



CreditRiskMonitor's assessment of Sanchez Energy Corporation's ("Sanchez Energy ") "high risk" status has been determined by a combination of factors:

Monthly Average FRISK® Score.....	Page 2
The FRISK® Score Components	3
Company Report Detail.....	4
FRISK® Deep Dive and Adjusted Market Cap Volatility	5
FRISK® Stress Index.....	6
Peer Analysis on Alternate Suppliers and Customers.....	7
Quarterly Performance Ratios.....	8
Quarterly Leverage Ratios.....	9
Quarterly Liquidity Ratios and Rates of Return	10
.....	
About This Report/Contact CreditRiskMonitor.....	11

MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's proprietary FRISK® score has Sanchez Energy Corporation (OTC: SNEC) at a **1**, the highest probability of bankruptcy in the next 12 months.

Business Name	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
Sanchez Energy Corporation	1	1	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.

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%
	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
Worst	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

Sanchez Energy Corporation

1000 Main St Ste 3000

Phone: (713) 783-8000

HOUSTON, TX 77002-6342 United States

Ticker: SNEC

Latest Financial Statements as of 12/31/2018

Business Summary

Sanchez Energy Corporation is an independent exploration and production company. The Company is focused on the acquisition and development of the United States onshore unconventional oil and natural gas resources. The Company primarily focuses on the Eagle Ford Shale in South Texas. The Company also holds an undeveloped acreage position in the Tuscaloosa Marine Shale (TMS) in Mississippi and Louisiana. As of September 30, 2018, the Company had assembled approximately 275,000 net leasehold acres in the Eagle Ford Shale. In its Catarina area, the Company had approximately 106,000 net acres in Dimmit, LaSalle and Webb Counties, Texas, at September 30, 2018. In its Maverick area, the Company had approximately 101,000 net acres in Dimmit, Frio, LaSalle, and Zavala Counties, Texas, at September 30, 2018. In its Palmetto area, it had approximately 7,600 net acres in Gonzales County, Texas, at September 30, 2018.

Employees: (as of 12/31/2018)

Incorporated: 8/22/2011

Federal Tax Id: 453090102

Credit Score History

[Why are these scores different?](#)

Auditor Information

Score/ Index	2018												2019		
	M	A	M	J	J	A	S	O	N	D	J	F	M	J	F	M
FRISK® Score*	1	1	2	2	2	2	1	1	1	1	1	1	1	1	1
DBT Index	9	9	9	8	8	9	9	8	9	8	9	9	9	9	9
Z"-Score	-2.82	-1.5			-1.08				-1.39						-1.35

Last Audit: 12/31/2018

Auditors: KPMG LLP

Opinion: Unqualified

*FRISK® Scores are month-end

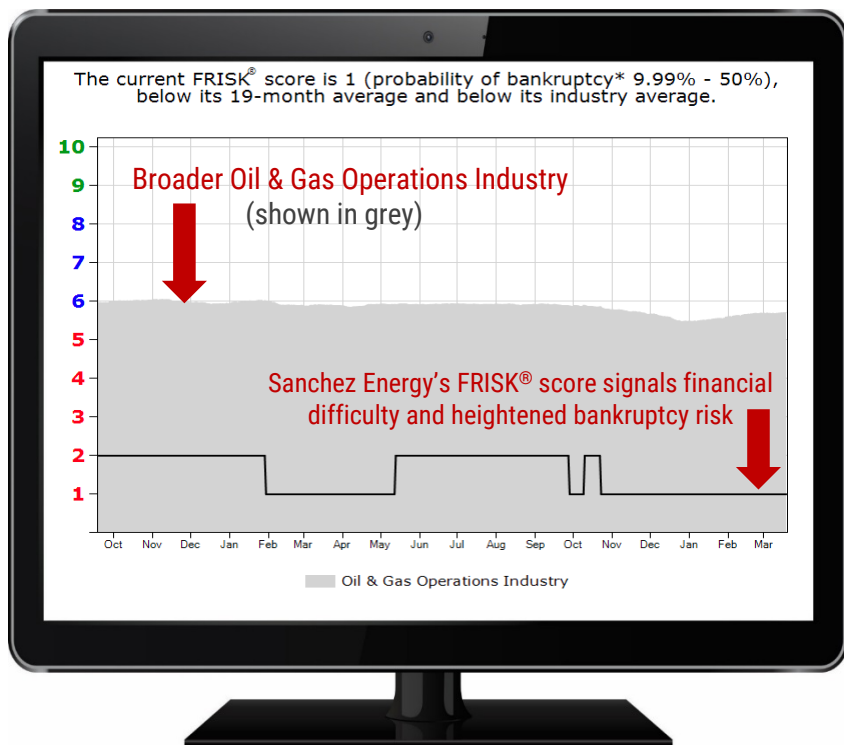
Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating
Moody's	Caa1	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, 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."

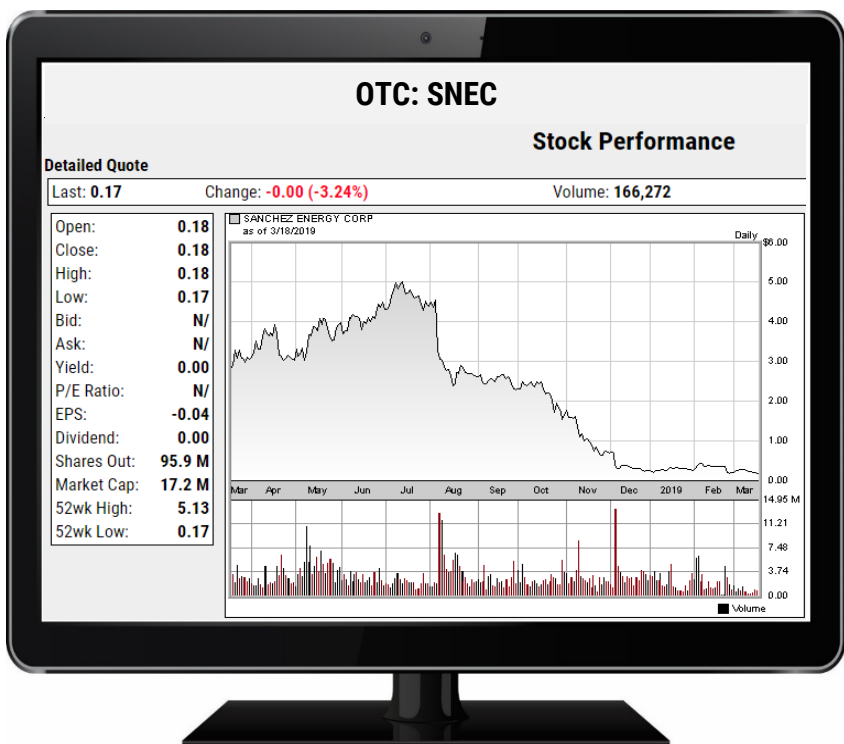
FRISK® DEEP DIVE



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

SIC classification: Crude petroleum and natural gas

Rank	Business Name	Country	FRISK score
1	California Resources Corp	United States	1
2	EP Energy LLC	United States	1
3	Halcon Resources Corp	United States	1
4	Jones Energy Inc	United States	1
5	Laredo Petroleum Inc	United States	1
6	Legacy Reserves Inc	United States	1
7	Sanchez Energy Corp	United States	1
8	Ultra Petroleum Corp	United States	1
9	Vanguard Natural Resources Inc	United States	1
10	Yuma Energy Inc	United States	1
11	...	...	...
12	...	...	...
13	...	...	...
14	...	...	...
15	...	...	...

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

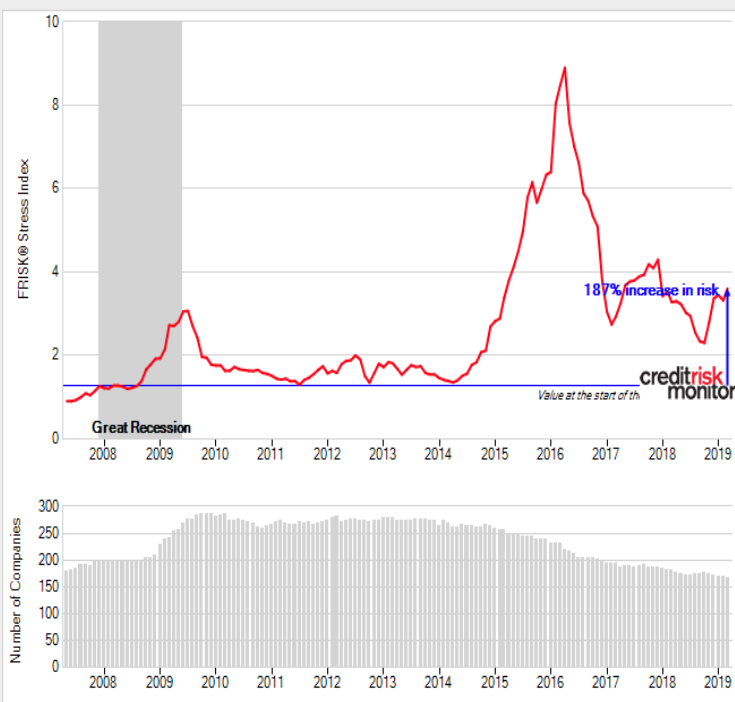
In Industry: SIC 1311: Crude petroleum and natural gas

Country: United States

UPDATE RESULTS

Scale: Auto

Total Companies in all months 464



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 187% since 2007. Sanchez Energy is among the weakest names in the industry as evidenced by its FRISK® score of 1.

PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

Sanchez Energy 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: 2018.4
Peer Group: SIC 1311: Crude petroleum and natural gas

REFRESH
[SIC: 1311] [Calendar Year/Quarter: 2018.4]

Businesses in Peer Group: 3432	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
ZScore	298	371	-1.35	-18,525.47	1.77	55.54
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	93	189	268,663	0	258,664	111,200,000
Gross Margin % Of Sales	140	368	62.32	-7,921.02	47.17	102.68
Gross Margin % Of Sales -- TTM	153	375	57.89	-10,971.87	48.31	102.35
SG&A % Of Sales	155	358	8.93	0.20	10.30	10,511.71
SG&A % Of Sales -- TTM	154	371	9.20	0.13	11.76	25,434.37
Operating Margin % Of Sales	130	393	22.14	-19,615.43	8.33	26,009.89
Operating Margin % Of Sales TTM	106	398	27.72	-35,163.87	10.96	3,449.39
EBITDA Margin Of Sales	105	288	45.41	-18,208.47	27.65	26,253.85
EBITDA Margin Of Sales -- TTM	85	307	51.94	-33,999.53	31.61	3,670.52
Net Profit Margin % Of Sales	60	393	44.45	-25,154.31	5.29	8,323.08
Net Profit Margin % Of Sales - TTM	171	398	8.06	-35,316.68	6.27	900.61
Pre-tax Income % Of Sales	84	393	44.45	-25,154.31	7.88	554.95
Effective Tax Rate	110	379	0.00	-5,840.54		5.69
Depreciation % Of Prop/Plant/Equipment	256	385	12.47	0.00		
Capital Expense % Of Prop/Plant/Equipment	266	333	28.18	0.01		
Interest Coverage	190	274	2.70	-670.33		
Interest Coverage -- TTM	220	299	1.73	-223.4		
Liquidity ratios:						
Cash Ratio	146	393	0.57	0.00		
Quick Ratio	193	368	0.82	0.01		
Current Ratio	246	393	1.07	0.00		
Efficiency ratios:						
Accounts Receivable Turnover	97	398	11.60	0.00		29.56
Days Sales Outstanding	112	394	31.47	0.00	43.23	24,223.87
% of Inventory Filled	N/A	185	N/A	0.27	180.62	31,700.85
% of Inventory Filled TTM	N/A	214	N/A	2.90	172.18	30,009.92
Inventory Turnover	N/A	268	N/A	0.00	9.61	2,403.69
Inventory Turnover TTM	N/A	276	N/A	0.00	9.09	1,812.56
Days Sales in Inventory	N/A	253	N/A	0.15	36.09	3,745.16
Inventory to Working Capital	N/A	242	N/A	-67.62	0.24	34.64
Accounts Payable Turnover	16	304	19.63	0.00	4.09	9,830.00
Accounts Payable Turnover -- TTM	13	309	27.01	0.00	3.90	554.89
Leverage & debt coverage:						
Total Debt to Equity Ratio	317	318	288.47	0.00	0.51	976.75
Debt to Tangible Equity Ratio	308	308	288.47	0.00	0.54	288.47
Total Debt to Assets Ratio	330	345	0.85	0.00	0.25	250.17
Short-Term Debt % of Total Debt	19	257	0.01	0.00	12.76	100.00
Short-Term Debt % of Working Capital	29	260	1.23	-3,043.62	5.24	3,231.41
Liabilities to Net Worth Ratio	353	353	338.55	0.00	1.02	338.55
Total Liabilities to Equity Ratio	363	364	338.55	0.00	1.00	1,300.84
TTM EBITDA Over Total Debt	211	291	0.23	-23.84	0.41	41.95
Net Debt Over TTM EBITDA	207	235	4.00	-10.16	1.51	46.42
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						

Ranking within Peer Group by: Liabilities

Company Name	Country
1 Sanchez Energy Inc	United States
2 Occidental Petroleum Ltd	United States
3 Marathon Petroleum Corp	United States
4 Canadian Energy Services Ltd	Canada
5 Hess Corp	United States
6 ConocoPhillips	United States
7 E.ON Energy Group	Germany
8 Enbridge Inc	Canada
9 Kinder Morgan Energy Partners LP	Canada
10 Energy Transfer LP	United States

Ranking within Peer Group by: Debt

Company Name	Country
1 ConocoPhillips	United States
2 Marathon Petroleum Corp	United States
3 Occidental Petroleum Ltd	United States
4 Canadian Energy Services Ltd	Canada
5 Hess Corp	United States
6 ConocoPhillips	United States
7 E.ON Energy Group	Germany
8 Enbridge Inc	Canada
9 Kinder Morgan Energy Partners LP	Canada
10 Energy Transfer LP	United States

QUARTERLY PERFORMANCE RATIOS

Sequential quarter EBIT performance has deteriorated

Negative free cash flow in each of the last five fiscal quarters

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 12/31/2018	3 mos 9/30/2018	3 mos 6/30/2018	3 mos 3/31/2018	3 mos 12/31/2017
Net Sales \$	\$268,663	\$277,710	\$259,314	\$251,228	\$245,978
% change	-3.26%	7.09%	3.22%	2.13%	33.10%
Gross Margin \$	\$167,436	\$179,656	\$162,376	\$102,390	\$168,700
% change	-6.80%	10.64%	58.59%	-39.31%	62.79%
% of sales	62.32%	64.69%	62.62%	40.76%	68.58%
change as % of incremental sales	n/m	93.93%	741.85%	-1,263.05%	106.37%
SG&A \$	\$24,003	\$21,312	\$29,467	\$22,420	\$2,031
% change	12.63%	-27.68%	31.43%	1,003.89%	-86.15%
% of sales	8.93%	7.67%	11.36%	8.92%	0.83%
change as % of incremental sales	n/m	-44.33%	87.15%	388.36%	-20.65%
Operating margin \$	\$59,492	\$84,585	\$69,876	\$78,989	\$49,651
% change	-29.67%	21.05%	-11.54%	59.09%	24.63%
% of sales	22.14%	30.46%	26.95%	31.44%	20.19%
change as % of incremental sales	n/m	79.96%	-112.70%	558.82%	16.04%
EBITDA \$	\$121,990	\$144,852	\$140,442	\$141,665	\$191,409
% change	-15.78%	3.14%	-0.86%	-25.99%	19.31%
% of sales	45.41%	52.16%	54.16%	56.39%	77.82%
change as % of incremental sales	n/m	23.97%	-15.12%	-947.50%	50.65%
EBIT \$	\$49,024	\$76,908	\$78,119	\$82,417	\$129,037
% change	-36.26%	-1.55%	-5.21%	-36.13%	14.23%
% of sales	18.25%	27.69%	30.13%	32.81%	52.46%
change as % of incremental sales	n/m	-6.58%	-53.15%	-888.00%	26.28%
Pre-tax income \$	\$119,409	\$5,598	(\$34,987)	(\$4,815)	\$30,835
% change	2,033.07%	116.00%	-626.63%	-115.62%	-13.93%
% of sales	44.45%	2.02%	-13.49%	-1.92%	12.54%
change as % of incremental sales	n/m	220.62%	-373.14%	-679.05%	-8.16%
Net income (loss) \$	\$119,409	\$5,598	(\$34,987)	(\$4,815)	\$31,963
% change	2,033.07%	116.00%	-626.63%	-115.06%	-10.78%
% of sales	44.45%	2.02%	-13.49%	-1.92%	12.99%
change as % of incremental sales	n/m	220.62%	-373.14%	-700.53%	-6.31%
Tax expense \$	\$0	\$0	\$0	\$0	\$226,272
Effective tax rate	0.00%	0.00%	0.00%	0.00%	733.82%
Depreciation expense \$	\$72,966	\$67,944	\$62,323	\$59,248	\$41,162
% of sales	27.16%	24.47%	24.03%	23.58%	16.73%
% of capital expenses	44.27%	46.43%	36.06%	43.54%	26.52%
% of PP&E, net (annualized)	12.47%	11.93%	11.45%	11.43%	8.51%
Capital expenditures \$	\$164,838	\$146,342	\$172,822	\$136,080	\$155,189
% change	12.64%	-15.32%	27.00%	-12.31%	14.36%
% of PP&E, net (annualized)	28.18%	25.70%	31.76%	26.25%	32.07%
% of working capital (annualized)	-10,604.78%	5,461.54%	510.61%	1,083.40%	-801.35%
Interest coverage ratio	2.70	2.03	1.24	1.62	1.95
% change	32.89%	63.59%	-23.54%	-16.68%	-6.28%
Free cash flow \$	(\$148,390)	(\$52,110)	(\$102,047)	(\$51,561)	(\$30,065)
% change	-184.76%	48.94%	-97.92%	-71.50%	-5.51%
Source:	10-K 3/1/2019	10-Q 11/1/2018	10-Q 8/7/2018	10-Q 5/8/2018	10-K 3/1/2018

QUARTERLY LEVERAGE RATIOS

Total debt in relation to tangible net worth signals heightened risk

Total debt to assets ratio affords creditors little degree of protection from loss

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Total debt \$	\$2,395,712	\$2,392,248	\$2,388,745	\$2,390,491	\$1,954,679
% change	0.14%	0.15%	-0.07%	22.30%	4.08%
Stockholders' equity \$	\$8,305	(\$80,031)	(\$67,744)	(\$33,421)	(\$41,628)
% change	110.38%	-18.14%	-102.70%	19.72%	53.97%
Total debt to equity ratio	288.47	n/a	n/a	n/a	n/a
Tangible net worth \$	\$8,305	(\$80,031)	(\$67,744)	(\$33,421)	(\$41,628)
% change	110.38%	-18.14%	-102.70%	19.72%	53.97%
Total debt to tangible net worth	288.47	n/a	n/a	n/a	n/a
Total assets \$	\$2,819,960	\$2,931,778	\$2,904,414	\$2,903,842	\$2,470,635
% change	-3.81%	0.94%	0.02%	17.53%	10.29%
Total debt to assets ratio	0.85	0.82	0.82	0.82	0.79
% change	4.12%	-0.79%	-0.09%	4.04%	-5.63%
Tangible assets \$	\$2,819,960	\$2,931,778	\$2,904,414	\$2,903,842	\$2,470,635
% change	-3.81%	0.94%	0.02%	17.53%	10.29%
Short-term debt \$	\$304	\$23,996	\$23,996	\$23,996	\$23,996
% change	-98.73%	0.00%	0.00%	0.00%	n/a
Short-term debt % of total debt	0.01%	1.00%	1.00%	1.00%	1.23%
% change	-98.73%	-0.14%	0.07%	-18.23%	n/a
Short-term debt % of working capital	1.23%	-64.65%	40.98%	11.31%	-21.48%
% change	101.91%	-257.75%	262.43%	152.65%	n/a
Total liabilities \$	\$2,811,655	\$3,011,809	\$2,972,158	\$2,937,263	\$2,512,263
% change	-6.65%	1.33%	1.19%	16.92%	7.80%
Total liabilities to equity ratio	338.55	n/a	n/a	n/a	n/a
Total liabilities to tangible net worth ratio	338.55	n/a	n/a	n/a	n/a
Total debt to EBITDA ratio (annualized)	4.91	4.13	4.25	4.22	2.55
% change	18.91%	-2.90%	0.80%	65.24%	-12.77%
Source:	10-K 3/1/2019	10-Q 11/1/2018	10-Q 8/7/2018	10-Q 5/8/2018	10-K 3/1/2018

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

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Steadily declining cash balances

The quick ratio signals that the company may not be able to fully pay off its current liabilities in the short term

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Current assets \$	\$372,981	\$512,937	\$561,999	\$686,471	\$350,798
% change	-27.29%	-8.73%	-18.13%	95.69%	11.10%
% of short-term debt	122,691.12%	2,137.59%	2,342.05%	2,860.77%	1,461.90%
Current liabilities \$	\$348,299	\$550,054	\$503,446	\$474,257	\$462,528
% change	-36.68%	9.26%	6.15%	2.54%	28.85%
Working capital \$	\$24,682	(\$37,117)	\$58,553	\$212,214	(\$111,730)
% change	166.50%	-163.39%	-72.41%	289.93%	-158.65%
% of sales (annualized)	2.30%	-3.34%	5.65%	21.12%	-11.36%
Cash \$	\$197,613	\$368,672	\$437,689	\$550,044	\$184,434
% change	-46.40%	-15.77%	-20.43%	198.23%	5.86%
% of short-term debt	65,004.28%	1,536.39%	1,824.01%	2,292.23%	768.60%
Cash ratio	0.57	0.67	0.87	1.16	0.40
% change	-15.34%	-22.91%	-25.04%	190.82%	-17.84%
Quick assets \$	\$284,835	\$466,736	\$525,896	\$636,062	\$285,830
% change	-38.97%	-11.25%	-17.32%	122.53%	12.13%
% of short-term debt	93,695.72%	1,945.06%	2,191.60%	2,650.70%	1,191.16%
Quick ratio	0.82	0.85	1.04	1.34	0.62
% change	-3.62%	-18.77%	-22.11%	117.02%	-12.97%
Current ratio	1.07	0.93	1.12	1.45	0.76
% change	14.84%	-16.47%	-22.88%	90.86%	-13.79%
Source:	10-K 3/1/2019	10-Q 11/1/2018	10-Q 8/7/2018	10-Q 5/8/2018	10-K 3/1/2018

Sanchez Energy has struggled to generate meaningful returns on its assets

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 12/31/2018	3 mos 9/30/2018	3 mos 6/30/2018	3 mos 3/31/2018	3 mos 12/31/2017
Return on total assets	4.15%	0.19%	-1.20%	-0.18%	1.36%
% change	2,064.81%	115.92%	-572.27%	-113.21%	-15.56%
Return on tangible assets	4.15%	0.19%	-1.20%	-0.18%	1.36%
% change	2,064.81%	115.92%	-572.27%	-113.21%	-15.56%
Source:	10-K 3/1/2019	10-Q 11/1/2018	10-Q 8/7/2018	10-Q 5/8/2018	10-K 3/1/2018

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 58,000 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](#)

[Read more Bankruptcy Case Studies, High Risk Reports and other resources](#)

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