

Deal of the Week: Concho Resources to Buy RSP Permian for \$9.5B

Announcement Date	<ul style="list-style-type: none"> March 28, 2018 	
Acquirer	<ul style="list-style-type: none"> Concho Resources Inc. (NYSE: CXO) 	
Acquirer Description	<ul style="list-style-type: none"> Engages in the acquisition, development, and exploration of oil and natural gas properties in the US Principal operating areas are in the Permian Basin of southeast New Mexico and west Texas Founded in 2006 and headquartered in Midland, Texas 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$22.7 billion EV: \$25.4 billion LTM Revenue: \$2.6 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.6 billion LTM EV / Revenue: 9.8x LTM EV / EBITDA: 16.1x
Target Company	<ul style="list-style-type: none"> RSP Permian, Inc. (NYSE: RSPP) 	
Target Description	<ul style="list-style-type: none"> Engages in the acquisition, exploration, exploitation, development, and production of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin of West Texas Founded in 2010 and headquartered in Dallas, Texas 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$7.7 billion EV: \$9.1 billion LTM Revenue: \$803.7 million 	<ul style="list-style-type: none"> LTM EBITDA: \$537.5 million LTM EV / Revenue: 11.3x LTM EV / EBITDA: 16.9x
Acquirer Advisors	<ul style="list-style-type: none"> Morgan Stanley 	
Target Advisors	<ul style="list-style-type: none"> Tudor, Pickering, Holt & Co 	
Price / Consideration	<ul style="list-style-type: none"> \$9.5 billion 	<ul style="list-style-type: none"> Stock
Rationale	<ul style="list-style-type: none"> Concho Resources' purchase of RSP Permian will make it the biggest shale oil and natural gas producer in the Permian Basin, the oil-rich area. With 27 rigs, the company said it would have the area's largest drilling and hydraulic fracturing operation and a reach of 640,000 acres Drives significant operational synergies through development optimization, shared infrastructure and capital efficiencies, with a present value of more than \$2 billion Expect to realize over \$60 million in annual corporate level savings Immediately accretive to key per-share metrics, including net asset value, earnings, cash flow and debt-adjusted growth 	
Deal Points	<ul style="list-style-type: none"> RSP shareholders will receive 0.320 shares of Concho common stock in exchange for each share of RSP common stock, or \$50.24 per share based on the closing price of Concho common stock on March 27, 2018 The consideration represents an approximately 29% premium to RSP's closing price of \$38.92 on March 27, 2018 Upon transaction close, Concho shareholders will own ~74.5% of the combined company, and RSP shareholders will own ~25.5% 	
Of Note	<ul style="list-style-type: none"> Much larger companies, like Exxon Mobil and Chevron, are also increasing their investments in the Permian Basin, where output has doubled to roughly three million barrels a day over the last five years, making it the principal driver of the domestic oil production boom This is the largest M&A deal in the oil exploration and production sector since 2012, according to the research firm Wood Mackenzie 	