AozoraStep

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Exit Diversified Energy: Lower US natgas prices with few signs of a tight market[1]

Company:	Diversified Energy (DEC)	**Market Cap:**	$1.1bn (£11.6)
Industry:	Natural gas & oil upstream	**Net debt:**	$2.9bn*
Country:	US	**Revenue:**	$1.83bn*
Date:	9th June 2026	**Adj. EBITDA:**	$956m (87%)*
Div/buyback:	$185m (16%)*	**Free cash flow:**	$440m (40%)*
Entry:	$1.1bn (£11.2)	**Exit:**	$1bn (£10.26) (-7%) incl. div

*based on Q4 25 report, FCF excl. capex, including disposals,

Why exit Diversified Energy?

- US gas inventories continued to swell
- Higher US oil production, led to higher gas production as well

High US natgas inventories led to selloff

As oil drilling accelerated in the US onshore fields, it brought along a lot of gas production, too. Meanwhile, LNG exports were not large enough to offset this production, leading to significant gas inventory build up. For that reason, I decided to reallocated the capital despite a -7% loss and a valuation 50% below my initial target valuation.

[1] all assumptions and observations are based on internal modelling and data analysis

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