filings, Company Website

High-Quality, Low-Decline Production Profile of the Eagle Ford Acquisition

The Eagle Ford region's high-production, low-decline profile provides Crescent Energy with a stable and sustainable cash flow source. With total production at 219,000 Boe/d (39% oil, 58% liquids), Crescent benefits from high-quality reserves that ensure long-term output without the steep decline rates seen in other shale plays. Post-acquisition, Crescent's total production is expected to be approximately 250,000 Boe/d. This strengthens the company's position as a cash-flow-oriented operator, prioritizing efficiency over aggressive capital-intensive expansion. The Eagle Ford basin remains a crucial hub for energy production, boasting 8.5 billion barrels of crude oil, 66 trillion cubic feet of natural gas, and 1.9 billion barrels of natural gas liquids (NGL) in reserves. This resource-rich region provides a balanced mix of oil and gas, aligning with Crescent Energy's strategic goal of maintaining a diversified commodity portfolio. Amongst other US regions the Eagle Ford basin ranks second in oil production (1,639 barrels/day per well) and gas production (6,065 thousand cubic feet/day per well). Crescent's acquisition of Ridgemar Energy's Eagle Ford assets adds 80,000 net acres in a region known for strong well productivity and slow depletion. The acquisition is expected to be immediately accretive to free cash flow, reinforcing Crescent's strategy of acquiring cash-generating assets over costly new developments. We believe the market has not fully accounted for the long-term production stability this acquisition secures, positioning Crescent for continued profitability and financial resilience.

Figure 4: New-well Production Per Rig

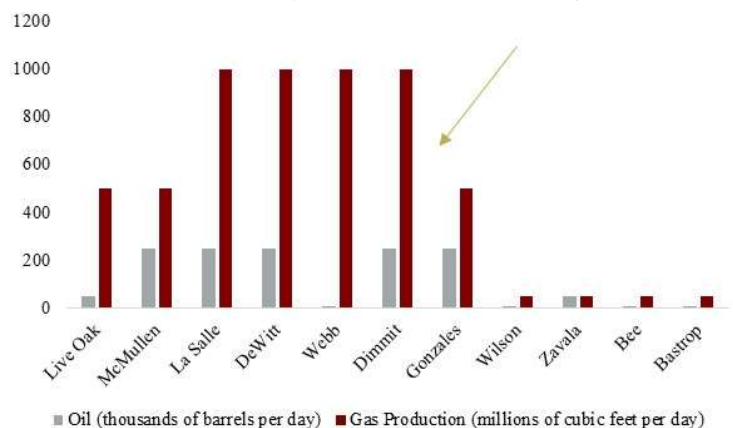


Source: EIA.Gov

Managed Strategic Movement into the Natural Gas Industry to Diversify Revenue

Crescent Energy has positioned itself for long-term growth in the natural gas sector, with recent acquisitions significantly increasing its exposure. The company's acquisition of SilverBow Resources is expected to increase its production capacity to 250,000 Boe/d, with 44% of output now consisting of natural gas. This strategic shift reflects Crescent's commitment to balancing its commodity portfolio and capitalizing on the growing demand for natural gas. Crescent's entry into the Uinta Basin in 2022 further strengthened its natural gas operations, offering access to low-risk, high-potential reserves with secured takeaway capacity to key refining markets. The company then acquired the Eagle Ford region with a balanced production of oil and natural gas. A diversified portfolio is essential for E&P companies to manage risk, stabilize cash flow, and ensure long-term profitability. With volatility in commodity prices, regulations, and geopolitics, a mix of oil, natural gas, and NGLs across multiple regions helps mitigate exposure to downturns in any single market. This diversification will help Crescent maintain competitive production costs while maximizing recovery from its expanding natural gas portfolio. Looking ahead, Crescent's growth-through-acquisition strategy suggests further expansion in the natural gas sector. With \$4 billion in M&A activity over the past 18 months, the company is expected to continue acquiring high-quality, cash-flow-generating assets. As the natural gas market remains central to the energy transition, Crescent is well-positioned to capitalize on future opportunities while maintaining strong financial discipline and operational efficiency.

Figure 5: Average Daily Production in Eagle Ford Counties (thousands and millions)



Source: EIA.Gov

Risks to Thesis

If integration costs in the Eagle Ford region are higher than expected and Crescent must implement new drilling pads, this could prevent them from immediately collecting revenue from the area.

If the Eagle Ford region, which is known for high-quality, low-decline reserves has lower than expected actual production rates due to variability in geology or operational challenges. This would increase maintenance CAPEX needs, reducing Crescent's cash flow advantage.

If the push for cleaner energy alternatives and stricter methane regulations becomes prevalent, the fossil fuel industry could suffer meaning oil and natural gas operations could become more costly.

Relative Valuation

Crescent Energy (CRGY) maintains a higher total debt load than its peers, with \$3.3 billion in long-term debt. However, its net debt-to-EBITDA ratio of 2.7x remains well within industry norms, aligning closely with OXY's leverage profile. Despite recent acquisitions temporarily pressuring free cash flow, Crescent is positioned to return to positive free cash flow as these assets are fully integrated.

Among its competitors, Crescent Energy's 2032 notes offer the highest yield-to-worst and the highest coupon rate, ensuring higher returns. Its 7.625% coupon outpaces those of peers like SM Energy (7.000%) and Matador Resources (6.500%), while still reflecting a relatively safe credit profile. The company's ability to maintain stable production and disciplined capital allocation supports its strong credit positioning, despite trading at wider credit spreads than larger operators like OXY and MTDR. While Crescent's leverage is on the higher end, its low-decline, cash-flow-generating assets provide financial flexibility, reducing default risk.

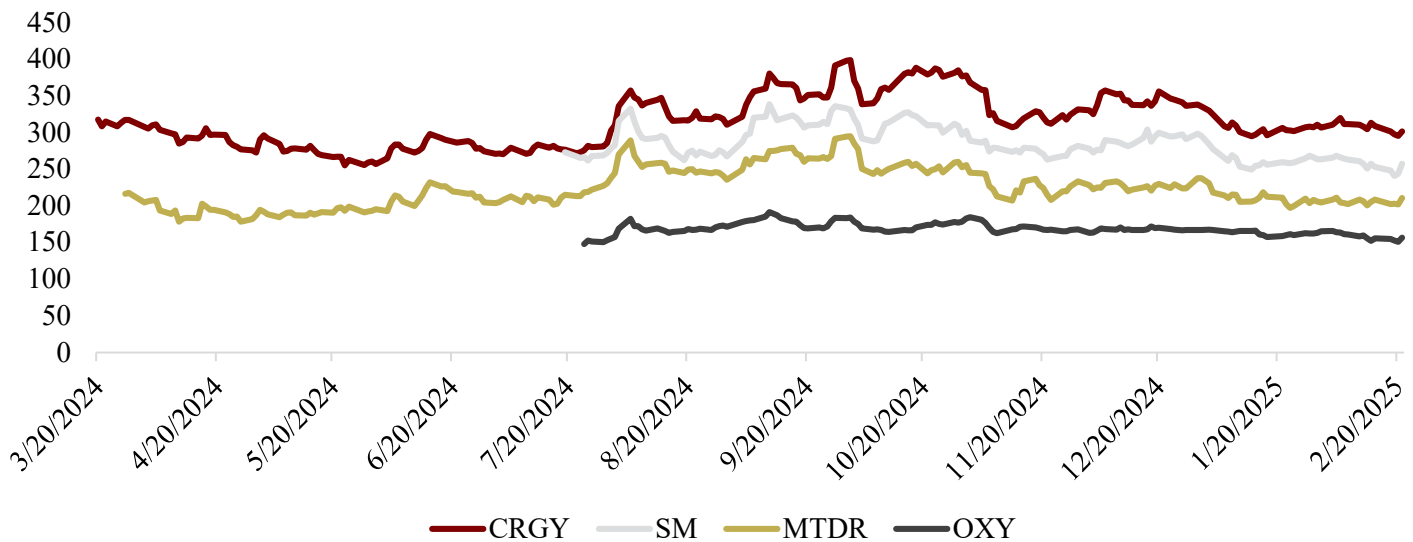
Though Crescent's 2032 notes currently trade at a wider spread, its stable production growth, operational efficiencies, and diversified commodity portfolio suggest potential for spread tightening. Unlike its industry peers, CRGY has room to tighten its OAS. As Crescent continues optimizing its balance sheet and executing its acquisition-driven growth strategy, its valuation and credit standing should strengthen, bringing it further in line with industry leaders.

Figure 6: Comparable Companies Table

Comps (USD in millions)	CRGY	SM	MTDR	OXY
Market Cap	\$3,852.4	\$4,302.1	\$7,129.5	\$44,110.8
Total Debt	3,233.3	2,706.7	3,769.4	27,783.0
Net Debt	3,097.1	1,025.5	1,479.1	16,461.0
Cash	136.2	1,681.2	2,290.3	11,322.0
EV	8,285.0	5,273.5	11,101.2	78,681.8
Revenue	2,713.4	2,446.8	3,338.4	27,137.0
Adj. EBITDA	1,198.9	1,732.9	2,313.9	12,845.0
Adj. EBITDA Est	1,554.3	1,964.5	2,321.3	13,928.3
FCF	-30.4	501.3	344.7	4,541.0
Interest Expense, Net	190	81	147	1,095
EV/EBITDA	6.91x	3.04x	4.80x	6.13x
Debt/EBITDA	2.70x	1.56x	1.63x	2.16x
Debt/EBITDA Est	2.08x	1.38x	1.62x	1.99x
Debt/FCF	-106.36x	5.40x	10.94x	6.12x
Coverage	6.31x	21.37x	15.70x	11.73x
EBITDA Margin	44.18%	70.82%	69.31%	47.33%
Individual Security Comps				
Rating (Moody/S&P)	B1/BB-	B1/BB-	B1/BB-	Baa3/BB+
Coupon	7.625%	7.000%	6.500%	5.375%
Maturity	4/1/2032	8/1/2032	4/15/2032	1/1/2032
Price	100.742	99.897	100.187	98.371
YTW	7.40%	6.99%	6.41%	5.62%
OAS	269.5	219.6	159.8	124.2
Next Call Date	4/1/2027	8/1/2027	4/15/2027	11/1/2031
Spread/Turn of Leverage	99.93 bps	140.59 bps	98.10 bps	57.42 bps

Source: Company Filings, Bloomberg

Figure 8: Comparable Companies OAS Graph (bps)



Source: Bloomberg

Figure 7: Summary Model

Financial Statement Model for Crescent Energy Finance (CRGY)											
Fiscal Year	FY23A	1Q24A	2Q24A	3Q24A	1Q25E	2Q25E	3Q25E	4Q25E	FY24E	FY25E	FY26E
EOP Date	12/31/2023	3/31/2024	6/30/2024	9/30/2024	3/31/2025	6/30/2025	9/30/2025	12/31/2025	12/31/2024	12/31/2025	12/31/2026
Income Statement											
Revenue											
Oil	1,750,961	473,894	499,622	548,430	593,182	615,883	629,669	639,867	2,092,313	2,478,600	2,701,634
Natural gas	371,066.0	79,944.0	51,274.0	78,790.0	92,817.8	101,916.3	111,594.1	115,899.3	291,658.6	422,227.4	435,431.4
Natural gas liquids	192,870	66,947	66,903	87,253	99,317	108,916	119,111	123,592	308,583	450,936	463,259
Midstream and other	67,705	36,688	35,484	30,401	31,012	31,322	31,635	31,952	133,278	125,921	131,034
Total revenues	2,382,603	657,473	653,283	744,875	816,329	858,037	892,009	911,310	2,825,834	3,477,685	3,731,359
Expenses											
Lease operating expense	495,380	130,688	122,454	129,546	131,496	132,483	133,476	134,477	513,206	531,933	548,071
Gathering, transporting and marketing	235,153	69,569	65,851	89,405	92,107	93,489	94,891	96,315	315,571	376,802	394,987
Depreciation, depletion and amortization	675,782	176,564	212,382	251,498	344,966	348,415	351,899	355,418	981,994	1,400,698	1,457,572
Total Expenses	2,057,862	523,453	533,899	752,296	739,675	746,166	752,727	759,358	2,542,902	2,997,926	3,099,087
Total other income (expense)	20,478	(170,593)	(37,652)	203	36,716	36,716	36,716	36,716	(171,326)	146,864	146,864
EBITDA											
Net Income	321,991	(32,364)	70,205	(5,579)	90,696	118,870	140,799	150,934	91,194	501,299	623,309
Plus: Interest Expense	145,807	42,686	42,359	61,840	61,840	61,840	61,840	61,840	208,725	247,360	247,360
Plus: Income Tax	23,227	(4,209)	11,527	(1,640)	22,674	29,718	35,200	37,734	20,411	125,325	155,827
Plus: Depreciation & Amortization	675,782	176,564	212,382	251,498	344,966	348,415	351,899	355,418	981,994	1,400,698	1,457,572
Adj. EBITDA	1,166,807	182,677	336,473	306,119	520,176	558,843	589,738	605,926	1,302,325	2,274,682	2,484,068
Balance Sheet Summary											
Cash and Cash Equivalents	236,771	5,321	778,115	136,151	605,308	884,346	1,170,014	1,441,347	1,441,347	4,101,015	8,193,057
Accounts Receivable	1,987,262	461,836	474,626	507,657	556,356	584,782	607,934	621,089	621,089	2,370,161	2,543,048
Total Current Assets	2,655,743	563,765	1,334,342	864,705	1,391,229	1,703,751	2,016,693	2,303,522	2,303,522	7,415,195	11,710,895
PP&E, net	23,117,266	6,167,310	6,044,109	8,208,278	7,960,259	7,843,935	7,732,451	7,625,606	7,625,606	31,162,251	29,520,163
Total Assets	26,049,731	6,797,917	7,480,823	9,250,429	9,540,805	9,743,932	9,951,033	10,134,223	10,134,223	39,369,993	42,065,748
Total Debt	1,244,587	1,749,226	2,403,679	3,225,173	3,225,173	3,225,173	3,225,173	3,225,173	3,225,173	3,225,173	3,225,173
Net Debt	1,007,816	1,743,905	1,625,564	3,089,022	2,619,865	2,340,827	2,055,159	1,783,826	1,783,826	(875,842)	(4,967,884)
Total Liabilities	1,694,375	3,254,958	3,893,733	5,054,996	5,220,426	5,317,024	5,395,668	5,440,266	5,113,576	5,440,266	5,596,402
Cash Flow Summary											
Net Income (loss)	321,991	(32,364)	70,205	(5,579)	90,696	118,870	140,799	150,934	91,194	1,315,650	1,244,356
Changes in Working Capital	613,778	216,134	322,323	267,933	339,344	333,987	328,607	322,943	1,149,548	510,530	627,424
Cash Flow from Operations	935,769	183,770	392,528	262,354	430,041	452,857	469,405	473,877	1,240,742	1,826,180	1,871,779
Capex	(1,430,604)	(156,348)	(151,738)	(547,234)	(214,906)	(214,906)	(214,906)	(214,906)	(1,070,226)	(859,623)	(859,623)
Cash Flow from Investing	(1,398,800)	(157,461)	(129,101)	(547,814)	(197,866)	(183,876)	(186,848)	(192,052)	(1,032,242)	(764,697)	(814,141)
Dividends	(34,120)	(12,649)	(13,382)	(19,562)	(12,341)	(12,341)	(12,341)	(12,341)	(57,934)	(49,365)	(49,365)
Cash Flow from Financing	456,456	(23,867)	1,333,145	(1,144,213)	15,720	13,029	8,315	(623)	168,113	36,441	(8,335)
Net Change in Cash	(6,575)	2,442	1,596,572	(1,429,673)	247,895	282,010	290,873	281,202	376,613	1,097,924	1,049,303
FCF Reconciliation											
Cash from operations	935,769	183,770	392,528	262,354	430,041	452,857	469,405	473,877	1,240,742	1,826,180	1,871,779
(-) Capex	(1,430,604)	(156,348)	(151,738)	(547,234)	(214,906)	(214,906)	(214,906)	(214,906)	(1,070,226)	(859,623)	(859,623)
Free Cash Flow to Firm	(494,835)	27,422	240,790	(284,880)	215,135	237,951	254,500	258,972	170,517	966,557	1,012,157
Operating Metrics											
Operating Margin	13.6%	20.4%	18.3%	-1.0%	9.4%	13.0%	15.6%	16.7%	10.0%	13.8%	16.9%
Adj. EBITDA Margin	49.0%	27.8%	51.5%	41.1%	63.7%	65.1%	66.1%	66.5%	6.0%	65.4%	66.6%
FCF Margin	-20.8%	4.2%	36.9%	-38.2%	26.4%	27.7%	28.5%	28.4%	6.0%	27.8%	27.1%
Credit Metrics											
Net Debt/Adj. EBITDA	0.9x	1.9x	1.7x	2.6x	1.6x	1.3x	1.0x	0.8x	1.4x	-0.4x	-2.0x
Net Debt/FCF	-2.0x	5.0x	2.5x	4.5x	1.3x	1.1x	0.9x	0.8x	0.9x	-0.9x	-4.9x
Adj. EBITDA/Interest	8.0x	-1.1x	-2.0x	-1.6x	-2.3x	-2.3x	-2.4x	-2.4x	6.2x	9.2x	10.0x
FCF/Interest	-3.4x	-0.2x	-1.4x	1.5x	-0.9x	-1.0x	-1.0x	-1.0x	0.8x	3.9x	4.1x

Source: Company Filings