

credit**risk** monitor[®]

CHESAPEAKE ENERGY CORP. BANKRUPTCY CASE STUDY

FILED ON 06/28/2020



CreditRiskMonitor's warning of Chesapeake Energy Corporation's ("Chesapeake Energy") bankruptcy risk was determined by multiple factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's FRISK® score had been warning of financial stress at Chesapeake Energy (OTC: CHKAQ) for more than a year. We issued a special High Risk Report dated March 16, 2020. **The company ultimately filed for bankruptcy on June 28, 2020.**

Chesapeake Energy would report negative free cash flow and a working capital deficit in 2Q 2019, both credit negative factors

The company announced third quarter earnings and divulged that it planned to reduce its 2020 capital budget to conserve cash

Moody's Investor Service affirmed Chesapeake's Caa1-PD rating and then assigned SGL-3, indicating reliance on external capital

Business Name	2019							2020					
	J	J	A	S	O	N	D	J	F	M	A	M	J
Chesapeake Energy Corporation	2	2	2	2	2	1	1	1	1	1	1	1	1

BANKRUPT!

A private agreement swapped senior notes and preferred stock for common shares, acting as a distressed exchange

After refinancing, the company engaged with restructuring advisers in an effort to rightsize its balance sheet

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® SCORE: 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 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

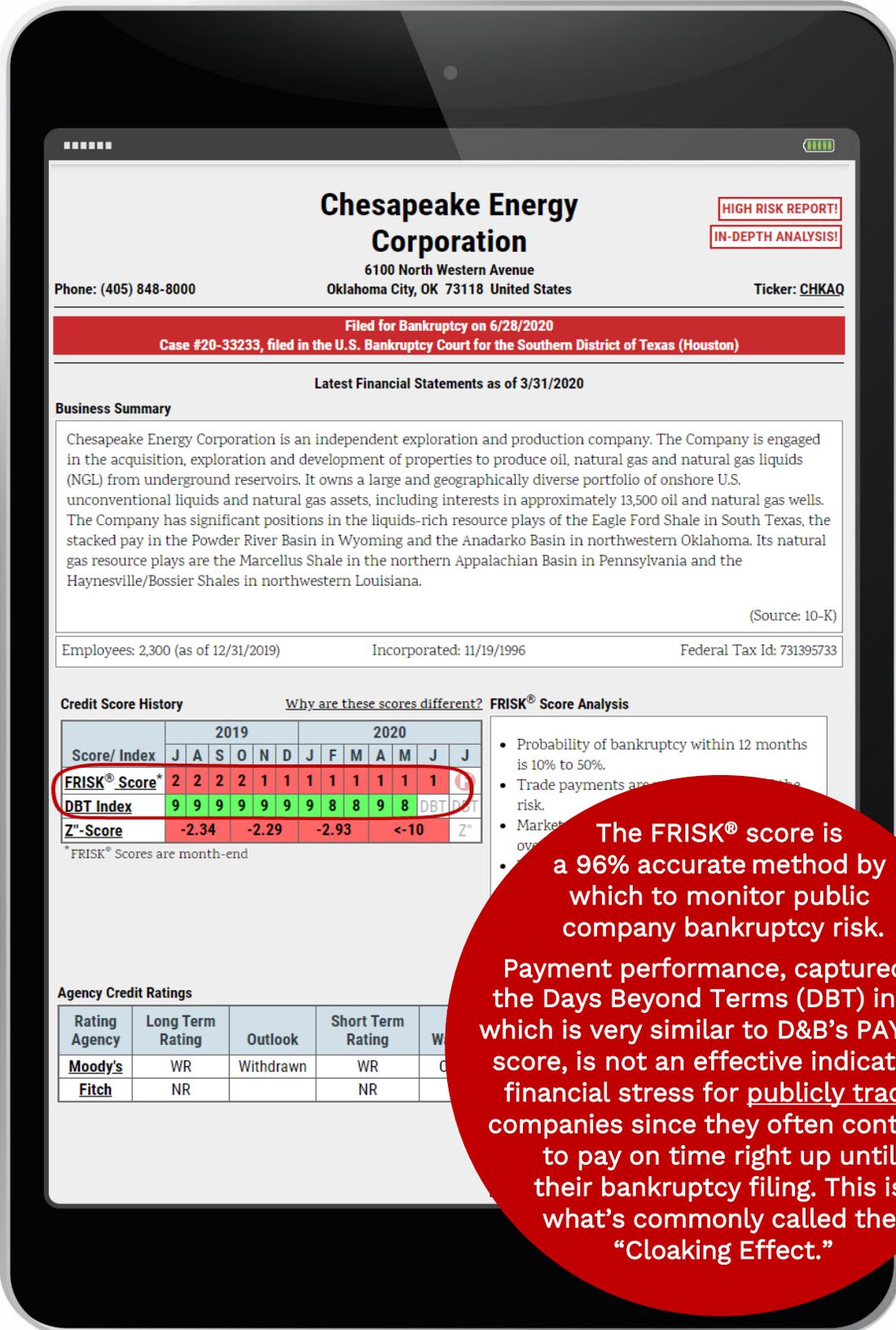
[Crowdsourcing](#) has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor® subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

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



Chesapeake Energy Corporation

HIGH RISK REPORT!
IN-DEPTH ANALYSIS!

Phone: (405) 848-8000

6100 North Western Avenue
Oklahoma City, OK 73118 United States

Ticker: **CHKAQ**

Filed for Bankruptcy on 6/28/2020
Case #20-33233, filed in the U.S. Bankruptcy Court for the Southern District of Texas (Houston)

Latest Financial Statements as of 3/31/2020

Business Summary

Chesapeake Energy Corporation is an independent exploration and production company. The Company is engaged in the acquisition, exploration and development of properties to produce oil, natural gas and natural gas liquids (NGL) from underground reservoirs. It owns a large and geographically diverse portfolio of onshore U.S. unconventional liquids and natural gas assets, including interests in approximately 13,500 oil and natural gas wells. The Company has significant positions in the liquids-rich resource plays of the Eagle Ford Shale in South Texas, the stacked pay in the Powder River Basin in Wyoming and the Anadarko Basin in northwestern Oklahoma. Its natural gas resource plays are the Marcellus Shale in the northern Appalachian Basin in Pennsylvania and the Haynesville/Bossier Shales in northwestern Louisiana.

(Source: 10-K)

Employees: 2,300 (as of 12/31/2019)

Incorporated: 11/19/1996

Federal Tax Id: 731395733

Credit Score History

Why are these scores different?

FRISK® Score Analysis

Score/ Index	2019					2020								
	J	A	S	O	N	D	J	F	M	A	M	J	J	
FRISK® Score*	2	2	2	2	1	1	1	1	1	1	1	1	1	
DBT Index	9	9	9	9	9	9	9	8	8	9	8	8	8	
Z"-Score	-2.34		-2.29			-2.93			<-10					Z"

*FRISK® Scores are month-end

- Probability of bankruptcy within 12 months is 10% to 50%.
- Trade payments are a key indicator of the risk.
- Market movements over the period...

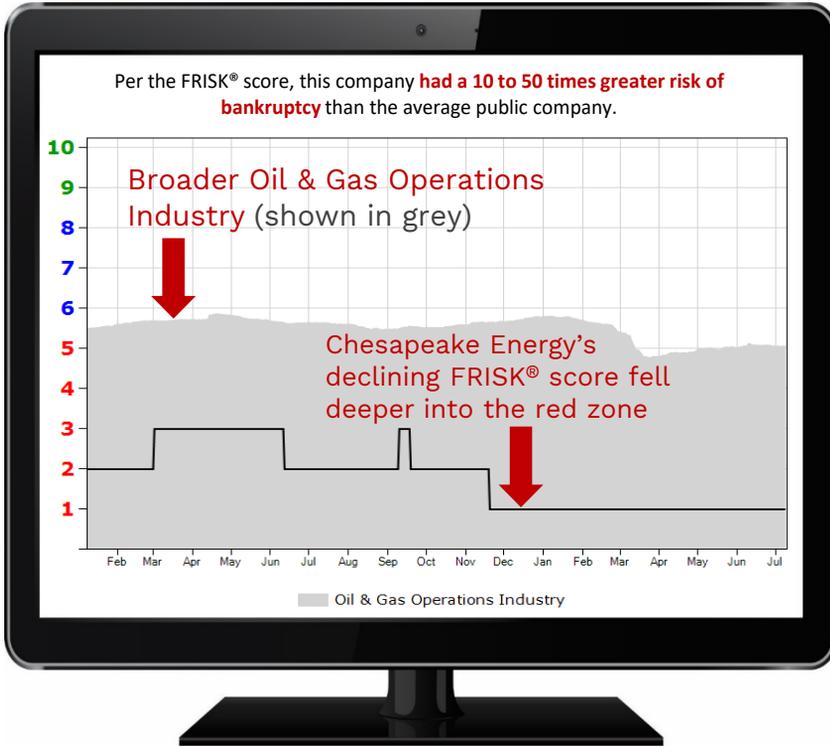
The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

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."

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	W
Moody's	WR	Withdrawn	WR	C
Fitch	NR		NR	

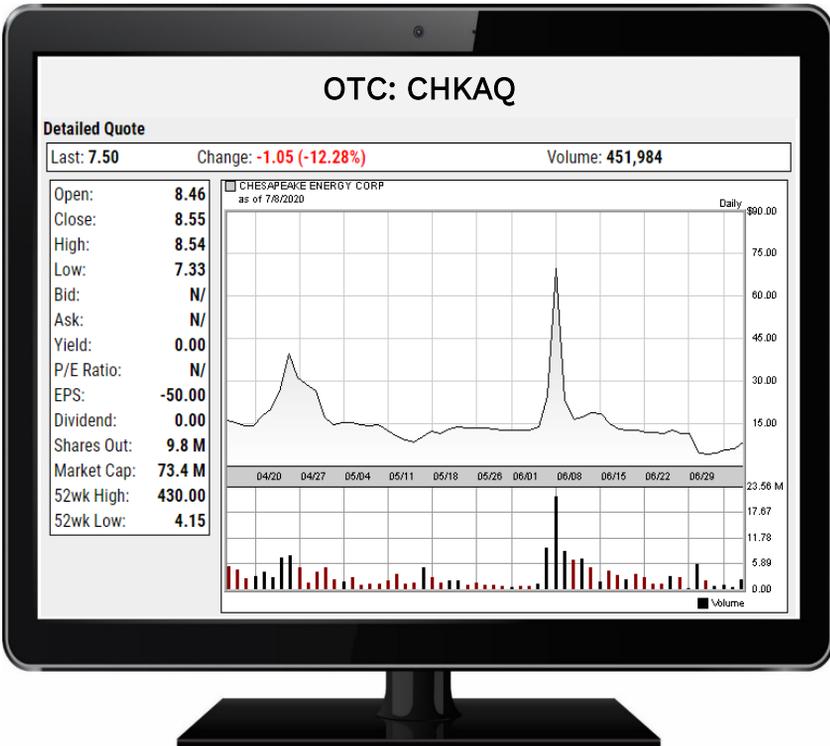
FRISK® DEEP DIVE



The FRISK® score relative to the broader Oil & Gas Operations industry raised 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	Current FRISK® score
1	California Resources Corp HIGH RISK REPORT! IN-DEPTH ANALYSIS!	United States	1
2	Chesapeake Energy Corporation HIGH RISK REPORT! IN-DEPTH ANALYSIS!	United States	1
3	Nostrum Oil & Gas PLC	Netherlands	1
4	Extraction Oil & Gas Inc	United States	1
5	Lonestar Resources US Inc	United States	1
6	Shelf Drilling Ltd	Cayman Islands	1
7	HighPoint Resources Corp	United States	1
8	Zargon Oil and Gas Ltd	Canada	1
9	Gulfport Energy Corporation IN-DEPTH ANALYSIS!	United States	1
10	W&T Offshore, Inc.	United States	1

Primary industry codes only Primary and secondary industry codes

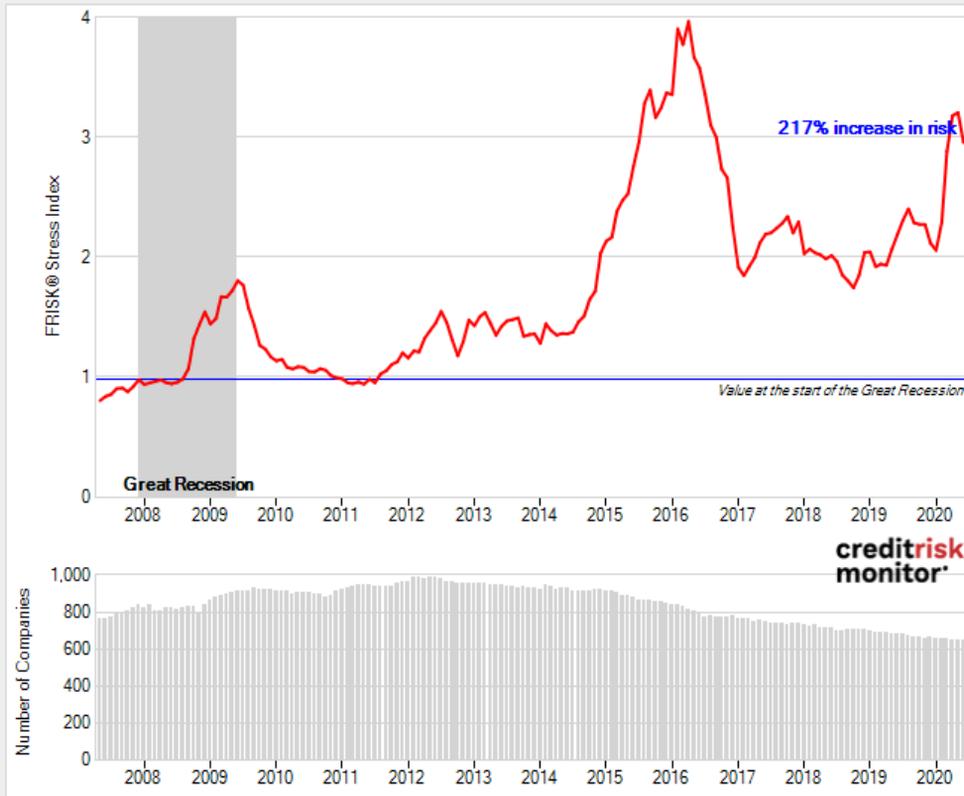
Businesses From: **CLEAR**

In Industry:

Country:

UPDATE RESULTS

Scale: Total Companies in all months **1,602**



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 217% since 2007. Chesapeake Energy was among the weakest names in the industry as evidenced by its FRISK® score of 1.

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PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

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

Calendar Year/Quarter: 2020.1

Businesses in Peer Group: 3353

	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
Z-Score	459	541	-17.00	-49,996.62	0.80	568.56
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	21	223	2,100.00	100.00	100.00	100.00
Gross Margin % Of Sales	57	478	21.00	18.00	22.00	24.00
Gross Margin % Of Sales -- TTM	74	483	21.00	18.00	22.00	24.00
SGA % Of Sales	373	489	1.00	0.50	1.50	2.00
SGA % Of Sales -- TTM	425	500	1.00	0.50	1.50	2.00
Operating Margin % Of Sales	431	514	10.00	5.00	15.00	20.00
Operating Margin % Of Sales -- TTM	407	520	10.00	5.00	15.00	20.00
EBITDA Margin Of Sales	327	392	15.00	10.00	20.00	25.00
EBITDA Margin Of Sales -- TTM	341	432	15.00	10.00	20.00	25.00
Net Profit Margin % Of Sales	436	512	10.00	5.00	15.00	20.00
Net Profit Margin % Of Sales -- TTM	408	519	10.00	5.00	15.00	20.00
Pre-tax Income % Of Sales	433	512	10.00	5.00	15.00	20.00
Effective Tax Rate	165	460	0.16	-2,510.08	11.03	2,825.77
Depreciation % Of Prop/Plant/Equipment	427	483	23.43	0.00	10.58	20,407.02
Capital Expense % Of Prop/Plant/Equipment	325	415	20.13	0.02	10.84	14,059.92
Interest Coverage	335	390	-40.10	-7,316.00	0.42	5,182.05
Interest Coverage -- TTM	358	437	-8.00	-14,049.79	1.79	1,634.81
Liquidity ratios:						
Cash Ratio	458	565	0.04	0.00	0.26	175.17
Quick Ratio	440	527	0.23	0.00	0.60	176.03
Current Ratio	366	565	0.80	0.00	1.07	178.59
Efficiency ratios:						
Accounts Receivable Turnover	57	534	17.68	-15.65	7.60	606.10
Days Sales Outstanding	87	515	20.65	-86.33	43.50	42,707.28
% of Inventory Financed by Vendors		252				
% of Inventory Financed by Vendors -- TTM		257				
Inventory Turnover		323				
Inventory Turnover -- TTM		327				
Days Sales in Inventory		313				
Inventory to Working Capital		320				
Accounts Payable Turnover	204	369				
Accounts Payable Turnover -- TTM	218	377				
Leverage & debt coverage:						
Total Debt to Equity Ratio		428		0.00	0.04	358.87
Debt to Tangible Equity Ratio		422		0.00	0.71	358.87
Total Debt to Assets Ratio	468	501	1.23	0.00	0.32	15,929.56
Short-Term Debt % of Total Debt	88	433	4.38	0.00	25.41	100.00
Short-Term Debt % of Working Capital	332	436	-95.02	-5,447.14	-1.11	2,656.88
Liabilities to Net Worth Ratio		492		0.00	1.17	467.55
Total Liabilities to Equity Ratio		499		0.00	1.09	467.55
TTM EBITDA to Total Debt	332	418	-0.59	-8,896.46	0.16	1,740.71
Net Debt to TTM EBITDA		266		-393.17	2.26	146.30

Rank	Company Name
1	Mongolia Energy Corporation Limited
2	Samson Oil & Gas Ltd (ADR)
3	Dundee Corp.
4	Abraxas Petroleum Corp.
5	Battalion Oil Corp

Rank	Company Name
1	Houston American Energy Corporation
2	Brigham Minerals Inc
3	Epsilon Energy Ltd
4	Strata-X Energy Ltd
5	Pan Orient Energy Corp.

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

Chesapeake Energy demonstrated bottom quartile ranking in key financial ratios (shown in red) versus its industry peers.

QUARTERLY PERFORMANCE RATIOS

Lower commodity prices and higher production costs weakened EBIT, with write-offs dramatically hitting Q1 2020

Net losses in four of the last five quarters and deeply negative free cash flow generation

Performance Ratios - Sequential Quarterly

(Thousands of U.S. Dollars)

Period Ended	3 mos 3/31/2020	3 mos 12/31/2019	3 mos 9/30/2019	3 mos 6/30/2019	3 mos 3/31/2019
Net Sales \$	\$2,541,000	\$1,916,000	\$2,074,000	\$2,385,000	\$2,177,000
% change	32.62%	-7.62%	-13.04%	9.55%	-29.41%
Gross Margin \$	\$2,080,000	\$1,467,000	\$1,614,000	\$1,908,000	\$1,737,000
% change	41.79%	-9.11%	-15.41%	9.84%	-32.96%
% of sales	81.86%	76.57%	77.82%	80.00%	79.79%
change as % of incremental sales	98.08%	n/m	n/m	82.21%	n/m
SG&A \$	\$811,000	\$989,000	\$967,000	\$1,029,000	\$1,333,000
% change	-18.00%	2.28%	-6.03%	-22.81%	-6.26%
% of sales	31.92%	51.62%	46.62%	43.14%	61.23%
change as % of incremental sales	-28.48%	n/m	n/m	-146.15%	n/m
Operating margin \$	(\$8,187,000)	(\$211,000)	\$116,000	\$255,000	(\$183,000)
% change	-3,780.09%	-281.90%	-54.51%	239.34%	-124.43%
% of sales	-322.20%	-11.01%	5.59%	10.69%	-8.41%
change as % of incremental sales	-1,276.16%	n/m	n/m	210.58%	n/m
EBITDA \$	(\$7,578,000)	\$390,000	\$692,000	\$853,000	\$345,000
% change	-2,043.08%	-43.64%	-18.87%	147.25%	-70.16%
% of sales	-298.23%	20.35%	33.37%	35.77%	15.85%
change as % of incremental sales	-1,274.88%	n/m	n/m	244.23%	n/m
EBIT \$	(\$8,181,000)	(\$202,000)	\$119,000	\$273,000	(\$174,000)
% change	-3,950.00%	-269.75%	-56.41%	256.90%	-123.08%
% of sales	-321.96%	-10.54%	5.74%	11.45%	-7.99%
change as % of incremental sales	-1,276.64%	n/m	n/m	214.90%	n/m
Pre-tax income \$	(\$8,326,000)	(\$340,000)	(\$62,000)	\$98,000	(\$335,000)
% change	-2,348.82%	-448.39%	-163.27%	129.25%	-155.56%
% of sales	-327.67%	-17.75%	-2.99%	4.11%	-15.39%
change as % of incremental sales	-1,277.76%	n/m	n/m	208.17%	n/m
Net income (loss) \$	(\$8,297,000)	(\$324,000)	(\$61,000)	\$98,000	(\$21,000)
% change	-2,460.80%	-431.15%	-162.24%	566.67%	-103.48%
% of sales	-326.53%	-16.91%	-2.94%	4.11%	-0.96%
change as % of incremental sales	-1,275.68%	n/m	n/m	57.21%	n/m
Tax expense \$	(\$13,000)	(\$16,000)	(\$1,000)	\$0	(\$314,000)
Effective tax rate	0.16%	4.71%	1.61%	0.00%	93.73%
Depreciation expense \$	\$603,000	\$592,000	\$573,000	\$580,000	\$519,000
% of sales	23.73%	30.90%	27.63%	24.32%	23.84%
% of capital expenses	116.41%	104.78%	96.63%	100.87%	97.92%
% of PP&E, net (annualized)	23.43%	15.97%	15.41%	15.56%	16.12%
Capital expenditures \$	\$518,000	\$565,000	\$593,000	\$575,000	\$530,000
% change	-8.32%	-4.72%	3.13%	8.49%	14.97%
% of PP&E, net (annualized)	20.13%	15.24%	15.95%	15.43%	16.46%
% of working capital (annualized)	-261.78%	-216.68%	-266.37%	-191.59%	-148.56%
Interest coverage ratio	(40.10)	2.44	3.82	4.87	2.14
% change	-1,744.93%	-36.24%	-21.56%	127.46%	-68.67%
Free cash flow \$	(\$121,000)	(\$124,000)	(\$264,000)	(\$178,000)	(\$74,000)
% change	2.42%	53.03%	-48.31%	-140.54%	41.27%
Source:	10-Q 5/11/2020	10-K 2/27/2020	10-Q 11/5/2019	10-Q 8/6/2019	10-Q 5/9/2019

QUARTERLY LEVERAGE RATIOS

Despite several attempts to deleverage the balance sheet, total debt held firm at roughly \$9.5 billion

Total debt to assets reflected worst quartile financial leverage compared to E&P industry peers

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Total debt \$	\$9,583,000	\$9,476,000	\$9,360,000	\$9,722,000	\$9,571,000
% change	1.13%	1.24%	-3.72%	1.58%	23.94%
Stockholders' equity \$	(\$3,924,000)	\$4,401,000	\$4,735,000	\$4,230,000	\$4,138,000
% change	-189.16%	-7.05%	11.94%	2.22%	94.00%
Total debt to equity ratio	n/a	2.15	1.98	2.30	2.31
% change	n/a	8.92%	-13.99%	-0.64%	-36.11%
Tangible net worth \$	(\$3,924,000)	\$4,401,000	\$4,735,000	\$4,230,000	\$4,138,000
% change	-189.16%	-7.05%	11.94%	2.22%	94.00%
Total debt to tangible net worth	n/a	2.15	1.98	2.30	2.31
% change	n/a	8.92%	-13.99%	-0.64%	-36.11%
Total assets \$	\$7,808,000	\$16,193,000	\$16,579,000	\$16,540,000	\$16,637,000
% change	-51.78%	-2.33%	0.24%	-0.58%	30.64%
Total debt to assets ratio	1.23	0.59	0.56	0.59	0.58
% change	109.72%	3.65%	-3.95%	2.17%	-5.13%
Tangible assets \$	\$7,808,000	\$16,193,000	\$16,579,000	\$16,540,000	\$16,637,000
% change	-51.78%	-2.33%	0.24%	-0.58%	30.64%
Short-term debt \$	\$420,000	\$394,000	\$217,000	\$9,000	\$389,000
% change	6.60%	81.57%	2,311.11%	-97.69%	2.10%
Short-term debt % of total debt	4.38%	4.16%	2.32%	0.09%	4.06%
% change	5.41%	79.34%	2,403.67%	-97.72%	-17.62%
Short-term debt % of working capital	-95.02%	-34.53%	-22.96%	-1.08%	-24.86%
% change	-175.18%	-50.38%	-2,032.92%	95.67%	15.91%
Total liabilities \$	\$11,732,000	\$11,792,000	\$11,844,000	\$12,310,000	\$12,499,000
% change	-0.51%	-0.44%	-3.79%	-1.51%	17.89%
Total liabilities to equity ratio	n/a	2.68	2.50	2.91	3.02
% change	n/a	2.9%	-14.05%	-3.65%	-39.23%
Total liabilities to tangible net worth ratio	n/a	2.50	2.50	2.91	3.02
% change	n/a	0%	-14.05%	-3.65%	-39.23%
Total debt to EBITDA ratio (annualized)	n/a	n/a	3.38	2.85	6.94
% change	n/a	n/a	18.67%	-58.92%	315.30%
Source:			10-Q 11/5/2019	10-Q 8/6/2019	10-Q 5/9/2019

Negative short-term debt to working capital underscored potential funding issues

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Ongoing working capital deficit

Poor cash, quick, and current ratios

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Current assets \$	\$1,818,000	\$1,251,000	\$1,403,000	\$1,384,000	\$1,365,000
% change	45.32%	-10.83%	1.37%	1.39%	-14.58%
% of short-term debt	432.86%	317.51%	646.54%	15,377.78%	350.90%
Current liabilities \$	\$2,260,000	\$2,392,000	\$2,348,000	\$2,220,000	\$2,930,000
% change	-5.52%	1.87%	5.77%	-24.23%	1.49%
Working capital \$	(\$442,000)	(\$1,141,000)	(\$945,000)	(\$836,000)	(\$1,565,000)
% change	61.26%	-20.74%	-13.04%	46.58%	-21.41%
% of sales (annualized)	-4.35%	-14.89%	-11.39%	-8.76%	-17.97%
Cash \$	\$82,000	\$6,000	\$14,000	\$4,000	\$8,000
% change	1,266.67%	-57.14%	250.00%	-50.00%	100.00%
% of short-term debt	19.52%	1.52%	6.45%	44.44%	2.06%
Cash ratio	0.04	0.00	0.01	0.00	0.00
% change	1,352.00%	-58.33%	233.33%	-33.33%	92.86%
Quick assets \$	\$516,000	\$722,000	\$637,000	\$665,000	\$875,000
% change	-28.53%	13.34%	-4.21%	-24.00%	-9.14%
% of short-term debt	122.86%	183.25%	293.55%	7,388.89%	224.94%
Quick ratio	0.23	0.30	0.27	0.30	0.30
% change	-24.35%	11.24%	-9.42%	0.30%	-10.49%
Current ratio	0.80	0.52	0.60	0.62	0.47
% change	53.81%	-12.47%	-4.15%	33.81%	-15.83%
Source:	10-Q 5/11/2020	10-K 2/27/2020	10-Q 11/5/2019	10-Q 8/6/2019	10-Q 5/9/2019

Mediocre returns on equity and assets

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 3/31/2020	3 mos 12/31/2019	3 mos 9/30/2019	3 mos 6/30/2019	3 mos 3/31/2019
Return on equity	-188.53%	-6.84%	-1.44%	2.37%	-0.98%
% change	-2,655.13%	-374.50%	-160.89%	340.56%	n/a
Return on net tangible equity	-188.53%	-6.84%	-1.44%	2.37%	-0.98%
% change	-2,655.13%	-374.50%	-160.89%	340.56%	n/a
Return on total assets	-69.14%	-1.98%	-0.37%	0.59%	-0.14%
% change	-3,396.63%	-436.73%	-162.36%	513.15%	-103.01%
Return on tangible assets	-69.14%	-1.98%	-0.37%	0.59%	-0.14%
% change	-3,396.63%	-436.73%	-162.36%	513.15%	-103.01%
Source:	10-Q 5/11/2020	10-K 2/27/2020	10-Q 11/5/2019	10-Q 8/6/2019	10-Q 5/9/2019

YEAR OVER YEAR STATEMENT OF CASH FLOWS

Step 2
impairment
test triggered
non-cash
charge

Operating
cash flow
declined,
more debt
was issued

Statement of Cash Flows - Year-over-Year - Standardized -

(Thousands of U.S. Dollars)

Period Ended	3 mos 3/31/2020	3 mos 3/31/2019	3 mos 3/31/2018	3 mos 3/31/2017	3 mos 3/31/2016
			Reclassified 3/31/2019		Reclassified 3/31/2017
Cash Flows from Operating Activities:					
Net income	(\$8,313,000)	(\$21,000)	\$18,000	\$141,000	(\$1,068,000)
Depreciation/depletion	603,000	519,000	459,000	218,000	292,000
Deferred taxes	(10,000)	(314,000)	0	n/a	n/a
Non-cash Items	7,956,000	365,000	23,000	(373,000)	1,039,000
Changes in working capital	161,000	(93,000)	88,000	113,000	(684,000)
Total cash from operating activities	397,000	456,000	588,000	99,000	(421,000)
Cash Flows from Investing Activities:					
Capital expenditures	(518,000)	(530,000)	(440,000)	(531,000)	(342,000)
Other investing cash flow items, total	7,000	(326,000)	461,000	911,000	69,000
Total cash from investing activities	(511,000)	(856,000)	21,000	380,000	(273,000)
Cash Flows from Financing Activities:					
Financing cash flow items	(5,000)	(8,000)	(6,000)	(16,000)	(10,000)
Total cash dividends paid	(22,000)	(23,000)	(23,000)	(114,000)	0
Issuance/retirement of debt, net	217,000	435,000	(581,000)	(982,000)	(105,000)
Total cash from financing activities	190,000	404,000	(610,000)	(1,112,000)	(115,000)
Net change in cash	76,000	4,000	(1,000)	(633,000)	(809,000)
Net cash-beginning balance	6,000	4,000	5,000	882,000	825,000
Net cash-ending balance	\$82,000	\$8,000	\$4,000	\$249,000	\$16,000
Supplemental Disclosures:					
Cash interest paid	\$113,000	\$145,000	\$170,000	\$92,000	\$39,000
Cash taxes paid, supplemental	\$0	\$5,000	\$0	\$1,000	(\$19,000)
Source:	10-Q 5/11/2020	10-Q 5/9/2019	10-Q 5/9/2019	10-Q 5/4/2017	10-Q 5/4/2017

NEWS ALERTS: A TIMELINE OF CONCERNING NEWS ITEMS

<p>Q1 2019 filing – Pretax loss of \$335 million was reported compared to a pretax profit of \$294 million in the previous year. Additionally, the company’s working capital deficit worsened from \$1.29 billion to \$1.57 billion following a substantial increase in current obligations.</p>		
05/09/2019	CRMZ News Service	Chesapeake Energy Corporation – updated financials available
<p>Q2 2019 filing – Working capital deficit improved somewhat over the prior sequential quarter, but remained deeply negative. In the MD&A, management provided a new disclosure that some of the company’s counterparties required the posting of up to \$440 million in collateral in order to provide assurance on contractual agreements. This credit risk development was a major red flag.</p>		
09/11/2019	CRMZ News Service	Chesapeake Energy Corporation – updated financials available
<p>Chesapeake Energy indicated that it would be substantially reducing costs, including cutting its capital expenditure budget by 30% and general and administrative expenses by 10%. New targets of reduced production volumes and positive free cash flow was created to satisfy concerned creditors, but such a strategic shift by an E&P operator often reflects a change from growth to survival mode.</p>		
11/05/2019	CRMZ News Service	Chesapeake Energy Corporation Reports Third Quarter Financial and Operational Results
<p>Chesapeake Energy announced it would obtain a new \$1.5 billion secured term loan facility, initially viewed as a helpful arrangement that would improve financial flexibility. However, the terms of the contract would actually bear a detrimental effective interest rate of 9%.</p>		
12/04/2019	CRMZ News Service	Chesapeake Energy Corporation Announces Arrangement of \$1.5 Billion Term Loan Facility
<p>Moody’s Investors Service changed Chesapeake Energy’s probability of default rating to Caa1-PD following a distressed debt exchange. Additionally, the senior notes were rated Caa3, only one notch above ratings that would correspond with imminent default.</p>		
01/09/2020	Moody’s Investors Service	Moody’s changes Chesapeake Energy’s Probability of Default Rating to Caa1-PD/LD on distressed exchange
<p>Franklin Resources Inc., a mutual fund company, announced that it was preparing for a debt restructuring or bankruptcy filing by Chesapeake Energy. Franklin Resources owned enormous debt and equity stakes in the company, and both parties publicly disclosed the hiring of law firms and restructuring advisers.</p>		
04/09/2020	Dow Jones & Company, Inc.	Franklin Prepares for Potential Chesapeake Debt Restructuring
<p>Shale pioneer Chesapeake Energy announced a voluntary Chapter 11 bankruptcy filing to facilitate the elimination of \$7 billion in debt obligations. Accounts payable were \$550+ million directly before the bankruptcy filing, where the largest trade claims owed were due to equipment and service providers and midstream operators.</p>		
06/28/2020	PR Newswire	Chesapeake Energy Corporation Commences Voluntary Chapter 11 Process

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