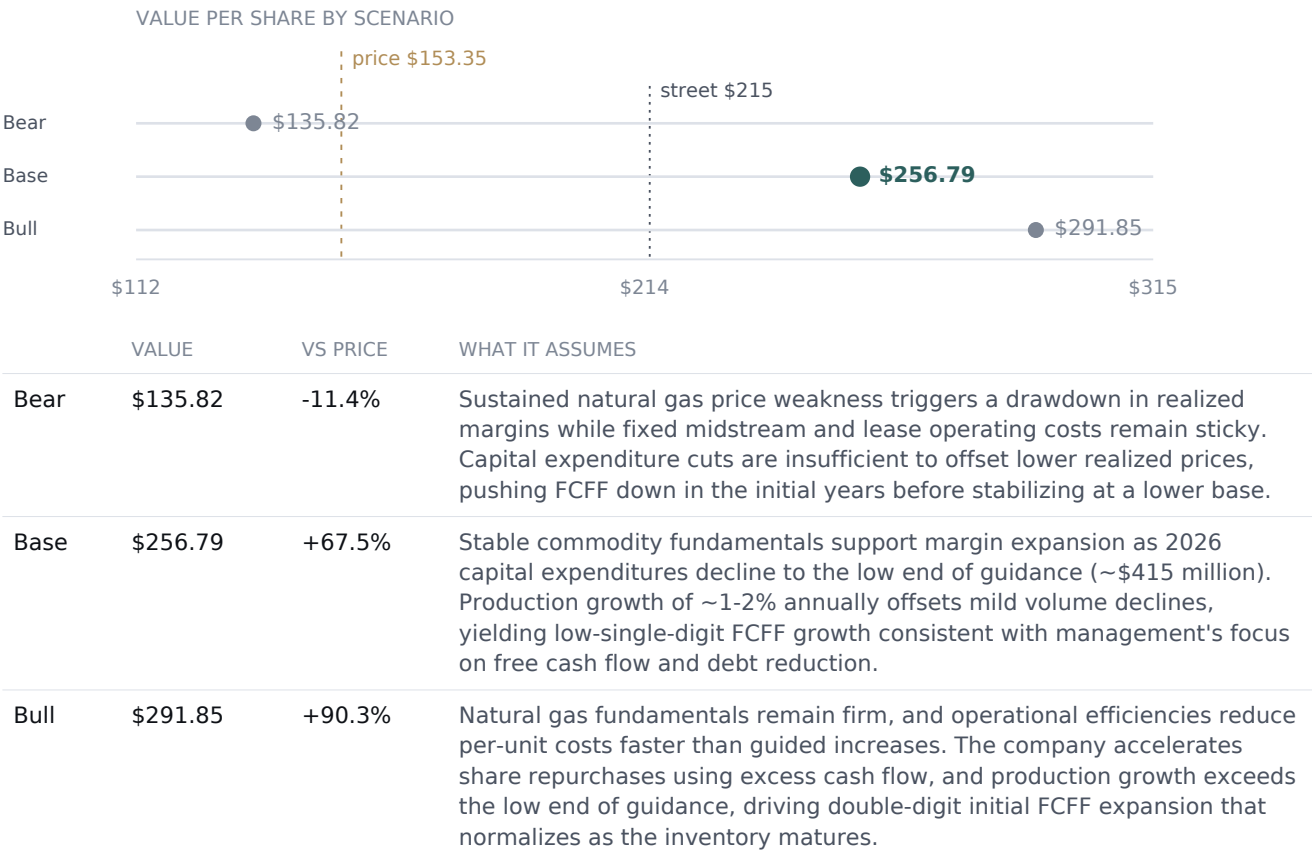


EQUITY RESEARCH / GPOR

Gulfport Energy Operating Corp

LONG CANDIDATE · historical study through 2026-10-01 · horizon 365 days · DCF

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$153.35	\$256.79	+67.5%	\$227.51	\$2.71B	7.1x



STREET CHECK

Street target **\$215** (+40.1% vs price) · 10 buy / 2 hold / 0 sell · forward P/E 6.8x · EPS estimates \$23.53 this year, \$25.96 next

Our base case is **1.20x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

Gulfport Energy Operating Corp (GPOR) is an independent, natural gas-weighted E&P company trading at a significant discount to its intrinsic value. The market is over-discounting near-term cash flow recovery, fixating on historical commodity cyclicity and 2024 full-cost ceiling impairments rather than the company's current structural margin expansion. With 2025 operating cash flow of \$803.2 million and base capital expenditures guided down to approximately \$415-430 million for 2026, GPOR is positioned to generate substantial free cash flow. Management's strict capital discipline and an expanded \$1.5 billion share repurchase program provide a direct pathway for rapid per-share value accretion, making the stock highly attractive relative to its \$153.35 price.

What the market may be missing

The market prices in a prolonged period of margin compression and stagnant production, implying a terminal value near the current enterprise value. In reality, the 2026 capex guidance of \$400-430 million falls well below 2025 operating cash flow (~\$803.2 million), creating an 11.7% FCFF yield. The market is over-discounting the near-term cash flow recovery and the deliberate operational shift toward sustainable free cash flow and aggressive shareholder returns, ignoring the leverage generated by lower capex intensity.

Why the opportunity exists

A cyclical trough. The market is pricing in a prolonged period of margin compression and stagnant production, reflecting fear of past gas price crashes and 2024 impairments. It overlooks the structural shift in capital allocation, where guided 2026 capex (~\$430M) is now well below 2025 operating cash flow (~\$803M), creating a high free cash flow yield and enabling aggressive shareholder returns that will rapidly accrete per-share value. Evidence: Fact sheet shows OCF less capex yield of 10.16%, FCFF yield of 11.74%, and 2025 revenue growth of 48.5%. The 2026 capex guidance of \$400-430M vs historical \$527.6M capex demonstrates deliberate cycle discipline and margin expansion.

The business

Independent natural gas-weighted exploration and production company with assets in the Appalachia and Anadarko basins, targeting sustainable free cash flow and shareholder returns following its 2021 Chapter 11 emergence.

What it sells

Proved reserves of oil, natural gas, and natural gas liquids (NGLs) extracted from the Utica/Marcellus and SCOOP formations. Sales are conducted via spot and term transactions, supplemented by marketing services including gathering, processing, transportation, and contract administration. Independent exploration and production of natural gas, oil, condensate, and natural gas liquids (NGL) extracted primarily from the Utica and Marcellus formations in eastern Ohio and the SCOOP Woodford and Springer formations in central Oklahoma.

Customers and channels

Products sold under spot and term transactions. Major customer concentration exists, with Customer A representing 14% of sales in 2025. Marketing operations secure and negotiate commodity transactions, handle gathering, hauling, processing, transportation, and contract administration. Revenue is derived from the sale of produced natural gas, crude oil, and NGL to purchasers. Payment is typically received one to three months after delivery, with product delivered and paid based on monthly estimation and subsequent settlement.

Unit economics and costs

Total production costs averaged \$1.25/Mcfe in 2025, comprising lease operating expenses (\$0.22/Mcfe), taxes other than income (\$0.08/Mcfe), and transportation/gathering/processing/compression (\$0.95/Mcfe). Utica/Marcellus costs were \$1.21/Mcfe, while SCOOP costs were \$1.36/Mcfe. Average realized prices (including derivatives) were \$3.26/Mcf for gas, \$63.16/Bbl for oil, and \$29.23/Bbl for NGLs. Lease operating expenses totaled \$84.2 million (\$0.22/Mcfe). Transportation, gathering, processing, and compression costs were \$358.9 million (\$0.95/Mcfe). Depreciation, depletion, and amortization (DD&A) stood at \$304.2 million (\$0.80/Mcfe). General and administrative expenses averaged \$42.5 million (\$0.11/Mcfe). Interest expense was \$54.3 million (\$0.14/Mcfe). 2026 capital expenditure program is budgeted between \$400 million and \$430 million, targeting approximately 1.030 to 1.055 Bcfe/day of production. Q2 2026 average LOE was \$0.23/Mcfe, taxes \$0.08/Mcfe, TGP&C \$0.97/Mcfe, recurring cash G&A \$0.13/Mcfe, DD&A \$0.83/Mcfe, and interest \$0.18/Mcfe. H1 2026 average LOE increased to \$0.25/Mcfe due to compression, water disposal, labor, and workovers. TGP&C per Mcfe rose to \$0.99. Interest expense per Mcfe increased to \$0.18, primarily driven by higher Credit Facility borrowings.

Segments

- **Utica/Marcellus** - Assets in Appalachian Basin, eastern Ohio targeting Utica and Marcellus formations.
- **SCOOP** - Assets in Anadarko Basin, central Oklahoma targeting Woodford, Sycamore, and Springer formations. Exploration and production in central Oklahoma targeting the SCOOP

Woodford and Springer formations.

- **Appalachia**
- **Anadarko**
- **Utica & Marcellus** - Natural gas-weighted exploration and production in eastern Ohio targeting the Utica and Marcellus formations.

Revenue drivers

- Natural gas, oil, and NGL commodity prices
- Production volumes and development pace
- Settlements from commodity derivative contracts
- Expansion of working interest and net revenue interests through leasing
- Operational cost management and efficiency improvements
- Increase in natural gas prices (Henry Hub average rose from \$2.27/Mcf in 2024 to \$3.43/Mcf in 2025)
- 55% increase in oil and condensate production volumes from new wells targeting Utica and Marcellus liquids windows
- 19% increase in NGL production volumes

Competitive position

Operates in an intensely competitive industry against companies with greater resources, often possessing integrated midstream/downstream operations. Competes for vendors, service providers, employees, contractors, and pipeline access. Faces competition from alternate energy sources like wind, solar, coal, and fuel oils. The company focuses on capital allocation to projects offering the highest rate of return and deploys leading drilling and completion techniques. It has achieved MIQ (Midstream Infrastructure Quality) certification for all Appalachia assets for three consecutive years, signaling operational and midstream integration strengths. The firm maintains a strong balance sheet with low financial leverage and high liquidity flexibility.

Industry direction

Increasing regulatory and compliance costs related to environmental, health, and safety standards. Federal and state agencies are advancing rules on hydraulic fracturing, venting/flaring, and federal lease bidding/royalty payments. Industry focus is shifting toward generating sustainable free cash flow, enhancing margins, and returning capital to shareholders. The sector is navigating significant uncertainty from U.S. government tariff actions on foreign jurisdictions, which may trigger retaliatory measures. New federal tax legislation (OBDDA) has introduced modifications to interest deductibility and bonus depreciation rules. Industry production is subject to unplanned third-party midstream outages and constraints, and commodity price volatility remains a persistent factor impacting reserve valuations and borrowing base availability.

Recent developments

- CEO appointment: Domenic J. Dell'Osso, Jr. named President, CEO and Director on May 28, 2026.

- Credit Facility: Borrowing base reaffirmed at \$1.1 billion and elected commitments increased to \$1.1 billion on May 1, 2026.
- Acreage Acquisition: Announced agreement to acquire ~4,700 net undeveloped acres in Belmont County, Ohio for ~\$83.0M in June 2026, adding ~16 net future drilling locations.
- CFO Transition: EVP/CFO Michael Hodges resigned effective August 5, 2026, with a permanent successor search underway.
- Capital & Returns: Updated 2026 base capex guidance to ~\$430M. Q2 operating cash flow \$149.9M, adjusted FCF \$6.4M. Repurchased 392,222 shares for \$70.0M in Q2.
- Debt & Liquidity: As of June 30, 2026, total funded debt was \$930.0M (\$280.0M Credit Facility, \$650.0M 2029 Senior Notes). Total liquidity stood at \$772.4M.
- Increased share repurchase program authorization from \$1.0 billion to \$1.5 billion, extended through December 31, 2026
- Redeemed 2,449 preferred stock shares for \$31.3 million cash, eliminating future preferred dividend obligations

Management outlook

Company expects 2026 production to average 1.030 to 1.055 Bcfe/day. Full-year base capital expenditures estimated at approximately \$430 million, including \$35 million for maintenance land and seismic investments. Discretionary acreage program targets an additional \$140 million through year-end 2026, expected to add ~40 net low-breakeven locations. Priorities include improving capital efficiency, reducing breakevens, expanding inventory through targeted leasing, preserving balance sheet strength, and returning excess cash to shareholders. Derivative strategy focuses on hedging into strengthening futures markets to protect short-term cash flows and financial position. Management anticipates a meaningful increase in liquids production in H2 2027. The Company's primary focus going into 2026 is its continued attention on reducing cycle times and operating costs to improve margins and ultimately enhance our expected free cash flow generation. Throughout the year, we plan to maintain capital discipline, prioritizing free cash flow generation and preserving our strong financial position, while returning capital to shareholders and increasing our resource depth through incremental leasehold opportunities. Plans to invest \$400 million to \$430 million in capex in 2026, targeting production of 1.030 to 1.055 Bcfe per day. Intends to continue returning capital to shareholders through a repurchase program with \$579.6 million remaining, expiring December 31, 2026. Focus remains on economic asset development, sustainable free cash flow, and operational efficiencies.

Accounting flags

- No significant changes in critical accounting policies as of June 30, 2026.
- CEO transition costs recorded, partially offset by forfeiture of unvested equity awards.
- Shares exchanged for tax withholdings increased to \$19.6M in H1 2026, up from \$5.2M in H1 2025.
- Preferred stock redeemed and outstanding balance cleared as of September 5, 2025.
- Use of non-GAAP measures: Adjusted EBITDA (\$179.1M Q2), Adjusted Free Cash Flow (\$6.4M Q2), and Recurring Cash G&A.
- Recorded \$373.2 million total full cost ceiling test impairments in 2024 (\$30.5 million in Q3 and \$342.7 million in Q4) driven by low 12-month trailing gas prices; no impairments

recorded in 2025

Key figures

KEY FIGURES	FY2025	FY2024	
Revenue	\$1.42B	\$958.1M	+48.5% y/y
Operating income	\$600.4M	\$-236.8M	42.2% margin
Net income	\$427.8M	\$-261.4M	
Diluted EPS	\$21.48	\$-14.72	7.1x trailing P/E
Operating cash flow	\$803.2M	\$650.0M	+23.6% y/y
Capital spending	\$527.6M		37.1% of revenue
Unlevered FCFF	\$318.5M		11.7% yield
Cash and short-term investments	\$1.8M	\$1.5M	
Net debt	\$921.2M		1.0x EBITDA
Market capitalisation	\$2.71B		6.0x EV/EBIT

Figures from the filings' XBRL; definitions in the method section. Capex taken from the cash-flow presentation row 'Additions to oil and natural gas properties' (us-gaap_PaymentsToAcquireOilAndGasProperty). Flows stay on fiscal year 2025: the 2026-06-30 quarterly report lacks matching year-to-date facts for capex. Balance-sheet items are as of 2026-06-30 from the quarterly report. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. WACC anchor 8.3%: cost of equity 9.3% (risk-free 5.29%, beta 0.80, ERP 5.0%), after-tax cost of debt 4.7% (synthetic AAA rating from interest coverage), debt 25% of capital.

The counter-case

The bear case values GPOR at \$135.82, showing that even with a severe commodity downturn, the downside is relatively capped. However, a sustained breach of natural gas prices below the \$3.74/Mcf floor on the company's 52% 2026 hedged production, combined with material increases in TGP&C and LOE costs, could crush free cash flow. If management abandons capital discipline and capex consistently exceeds \$500 million, or if the credit facility borrowing base is sharply reduced, the thesis would break down rapidly. GPOR's profitability is highly sensitive to natural gas commodity pricing, and the portfolio remains heavily weighted toward gas. If Henry Hub prices decline further, realized margins will compress significantly, potentially triggering future full-cost ceiling impairments and limiting the ability to sustain current capex levels and share repurchases. Additionally, rising midstream costs (TGP&C increased to \$0.99/Mcfe in H1 2026) and sticky lease operating expenses could erode per-unit margins faster than modeled, while regulatory and environmental compliance costs continue to rise.

Valuation

Cash-generative E&P business with positive, trackable unlevered free cash flow. Commodity cyclicality and heavy capital intensity make FCFF the most reliable valuation anchor, avoiding the noise of non-cash impairments and tax items in reported earnings.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear	FCFF growth -12%, -8%, -4%, +0%, +0%; WACC 8.3%; terminal growth 1.0%	\$135.82	-11.4%
Base	FCFF growth +5%, +4%, +3%, +2%, +2%; WACC 8.3%; terminal growth 2.0%	\$256.79	+67.5%
Bull	FCFF growth +10%, +8%, +5%, +3%, +2%; WACC 8.3%; terminal growth 2.0%	\$291.85	+90.3%

- Discount rate: the model used 8.3% against an anchor of 8.3% (risk-free 5.29%, beta 0.80, equity risk premium 5.0%, cost of equity 9.3%, after-tax cost of debt 4.7% on a synthetic AAA rating from interest coverage, debt 25% of capital).
- The price implies constant five-year FCFF growth of -5.9% at the base-case WACC and terminal growth.
- Anchors from the company's own history: base-case growth band -5.9% to +48.5% a year; worst revenue decline -47% (2023-2024); own trailing P/E 2.0-9.68x (median 3.62x) at the three of the last five fiscal year ends with positive earnings.
- Sensitivity to discount rate: 6.3% gives \$401, 7.3% gives \$315, 8.3% gives \$257, 9.3% gives \$214, 10.3% gives \$182.
- Sensitivity to terminal growth: 1.0% gives \$223, 1.5% gives \$239, 2.0% gives \$257, 2.5% gives \$278, 3.0% gives \$303.
- Per-share values use 17,683,866 shares as of 2026-07-28; the fiscal-year diluted average differs by +4.3%.
- Probability-weighted value \$227.51 (+48.4% vs price) at 30%/50%/20% weights.

The bear case assumes sustained natural gas price weakness triggers a drawdown in realized margins while fixed midstream and lease operating costs remain sticky, pushing FCFF down over the first three years before stabilizing at a lower base. The base case assumes stable commodity fundamentals and management's disciplined capital program (~\$415-430M capex), driving low-single-digit FCFF growth as production stabilizes and excess cash fuels buybacks. The bull case assumes firm gas fundamentals, operational cost efficiencies outpacing guided increases, and production growth exceeding the low end of guidance, accelerating double-digit initial FCFF expansion that normalizes as the inventory matures.

What breaks the case

SHOCK TO THE BASE CASE	VALUE	VS PRICE
Base case as planned	\$256.79	+67.5%
WACC 100bp higher	\$214.33	+39.8%
Pre-tax cost of debt 200bp higher	\$238.22	+55.3%
Every year's FCFF growth 5 points lower	\$195.91	+27.8%
Every year's FCFF growth 5 points higher	\$329.84	+115.1%
Starting FCFF 10% lower	\$225.90	+47.3%
Starting FCFF 10% higher	\$287.67	+87.6%

The base case equals the price at a 11.5% WACC or if every annual FCFF growth rate were -9.2% points different. These are thresholds, not forecasts.

No listed peer was judged comparable. The software reports 'No frozen peer tree available for this quarter'; therefore, no peer comparability assessment can be performed per the fund's rules. The valuation relies exclusively on the company's internal historical ranges and cash flow fundamentals.

What would change the view

Key debates

- Natural gas commodity pricing: Directly dictates top-line revenue and net margins given the company's natural gas-weighted portfolio and high operating leverage. (Fact sheet: revenue_growth and Business Read: revenue_drivers)
- Capital allocation efficiency: Capex intensity (37% of revenue) is high; the ratio of 2026 guided capex (\$400-430M) to 2025 FCFF (\$318.5M) shows extreme leverage to cash generation. (Fact sheet: capex_to_revenue and Business Read: unit_economics_and_costs)
- Midstream cost inflation: Transportation, gathering, processing, and compression (TGP&C) costs constitute the largest operating cost line and rose materially in H1 2026. (Business Read: unit_economics_and_costs)

Sensitivities the company discloses

- SEC pricing (WTI crude and Henry Hub natural gas): 10% increase gives 38 Bcfe increase in total proved reserves and \$0.77 billion increase in PV-10 value

Catalysts

- Execution of the \$1.5 billion share repurchase program, rapidly reducing the share count and accreting EPS.
- Full-year 2026 earnings release confirming base capex of ~\$430 million and stable operating cash flow.
- Natural gas price stabilization or recovery above \$3.50/Mcf, expanding realized margins and reserve valuations.
- Successful integration of the ~4,700 net undeveloped acres acquired in Belmont County, adding low-breakeven drilling locations.
- Q3/Q4 2026 filings demonstrating leverage to FCF generation and successful maintenance of credit facility covenants.

Invalidation

- A sustained natural gas price collapse below \$2.50/Mcf without offsetting volume growth or structural cost cuts.
- A material and persistent increase in TGP&C costs exceeding \$1.10/Mcfe that crushes per-unit margins.
- Failure to maintain financial leverage covenants or inability to draw on the \$1.1 billion credit facility during a stress event.
- Reversal of the capital discipline framework, with capex consistently exceeding \$500 million despite cash flow generation.
- A new, significant full-cost ceiling impairment recorded in late 2026 or 2027 signaling reserve overvaluation.

Risks

- Commodity price volatility directly impacting top-line revenue and full-cost ceiling test outcomes.
- Interest rate risk on the variable-rate credit facility, which increased borrowings and raised interest expense to \$0.18/Mcfe in H1 2026.
- Counterparty default risk on commodity derivative contracts covering ~52% of expected 2026 production.
- Increasing regulatory compliance costs related to environmental, health, and safety standards.
- Reliance on third-party midstream infrastructure subject to unplanned outages and constraints.
- Customer concentration risk, with Customer A representing 14% of 2025 sales.

Short side

GPOR is not an attractive short candidate. Borrow availability is not explicitly disclosed but is likely standard for an independent E&P. Squeeze risk is minimal given the fundamental cash-flow focus rather than narrative hype. The unbounded loss risk is mitigated by the bear-case floor of \$135.82, meaning the maximum downside is ~12% on a probability-weighted basis, while the probability-weighted upside is ~48%, offering a highly unfavorable risk-reward ratio for a short seller.

Open questions

What are the exact borrowing base update mechanics and covenant thresholds for the \$1.1 billion credit facility? (missing fact)

Monitored via periodic SEC filings; current interest coverage (11.1x) and low net debt/EBITDA (1.02x) provide significant headroom. Watch: Any amendment to the credit agreement or a significant drop in natural gas prices below \$3.00/Mcf.

How will H2 2026 TGP&C and LOE costs evolve given the H1 increases to \$0.99 and \$0.25 per Mcfe? (forecast uncertainty)

Base case assumes cost stabilization through operational efficiencies; upside/downside depends on midstream inflation versus company-driven cost reduction. Watch: Quarterly production cost disclosures showing TGP&C or LOE per Mcfe persistently rising.

Limitations

The DCF model relies on historical FCFF of \$318.5 million and management's 2026 capex guidance of \$400-430 million. The model uses a constant WACC of 8.29% and a terminal growth rate of 2.0%, capped at the risk-free rate. The software flags that the bear case's cumulative FCFF decline of 22% is milder than the company's historical worst revenue drawdown of 46.5%, which may understate downside risk in a severe commodity crash. Peer comparison data is unavailable for relative valuation anchoring. Per-share values use point-in-time shares outstanding; the fiscal-year diluted weighted average differs by +4.3%. This historical count difference also reflects timing and share repurchases; it is not an estimate of future dilution. Outstanding options, RSUs or convertibles require a separate analysis. Software checks raised during valuation: the bear case's cumulative FCFF change over the forecast (-22%) is milder than the company's worst historical revenue decline (-47%, 2023-2024); a bear case should at least revisit history or say why this time differs. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: bear shallower than history; exposure quote unverified:customer concentration; exposure quote unverified:refinancing; exposure quote unverified:regulation.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-25 (accession 0001628280-26-011487).

10-Q for the quarter ended 2026-06-30, filed 2026-08-04 (accession 0001628280-26-052313).

8-K for the earnings release dated 2026-08-03, filed 2026-08-03 (accession 0001213900-26-084634).

- Price: historical close of \$153.35 on 2026-10-01.
- 8 cited claims and 16 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: Qwen3.6-35B-A3B-NVFP4 · run discovery-20260911 · job 394 · memo SHA-256 b22dea69b12d4e87... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.