



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

REXX - NASDAQ - as of	5/9/17	\$0.47
Price Target		NA
52-Week Range	\$0.23 -	\$0.98
Shares Outstanding (mm)		97.4
Market Cap. (\$mm)		\$45.8
1-Mo. Average Daily Volume		1,478,339
Institutional Ownership		24.6%
Debt/Total Capital	Q1'17	97.6%
ROE	FY'16	nm
Book Value / Share	Q1'17	\$0.14
Price / Book Value		3.5x
Dividend & Yield		NA
LTM EBITDA Margin		32.9%

Adjusted EBITDA / Share - FY 12/31

	Prior		Current		
	2016A	2017E	2017E	2018E	2018E
1Q	\$0.12		\$0.16	A	--
2Q	\$0.26	\$0.15	\$0.16	--	--
3Q	\$0.05	\$0.17	\$0.19	--	--
4Q	\$0.14	\$0.19	\$0.23	--	--
Year	\$0.57	\$0.65	\$0.74	\$0.82	\$1.09
P/E	0.8x		0.6x		0.4x

Revenue (\$mm)

	Prior		Current		
	2016A	2017E	2017E	2018E	2018E
1Q	\$31		\$52	A	--
2Q	\$31	\$50	\$51	--	--
3Q	\$34	\$53	\$56	--	--
4Q	\$48	\$56	\$62	--	--
Year	\$144	\$205	\$221	\$261	\$307

Company Description: State College, PA – based Rex Energy is a junior exploration and production company operating in the Appalachian and Illinois basins. In 2016 the company produced 72.4 Bcfe of gas, oil and NGLs from its 219 net wells. At year-end the company had proved reserves of approximately 367 Bcf of gas and 47 Mmboe of liquids.

Energy

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Rex Energy Corp.

REXX -- NASDAQ – Neutral-4

Q1'17 Volume -14%, Pricing +25% Yr/Yr; Adjust Production and Cash Flow Forecasts

Investment Highlights

- Rex Energy reported Q4'16 adjusted EBITDA of \$15.6M vs. \$6.9M a year ago, or \$0.16 per share vs. \$0.12 on a 74% higher share base. The consensus forecast was for \$0.15 per share.
- Production was 173.4 Mmcf/d in Q1, with 3.3 net wells tied into sales. Guidance for 2017 remains 194-204 Mmcf/d.
- Average realized pricing of \$3.34/Mcfe was up 5% from Q4. We calculate the company's hedge positions now cover ~84% of 2017 volume at \$3.14/Mcfe and ~56% of 2018 volume at \$3.37/Mcfe. "All in" production costs were \$3.74/Mcfe, down 2% yr/yr, but a second sequential quarterly increase.
- The debt to total capitalization ratio held at 98% in Q1. Subsequent to quarter-end, however, the company closed on a \$300M "drawable" term loan, of which it used \$144M to pay off the prior credit facility and fund working capital. We calculate that liquidity would thus currently be ~\$150M.
- We are raising our 2017 production outlook ~1% to 200 Mmcf/d and our 2018 forecast by ~11% to 255 Mmcf/d. This is partially offset by a moderation of our pricing forecast and a modest escalation in our cost outlook. As a result, we are increasing our adjusted EBITDA per share estimates for 2017 from \$0.65 to \$0.74 and for 2018 from \$0.82 to \$1.09.
- Despite sound operational performance in Q1 and an increasingly encouraging outlook into 2018, we believe the ongoing balance sheet challenges warrant we maintain our Neutral / 4 rating.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

ADDITIONAL DISCUSSION

Management's recent operational plan update affirmed 2017 production growth of 5% to 10%, to 194-204 Mmcfe/d, but that this year's Capex program sets the stage for 2018 volume of 255-265 Mmcfe/d on ~40% lower spending in the out year. We inched up our 2017 production forecast into the middle of the range and made a more substantial leap to the low end of the 2018 guidance. Additionally, management sees the liquids mix of the current development activity improving, along with the price differentials. The combination of those changes overcame a ~\$2.50/Boe downward adjustment in our market price outlook (reflecting recent market conditions) and a ~10% hike in our intermediate-term cost expectations. The result is a lift in our 2017 and 2018 EBITDA forecasts from \$63.9M and \$83.5M to \$72.5M and \$110.2M, respectively.

Our EBITDA per share stated above do not reflect the impact of a proposed one for ten reverse stock split scheduled for May 15.

The refinancing that took place earlier this month, a \$300M line maturing 2021 to replace the \$190M line maturing 2019, achieved meaningful balance sheet flexibility for the company in the near-term, freeing up capital to backstop a ~\$190M Capex program over the next two years. However, the October 2020 scheduled maturity of ~\$600M of senior notes continues to loom in the background and warrants continued caution on the name, in our view.

SUITABILITY RATING

Our Suitability rating is 4 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive). This reflects the combination of our favorable view of the company's relatively high-performing development in the Utica and Marcellus formations, attractive near-term hedge position and competitive cost structure. This is balanced, however, against challenging industry-wide market conditions and the company's current balance sheet condition and NASDAQ listing price waiver, which is granted through June 12.

CONSIDERATIONS AND RISKS

The energy production industry is highly capital intensive, highly competitive and is subject to a range of economic and operational risks. Foremost among these risks may be volatility in the underlying commodity pricing, which is subject to supply and demand fundamentals related to factors such as economic conditions, weather patterns and logistical constraints. The industry is also subject to a range of regulatory risks, including changes in environmental and pollution policies, permitting requirements, and employee benefits obligations. Operating financial risks include success rates and costs related to expansion of the reserve base.

Company-specific risks include the potential for future constraints on REXX's borrowing capacity and success rates in its drilling and development programs. Additionally, the company has a significant percentage of its undeveloped acreage expiring over the next few years, which could limit longer-term growth potential. The company is also undertaking a reverse stock split in order to maintain its ability to remain listed on NASDAQ, while additional challenges to its listing could emerge. Finally, smaller-cap stocks can be subject to pronounced volatility and may not be appropriate for all accounts.

Additional information is available upon request.

Rex Energy Corp. (REXX)

(\$'s in 000's) FYE Dec.

Income Statement Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Gas, Oil & NGL Sales	297,869	171,951	30,494	31,271	34,034	48,022	143,821	52,065	51,020	56,350	61,770	221,205	307,300
Field Service Revenue	41,461												
Other Revenue	118	42	13	(6)	5	5	17	6				6	30
Total Revenues	\$ 339,448	\$ 171,993	\$ 30,507	\$ 31,265	\$ 34,039	\$ 48,027	\$ 143,838	\$ 52,071	\$ 51,020	\$ 56,350	\$ 61,770	\$ 221,211	\$ 307,330
Costs & Expenses:													
Lease Operating & Production	100,248	118,999	30,146	25,221	26,333	28,694	110,394	28,934	31,040	32,530	33,850	126,354	154,130
D, D & A	97,030	104,744	19,408	14,750	15,109	16,503	65,770	15,468	17,090	18,430	19,740	70,728	94,910
G&A	38,997	29,435	6,063	4,837	5,116	5,384	21,400	4,534	4,840	5,030	5,190	19,594	23,350
Exploration	9,445	3,011	993	803	216	224	2,236	220	340	560	600	1,720	1,810
Field Service Exp.	30,912												
Other Operating	380	5,595	329	704	9,899	(176)	10,756	(21)				(21)	
Operating Profit	\$ 62,436	\$ (89,791)	\$ (26,432)	\$ (15,050)	\$ (22,634)	\$ (2,602)	\$ (66,718)	\$ 2,936	\$ (2,290)	\$ (200)	\$ 2,390	\$ 2,836	\$ 33,130
%	18.4%	-52.2%	-86.6%	-48.1%	-66.5%	-5.4%	-46.4%	5.6%	-4.5%	-0.4%	3.9%	1.3%	10.8%
Interest Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-
(Interest Exp.)	(37,459)	(47,806)	(13,032)	(11,439)	(9,646)	(9,404)	(43,521)	(9,143)	(15,000)	(25,750)	(26,000)	(75,893)	(111,000)
Realized Hedging Gain (Loss)	7,280	60,176	4,049	(29,169)	16,866	(24,261)	(32,515)	8,381	-	-	-	8,381	-
Unrealized Hedging Gain (Loss)	31,596	-	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Asset Disposal	(331)	477	30	4,307	10	(164)	4,183	1,834	-	-	-	1,834	-
(Impairment Exp)	(132,603)	(345,775)	(14,184)	(25,139)	(9,563)	(29,275)	(78,161)	(1,546)	-	-	-	(1,546)	-
Inc. / (Loss) from Equity-Method Inv.	(813)	(411)	-	-	-	-	-	-	-	-	-	-	-
Other Non-Op. Inc. / (Exp.)	45	(115)	(8,480)	95,502	384	(1,670)	85,736	221	-	-	-	221	-
Pre-Tax Income	\$ (69,849)	\$ (423,245)	\$ (58,049)	\$ 19,012	\$ (24,583)	\$ (67,376)	\$ (130,996)	\$ 2,683	\$ (17,290)	\$ (25,950)	\$ (23,610)	\$ (64,167)	\$ (77,870)
Income Tax Exp. (Benefit)	(26,433)	(24,227)	2,092	(393)	(8,106)	8,221	1,814	-	(6,570)	(9,860)	(8,970)	(25,400)	(29,590)
%	37.8%	5.7%	-3.6%	-2.1%	33.0%	-12.2%	-1.4%	0.0%	38.0%	38.0%	38.0%	39.6%	38.0%
Inc / (Loss) from Disc. Ops.	767	37,985	-	(1,683)	21,892	8,203	28,412	-	-	-	-	-	-
Inc. / (Loss) to Noncontrolling Interests	4,040	2,245	-	-	-	-	-	-	-	-	-	-	-
(Preferred Dividends)	(2,335)	(9,660)	(2,105)	(1,723)	(613)	18	(4,423)	(598)	-	-	-	(598)	-
Net Income	\$ (49,024)	\$ (372,938)	\$ (62,246)	\$ 15,999	\$ 4,802	\$ (67,376)	\$ (108,821)	\$ 2,085	\$ (10,720)	\$ (16,090)	\$ (14,640)	\$ (39,365)	\$ (48,280)
Shares Outstanding	54,566	54,392	56,003	71,804	90,803	97,398	79,256	97,687	98,180	98,670	99,160	98,424	100,885
EPS - GAAP	(\$0.90)	(\$6.86)	(\$1.11)	\$0.22	\$0.05	(\$0.69)	(\$1.37)	\$0.02	(\$0.11)	(\$0.16)	(\$0.15)	(\$0.40)	(\$0.48)
EPS - Operating, Adjusted	\$0.43	(\$0.79)	(\$0.27)	(\$0.07)	(\$0.14)	(\$0.78)	(\$1.63)	(\$0.06)				(\$0.48)	
Margin Analysis													
Production margin	66.3%	30.8%	1.1%	19.3%	22.6%	40.2%	8.4%	44.4%	39.2%	42.3%	45.2%	34.0%	42.2%
D, D & A as % of revenues	28.6%	60.9%	63.6%	47.2%	44.4%	34.4%	1.6%	29.7%	33.5%	32.7%	32.0%	0.8%	0.6%
G&A as % of revenues	11.5%	17.1%	19.9%	15.5%	15.0%	11.2%	14.9%	8.7%	9.5%	8.9%	8.4%	8.9%	7.6%
Rate of Change Analysis													
Total Revenues	42.7%	-49.3%	-43.6%	-31.7%	-9.4%	39.1%	-16.4%	70.7%	63.2%	65.5%	28.6%	53.8%	38.9%
Adjusted EBITDA	29.3%	-51.4%	-76.3%	-15.2%	-72.4%	-20.7%	-46.7%	124.5%	-19.9%	316.4%	72.4%	60.2%	51.9%
Working Cap.	-12.3%	10.3%					83.1%						
Forecasted sales include the estimated impact of commodity derivatives (hedge positions)	Production: 145.3 Mmcf/d @ 70% gas	Production: 195.8 Mmcf/d @ 62% gas	1/21- suspend pref dividend.	4/11- Europe offtake announced; 4/25- borrowing base reduction, Sr Notes exchange offer.	7/25- \$44M Sr notes exchange for 16.8M shares; 8/22- close IL preferred & debt exchanges; 6/14- announce sale of IL Basin assets for \$40M (w potential \$10M earn-out)	10/3- Borrowing base affirmed at \$190M	Production: 198.5 Mmcf/d @ 62% gas	1/11- close sale of Utica War. S. (4100 ac, 9 Mmcf/d) for ~\$30M	5/1- close on new first lien credit line; 5/15- 1:10 reverse split scheduled	Second Lien notes interest rate steps up	Forecasting ~200 Mmcf/d @ 61% gas	Forecasting ~255 Mmcf/d @ 55% gas	

Source: Company reports and Hilliard Lyons estimates

Rex Energy Corp. (REXX) (\$'s in '00 (\$'s in '000's)

Cash Flow Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17p	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Inc. (adjusted below)	(49,024)	(372,938)	(62,246)	15,999	4,802	(67,376)	(108,821)	2,085	(10,720)	(16,090)	(14,640)	(39,365)	(48,280)
D, D & A	97,030	104,744	19,408	14,750	15,109	16,503	65,770	15,468	17,090	18,430	19,740	70,728	94,910
Deferred Compensation Exp. Reversal	5,672	6,449	(27)	1,164	990	1,072	3,199	60	100	100	100	3,200	3,200
(Increase) Decrease in Wrkg. Cap.	(5,115)	3,752	4,075	9,288	(12,778)	32,830	33,410	(22,130)	(480)	5,330	5,420	(11,860)	2,770
Operating C.F.	48,560	(257,993)	(38,790)	41,201	8,123	(16,971)	(6,442)	(4,517)	5,990	7,770	10,620	22,703	52,600
Asset Sales (Adjustments)	546	77,226	19,532	119	21,158	75	40,884	30,000	-	-	-	30,000	-
Acquisitions - Acreage	(169,423)	(28,242)	(5,266)	(634)	(402)	(410)	(6,712)	(500)	(500)	(500)	(500)	(2,000)	(5,500)
Acquisitions - Production	-	-	-	-	-	-	-	-	-	-	-	-	-
Capex PP&E	(391,422)	(221,099)	(15,068)	(22,670)	(10,902)	(342)	(48,982)	(25,500)	(32,500)	(30,000)	(27,500)	(115,500)	(75,000)
Dividends, JV Distributions	(2,335)	(9,660)	(2,105)	(1,723)	(613)	18	19,461	(598)	-	-	-	(598)	-
Free C.F.	(514,074)	(439,768)	(41,697)	16,293	17,364	(17,630)	(1,791)	(1,115)	(27,010)	(22,730)	(17,380)	(65,395)	(27,900)
ST Debt Drawn	209,895	229,314	46,500	3,900	5,000	16,000	71,400	-	-	-	-	-	41,850
(ST Debt Repaid)	(263,152)	(108,335)	-	(2,057)	(15,176)	(12,276)	(29,509)	(7,200)	(107,000)	-	-	(114,200)	-
LT Debt Drawn	325,000	-	-	-	-	-	-	9,000	144,000	11,370	17,380	181,750	-
(LT Debt Repaid)	(2,721)	(1,519)	(184)	(20,197)	(3,992)	8,440	(15,933)	-	-	-	-	-	-
Stock Issued	154,988	-	-	-	-	-	-	-	-	-	-	-	-
(Stock Repurchased)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net C.F.	(90,064)	(320,308)	4,619	(2,061)	3,196	(5,466)	24,167	685	9,990	(11,360)	-	2,155	13,950
Adjusted EBITDA	174,469	84,861	6,937	19,024	4,536	13,241	45,272	15,577	15,240	18,890	22,830	72,537	110,210
Adj. EBITDA/Share	\$ 3.20	\$ 1.56	\$ 0.12	\$ 0.26	\$ 0.05	\$ 0.14	\$ 0.57	\$ 0.16	\$ 0.16	\$ 0.19	\$ 0.23	\$ 0.74	\$ 1.09
Adj. EBITDA Margin	51.4%	49.3%	22.7%	60.8%	13.3%	27.6%	31.5%	29.9%	29.9%	33.5%	37.0%	32.8%	35.9%
Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash	17,978	1,091	24,891	3,438	2,524	3,697	3,697	5,075	15,100	3,700	3,700	3,700	17,700
Accounts Receivable	43,936	19,483	24,315	31,644	21,655	25,448	25,448	25,264	30,600	33,800	37,100	37,100	49,200
Derivative Assets (ST)	29,265	34,260	29,012	4,760	5,461	1,873	1,873	3,430	3,090	2,780	2,500	2,500	2,000
Other Current Assets	38,164	3,847	3,186	48,285	1,290	2,757	2,757	2,172	2,170	2,170	2,170	2,170	2,170
Total Current Assets	129,343	58,681	81,404	88,127	30,930	33,775	33,775	35,941	50,960	42,450	45,470	45,470	71,070
Net PP&E	1,224,208	1,001,215	971,500	905,763	888,484	855,444	855,444	835,667	865,250	892,060	916,110	916,110	901,700
Derivative Assets (LT)	4,904	9,534	8,460	1,526	3,367	2,212	2,212	3,292	2,960	2,660	2,390	2,390	1,670
Other LT Assets	43,266	38,610	2,489	2,490	2,492	2,492	2,492	2,495	2,500	2,500	2,500	2,500	2,500
Total Assets	1,401,721	1,098,506	1,063,853	997,906	925,273	893,923	893,923	877,395	921,670	939,670	966,470	966,470	976,940
ST & Current Portion of LT Debt	1,176	590	9,934	172	201	764	764	801	801	801	801	801	155
Accounts Payable	53,340	37,874	42,818	51,915	29,464	40,712	40,712	36,838	40,820	45,080	49,420	49,420	61,470
Derivative Liabilities (ST)	421	2,486	3,758	15,902	9,294	25,025	25,025	12,801	12,800	12,800	12,800	12,800	10,240
Other Current Liabilities	92,894	56,858	44,296	70,281	30,250	37,207	37,207	31,922	30,330	28,810	27,370	27,370	27,370
Total Current Liabilities	147,831	97,808	100,806	138,270	69,209	103,708	103,708	82,362	83,950	86,690	89,590	89,590	99,080
Reserve-Based Credit Facility	251	111,528	143,294	141,237	126,061	113,785	113,785	106,573	144,000	155,370	172,750	172,750	171,360
Senior Notes	675,000	675,000	657,511	637,314	633,322	641,762	641,762	650,758	650,758	650,758	650,758	650,758	650,758
Derivative Liabilities (LT)	2,377	5,556	6,908	10,091	3,354	7,227	7,227	10,265	9,240	8,320	7,490	7,490	5,990
Other LT Liabilities	44,889	48,383	48,797	12,115	17,189	17,215	17,215	14,187	14,330	14,470	14,610	14,610	14,760
Shareholders' Equity	531,373	160,231	106,537	58,879	76,138	10,226	10,226	13,250	19,392	24,062	31,272	31,272	34,992
Book Value	\$ 9.74	\$ 2.95	\$ 1.90	\$ 0.82	\$ 0.84	\$ 0.10	\$ 0.13	\$ 0.14	\$ 0.20	\$ 0.24	\$ 0.32	\$ 0.32	\$ 0.35
Current Ratio	0.9x	0.6x	0.8x	0.6x	0.4x	0.3x	0.3x	0.4x	0.6x	0.5x	0.5x	0.5x	0.7x
Debt/Cap.-Net of Cash	54.5%	83.0%	85.5%	92.6%	90.6%	98.2%	98.2%	97.6%	95.8%	96.7%	95.9%	95.9%	93.9%

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Joel K. Havard, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Suitability Ratings

- 1** - A large cap, core holding with a solid history
- 2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
- 3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
- 4** - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

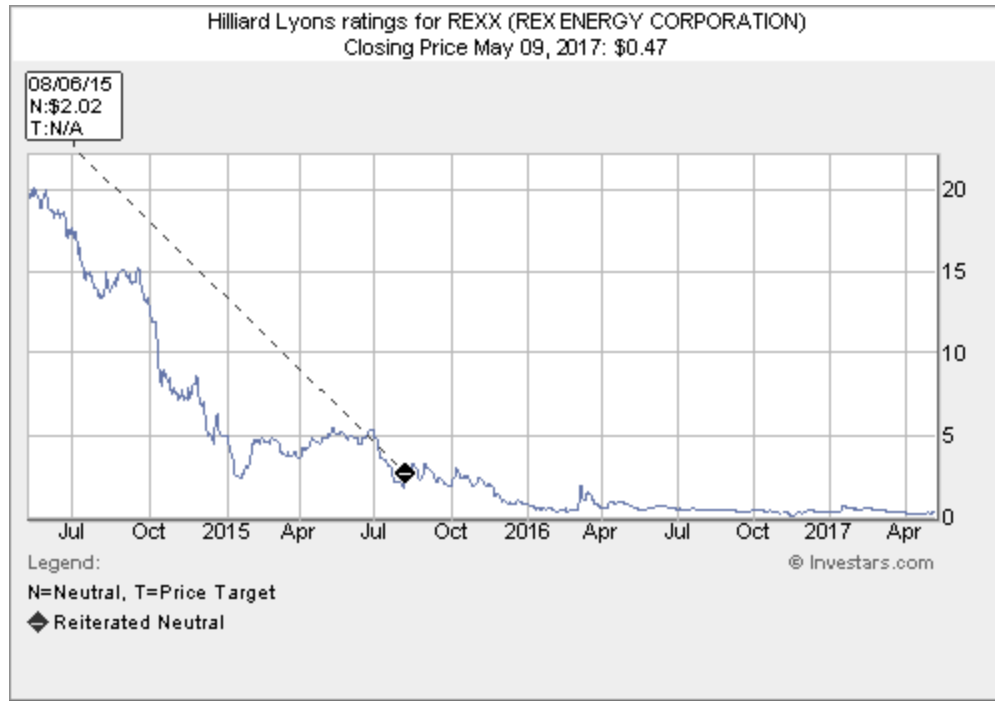
Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically two to three years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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