

Initiated 2026-09-26 · Price \$341.07 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$23.53bn · Energy / Permian land, royalties and water · Model: verified

Rating: Sell — Conviction: Medium

Texas Pacific Land is an excellent asset: debt-free Permian acreage, royalty volumes at a record, and water and surface businesses that keep growing. At ~35.6x FY2025 EBITDA, though, the price already pays for all of it. Even the bull case, which keeps today's multiple and oil near \$100, lands only slightly above the price. Conviction is Medium, not High, because the market has paid 23–44x for this stock every year since 2021, and a live oil shock is flowing straight into unhedged royalties.

MODEL VALUE RANGE VS PRICE



Business overview

TPL owns Permian surface and mineral rights from a 19th-century railroad land grant. It reports two segments. Land and Resource Management (\$490.7mm FY2025 revenue, 61%) collects oil and gas royalties, easement and surface fees and occasional land-sale proceeds. Water Services and Operations (\$307.5mm, 39%) sells source and treated water to drillers and earns royalties on produced water moved across its land. FY2025 revenue was \$798.2mm (+13%). Three things drive earnings: royalty volumes (a record 39.7 MBoe/d in Q2 2026, +20% y/y), realized oil price (unhedged; \$42.17/Boe in Q2 against \$29.33 in Q4 2025), and Delaware Basin completion activity, which drives water sales.

Competition

TPL doesn't compete for royalties; its acreage is fixed, and its volumes depend on Exxon, Diamondback, OXY and other operators choosing to drill it. Competition comes in water and surface. WaterBridge guides to ~\$790mm of 2026 revenue and \$420–460mm of EBITDA. LandBridge (IPO 2024) sells the same mix of surface, pore space and royalty income. Pressure shows up first in water sales volumes: they fell 19% q/q to 663 MBbl/d in Q2 2026 as weak Waha gas prices pushed development out of the Delaware. The 2025 Railroad Commission limits on shallow disposal pressure (effective June 2025) make pore space scarcer. That favors large surface owners, but also pushes operators toward third-party pipelines and recycling. LandBridge trades at 44.1x EV/EBITDA; mineral owners Viper and Black Stone at 8.6x and 9.7x (stockanalysis, 2026-09-25).

Bull case

- Royalty volumes keep compounding on tier-one acreage.** Production was up 20% y/y in Q2 2026. There were 18.4 net line-of-sight wells (5.6 permitted, 9.5 DUCs, 3.4 completed), and 3–4-mile laterals are raising recovery per well. Plays out if Permian operators hold

- activity near 2026 levels. *Model: seg:Land and Resource Management:growth*
- Unhedged oil upside.** Realized oil was \$97.55/bbl in Q2 2026, and Brent closed at \$104.32 on 2026-09-25 after Houthi strikes on Saudi facilities. Plays out if supply disruption keeps oil near \$100 into 2027. *Model: seg:Land and Resource Management:growth, ebitda_margin*
 - Water and surface become infrastructure.** Produced-water royalties reached a record 4.9mm bbl/d (+15% y/y). Phase 2b desalination (10,000 bbl/d) is complete, and Chevron's multi-gigawatt Project Kilby power and data-center development sits on TPL land in Reeves County. Plays out if pore-space scarcity and power demand turn surface acres into toll roads that outlast drilling. *Model: seg:Water Services and Operations:growth, exit_ev_ebitda*

Bear case

- The price already pays a scarcity multiple.** On the model's basis, EV is \$23.30bn, which is 35.6x FY2025 EBITDA. Royalty peers trade at 8.6–9.7x. Plays out if the multiple falls even to its FY2023 trough (22.8x). *Model: exit_ev_ebitda, wacc*
- The 2026 earnings jump is mostly oil price.** Realized price per Boe rose 44% from Q4 2025 to Q2 2026, while volumes rose 6%. Plays out if Middle East supply normalises or demand slows. *Model: seg:Land and Resource Management:growth, ebitda_margin*
- Water sales are cyclical and contested.** Q2 water-sales volumes fell 19% q/q, and third-party systems compete for the same barrels. Plays out if Delaware gas economics stay weak or recycling displaces source water. *Model: seg:Water Services and Operations:growth, ebitda_margin*
- It is turning from a passive owner into a builder.** 2026 capex guidance is \$65–75mm (~7% of revenue). The company bought ~\$110mm of land outside the Permian in Q2 for data-center and power uses and describes itself as in "cash build mode." Plays out if infrastructure spending grows faster than the income it produces. *Model: capex_pct_rev*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM)	31.4x	22.8x (FY2023) – 43.7x (FY2024), FY-end	LandBridge 44.1x · Viper 8.6x · Black Stone 9.7x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$23.30bn / FY2025 EBITDA \$654.7mm; no leases in EBITDA)	35.6x	n/a (not restated)	n/a (peers not restated)	model-inputs.json
Forward P/E (consensus NTM; 1 analyst)	33.8x	trailing 29.8x (FY2023) – 56.0x (FY2024)	LandBridge 36.1x · Viper 15.9x (trailing 123x on depressed earnings) · Black Stone 14.9x	stockanalysis.com, 2026-09-25
FCF yield (TTM FCF / market cap)	2.24%	P/FCF 29.9x–55.1x FY2021–FY2025	LandBridge 2.41% · Viper 1.35% · Black Stone 6.24%	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json` ; generic module with a two-segment build, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$95.71 · Base \$205.96 · Bull \$352.60 per share, i.e. implied returns of –71.9% / –39.6% / +3.4% vs \$341.07. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the bull case: the market is paying for \$100 oil holding, royalty volumes compounding near 10%, and a 32x multiple lasting through Year 5.

Re-rating. Both base-case methods de-rate from today's 35.6x:

- Exit-multiple method: \$260.36 (~24%).** It uses 25x Year-5 EBITDA, a ~30% de-rating that still leaves the stock well above every mineral peer.
- Gordon method: \$151.56.** At an 8.3% WACC and 2.5% terminal growth it implies ~12.8x Year-5 EBITDA (est., backed out from the two methods), a ~64% de-rating.

Tail, quantified. Oil and gas royalties are more than half of revenue, so a harsher case was run outside the committed model: Land and Resource Management revenue +20%, –30%, –5%, 0%, 0%; water +0%, –15%, –5%, 0%, 0%; EBITDA margin 80% falling to 75%; capex 8–10% of revenue; 10x exit (royalty peers); 9.5% WACC; 0.5% terminal growth. That gives **\$62.79 (~82%)**.

Balance sheet: not meaningful. Net cash is \$230.6mm (cash \$248.6mm, \$18.0mm of other obligations, no funded borrowings), and the base case builds cash every year. Ratings: none (no rated debt).

Model note: tier `full`, status `built`, verification `verified` (3,530 formula cells matched in LibreOffice). No unverified inputs and no assumptions without basis. Scenario consistency is `OK` on all 14 rows. EBITDA is operating income plus DD&A. Growth is organic: future royalty and land acquisitions are neither valued nor funded. Base Y1 EPS of \$8.65 is 4.7% above the single-analyst FY2026 consensus of \$8.26; there is no company guidance. WACC is plain CAPM (5.17% 10Y + 0.62 beta × 5.0% ERP) with no adjustment.

Scenario stress test

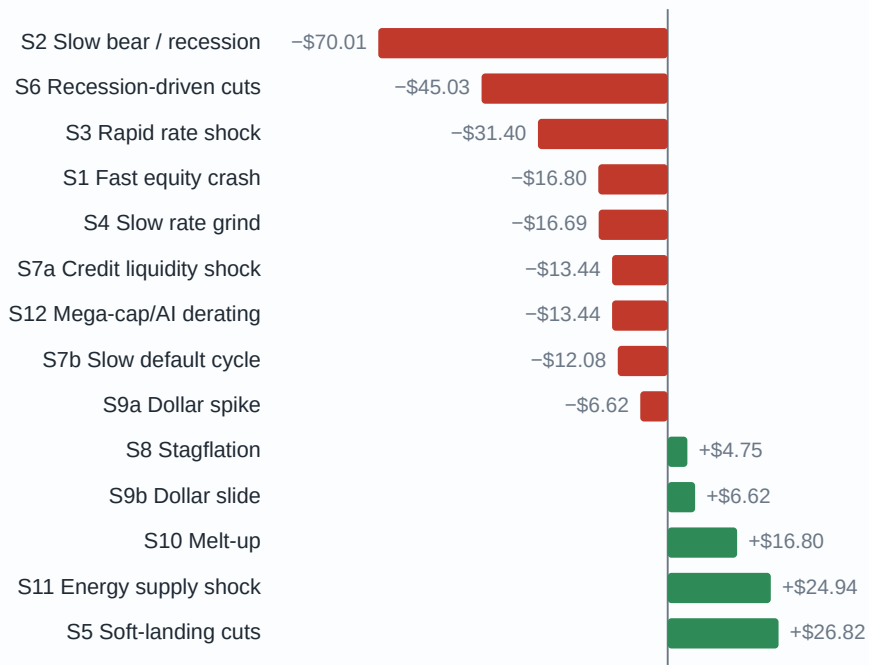
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	−	De-risking hits a 35x-EBITDA equity through the multiple; no operating channel over weeks	Med	−\$16.80
S2 Slow bear / recession	−	Oil demand and price fall and operators cut rigs; unhedged royalties and water volumes drop together and the premium compresses	High	−\$70.01
S3 Rapid rate shock	−	Long-duration premium multiple re-prices against a higher risk-free rate; no debt to refinance	High	−\$31.40
S4 Slow rate grind	−	Same channel, grinding	Med	−\$16.69
S5 Soft-landing cuts	+	Lower discount rate on a long-duration asset; demand intact	Med	+\$26.82
S6 Recession-driven cuts	−	Lower oil and activity outweigh the lower discount rate	High	−\$45.03
S7a Credit liquidity shock	−	Net cash, but forced selling hits a crowded premium-multiple equity	Med	−\$13.44
S7b Slow default cycle	−	Smaller levered operators slow drilling; most acreage is run by Exxon, Diamondback and OXY	Med	−\$12.08
S8 Stagflation	±	Higher oil lifts royalties; higher rates weigh on the multiple	Low	+\$4.75
S9a Dollar spike	−	Dollar-priced oil tends to fall	Low	−\$6.62
S9b Dollar slide	+	Mirror of S9a	Low	+\$6.62
S10 Melt-up	+	Momentum and scarcity narratives stretch the premium	Med	+\$16.80
S11 Energy supply shock	+	An oil spike flows straight into unhedged royalties at near-full margin	Med	+\$24.94
S12 Mega-cap/AI derating	−	Part of the premium is data-center and power-land optionality (Project Kilby); an AI unwind deflates it	Med	−\$13.44

Currently active/on watch per the playbook:

- `state.md` lists S3 as partially active. The macro log for 2026-09-24/25 records all three legs crossed (10Y 5.17%, +76bp/3mo, +54bp/6wk), making S3 the third-largest downside row here.
- S8, S10 and S11 are on watch. S11 is the stock's main upside row, and Brent is at \$104 after the Riyadh and Yanbu strikes.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- The stock de-rates toward ~25x EBITDA with royalty volume growth intact; or
- Water and surface income grows to more than half of EBITDA under long-term contracts (desalination offtake, Kilby-type leases), which would justify an infrastructure multiple.

Downgrades further (conviction) if:

- Royalty volumes stall below 38 MBoe/d while the multiple holds; or
- Capital moves from dividends and buybacks into non-Permian land at undisclosed returns.

Watch items

- **W1:** Q3 2026 royalty production and realized price per Boe against 39.7 MBoe/d and \$42.17 in Q2. Source: Q3 2026 release (early November 2026). *Model: seg:Land and Resource Management:growth*
- **W2:** Q3 2026 water-sales volumes against 663 MBbl/d in Q2, and whether management's expected recovery from new gas takeaway appears. Source: Q3 2026 release. *Model: seg:Water Services and Operations:growth*
- **W3:** Terms of any Project Kilby lease, desalination offtake or data-center surface agreement: acres, payments, duration. Source: 8-Ks and quarterly releases. *Model: exit_ev_ebitda*
- **W4:** 2027 capex guidance against \$65–75mm for 2026, and any acquisition spend. Source: Q4 2026 release (February 2027). *Model: capex_pct_rev*

Sources

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- Daily macro log (10Y, Brent, S3 status), `logs/macro-2026-09.md`, 2026-09-25 entry

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