



CreditRiskMonitor's assessment of Legacy Reserves Inc.'s ("Legacy") "high risk" status has been determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's proprietary FRISK® score has Legacy Reserves Inc. (NASDAQ: LGCY) at a **1**, the highest probability of bankruptcy in the next 12 months.

Business Name	2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	
Legacy Reserves Inc.	2	2	2	2	2	2	1	1	1	1	1	1	1	

The FRISK® score is 96% accurate* in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

FRISK® Probability of bankruptcy within 12 months			
	FRISK®	From	To
Best	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
Worst	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
	1	9.99%	50.00%

While the percentage risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. A FRISK® score of 5 or less is an important warning sign.

* FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody's, Fitch, DBRS, & Morningstar

Crowdsourced CreditRiskMonitor Usage Data

Crowdsourcing has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company’s management and sales representatives to be alerted to concerns in a public company’s performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation’s quarterly journal article, “Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals”](#)

COMPANY REPORT DETAIL

Legacy Reserves Inc.

303 W Wall St
Suite 1800

Phone: (432) 689-5200

MIDLAND, TX 79701-5106 United States

Ticker: LGCY

Latest Financial Statements as of 3/31/2019

Business Summary

Legacy Reserves Inc. is an independent energy company. The Company is engaged in the development, production and acquisition of oil and natural gas properties in United States. The Company's operating regions include the Permian Basin, East Texas, Rocky Mountain and Mid-Continent regions of the United States. The Permian Basin, one of the largest and prolific oil and natural gas basins in the United States, extends over 100,000 square miles in West Texas and southeast New Mexico. The properties in East Texas consist of mature, low-decline natural gas wells. The East Texas properties are supported by a 601 mile natural gas gathering system and plant. Its properties in the Mid-Continent region are located in Oklahoma. The Rocky Mountain region is comprised of acquisitions in the Big Horn, Wind River and Powder River Basins in Wyoming, largely consisting of mature oil wells with a natural water drive producing primarily from the Dinwoody-Phosphoria, Tensleep and Minnelusa formations.

Employees: 337 (as of 12/31/2018)

Incorporated: 3/22/2018

Federal Tax Id: 824919553

Credit Score History

[Why are these scores different?](#)

Auditor Information

Score/ Index	2018						2019						
	M	J	J	A	S	O	N	D	J	F	M	A	M
FRISK® Score*	2	2	2	2	2	2	1	1	1	1	1	1	1
DBT Index	8	8	7	8	9	8	8	8	9	9	8	8	DBT
Z"-Score	Z"	Z"	Z"	Z"	Z"		-3		-3.79				-4.57

Last Audit: 12/31/2018

Auditors: BDO USA, LLP

Opinion: Unqualified

*FRISK® Scores are month-end

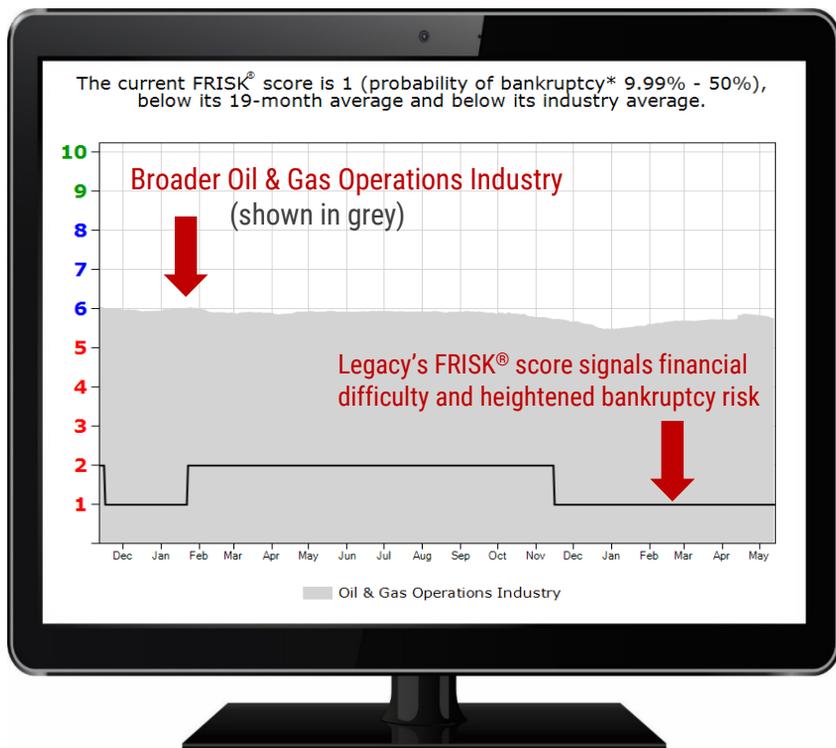
Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating
Moody's	Caa3	Negative	SGL-4

The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, which is very similar to D&B's PAYDEX® score, is not an effective indicator of financial stress for publicly traded companies since they often continue to pay on time right up until their bankruptcy filing. This is what's commonly called the "Cloaking Effect."

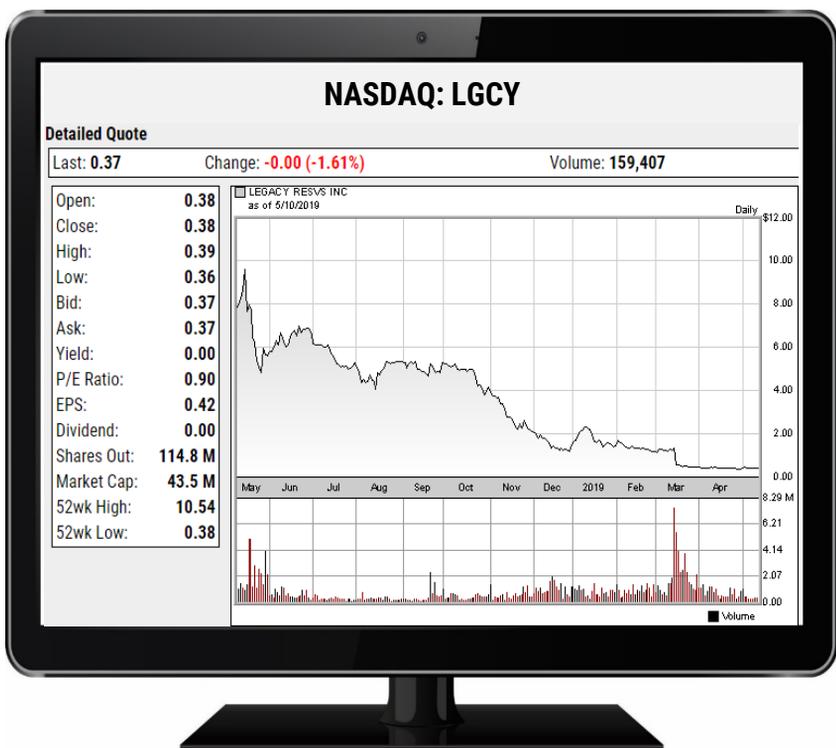
FRISK® DEEP DIVE



The FRISK[®] score relative to the broader Oil & Gas Operations industry raises an additional red flag signaling heightened risk relative to peers, as well...

MAKING IMMEDIATE ATTENTION REQUIRED.

ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK[®] score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

FRISK® STRESS INDEX

#	Business Name	Country	FRISK® score
1	California Resources Corp	United States	1
2	EP Energy Corp	United States	1
3	EP Energy LLC	United States	1
4	Extraction Oil & Gas Inc	United States	1
5	Jones Energy Inc	United States	1
6	Laredo Petroleum Inc	United States	1
7	Legacy Reserves Inc.	United States	1
8	Mid-Con Energy Partners LP	United States	1
9	PetroShare Corp	United States	1
10	Sanchez Energy Corp	United States	1

FRISK® Stress Index - SIC classification: Crude petroleum and natural gas located in the United States

Primary industry codes only Primary and secondary industry codes

Businesses From: All Businesses CLEAR

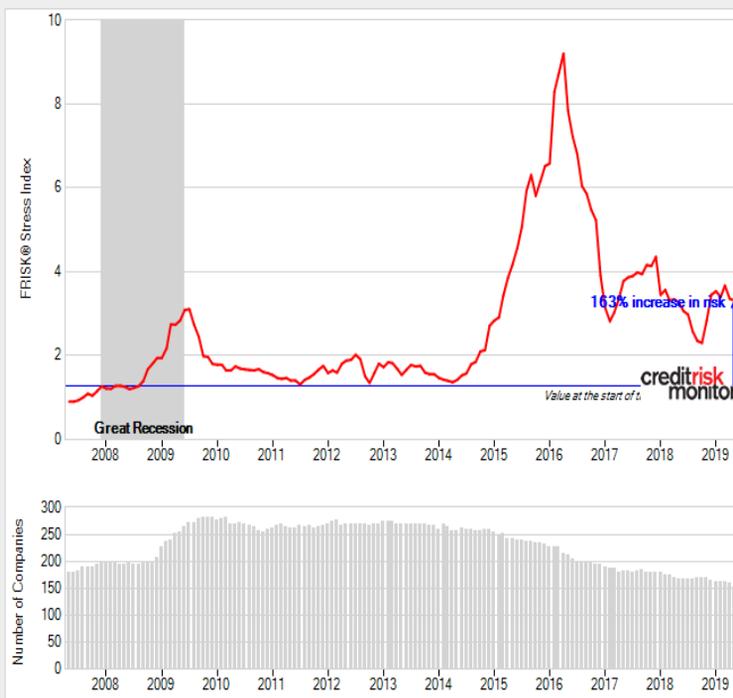
In Industry: SIC 1311: Crude petroleum and natural gas

Country: United States

UPDATE RESULTS

Scale: Auto

Total Companies in all months 459



The FRISK® Stress Index shows the collective probability of failure in a group of companies (such as an industry, country or portfolio) over the next 12 months. It is designed to show trends in risk level across groups of companies and is shown on a zero to 50 scale, with 50 being the most risky.

The average probability of failure for SIC code 1311 (Crude petroleum and natural gas) has increased 163% since 2007. Legacy is among the weakest names in the industry as evidenced by its FRISK® score of 1.

PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

Legacy Reserves Inc. demonstrates bottom quartile ranking in key financial ratios (shown in red) vs. its industry peers.

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers.

Peer Analysis

Year/Quarter: 2019.1
Peer Group: SIC 1311: Crude petroleum and natural gas

REFRESH
[SIC: 1311] [Calendar Year/Quarter: 2019.1]

Businesses in Peer Group: 3439	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
ZScore	192	198	-4.57	-79.49	1.53	50.25
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	83	109	118,497	2	427,671	83,735,000
Gross Margin % Of Sales	108	204	54.74	-549.45	57.78	99.82
Gross Margin % Of Sales -- TTM	102	207	57.91	-1,107.97	57.51	101.80
SG&A % Of Sales	128	205	13.05	0.60	10.70	20,070.54
SG&A % Of Sales -- TTM	134	208	13.05	0.60	10.70	20,070.54
Operating Margin % Of Sales	124	213	8.00	0.00	10.00	10.00
Operating Margin % Of Sales TTM	84	216	18.00	0.00	10.00	10.00
EBITDA Margin Of Sales	78	184	44.00	0.00	10.00	10.00
EBITDA Margin Of Sales -- TTM	74	193	48.00	0.00	10.00	10.00
Net Profit Margin % Of Sales	199	212	-66.00	0.00	10.00	10.00
Net Profit Margin % Of Sales - TTM	170	216	5.00	0.00	10.00	10.00
Pre-tax Income % Of Sales	196	212	-66.00	0.00	10.00	10.00
Effective Tax Rate	23	204	0.00	0.00	10.00	10.00
Depreciation % Of Prop/Plant/Equipment	150	201	12.95	0.01	10.29	84.96
Capital Expense % Of Prop/Plant/Equipment	142	197	18.92	0.36	13.59	151.29
Interest Coverage	165	176	0.60	-52.05	5.29	342.91
Interest Coverage -- TTM	160	187	1.32	-74.73	4.98	225.09
Liquidity ratios:						
Cash Ratio	188	213	0.00	0.00	0.22	33.42
Quick Ratio	210	211	0.08	0.04	0.67	34.86
Current Ratio	212	213	0.10	0.08	1.07	35.42
Efficiency ratios:						
Accounts Receivable Turnover	149	215	6.25	0.00	8.07	137.47
Days Sales Outstanding	151	213	58.40	0.00	44.75	9,652.65
% of Inventory Financed by Vendors	N/A	106	N/A	15.90	190.35	26,848.28
% of Inventory Financed by Vendors -- TTM	N/A	110	N/A	15.90	190.35	26,848.28
Inventory Turnover	N/A	138	N/A	0.00	0.00	0.00
Inventory Turnover TTM	N/A	139	N/A	0.00	0.00	0.00
Days Sales in Inventory	N/A	132	N/A	0.00	0.00	0.00
Inventory to Working Capital	N/A	137	N/A	0.00	0.00	0.00
Accounts Payable Turnover	47	148	0.00	0.00	0.00	0.00
Accounts Payable Turnover -- TTM	47	148	0.00	0.00	0.00	0.00
Leverage & debt coverage:						
Total Debt to Equity Ratio	N/A	199	N/A	0.00	0.00	0.00
Debt to Tangible Equity Ratio	N/A	197	N/A	0.00	0.00	0.00
Total Debt to Assets Ratio	204	206	0.92	0.00	0.26	1.17
Short-Term Debt % of Total Debt	147	190	67.96	0.00	11.34	100.00
Short-Term Debt % of Working Capital	119	159	-97.24	-1,662.96	1.01	952.91
Liabilities to Net Worth Ratio	N/A	206	N/A	0.02	1.10	12.60
Total Liabilities to Equity Ratio	N/A	208	N/A	0.02	1.02	6.81
TTM EBITDA Over Total Debt	146	186	0.20	-98.66	0.43	398.57
Net Debt Over TTM EBITDA	136	156	4.96	-7.06	1.71	68.16

Rank	Company Name
1	Novatek PAO
2	Novatek PAO
3	Novatek PAO - ADR
4	United States Lime & Minerals Inc
5	PrairieSky Royalty Ltd

Rank	Company Name
1	Pakistan Petroleum Ltd.
2	Africa Oil Corp
3	Parex Resources Inc
4	PrairieSky Royalty Ltd
5	Adams Resources & Energy Inc

Green - Ranked in Upper Quartile of Peer Group
White - Ranked in the Middle Two Quartiles of Peer Group
Red - Ranked in Lower Quartile of Peer Group
Orange - Confidential
Grey - Data is Not Available

TTM = trailing 12 months
N/A = Not Available

QUARTERLY PERFORMANCE RATIOS

Net sales,
gross margin, &
operating margin
trend downward

Negative free
cash flow indicates
insufficient cash
to support the
business

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 3/31/2019	3 mos 12/31/2018	3 mos 9/30/2018	6 mos 6/30/2018	3 mos 3/31/2018
Net Sales \$	\$118,497	\$132,894	\$145,207	\$276,760	n/a
% change	-10.83%	-8.48%	n/a	n/a	n/a
Gross Margin \$	\$64,871	\$74,484	\$86,182	\$164,378	n/a
% change	-12.91%	-13.57%	n/a	n/a	n/a
% of sales	54.74%	56.05%	59.35%	59.39%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
SG&A \$	\$16,530	\$8,675	\$17,778	\$46,586	n/a
% change	90.55%	-51.20%	n/a	n/a	n/a
% of sales	13.95%	6.53%	12.24%	16.83%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
Operating margin \$	\$10,465	\$18,379	\$14,561	\$80,958	n/a
% change	-43.06%	26.22%	n/a	n/a	n/a
% of sales	8.83%	13.83%	10.03%	29.25%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
EBITDA \$	\$52,744	\$64,202	\$54,499	\$155,917	n/a
% change	-17.85%	17.80%	n/a	n/a	n/a
% of sales	44.51%	48.31%	37.53%	56.34%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
EBIT \$	\$10,195	\$18,478	\$14,911	\$81,231	n/a
% change	-44.83%	23.92%	n/a	n/a	n/a
% of sales	8.60%	13.90%	10.27%	29.35%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
Pre-tax income \$	(\$78,378)	\$77,864	(\$45,353)	\$14,290	n/a
% change	-200.66%	271.68%	n/a	n/a	n/a
% of sales	-66.14%	58.59%	-31.23%	5.16%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
Net income (loss) \$	(\$78,378)	\$78,012	(\$47,852)	\$13,673	n/a
% change	-200.47%	263.03%	n/a	n/a	n/a
% of sales	-66.14%	58.70%	-32.95%	4.94%	n/a
change as % of incremental sales	n/m	n/m	n/a	n/a	n/a
Tax expense \$	\$0	(\$148)	\$2,499	\$617	n/a
Effective tax rate	0.00%	-0.19%	-5.51%	4.32%	n/a
Depreciation expense \$	\$42,549	\$45,724	\$39,588	\$74,686	n/a
% of sales	35.91%	34.41%	27.26%	26.99%	n/a
% of capital expenses	68.42%	107.11%	58.98%	63.05%	n/a
% of PP&E, net (annualized)	12.95%	13.79%	11.69%	10.92%	n/a
Capital expenditures \$	\$62,185	\$42,689	\$67,118	\$118,454	\$73,927
% change	45.67%	-36.40%	n/a	n/a	24.24%
% of PP&E, net (annualized)	18.92%	12.88%	19.82%	17.32%	21.76%
% of working capital (annualized)	-28.56%	-23.90%	-45.30%	-76.45%	-950.65%
Interest coverage ratio	0.60	2.03	0.90	2.33	n/a
% change	-70.63%	124.18%	n/a	n/a	n/a
Free cash flow \$	(\$26,758)	(\$25,962)	(\$22,888)	(\$3,470)	(\$19,910)
% change	-3.07%	-13.43%	n/a	n/a	38.87%
Source:	10-Q 5/10/2019	10-K 3/22/2019	10-Q 10/31/2018	10-Q 10/31/2018	10-Q 10/31/2018

QUARTERLY LEVERAGE RATIOS

Negative tangible net worth suggests that the company has exhausted all of its loanable collateral

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
Total debt \$	\$1,299,420	\$1,289,569	\$1,283,175	\$1,289,975	\$1,296,953
% change	0.76%	0.50%	-0.53%	-0.54%	-3.70%
Stockholders' equity \$	(\$262,881)	(\$192,631)	(\$281,957)	(\$250,985)	(\$201,114)
% change	-36.47%	31.68%	-12.34%	-24.80%	25.98%
Tangible net worth \$	(\$262,881)	(\$193,525)	(\$282,940)	(\$252,057)	(\$202,276)
% change	-35.84%	31.60%	-12.25%	-24.61%	25.89%
Total assets \$	\$1,420,138	\$1,474,931	\$1,451,736	\$1,510,550	\$1,495,609
% change	-3.72%	1.60%	-3.89%	1.00%	0.17%
Total debt to assets ratio	0.92	0.87	0.88	0.85	0.87
% change	4.66%	-1.09%	3.50%	-1.52%	2.86%
Tangible assets \$	\$1,420,138	\$1,474,037	\$1,450,753	\$1,510,550	\$1,495,609
% change	-3.66%	1.61%	-3.89%	1.00%	0.17%
Short-term debt \$	\$883,092	\$856,646	\$527,391	\$527,391	\$527,391
% change	3.09%	62.43%	4.39%	0.00%	0.00%
Short-term debt % of total debt	67.96%	66.43%	41.10%	41.10%	41.10%
% change	2.31%	61.63%	4.94%	0.00%	0.00%
Short-term debt % of working capital	-97.24%	-102.77%	-88.56%	-88.56%	-88.56%
% change	5.38%	-16.04%	-3.38%	n/a	n/a
Total liabilities \$	\$1,683,019	\$1,667,562	\$1,733,693	\$1,761,535	\$1,696,723
% change	0.93%	-3.81%	-1.58%	3.82%	-3.86%
Total debt to EBITDA ratio (annualized)	6.16	5.02	5.89	4.14	n/a
% change	22.65%	-14.69%	42.29%	n/a	n/a
Source:	10-Q	10-K	10-Q	10-Q	10-Q
	5/2/2019	10/31/2018	10/31/2018	8/7/2018	5/2/2018

Total debt to assets ratio signals heightened creditor risk

Total debt to EBITDA ratio (annualized) signals that the ability to meet financial obligations is in jeopardy

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Working capital drastically decreases

Insufficient cash, quick, and current ratios

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
Current assets \$	\$104,501	\$151,092	\$108,391	\$118,648	\$109,939
% change	-30.84%	39.40%	-8.64%	7.92%	-2.37%
% of short-term debt	11.83%	17.64%	20.55%	23.48%	n/a
Current liabilities \$	\$1,012,634	\$984,650	\$703,894	\$708,426	\$139,945
% change	2.84%	39.89%	-0.64%	406.22%	-3.36%
Working capital \$	(\$908,133)	(\$833,558)	(\$595,503)	(\$589,778)	(\$30,006)
% change	-8.95%	-39.98%	-0.97%	-1,865.53%	6.83%
% of sales (annualized)	-191.59%	-156.81%	-102.53%	-106.55%	n/a
Cash \$	\$1,491	\$1,098	\$3,305	\$5,948	\$0
% change	35.79%	-66.78%	-44.44%	n/m	-100.00%
% of short-term debt	0.17%	0.13%	0.63%	1.18%	n/a
Cash ratio	0.00	0.00	0.00	0.01	0.00
% change	36.36%	-76.60%	-44.05%	n/m	-100.00%
Quick assets \$	\$81,175	\$73,083	\$78,930	\$80,139	\$87,328
% change	11.07%	-7.41%	-1.51%	-8.23%	-4.48%
% of short-term debt	9.19%	8.53%	14.97%	15.86%	n/a
Quick ratio	0.08	0.07	0.11	0.11	0.62
% change	8.09%	-33.81%	-0.88%	-81.88%	-1.16%
Current ratio	0.10	0.15	0.15	0.17	0.79
% change	-32.72%	-0.39%	-8.06%	-78.68%	1.03%
Source:	10-Q 5/10/2019	10-K 3/22/2019	10-Q 10/31/2018	10-Q 8/7/2018	10-Q 5/2/2018

Inability to consistently generate positive returns

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 3/31/2019	3 mos 12/31/2018	3 mos 9/30/2018	6 mos 6/30/2018	3 mos 3/31/2018
Return on total assets	-5.41%	5.33%	-3.23%	0.91%	0.00%
% change	-201.57%	265.01%	n/a	n/a	100.00%
Return on tangible assets	-5.42%	5.33%	-3.23%	0.91%	0.00%
% change	-201.53%	265.00%	n/a	n/a	100.00%
Source:	10-Q 5/10/2019	10-K 3/22/2019	10-Q 10/31/2018	10-Q 10/31/2018	10-Q 10/31/2018

ABOUT THIS REPORT/CONTACT CREDITRISKMONITOR



CreditRiskMonitor is a financial risk analysis and news service that helps credit, supply chain and financial professionals stay ahead of and manage risk quickly, accurately and cost effectively. More than 35% of the Fortune 1000, plus over a thousand other large corporations worldwide, rely on our financial risk coverage of over 56,000 global public companies.

CreditRiskMonitor's High Risk Reports feature companies that are exhibiting a significantly high level of financial distress, as indicated by our proprietary FRISK® score. The ultimate goal of the High Risk Report series is two-part: provide an early warning for those doing business with an increasingly distressed company and inform of the many signals that should be examined when assessing financial risks.

[Request a Personalized Demo and Risk Assessment](#)

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Contact us at:

845.230.3000

creditriskmonitor.com/contact-us