
ProPetro (\$PUMP): An Asymmetric Turnaround at the Cycle's Nadir

Leveraging Tech Innovation at the Bottom of the Cycle

RATING: BUY (HIGH CONVICTION) | TARGET PRICE: \$16.44 (+46% UPSIDE) | DATE: FEBRUARY 8, 2026

Executive Summary

As we look across the energy services landscape in early 2026, we see a familiar pattern: deep skepticism, aggressive de-rating, and investors extrapolating the worst of the cycle forward. Historically, this is exactly the moment when the foundations for the next leg of returns are quietly laid.

In this context, ProPetro (\$PUMP) stands out as a mispriced transition story. While the market remains fixated on an 18.6% revenue decline and net losses in fiscal 2025, it is largely missing the deeper shift underway: the evolution of a perceived “commodity” service provider into a technology-led power solutions company.

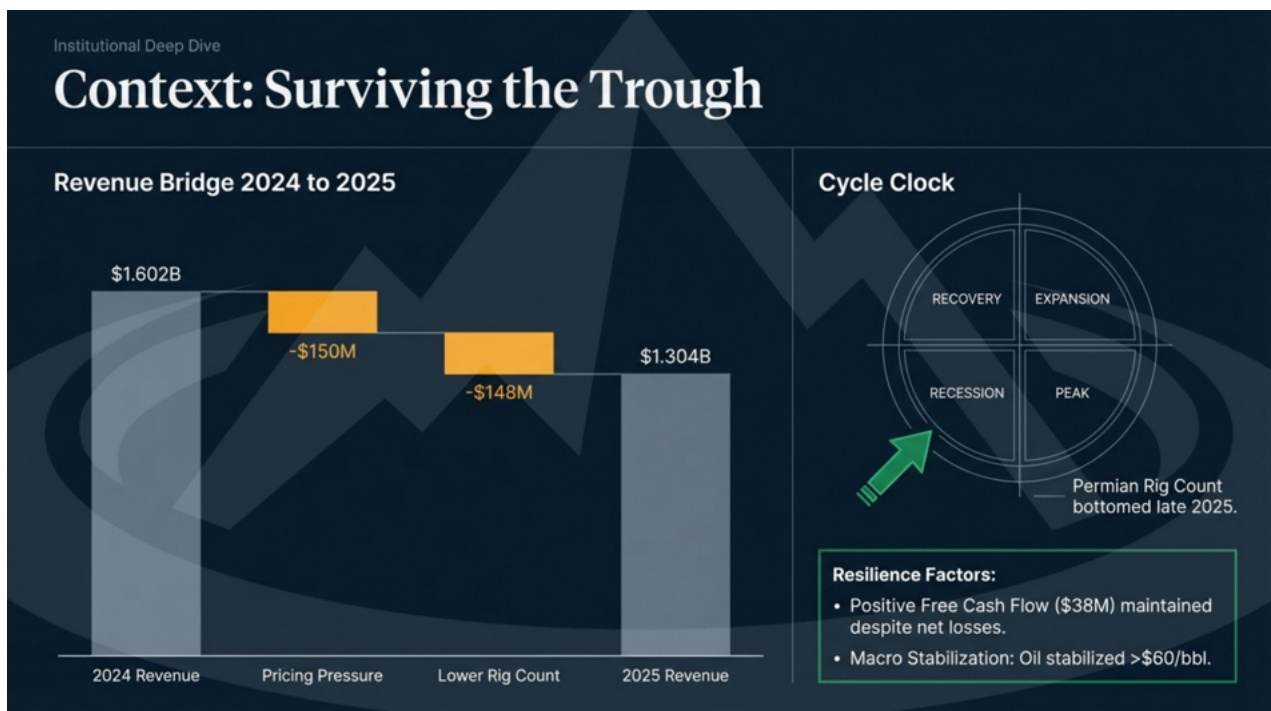


Figure 1. Surviving the trough: revenue pressure and cycle positioning

Key takeaway: The market is extrapolating a weak 2025, but our view is that the cycle’s nadir often precedes the next return leg.

Our investment case sits at the intersection of a Permian Basin recovery and the rollout of ProPetro’s proprietary PROPWR system, which we see as the core driver of future operational differentiation. Based on our base-case assumptions, we see 39.6% upside to a fair value of \$15.69 versus the current market price of \$11.24. In our view, this is a classic example of a quiet, high-conviction signal hiding in a very noisy, sentiment-driven market.

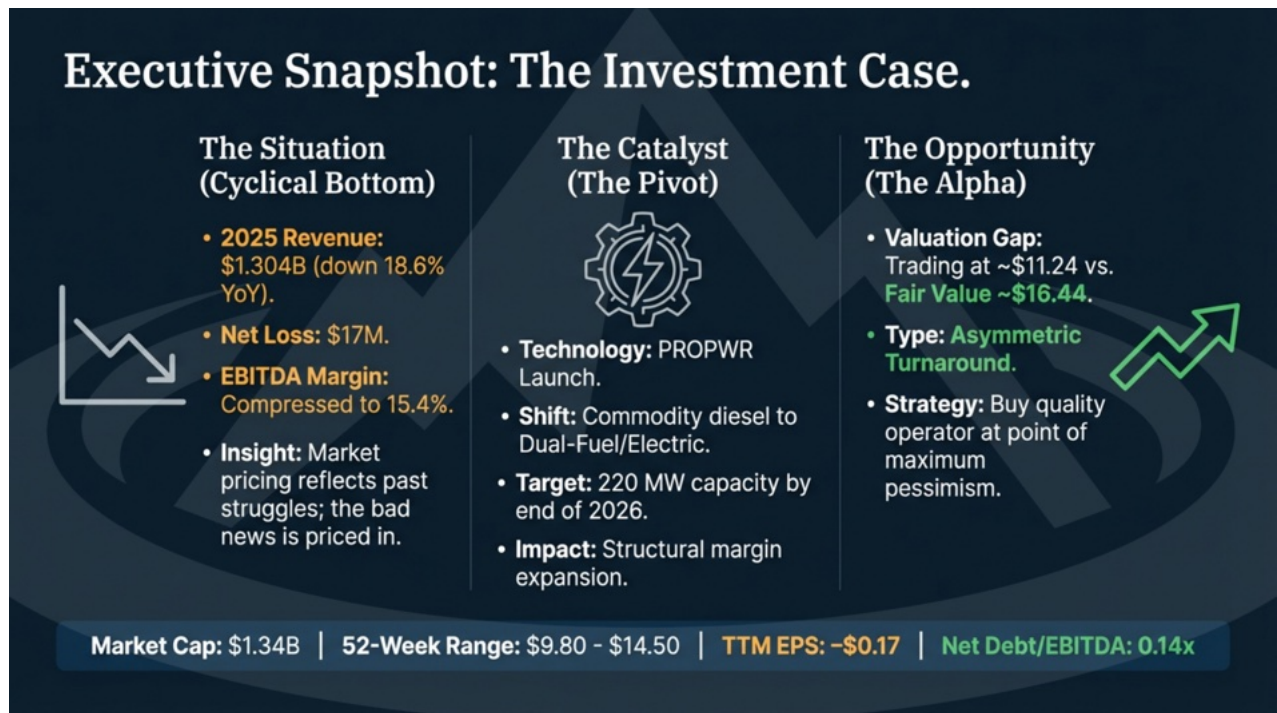


Figure 2. Executive snapshot of the investment case and pivot catalyst

Key takeaway: We see a mispriced transition: near-term skepticism masks a technology-led upgrade that can re-rate the earnings profile.

At MoatPeak, we have consistently found that the most attractive opportunities emerge at the exact point where capital is fleeing a sector. In our opinion, this is not simply a macro bet on higher oil prices, but a targeted wager on the modernization of US energy infrastructure—with \$PUMP as a focused, Permian-centric enabler of that shift.

Impact on US Markets: Equities, Bonds, and the Dollar

As of February 2026, the broader US market is defined by a tension between sector rotation and the reality of structurally higher interest rates. Within equities, the \$S&P 500 and the \$Nasdaq have systematically de-rated companies seen as pure commodity exposures, yet they are beginning to reward those that can demonstrate technology resilience and margin durability.

ProPetro currently trades with a high beta of 1.45, signaling how the market still views it primarily as a cyclical energy services name. We believe this backward-looking risk perception obscures the significance of the PROPWR rollout, which is designed to partially decouple earnings from pure rig-count volatility by offering better unit economics and lower emissions to E&P clients.

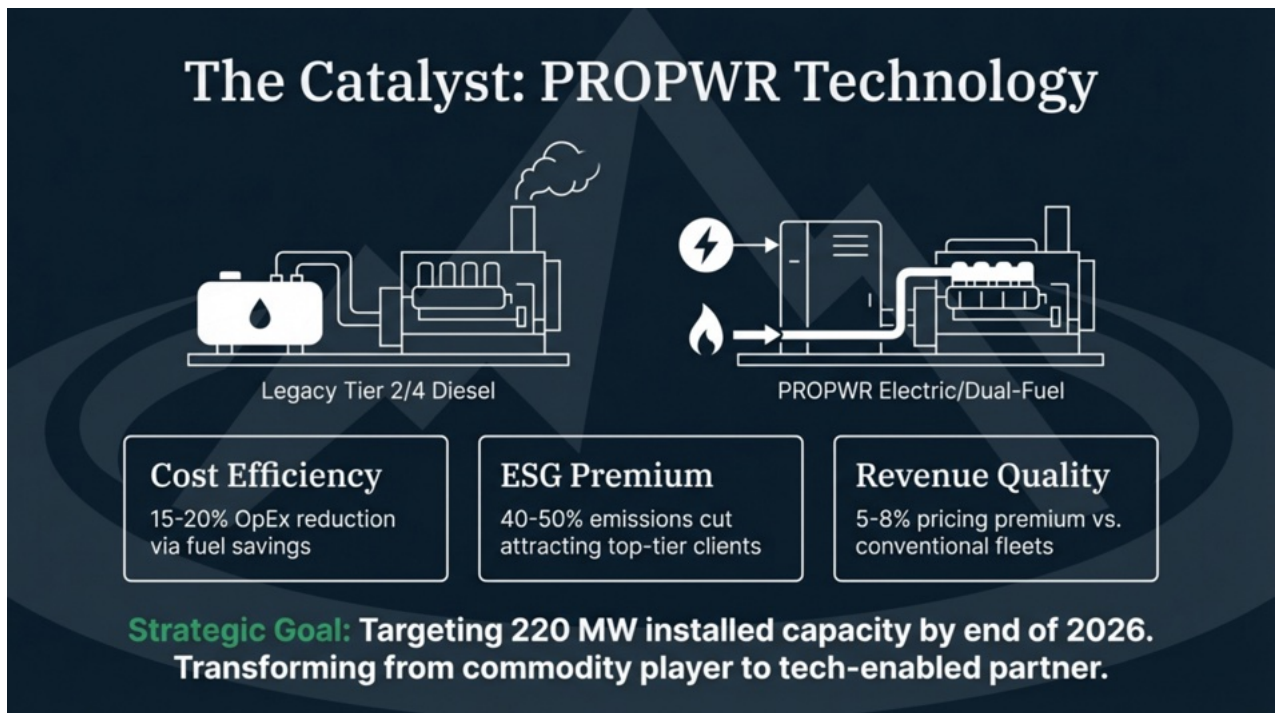


Figure 3. PROPWR as the core technology catalyst

Key takeaway: The PROPWR rollout is central to partially decoupling results from rig-count volatility via better unit economics and lower emissions.

In the bond market, the backdrop is demanding. With 10-year US Treasuries at 4.21%, the risk-free rate is imposing a materially higher hurdle for equity returns and pressuring capital-intensive business models. This dynamic is visible in broad benchmarks such as \$TLT and \$IEF, and it forces us—as it should any sophisticated investor—to examine the weighted average cost of capital (WACC) more closely.

For \$PUMP, we estimate a 12.44% WACC, anchored by a 12.91% cost of equity. On the surface, these numbers underscore sector risk; beneath the surface, they coexist with a fortress-like balance sheet, highlighted by a debt-to-equity ratio of just 0.12. That combination—elevated perceived risk but low actual leverage—creates the backdrop for asymmetric outcomes.

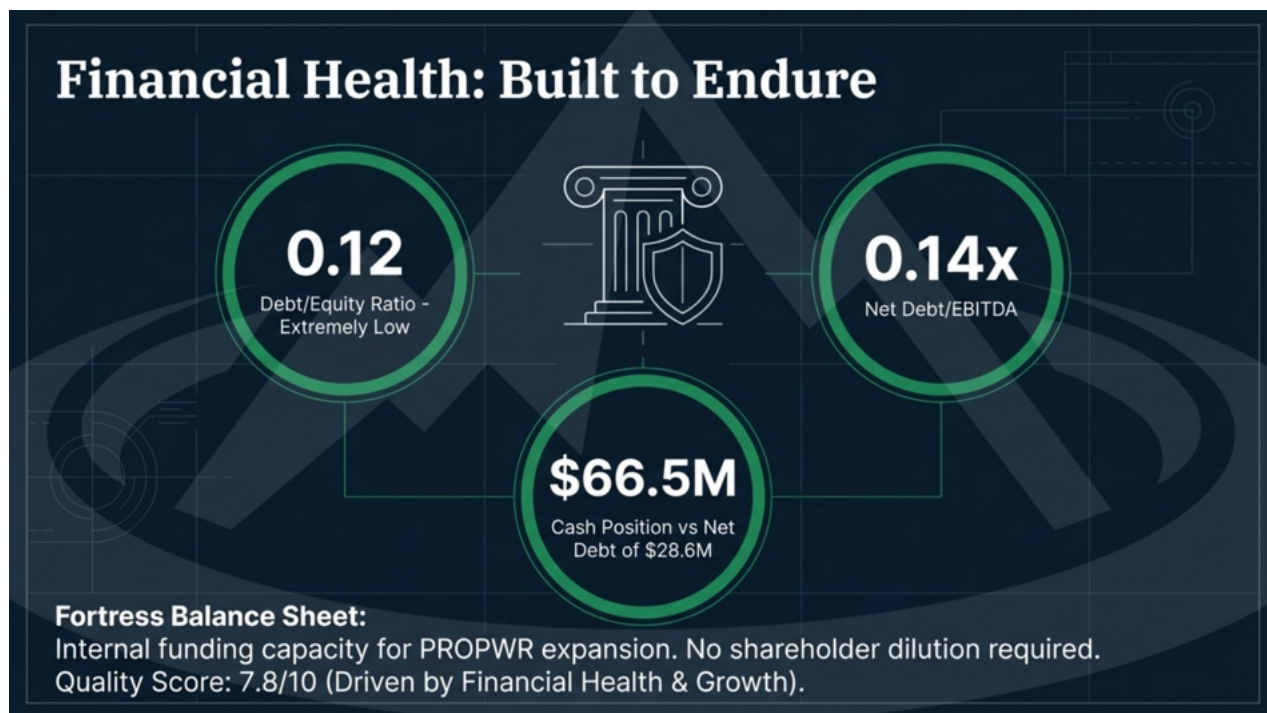


Figure 4. Balance-sheet resilience as an asymmetric shock absorber

Key takeaway: Despite a higher perceived cost of capital, leverage is low; the balance sheet provides flexibility to endure volatility without forced dilution.

The continued strength of the \$USD also shapes the opportunity set. Stronger dollar periods can be a headwind for global commodities, but ProPetro’s domestic orientation provides a natural hedge: its revenues, labor, and equipment costs are largely denominated in the same currency, limiting FX-induced volatility in project economics and capital planning.

Global Market Dynamics: Europe and Commodity Realities

Globally, energy markets are now providing a supportive floor for US shale service providers. The stabilization of oil prices above \$60 per barrel is critical. With most Permian wells showing breakeven levels between \$40 and \$50 per barrel, today’s price band keeps \$PUMP’s core customers squarely incentivized to sustain and, in many cases, expand activity.

Industry consolidation has also changed the quality and behavior of the customer base. The acquisition of Pioneer Natural Resources by ExxonMobil (\$XOM) is emblematic of this shift: more capital is now controlled by large, integrated, and more disciplined operators such as \$FANG and \$COP. These players are structurally less inclined to chase short-term volume spikes and more focused on efficiency, emissions, and long-term asset performance—exactly the dimensions where PROPWR can matter most.

At the same time, European ESG and emissions mandates are creating an unusual but powerful tailwind for US-based technology adoption. Multinational operators increasingly seek to harmonize their global emissions profiles, pushing them to demand cleaner extraction methods even in their US portfolios. ProPetro’s PROPWR, a dual-fuel system that blends grid power with natural gas, aligns closely with these evolving corporate standards.

We view this as a structural advantage: European regulatory pressure is indirectly accelerating technology uptake at a mid-cap Texas-based service provider, and nudging the industry away from diesel-heavy fleets. This in turn positions \$PUMP to command a premium for lower-emission, higher-efficiency services.

Sectoral Shifts and Key Tickers to Monitor

The Oilfield Services sector is working through the painful but necessary final stage of a capital cycle purge. The drop in the Permian rig count from 311 to 278 has effectively flushed out weaker balance sheets and sub-scale operators. What remains is a more disciplined field in which pricing power is gradually rotating back to the surviving, better-positioned players.

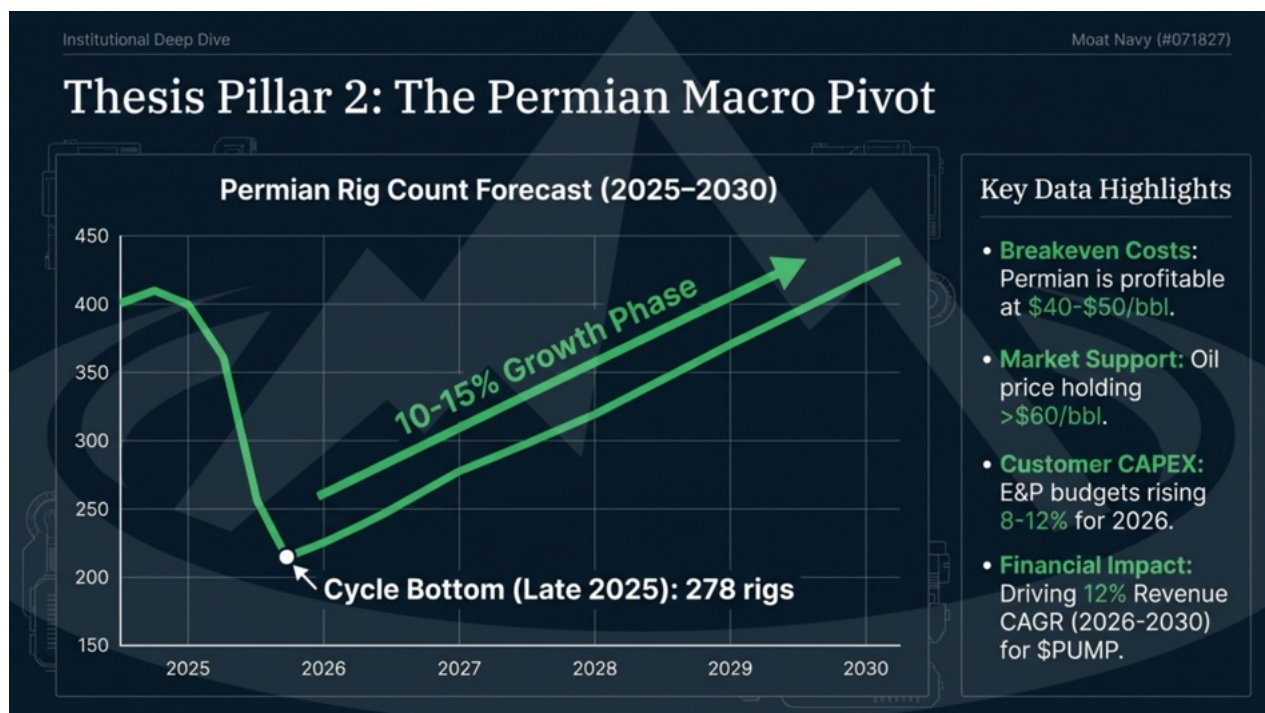


Figure 5. Permian rig-count bottoming and the macro pivot

Key takeaway: The rig-count drawdown has purged weaker operators; a modest recovery is the macro tailwind beneath our base case.

Within this leaner competitive set, the gap between traditional diesel fleets and advanced, power-optimized systems is widening. One of the leading indicators, in our view, is the utilization gap.

Conventional diesel fleets often struggle to sustain 60–65% utilization, whereas high-demand dual-fuel systems like PROPWR are trending toward 75–80%—a spread that translates directly into margin resilience and capital efficiency.

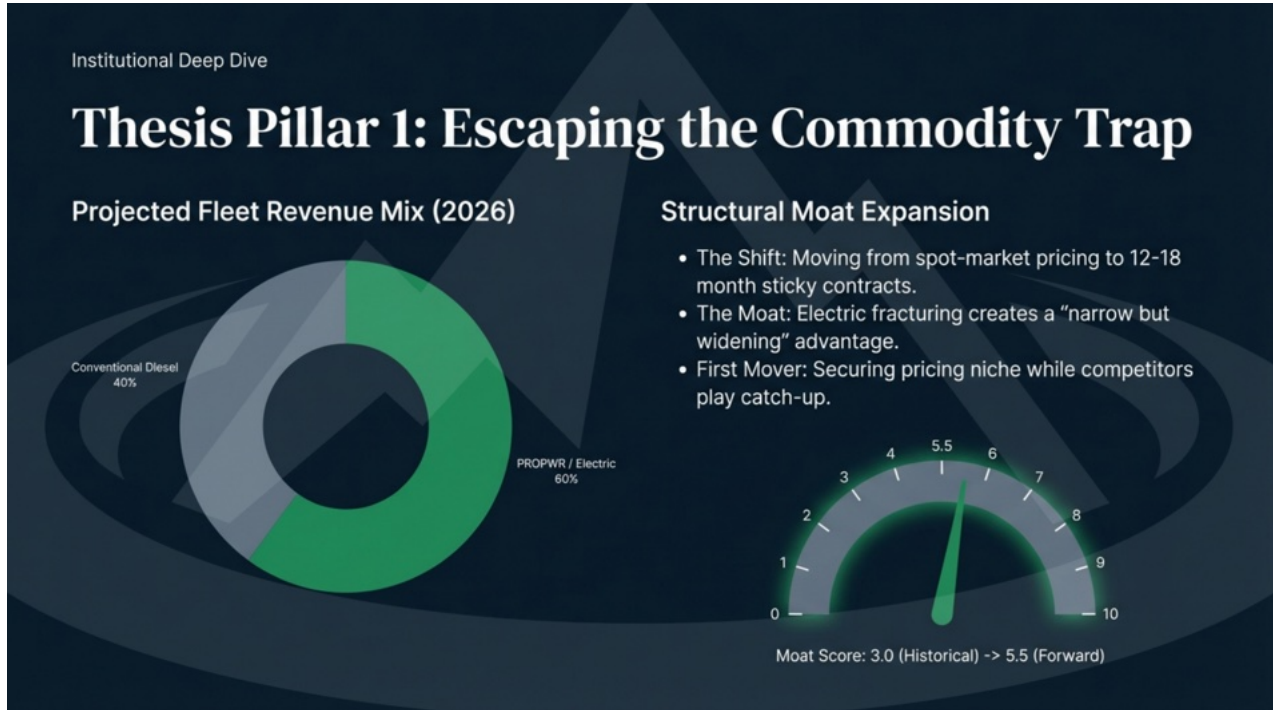


Figure 6. Escaping the commodity trap through contract quality and moat expansion

Key takeaway: We expect the transition to power-optimized fleets and stickier contracts to improve revenue quality and sustain higher utilization.

We summarize the competitive context as follows:

Entity	Technology Focus	EV/EBITDA Multiple
ProPetro (\$PUMP)	Proprietary PROPWR Dual-Fuel	6.8x
Halliburton (\$HAL)	Large-scale Integrated e-frac	8.0x
Liberty Energy (\$LBRT)	Proprietary Digifrac Systems	6.5x

We believe investors should focus on the pricing power \$PUMP can unlock as its fleet conversion accelerates. While global leaders like \$HAL benefit from sheer scale, ProPetro’s Permian concentration and its targeted deployment of 220 MW of PROPWR capacity by year-end 2026 create a distinct, basin-focused competitive moat.

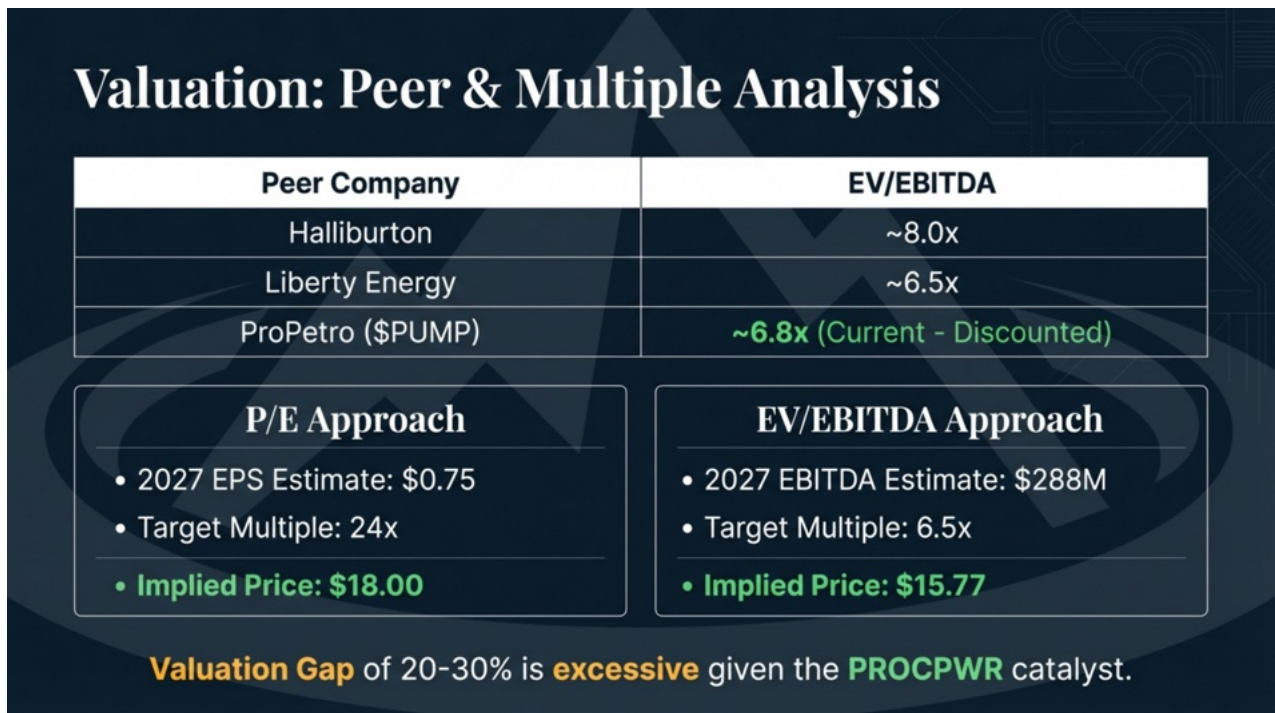


Figure 7. Peer and multiple context for the valuation gap

Key takeaway: As execution progresses, we expect the valuation gap versus larger peers to narrow as the market reclassifies \$PUMP away from commodity-only exposure.

Our contention is straightforward: as \$PUMP executes on its technology roadmap, the current valuation gap versus larger peers should begin to narrow. The market has not yet fully recalibrated from viewing the company as a commoditized frac provider to seeing it as a specialized, power-optimized service platform.

The Gray Rhinos: Underestimated Signals and Risks

Any serious thesis on \$PUMP must confront the obvious but underpriced risks—the Gray Rhinos that everyone sees but few properly discount.



Figure 8. Risk framework and invalidation triggers

Key takeaway: We focus on visible ‘grey rhino’ risks—execution, infrastructure constraints, and macro reflexivity—that can break the path to margin expansion.

The most immediate Gray Rhino, in our view, is infrastructure risk tied to the PROPWR rollout. Achieving the 220 MW power generation target will require reliable grid access, sufficient transmission capacity, and a well-orchestrated supply chain. Delays or constraints in grid connectivity in remote areas of the Permian could slow the very margin expansion that underpins our thesis.

A second risk is technological commoditization. If \$HAL, \$SLB, or another large competitor decide to aggressively target the mid-cap, Permian-centric niche with comparable offerings, ProPetro’s first-mover edge could compress faster than expected. While we believe \$PUMP’s localized focus and relationships offer some protection, this remains a tangible strategic threat.

We also cannot ignore OPEC+ reflexivity. A sudden shift in global production quotas, even from a stable starting point, could materially affect Permian activity, irrespective of ProPetro’s internal efficiency or technology advantage.

However, we see \$PUMP’s balance sheet as a critical shock absorber. The company’s net debt-to-EBITDA ratio of 0.14 is a meaningful buffer if industry conditions deteriorate. In our opinion, the market’s fixation on recent negative EPS results is drawing attention away from this underlying structural resilience. The company is positioned to pivot, endure, and reinvest in a downturn in ways many leveraged peers simply cannot.

MoatPeak Scenarios and Probabilities

Our analysis is grounded in scenario-based thinking, not single-point forecasts. Over the next 18 months, we see three primary paths for \$PUMP, each with clearly identifiable triggers.

Scenario	Probability	Target Price	Key Triggers
Bull Case	25%	\$20.19	PROPWR becomes industry standard; 15% CAGR; Oil > \$80
Base Case	50%	\$12.66	220 MW goal met; Permian rig count recovers 10–15%
Bear Case	25%	\$5.83	PROPWR premium fails; Oil falls below \$60

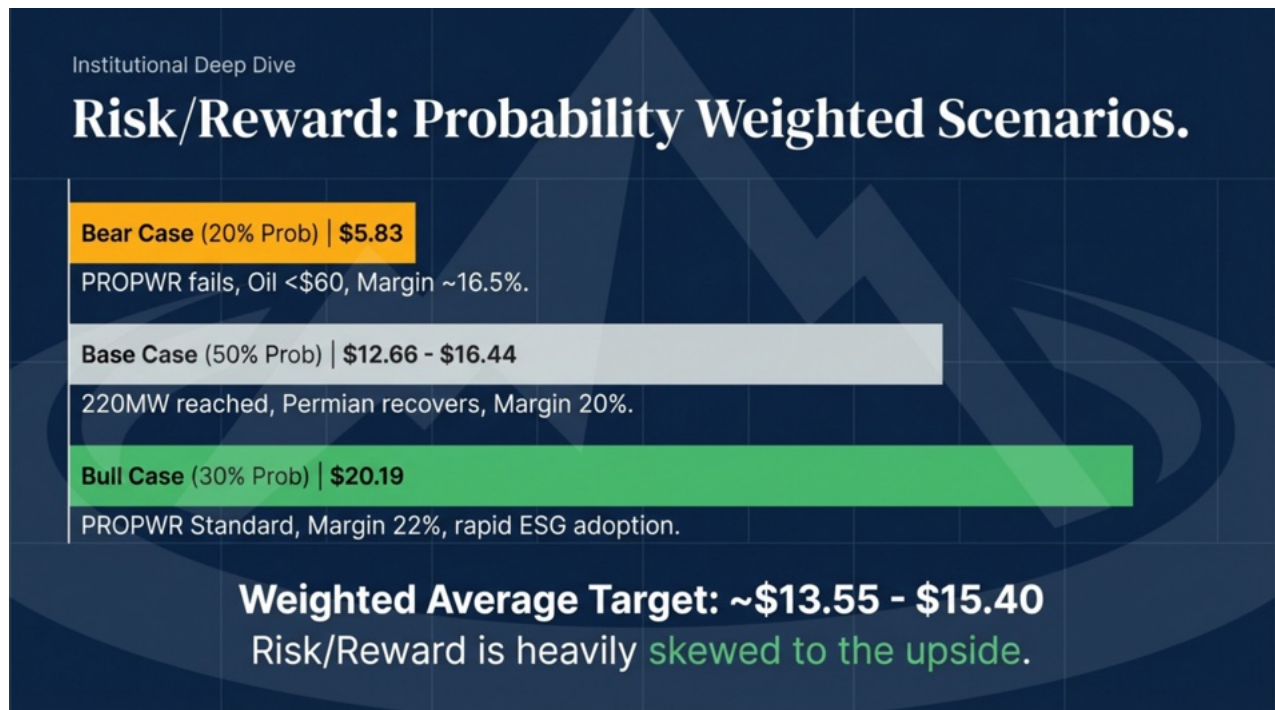


Figure 9. Probability-weighted scenarios and skewed outcomes

Key takeaway: Our view is distributional: upside is meaningful if PROPWR adoption and Permian recovery hold, while downside is tied to oil < \$60 and commoditization risk.

The invalidation point for our base case centers on margin progression, not headline revenue growth. If EBITDA margins fail to move toward the 20% level by late 2026, that would signal that PROPWR is not commanding the pricing power or cost savings we currently model.

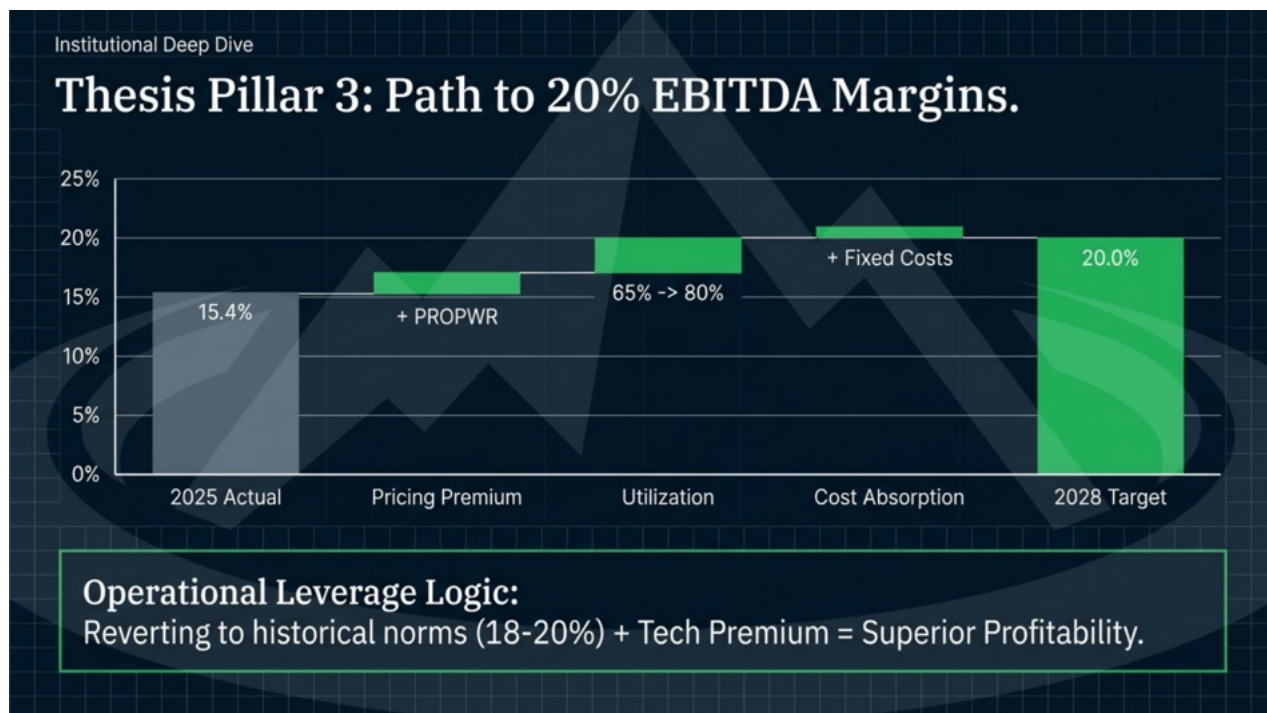


Figure 10. Path to ~20% EBITDA margins and what must go right

Key takeaway: The key invalidation is margin progression: if EBITDA does not trend toward ~20% by late 2026, the differentiation thesis weakens.

In that scenario, \$PUMP would remain essentially a standard commodity service provider, and we would adjust our valuation down accordingly to reflect a business without meaningful, defensible differentiation. The key is not whether volumes grow, but whether the quality and economics of those volumes improve.

MoatPeak Insights: The Human Element and Market Logic

Our framework at MoatPeak is grounded in the capital cycle. We look for the moments where the majority is still positioned for the last phase of the cycle, while fundamentals are quietly pivoting to the next.

We view \$PUMP as being in the middle of a deep internal transformation that the market has not fully categorized. Applying the lens of inversion, we ask: What would have to happen for this company to fail as an investment? The most straightforward answer is a commodity trap—a scenario in which the company invests heavily in technology that customers are unwilling to pay for, leaving returns stranded.

Yet when we extend our analysis to second-order effects, we see a different path as more probable. A successful PROPWR rollout does more than lower operating costs; it elevates the Quality Score of the

entire business. In our taxonomy, that would move \$PUMP from a cyclical, B-rated operator to a more stable, A-minus technology-enabled service provider.

We are very clear-eyed about the journey from here to our \$16.44 DCF-derived fair value: it will not be linear. There is a fundamental distinction between the facts of the past year (revenue decline, net loss) and our assessment of the next three years (rising technology penetration, margin expansion, and capital cycle turn).

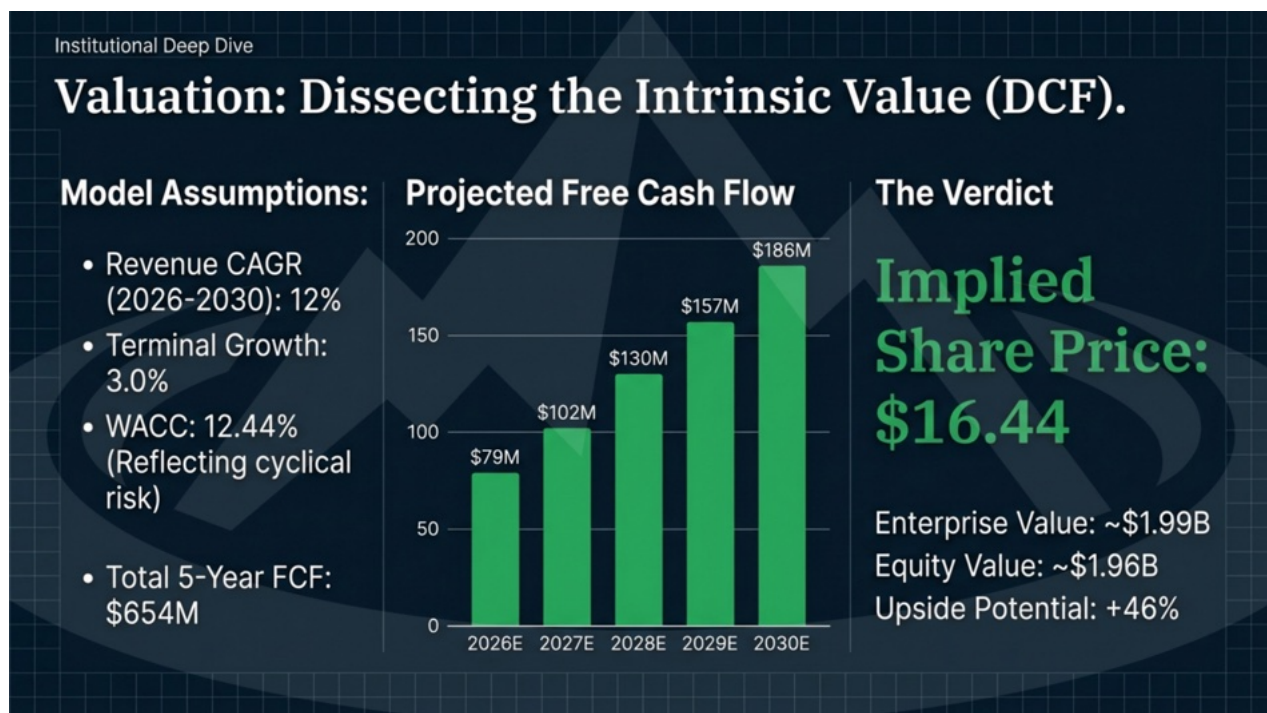


Figure 11. DCF framing and cost of capital sensitivity

Key takeaway: We tie valuation to a disciplined WACC framework; the journey to fair value is not linear and depends on sustained quality and returns improvement.

The market is still primarily discounting the rear-view mirror; we are focused on the forward-looking slope of quality and returns. Our conviction rests on identifying the point where years of underinvestment in new fleets collide with rising demand for cleaner, more efficient services. Historically, that intersection has been where the largest asymmetric gains in cyclical industries are generated.

Strategic Implications for the Retail Investor (2026 Perspective)

For a retail investor looking across the remainder of 2026, we see \$PUMP as a classic asymmetric opportunity.



Figure 12. Portfolio fit and behavioral checklist for retail investors

Key takeaway: This is a patience trade: position for a gradual reclassification, monitor utilization and execution, and size exposure to tolerate cyclical volatility.

On the downside, risk is naturally constrained by a conservative balance sheet, including a Net Debt/EBITDA of only 0.14 and a low debt-to-equity ratio. This gives the company the flexibility to navigate volatility without dilutive equity raises or forced asset sales.

On the upside, the optionality lies in a technology pivot that the market has not yet fully priced in. If PROPWR continues to gain traction, if utilization remains structurally higher than traditional fleets, and if the Permian activity base proves resilient, then today’s valuation will, in our view, look increasingly conservative.

This is, by design, an investment that demands patience and a capital cycle mindset. We are not seeking a quick re-rating on a single quarter; we are positioning for the gradual recognition of a re-engineered business model in a sector emerging from its cyclical trough.

We would pay particular attention to the Q1 2026 earnings release, with a focus on:

- PROPWR utilization rates, as a real-time proxy for customer demand and pricing power.
- Progress toward the 220 MW PROPWR capacity goal, as a measure of execution and infrastructure readiness.



Figure 13. Near-term catalysts and milestone timing

Key takeaway: We are watching Q1 2026 utilization data and progress toward 220 MW capacity as the practical scoreboard for execution.

For us at MoatPeak, \$PUMP encapsulates our core philosophy: finding durable value in the wreckage of a downturn, where strong balance sheets and credible technological shifts can compound quietly before the broader market takes notice. ProPetro has chosen to use the cycle’s nadir not merely to survive, but to rebuild its competitive advantage.

We believe this offers a disciplined, high-conviction way to participate in the eventual recovery of the US energy sector, with a risk/reward profile that is meaningfully skewed in favor of the patient investor.



Figure 14. MoatPeak positioning statement on the turnaround asymmetry

Key takeaway: We see durable value at peak pessimism: a balance-sheet-backed turnaround with upside optionality if the technology pivot is validated.

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