

Initiated 2026-10-03 · Price \$14.58 (as of 2026-10-02, stockanalysis) · Mkt cap \$1.81bn (124.2mm common + Class B units) · Energy / oil & gas mineral and royalty interests · Model: verified

Rating: Hold — Conviction: High

Kimbell is a well-run, acquisitive royalty aggregator with no drilling capex and a ~10.8% distribution yield, but today's unit price already discounts roughly the base case: oil stays elevated through 2026, the two summer acquisitions lift volumes about 14% by 2027, and the base then declines slowly. The return from here depends almost entirely on the oil deck after the Middle East war premium fades, and that risk cuts both ways about equally, so Hold.

Conviction tests (3a-v-c): T1 pass (Base -12% at +1pp, +3.5% at -1pp, Hold at both) · T2 pass (Gordon \$14.02, exit multiple \$13.76, both Hold) · T3 pass (historicals from the 10-Ks/EDGAR; one est. input, the Drop Down funding, ~\$0.60/unit) · T4 pass (no pending event outside the cases moves value >25%)

MODEL VALUE RANGE VS PRICE



Business overview

Kimbell owns mineral and royalty interests across the Permian, Mid-Continent, Eagle Ford, Haynesville, Bakken, Appalachia and the Rockies (the Drop Down alone added 3 million+ gross acres and ~29,000 gross producing wells) and collects a share of revenue without paying drilling or operating costs. FY2025 production was 25,760 Boe/d (about 33% oil, 47% gas, 20% NGL) and oil, gas and NGL revenue was \$317.5mm. Proved reserves were 72.9 MMBoe, all proved developed, at year-end 2025 (~7.8 years of production). Earnings turn on three things: the unhedged realized price per Boe, operator activity on the acreage (91 rigs, ~16% of US land rigs, at 2026-06-30), and the pace and price of acquisitions, which are funded with revolver debt and units. It is a partnership that elected C-corp tax treatment and pays out 75% of cash available for distribution.

Competition

Kimbell competes for acquisitions, not customers. The relevant buyers are Viper Energy (Diamondback-backed, Q2 2026 oil output 65,077 Bbl/d vs 41,615 a year earlier after its consolidation, plus a ~\$160mm dropdown from its parent), Black Stone Minerals, Dorchester Minerals and private-equity mineral funds. Viper's sponsor dropdowns and cheaper equity give it first look at Diamondback-operated Permian acreage, so pressure on Kimbell shows up first as higher prices paid for third-party packages. Kimbell answers in kind: its \$221.2mm Drop Down came from affiliated sellers, two-thirds paid in units. On one source and definition (stockanalysis TTM EV/EBITDA, 2026-10-02), the group trades in a tight 8.4–9.8x band, with Kimbell at 8.67x.

Bull case

- 1. **Oil holds a supply premium** — the Middle East war and Red Sea/Hormuz disruption keep Brent in the \$90s into 2027, and realized prices stay in the mid-\$40s per Boe unhedged. Plays out if a Hormuz settlement stalls or OPEC spare capacity stays offline. *Model: realized_price*
- 2. **Activity on the acreage stays high** — 91 rigs and 7.39 net DUCs plus permits against the 7.20 net wells needed to hold flat let the enlarged base hold flat instead of declining. Plays out if Permian operators keep current programs at \$80+ oil. *Model: volume_growth*
- 3. **The market pays peer multiples for a 29,000+ Boe/d platform** — scale from the Mesa and Drop Down deals lets Kimbell exit at ~9x, in line with peers. Plays out if the acquisition engine keeps adding volume at accretive prices. *Model: exit_ev_ebitda*

Bear case

- 1. **The war premium unwinds** — a Hormuz deal plus the G7 100mm-barrel release pushes oil to the high-\$50s and gas stays near \$2.25, taking realized prices to ~\$29–30/Boe from 2027. Plays out if the reported talks conclude. *Model: realized_price, volume_growth*
- 2. **Decline outruns new wells** — at lower prices private operators cut rigs, line-of-sight inventory falls below the 7.20 net wells needed for flat, and the base declines ~6% a year. Plays out if the rig count on the acreage falls well below 91. *Model: volume_growth*
- 3. **A shrinking asset gets a shrinking multiple** — without acquisitions the terminal business is a depleting stream, worth ~6x EBITDA rather than today's ~8–10x. Plays out if acquisition prices rise or the unit cost of capital (10%+ yield) makes deals non-accretive. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (mkt cap – cash + revolver incl. Drop Down cash + Series A pref at book) ÷ FY0 EBITDA	10.1x FY2025 · 7.9x Base FY2026	n/a	—	Model, Q2 2026 release, 2026-10-02
EV/EBITDA, TTM (stockanalysis definition, excludes preferred)	8.67x	n/a (unverified)	VNOM 8.55x · BSM 9.83x · DMLP 8.41x	stockanalysis, 2026-10-02
Forward P/E (stockanalysis consensus)	12.6x	n/a	VNOM 15.7x · BSM 15.0x · DMLP n/a	stockanalysis, 2026-10-02
Distribution yield (trailing, stockanalysis) / FCF yield	10.8% / 10.7%	Q2 2026 payout 75% of CAD; ~47% return of capital	VNOM 6.2% / 1.4% · BSM 8.2% / 6.2% · DMLP 9.8% / 11.1%	stockanalysis; Q2 2026 release

Model-implied value range (from `model-summary.json` ; energy module, DCF (Gordon) and DCF (exit multiple), midpoints): Bear \$6.48 · Base \$13.89 · Bull \$24.17 per share, i.e. implied returns of –55.6% / –4.7% / +65.8% vs \$14.58. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just above Base, so the market is paying for an oil deck that normalizes slowly, not for the bull case. Base embeds a de-rating: the 7.5x exit multiple is 26% below today's 10.1x on FY2025 EBITDA (5% below 7.9x on Base FY2026 EBITDA, which includes the acquired barrels), and the two methods agree within 2% (\$14.02 Gordon, \$13.76 exit).

Balance sheet: gross leverage 2.26x and net 2.07x on FY2025 EBITDA (pre-acquisition; model Credit), falling to 1.4x on Base FY2026; company-reported net debt/TTM Adjusted EBITDA 1.4x at 2026-06-30, before the Drop Down cash. Coverage 6.3x. Liquidity: \$181.3mm undrawn on a \$660mm secured revolver at 2026-06-30, less the \$74.9mm Drop Down cash if drawn. Nearest material maturity: the revolver, 2029 (est., not verified this session). Ratings: none found. The \$159.2mm Series A preferred (book) sits ahead of common; the May 2025 redemption of the other half cost \$182.3mm.

Model note: verified (LibreOffice matched all 3,511 formula cells). Unverified input: the \$74.9mm Drop Down cash is assumed revolver-funded (est). The revolver maturity year (2029) is also unverified. Assumptions without basis: none. No scenario CHECKS. FY0 is FY2025, while units and debt are post-Mesa and post-Drop Down; FY2026–FY2027 volume growth carries the acquired barrels to keep the two consistent. Later acquisitions are outside the DCF. EBITDA is GAAP-derived and unhedged, with unit-based comp as a cost, so it runs

below company Adjusted EBITDA. Swaps are not modelled: ~150k Bbl/quarter of oil at \$58–70 through 2Q 2028 sit well below spot (a liability at today's prices), while the gas swaps at \$3.15–4.46/MMBtu sit above recent realized gas; the net mark was not estimated. Model EPS (Base FY2026 \$1.12) is on all 124.2mm units before Series A distributions. The company gives no EPS guidance to compare against.

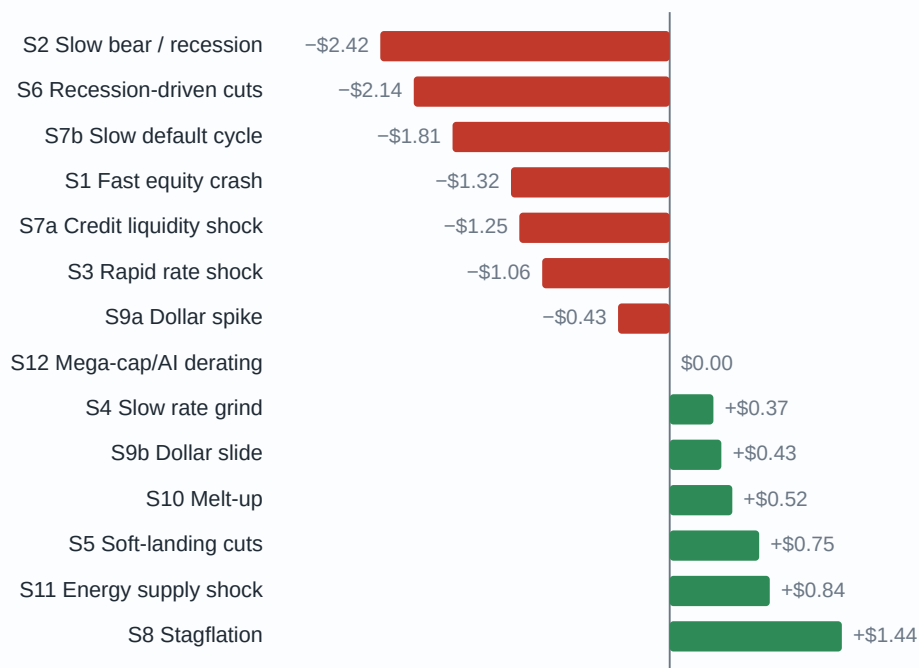
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	De-rating of small-cap yield names plus a brief oil dip; activity unchanged	Med	–\$1.32
S2 Slow bear / recession	–	Prices –25% and activity lower for two years; milder than the bear case because it is transitory, while the bear deck is permanent	High	–\$2.42
S3 Rapid rate shock	–	A 10%+ yield re-prices against a 5%+ 10Y; floating-rate revolver costs more	Med	–\$1.06
S4 Slow rate grind	±	Inflation supports prices while the discount rate grinds up; roughly a wash	Low	+\$0.37
S5 Soft-landing cuts	+	Lower rates lift yield multiples; steady demand	Low	+\$0.75
S6 Recession-driven cuts	–	Price and activity collapse outweigh lower rates	High	–\$2.14
S7a Credit liquidity shock	–	Spreads gap; revolver cost and equity multiple both hit	Med	–\$1.26
S7b Slow default cycle	–	Private operators lose funding and drill less; refinancing costs rise	Med	–\$1.81
S8 Stagflation	+	Unhedged realization outruns severance-tax creep; no operating costs to inflate	Med	+\$1.44
S9a Dollar spike	–	USD-priced crude falls	Low	–\$0.43
S9b Dollar slide	+	Weaker dollar lifts crude	Low	+\$0.43
S10 Melt-up	+	Low-beta yield name participates modestly	Low	+\$0.52
S11 Energy supply shock	+	One-year unhedged windfall; a sustained spike is the bull case	Low	+\$0.84
S12 Mega-cap/AI derating	0	No material effect, not modeled	—	\$0.00

Currently active/on watch per the playbook: S3 partially active (the 10-02 macro log has all three legs met), S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the unit price falls toward the low \$12s with the deck unchanged, or Brent holds \$90+ into 2027 with rigs on the acreage at or above 91, or the next acquisitions are bought at clearly lower multiples than the units trade on. **Downgrades if:** a Hormuz settlement takes Brent below \$70 for a quarter, line-of-sight net wells fall below the 7.20 needed for flat, or acquisitions start being funded mostly with debt and leverage rises above ~2x.

Watch items

- **W1:** Q3 2026 production — $\geq 27,500$ Boe/d with ~40 days of Drop Down volumes, toward a ~29,300 Boe/d exit run-rate — Q3 2026 release — early Nov 2026 — *Model: volume_growth*
- **W2:** Q3 realized price — $\geq \$40$ /Boe keeps Base intact, $\leq \$35$ points to the bear deck — Q3 2026 release — early Nov 2026 — *Model: realized_price*
- **W3:** Line-of-sight inventory and rigs — net DUCs + permits vs 7.20 net wells for flat, and rig count vs 91 — Q3 2026 release — early Nov 2026 — *Model: volume_growth*
- **W4:** Debt and preferred — Q3 revolver balance (did the Drop Down cash go on the revolver?) and any Series A redemption — Q3 10-Q — Nov 2026 — *Model: credit.debt, other_claims*

Sources

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- Viper Energy Q2 2026 results — <https://www.sec.gov/Archives/edgar/data/0002074176/000207417626000050/viperex991-8x3x26.htm> — accessed 2026-10-03
- stockanalysis statistics: KRP, VNOM, BSM, DMLP — <https://stockanalysis.com/stocks/krp/statistics/> — accessed 2026-10-03
- Repository macro log (10Y, Brent, G7 release, Hormuz talks) — logs/macro-2026-10.md, logs/macro-2026-09.md — read 2026-10-03

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.