



# PELICAN BAY

## CAPITAL MANAGEMENT

**FOR IMMEDIATE RELEASE**  
**November 6, 2019**

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### **PELICAN BAY CAPITAL MANAGEMENT SENDS LETTER TO BOARD OF DIRECTORS OF ROAN RESOURCES**

NAPLES, FL. -- Pelican Bay Capital Management, LLC announced today that the Mr. Tyler Hardt, CFA, the portfolio manager for the Firm's Phoenix Fund, has written a letter to the Board of Directors of Roan Resources Inc to voice our strong disagreement with the Board's unanimous decision to sell the company to Citizen Energy Operating, LLC, an affiliate of Warburg Pincus for only \$1.52 per share of common stock.

The entirety of our letter to the board can be found as an attachment below.

#### **These are the main points we address in our letter to the Board.**

Firstly, we believe the transaction price is grossly inadequate and represents just 20% to 30% of the true value of the Roan Resources.

Secondly, we believe the Private Equity sponsored entity acquiring ROAN is poised to quickly sell the assets to strategic oil & gas companies with contingent lease holdings. We believe these transactions can be completed at substantial premiums to the valuation the Board has agreed to sell the company.

Lastly, we call on the Board of Directors to abandon the transaction with Citizen Energy and execute smaller asset sales to neighboring oil and gas companies. This will allow all of Roan's shareholders to realize the true value of their ownership of company's assets.

#### **How are Roan's Activist Shareholders not appalled by this transaction?**

At Pelican Bay Capital Management, we have a tremendous amount of respect and admiration for Elliott Management and Fir Tree Capital who respectively own 10.6% and 9.5% of Roan's

shares. Both firms have proven to be champions of corporate governance and the ownership rights of minority shareholders.

Elliot in particular has never shown an inclination to hold back on Boards that have engaged in similar shareholder unfriendly deals. Just this time last year they successfully engaged Michael Dell to pay a fair value for acquiring the remaining minority stake in Dell Technologies. We believe the current situation with Roan Resources merits similar intervention.

About Pelican Bay Capital Management, LLC: Pelican Bay Capital Management is an Investment Management Firm that offers discretionary portfolio management services to High Net Worth Families and Endowments. We are disciplined value investors that believe the path to achieving superior investment results for our clients require strategies that employ a preference for elevated levels of income, a contrarian mindset, and lower investment management fees. Pelican Bay Capital Management, LLC is a Registered Investment Advisor headquartered in Naples, Florida. "Mr. Tyler Hardt, CFA serves as the Portfolio Manager for the firm's Investment Strategies.

About Tyler Hardt: Tyler Hardt, CFA is the Founder, Portfolio Manager, and Managing Member of Pelican Bay Capital Management, LLC. Mr. Hardt has 11 years of investment management experience and is the lead Portfolio Manager for all three of Pelican Bay Capital Management's portfolios. Prior to founding Pelican Bay Capital Management, Mr. Hardt spent 9 years as an Equity Analyst on the Domestic Value Team at Artisan Partners Asset Management. Mr. Hardt has also held Corporate Mergers & Acquisitions and Corporate Strategy roles at AT&T and American Tire Distributors. Mr. Hardt received his MBA with Honors from the Wharton School at the University of Pennsylvania. He graduated Cum Laude from the University of Maryland with a Bachelor of Science in Finance. Mr. Hardt lives in Naples, Florida.

For more information please see Part 2A of our Form ADV available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may also request a copy from Pelican Bay Capital Management by e-mailing us at [info@pelicanbaycap.com](mailto:info@pelicanbaycap.com).



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November 6, 2019

Board of Directors  
Roan Resources Inc.  
14701 Hertz Quail Springs Parkway  
Oklahoma City, OK 73134

Dear Board of Directors,

We are writing to the Board of Directors of Roan Resources to voice our strong disagreement with the Board's unanimous decision to sell the company to Citizen Energy Operating, LLC, an affiliate of Warburg Pincus for only \$1.52 per share of common stock.

### **The transaction represents substantial discount to ROAN's true value**

The unanimously approved transaction price of \$1.52 per share is grossly inadequate and is significantly less than any available estimate of the Company's value at the time of the Board's announcement of the transaction.

On September 30<sup>th</sup>, 2019 Roan was covered by two Investment Banks including Stifel and Johnson Rice & Co. The respective price targets from the analysts at these firms was \$8.00 and \$6.50 per share. Both of these price targets incorporated a healthy discount to what these analysts believed was the true net asset value of Roan Resources.

Additionally, the Company's own estimate of value using the PV-10 methodology published in the 2018 10-K Report submitted to the Securities and Exchange Commission placed a value on Roan's assets of \$2.019 billion, which corresponds to a \$9.02 share price after subtracting outstanding debt.

On April 29<sup>th</sup>, 2019 Roan announced that the Board had received "multiple unsolicited indications of interest to purchase the company." On April 26<sup>th</sup> preceding this announcement shares of Roan were trading for \$4.19 per share. We must presume that the indications of interest that the board received in April didn't include proposed transaction prices that were a 63% discount to the prevailing market price at the time.

How could any board member be satisfied with a purchase price of \$1.52 per share after launching a “Strategic Review” when the shares were trading above \$4? How could any board member be content accepting a valuation from the company that is only 23% of the lowest price target from respectable analysts who are recognized for excellent work.

We would love to see the mathematical wizardry the Board’s advisors at Citi and Jefferies have employed to justify the value of \$1.50 per shares as being “fair” to all shareholders.

### **Citizen appears to be preparing to flip Roan’s assets for a substantial financial gain**

We aren’t naïve and recognize that the bidders that approached the company in April were most likely publicly traded peers with contingent lease holdings to Roan’s valuable acreage position. As Roan’s stock price fell below \$2 in the subsequent months after Management botched the first quarter results conference call; we recognize the transaction premium required for a public peer to pay fair value for ROAN in a all-stock transaction could itself become an impediment to reaching a transaction. We understand that the shareholders of neighboring publicly traded peers would have reacted unfavorably to the announcement of a transaction featuring a 200% or 300% premium, even if it was a fair price.

However, it seems obvious to us that Citizen Energy has come to the same conclusion. Citizen realizes that these public peers would face much less scrutiny if they acquired Roan’s valuable lease holdings in asset transactions with a private entity. This method would allow the future acquirers to avoid the visibility of paying an acquisition premium to a publicly traded company.

Citizen appears to be positioning to sell the company in the near future to third parties in private transactions at what we can only imagine is significantly higher prices than board has chosen to sell the company.

Most troubling of all is that the actions taken by the Company and Board of Directors subsequent to the announcement of the transaction give the clear impression that the board of directors are fully aware of Citizen’s intent to sell Roan’s assets to third parties in private transactions in the near future. If Citizen was planning on continuing operating Roan as a going concern, they would not have requested the board of ROAN to immediately suspended all drilling, development, and completion activity on October 1<sup>st</sup>, 2019. Citizen would have needed the cash flow from sustained production levels that can only be maintained by continued drilling and development. We have to imagine production must be held constant to support the debt load of the company post-closing if Citizen intended to continue running the company as a standalone entity. Roan’s shale wells have high decline rates and it is extraordinarily expensive to restart the production fly wheel after halting development; even if only for two quarters.

The only explicable reason as to why Citizen would suspend development operations is because they were going to sell the assets and reserves in the near future. These buyers have experience drilling superior wells in the neighboring areas and we believe they would likely prefer to drill and complete this acreage themselves. Thus we also believe neighboring strategic buyers would likely pay more for the acreage if their workers developed Roan’s assets.

The Board of Directors decision to cease drilling and development operations at the announcement of the transaction (even before Citizen takes ownership) at worst makes the Board of Directors look like an accomplice to Citizen's plans; and at the very least puts the current shareholders at risk of default if the deal doesn't go through as production and operating cash flows will materially decline in the interim period before closing the transaction.

This begs the question as to why the Board of Directors couldn't make the same asset sale transactions to neighboring producers instead of relying on an inferior all-stock merger. The Board could pay out a special dividend with the proceeds from these asset sales and close down the company. This is essentially what Citizen is going to do, and they will likely make 200-300% profit in the process.

Which raises another question; at the very least, if the board is going to knowingly let Citizen flip the assets at very attractive premiums, why can't the Board extract a higher price from Citizen? Citizen could pay Roan \$3 per share and still make a healthy return on flipping the assets in smaller transactions that the Board seems unwilling to engage in.

**There is still time to uphold your fiduciary duty to all Shareholders**

It is not too late for the Board of Directors to change course and sell Roan Resources' oil and gas leaseholds and associated production in smaller asset sales to strategic contingent acreage owners. We feel confident Roan's shareholders could reap substantially higher shareholder value even after paying the termination fee to Citizen Energy. We shouldn't have to remind the Board of Directors that they have a fiduciary duty to maximize value all shareholders when selling the company. Don't give away the lion's share of the value of our oil and gas assets to Citizens Energy.

Regards,



Tyler Hardt

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