

AI Deep Dive Research Report
Texas Pacific Land Corp.



Texas Pacific Land Corp | Energy | Oil, Gas and Consumable Fuels

Finaipro Forecast

3M Target Price	385.46
Target Price (Maximum)	391.93
Target Price (Minimum)	378.99

Analysts Consensus

12 months Objective Price	316.44
Target Price (Maximum)	1,300.00
Target Price (Minimum)	304.10

Strategy

Texas Pacific Land Corporation (TPL) is focused on consolidating high-quality Permian assets while enhancing its oil and gas royalties, surface, and water assets. Key initiatives include the recent acquisition of approximately 17,300 net royalty acres in the Midland Basin for \$474 million, expected to generate a double-digit pretax cash flow yield. TPL is also expanding its water services, with record water sales of \$45 million, and investing in desalination technology, with a 10,000 barrel per day facility in Orla, Texas, expected to be commissioned by year-end 2025.

The company is strategically positioned in the Permian Basin, particularly in northern Culberson, northern Reeves, and central Midland subregions, to capitalize on production growth driven by longer lateral lengths and increased net wells. TPL's competitive edge lies in its substantial investments in water infrastructure, totaling nearly \$200 million, which supports both sourced and produced water services.

Management emphasizes a long-term value creation approach, leveraging a robust balance sheet and a newly established \$500 million credit facility to fund growth opportunities. TPL's focus on opportunistic acquisitions during low commodity price cycles positions it well for future revenue growth, particularly as it continues to expand its mineral and royalty portfolio and enhance its water services capabilities.

Environmental, Social, and Governance (ESG) strategies include sustainable water management practices and beneficial reuse initiatives, with ongoing regulatory efforts to secure necessary permits for new projects.

Key Points

For Q3 2025, TPL reported consolidated total revenue of \$203 million and adjusted EBITDA of \$174 million, with an impressive adjusted EBITDA margin of 85%. Free cash flow increased by 15% year-over-year to \$123 million. Oil and gas royalty production reached a record 36,300 barrels of oil equivalent per day, reflecting a 9% sequential and 28% year-over-year increase.

The company’s water segment also performed strongly, with record revenues of \$45 million, marking a 74% sequential growth. TPL's royalty acquisition is expected to add approximately 2 net wells to its inventory, enhancing future production potential. Despite lower commodity prices, TPL's royalty production has increased by 55% since Q3 2022, indicating resilience in its operational performance.

Looking ahead, TPL's management remains optimistic about long-term oil price recovery, supported by structural demand growth and declining production in non-Permian basins. The company is well-capitalized with \$532 million in cash and no debt, allowing it to pursue strategic acquisitions and maintain a disciplined capital allocation approach. TPL's focus on maximizing intrinsic value per share and its strong market position in the Permian Basin are key factors for analysts to consider in future valuations.

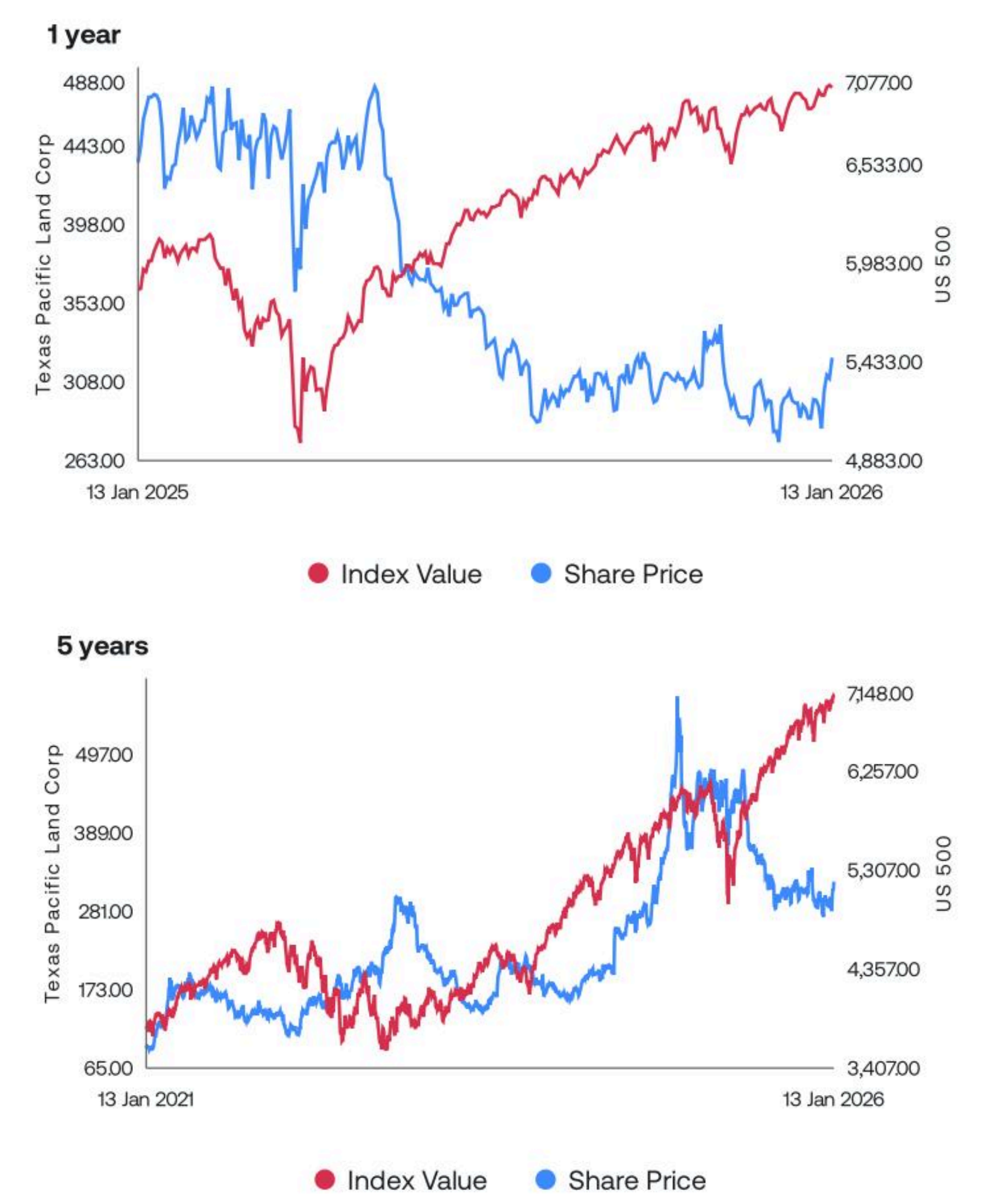
Market Cap

Last Price (\$)	321.83
Day High/Low	325.55 / 313.60
52 Week High/Low	477.00 / 273.56
Market Cap (Mn)	22,186.39
Enterprise Value (Mn)	20,844.56
Dividend Yield	0.66%

Key Information

Geography	United States
Sector	Energy
Industry	Oil, Gas and Consumable Fuels
ISIN Code	US88262P1021
Currency	USD
Current Price	321.83
52 weeks Low/High Price	273.56 / 477.00
Market Capitalization (Mn)	22,186.39
Rating S&P	-

Price Performance



Key Findings

- **Commodity price volatility is pressuring near-term royalty revenue and limiting earnings visibility despite strong production.**
- **Execution and regulatory risks around desalination projects and water operations could delay growth and impact cash-flow stability.**
- **Acquisition-driven upside remains uncertain, as weak pricing and lower transaction activity make the timing and scale of royalty growth less predictable.**

Oil and gas price volatility pressures royalty revenue in the near term

Current oil prices are well below historical averages and mid-cycle levels, weighing on royalty revenues despite higher production. Management cannot provide visibility on when commodity prices may recover, increasing near-term revenue uncertainty. If prices remain depressed, upside from the existing asset base could be limited, leaving earnings exposed to macroeconomic cycles in coming quarters.

Permian desalination and regulatory approvals pose execution risk

Regulatory approvals for the desalination project are still incomplete. TCEQ discharge permits are pending final clearance and the NGL permit remains in draft form. Although a land application pilot permit has been approved, the absence of full permitting introduces uncertainty around project timing, execution, and cost recovery, affecting the scalability and economics of water reuse initiatives.

Water sales exhibit quarter-to-quarter volatility and uncertainty

Water sales have been volatile across recent quarters despite diversification and footprint consolidation efforts. Management aims to reduce this volatility, but variability continues to pressure stable cash flow generation. The shifting mix between produced and recycled water adds execution risk to achieving consistent operating run rates.

M&A execution faces bid-ask pressure in a weak pricing cycle

Lower commodity prices have widened bid-ask spreads, complicating acquisition activity. While some transactions have been completed, overall deal flow is slower and constrained by valuation discipline. As a result, acquisition-driven growth may lag prior cycles if pricing pressure persists.

Near-term upside from royalty acquisitions depends on activity and pricing

Value creation from recent royalty acquisitions depends on operator activity levels and commodity prices, both of which remain uncertain. Although these assets are expected to support future production, their near-term contribution is not guaranteed, creating risk around cash flow visibility and the timing of returns.

Management Insights: Key Takeaways

Based on the strategic outlook and qualitative guidance provided by Texas Pacific Land Corporation 's management, we can derive the following key conclusions. These insights reflect the leadership's expectations regarding market conditions, operational priorities, and anticipated macroeconomic developments, and serve as an important complement to the model-driven forecasts:

Record Quarter Validates Diversified Growth Strategy

The company delivered a third quarter 2025 where oil and gas royalties, surface and water assets produced record results, including over 200 million in revenue for the first time. royalty production reached a record 36,300 boe/d, water sales hit a record 45 million, and produced water royalties produced a record 32 million, underscoring the strength of an active management and consolidation approach. The mix of organic and inorganic growth, plus a resilient price environment, supports a strategy focused on accretive expansion across royalties, surface acreage, and water midstream assets. The near-term implication is continued pursuit of high-quality asset acquisitions and collaboration with countercyclical capital opportunities.

Strategic Permian Acquisitions Expand Cash Flow

The company announced the acquisition of approximately 17,300 net royalty acres in the Midland Basin, funded entirely with cash, with about 70 percent adjacent to existing holdings and 61 percent operated by major producers. The asset is expected to contribute a double-digit pretax cash flow yield at realized prices, and to enhance inventory for future growth in a high-concentration activity area. This aligns with a strategy to consolidate top-tier Permian assets and extend cash flow visibility across multiple drilling locations and operators.

Strong Balance Sheet Enables Countercyclical Growth

The business ended the period with 532 million in cash and no debt, and recently secured a new \$500 million credit facility that is undrawn, expected to bolster liquidity and flexibility to capitalize on opportunistic investments. The corporate governance action of a 3-for-1 stock split reinforces a capital allocation framework aimed at maximizing intrinsic value per share. Taken together, the balance sheet supports opportunistic, downside-resilient investments during cycles of lower commodity prices.

Water Resources Platform Enables Scale and Flexibility

Water assets continued to drive record quarterly performance, with inorganic and organic growth supporting both source and produced water strategies. The scale of the water portfolio enhances pricing power and market capture, including out-of-basin disposal and desalination initiatives. Ongoing Phase 2/3 desalination development and regulatory progress, along with potential waste heat capture and colocation opportunities, positions the unit for continued growth and strategic partnerships in 2026 and beyond.

What are analysts looking at?

During the Q&A session of the latest earnings call, analysts primarily focused on key themes that reflect their concerns and areas of interest regarding Texas Pacific Land Corporation's performance and outlook. These topics highlight the factors influencing investor sentiment and market expectations.

Key themes raised by analysts include:

Run rate and water sales mix expectations

Analysts are probing the sustainability of the water and royalty businesses, seeking a run rate for water resources and the mix between recycled produced water versus water sourced from wells. They want clarity on quarterly volatility, what drives fluctuations, and how guidance might translate into longer term cash flows given the current volume mix.

Royalty acquisition details and incremental asset impact

Questioning centers on the royalty and surface acquisition announced, including how the deal came together, the number of incremental locations or potential wells, and how those wells are expected to contribute to growth. Analysts are trying to understand the value of the asset, the growth runway it provides, and how activity levels and commodity prices could influence future returns.

Positioning for power, data center, and West Texas acreage monetization

Analysts ask about TPLs ability to participate in power generation and data center deals in West Texas, seeking color on relative competitiveness, area prospection, and scalability given the company’s footprint. The focus is on potential near term opportunities, competitive dynamics, and which districts within West Texas appear most attractive for future monetization.

Desalination progress and operational scalability beyond Phase II/III

Questioning covers the desalination program beyond current milestones, including the anticipated path to commercialization, the timing and design of Phase II/III, and ongoing conversations with regulators and industry participants. They seek clarity on how waste heat capture and energy integration might improve economics and how these factors influence the project’s scale and regulatory approvals.

NGL permit status and regulatory progress for water reuse initiatives

Analysts explored the expected level and mix of capital expenditures beyond 2025, including whether spending would remain elevated or increase into 2026 and 2027. They also questioned how capital would be balanced between aerospace and industrial turbine opportunities. The inquiry highlights investor focus on capital discipline, free cash flow implications, and return on invested capital.

Broad M&A landscape and Permian opportunities across surface and minerals

Inquiries focus on the competitive landscape for acquisitions in the Permian, including how pricing and bid-ask spreads are affecting deal flow, and which opportunities across surface and mineral assets (including Delaware, Central Basin Platform, and Midland) are most compelling. Analysts seek insight into pipeline quality, cross-basin opportunities, and potential strategic value of next-generation projects like out-of-basin disposal or power and data center related activity.

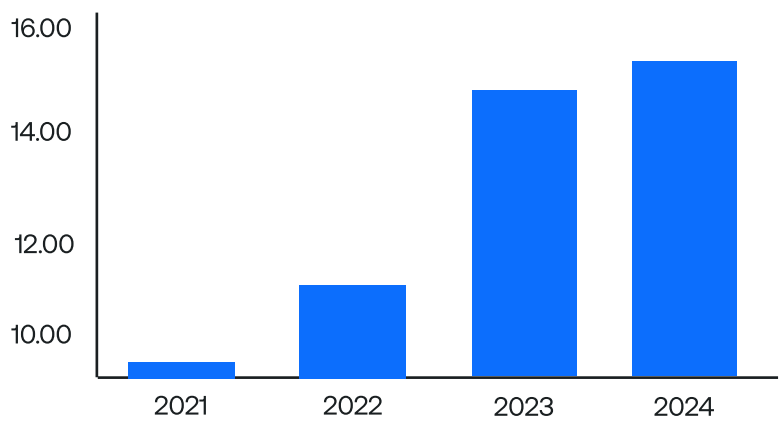
We stick to our very overweight view and decrease our 3 Month Target Price from USD398.53 to USD385.46

Our very overweight view is maintained alongside a reduction in the 3 Month Target Price, reflecting a balance between strong operational execution and a more conservative near-term pricing outlook. The company delivered record quarterly revenue above USD200 million, driven by continued growth in royalty production and a sharp rebound in water sales, underscoring the resilience and scalability of its asset-light model and high operating leverage. Liquidity remains a key support, with a substantial cash balance and an undrawn credit facility that preserves flexibility for countercyclical acquisitions and long-term value creation. Recent royalty and surface acquisitions expand inventory and enhance exposure to high-quality Permian activity, supporting durable cash flow generation over time. However, management emphasized that realized oil and gas prices remain below historical and mid-cycle levels, which tempers near-term revenue upside despite rising volumes. In addition, water revenues continue to exhibit quarter-to-quarter variability, and the desalination initiative remains subject to regulatory approvals and execution milestones that limit immediate visibility on incremental returns. These factors justify a modest downward adjustment to the near-term target price, while the core investment thesis remains intact given the companys strong balance sheet, embedded operating leverage to higher commodity prices, and disciplined capital allocation framework.

Investment case in six charts

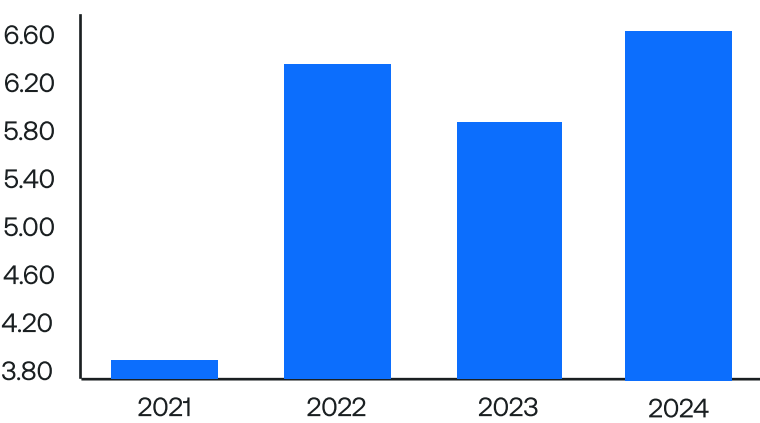
Equity

Tangible Book Value per Share



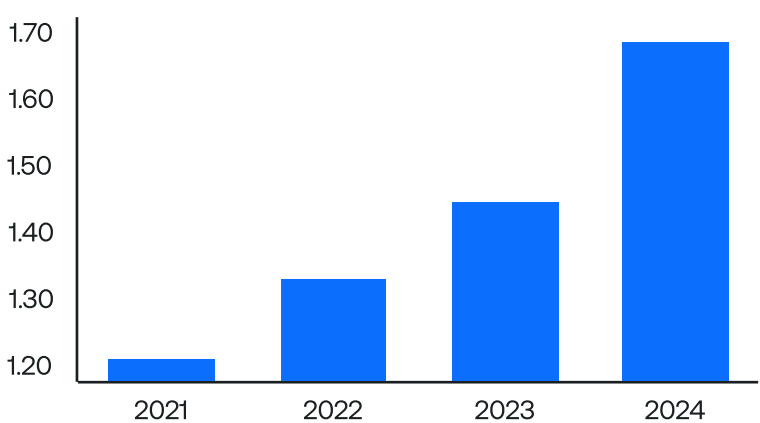
Earnings

Earnings per share

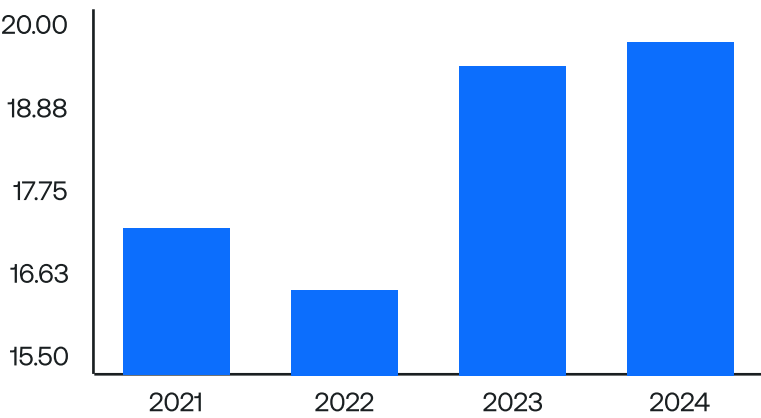


Dividends

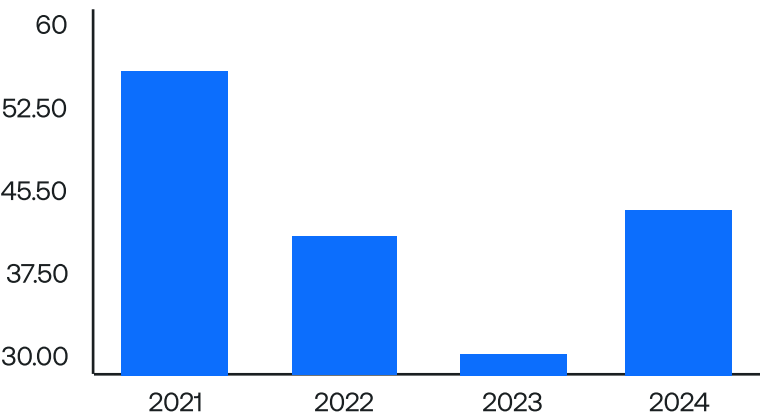
Dividens per share



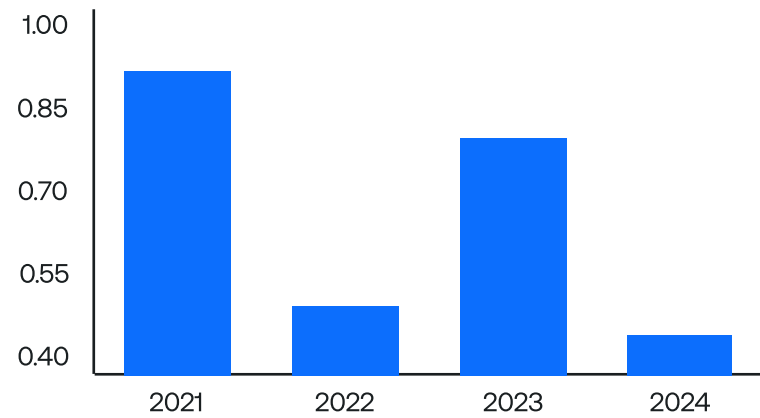
Price/Book Value (P/BV)



Price/Earnings



12M Dividend Per Share/Price



ROE	41.73%
Total Debt/Common Equity	0.11%
Net Debt/EBITDA	-

Last Year Earnings	\$453.96M
Profit Margin	64.32%
ROA	28.30%

Dividend Payout Ratio	25.88%
Last Year Dividend	1.70\$
Dividend Growth YoY	18.06%

Company Description

Texas Pacific Land Corporation engages in the land and resource management, and water services and operations businesses. The Land and Resource Management segment manages surface acres of land, and oil and gas royalty interest in Permian Basin. This segment also engages in easements, such as transporting oil, gas and related hydrocarbons, power line and utility, and subsurface wellbore easements. In addition, this segment leases its land for processing, storage, and compression facilities and roads; and is involved in sale of materials, such as caliche, sand, and other material, as well as sells land. The Water Services and Operations segment provides full-service water offerings, including water sourcing, produced-water treatment, infrastructure development, and disposal solutions to operators in the Permian Basin. This segment also holds produced water royalties. The company owns a 1/128th nonparticipating perpetual oil and gas royalty interest (NPRI) under approximately 85,000 acres of land; a 1/16th NPRI under approximately 371,000 acres of land; and approximately 16,000 additional net royalty acres, total of approximately 207,000 NRA located in the Permian Basin. Texas Pacific Land Corporation was founded in 1888 and is headquartered in Dallas, Texas.

Investment Opportunities

Texas Pacific Land benefits from two durable growth engines: scalable oil and gas royalty assets coupled with an expanding water and surface rights platform that monetizes both source and produced water flows through long-tenured, inflation-protected cash flows. The royalty and NPRI portfolios generate high-teen to double-digit cash flow yields, supported by accretive acquisitions and a growing surface footprint that expand optionality across top-tier Permian locations and adjacent basins. **Recurring revenue, accretive acquisitions, royalty assets, and surface acreage scale** drive the long-run earnings power.

Desalination and water resource expansion underpin a durable platform that adds margin through technology-enabled efficiencies and cross-cycle resilience. The Phase II/III evolution, waste heat capture, and colocation opportunities position the business to monetize treated water, brackish streams, and produced water at scale, while regulatory tailwinds and strong land and water rights provide a moat around pricing and volumes. **Desalination platform, waste heat capture, regulatory permits, and colocation design** are core structural levers.

Financial flexibility and disciplined capital allocation amplify the investment thesis, with a fortress balance sheet, a newly established undrawn credit facility, and strategic opportunism for asset consolidation in the Permian and beyond. The ability to deploy capital countercyclically to acquire high-quality royalties and surface interests supports sustained ROIC, free cash flow growth, and earnings quality through cycles. **Capital allocation discipline, undrawn facility, ROIC, and free cash flow visibility** anchor the long-term profile.

Valuation Methodology

Finaipro's valuation methodology integrates an AI-driven research engine built on a structured machine learning process. The workflow begins with rigorous data processing and feature engineering, followed by smart variable selection to identify the most informative inputs across macroeconomic indicators, market dynamics, asset-specific fundamentals, and technical signals.

The system also incorporates insights extracted from company filings, reports, and analysts’ coverage, which are processed and added to the model's feature set.

Catalysts

The company has advanced a material **acquisitions** catalyst through recently completed Permian royalty and surface transactions. In early November 2025, TPL closed the acquisition of approximately 17,300 net royalty acres, followed by the September closing of roughly 8,100 surface acres in Martin County. These assets—61% operated and currently producing over 3,700 boed with an ~80% oil/NGL mix—expand long-term inventory, increase recurring royalty exposure, and position the portfolio for higher production and pretax cash flow yield through 2026 and beyond, subject to activity and pricing.

A second near- to medium-term driver is the **desalination program**, anchored by the 10,000 bpd Orla facility, which entered commissioning around year-end 2025. Focus is now shifting toward operational testing, regulatory progress, and Phase 2 scale-up during 2026. The approval of a land application pilot permit and continued engagement with regulators toward a final TCEQ discharge permit remain key milestones. Successful advancement could enable larger-scale reuse of produced and source water, supporting incremental water revenues, recycling economics, and margin expansion through efficiency gains and waste heat capture.

A third catalyst is the company’s disciplined **capital allocation** framework, supported by its fully undrawn \$500 million revolving credit facility and the recently approved 3-for-1 stock split, which was completed in December 2025. The facility enhances financial flexibility for opportunistic, countercyclical acquisitions, while the completed split improves share liquidity and per-share accessibility. Together, these actions reinforce balance sheet strength, support accretive growth, and underpin free cash flow durability and equity valuation through 2026.

SWOT Analysis

Strengths

- Record quarterly revenue exceeding \$200 million and an 85% adjusted EBITDA margin, highlighting strong operating leverage and cash generation.
- Substantial liquidity, with \$532 million of cash and cash equivalents and an undrawn \$500 million credit facility, providing flexibility to pursue growth opportunities.
- Diversified asset base across oil and gas royalties, surface assets, and water resources, supported by a large net well inventory and mid-teens pretax cash flow yields from mineral and royalty acquisitions.
- Proven ability to execute accretive inorganic growth in the Permian, including acquisitions adjacent to existing holdings and a portfolio positioned to scale through commodity cycles.

Opportunities

- The November 3, 2025 acquisition of approximately 17,300 net royalty acres in the Midland Basin offers growth from adjacent drilling activity and delivers a double-digit pretax cash flow yield at current realized prices.
- Commissioning of the 10,000 bpd desalination facility around year-end 2025 and the planned Phase 2 expansion in 2026 provide upside from scale efficiencies, waste heat capture, and potential industrial and cooling applications.
- Strong capital allocation capacity and access to low-cost external capital enable opportunistic consolidation of high-quality Permian assets during periods of volatility, with optionality in out-of-basin disposal, SLEM, power generation, and data center-related opportunities.
- An expanded surface and royalty footprint, combined with leverage to higher oil prices, supports upside to intrinsic value per share as commodity cycles normalize.

Risk to our Rating

We reiterate our **Buy** rating while recognizing a risk profile dominated by **commodity price volatility** and limited near-term visibility. Management indicated that realized oil and gas prices remain below historical and mid-cycle levels, directly weighing on royalty revenues despite record production and revenue performance. This disconnect highlights exposure to macro pricing dynamics that could temper near-term earnings momentum and challenge confidence in valuation uplift if weaker pricing persists.

Operational risks are concentrated in the water segment, where **quarter-to-quarter sales volatility** remains evident despite scale and diversification efforts. Management described a shifting mix between produced and recycled water that introduces variability in volumes and cash flow. In parallel, the desalination initiative faces **regulatory permitting risk**, as final approvals for discharge and broader reuse remain outstanding, creating uncertainty around timing, utilization rates, and incremental margin realization.

Execution and capital deployment risks relate to **acquisition timing** and market conditions. The recently closed royalty acquisition did not contribute to third-quarter results, underscoring a lag between capital deployment and cash flow contribution. Management also acknowledged that weaker commodity prices widen **bid-ask spreads**, potentially slowing M&A activity or reducing accretion. While liquidity is ample, prolonged pricing pressure could delay the translation of strategic investments into near-term financial performance.

Weaknesses

- Near-term cash flow sensitivity to lower commodity prices despite strong underlying volume growth.
- The royalty acquisition completed after quarter-end did not contribute to Q3 production or revenue, creating a timing lag between capital deployment and cash flow realization.
- Ongoing quarter-to-quarter volatility in water sales, reflecting sensitivity to product mix, regulatory factors, and volume fluctuations.
- Continued dependence on regulatory approvals for desalination and discharge permits, introducing execution risk and potential timing uncertainty.

Threats

- A prolonged weak oil and gas price environment could pressure royalty revenues and delay value accretion from recent acquisitions.
- Uncertain regulatory outcomes for desalination and produced water reuse could adversely affect project timing and economic returns.
- Wider bid-ask spreads and competitive dynamics in Permian M&A may raise acquisition costs and slow deal execution.
- Macro supply-demand factors, including OPEC spare capacity decisions and shifts in global liquids demand, add volatility to long-term commodity price trajectories.

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