

Company: Texas Pacific Land Corporation	Ticker: TPL Price: \$2646.58	Industry: Energy Sub Industry: Oil & Gas E&P	
Target Price: \$3,309.18	TTM P/E: 47.5x	Beta: 1.99	Market Cap: \$19.89B
Stop Loss: 20%	Forward P/E: 33x	Credit Rating: BB (Fitch)	Avg. Vol. (12 M): 22,374
52 Week High/Low: \$2739/\$946.29	EPS: 49.05	Rating Outlook: Stable	Div. Yield: 1.29%

#### Company Background:

Texas Pacific Land Corporation is one of the largest landowners in the State of Texas with approximately 880,000 surface acres of land in West Texas, with the majority of ownership concentrated in the Permian Basin. TPL's business model can be divided into two segments; Land and Resource Management segment and Water Services and Operations. The majority of TPL's revenue is generated from nonparticipating perpetual oil and gas royalty interest. They also generate revenue produced water royalties, sales of water and land, easements and commercial leases. On January 11, 2021 TPL restructured from a trust into a corporation.

#### Industry Outlook:

Inflation and geopolitical tensions are tightening supply of oil and gas. Current events are leading to a shift to US production of oil and gas and Southwest Texas is projected to be the dominant source of domestic oil for the next 20-30 days. The Permian Basin is rich in natural resources so E&P companies are going to look to capitalize on this land which is primarily owned by TPL. Additionally, as companies pursue renewable energy, fossil fuels will be crucial in the extraction of resources needed in the production of electrical vehicles and renewables.

#### Investment Thesis:

In our view we believe that a decade of shortages is upon us, rather than abundance, leading to further inflationary pressures, potential deglobalization, and valuation resets. We believe that based off of the long-term supply and demand imbalances in critical commodities, geopolitical headwinds, and inflationary pressures, Texas Pacific Land Corporation continues to stand out as a potential beneficiary through their;

1. Capital light, asset light business model
2. High cash balance with zero debt
3. Adaptability given its location in the Permian Basin

#### Investment Risks:

- Due to the nature of the royalty interests, TPL's business is subject to fluctuations in the prices of oil and gas in the market
- TPL is also dependent on the production of operators utilizing TPL land; if productivity is low, oil and gas royalty income and water services income will be lower as well
- TPL is at risk of natural disasters and operating company management team decisions and other factors which are entirely out of their control

#### 3-5 takeaway's from last quarter investor call transcript:

- TPL is looking to expand their water services and operations segment which they have steadily rolled out over the past few years
- TPL is making developments and partnerships with renewable companies; this includes a recent partnership venture to set up solar panels on their land as well as cryptocurrency mining
- TPL has been adjusting executives salaries to align them with similar companies and operating performance goals
- TPL will continue to return value to shareholders with the steady repurchase of stock as well as consistent dividend streams and special dividends gifts

#### 4-Year Financial Performance (Millions):

	2018	2019	2020	2021
Revenue	\$300	\$490	\$303	\$451
Net Income	\$209.7	\$318.7	\$176.0	\$270.0
NOPLAT	\$219.50	\$336.60	\$192.00	\$282.70
Revenue Growth %	127%	63%	-38%	49%
EBIT % Margin	91%	86%	78%	83%
ROE	85.7%	62.2%	36.3%	41.4%
FCF	\$206.19	\$302.07	\$181.19	\$304.81

#### Discounted Cash Flow Valuation:

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$3,987
Discount Rate	15.00%
Terminal Value	\$35,880
Perpetuity Growth Rate	3.50%
Implied Equity Value and Share Price	
PV of FCF	\$5,891
PV of Terminal Value	\$13,489
Enterprise Value	\$19,380
Less: Debt	\$0
Add: Cash & Equivale	\$447
Equity Value	\$19,827
Diluted Shares Outsta	8
Implied Share Price	\$2,574.88
Current Price	\$2,611.00
Margin of Safety	-1%

**Relative Valuation:**

Company	Ticker	Market Cap	Current Price	EPS (TTM)	Trailing P/E	Leading P/E	ROE (TTM)	ROA (TTM)	ROIC (TTM)	Dividend Yield (%)
Texas Pacific Land Corporation	TPL	\$20B	\$2646.58	49.05	47.50x	33x	58.8%	35.34%	55%	1.29%
PrairieSky Royalty	PREKF	\$5.077B	\$21.26	1.00	17.15x	18x	11.5%	3.51%	9.37%	2.13%
Black Stone Minerals	BSM	\$3.97B	\$19.46	1.94	15.45x	9x	51.3%	14.58%	48.1%	8.20%
Brigham Minerals	MNRL	\$1.83B	\$30.54	2.11	14.57x	11x	15.9%	6.09%	15.1%	7.12%
Marathon Oil	MRO	\$20.16B	\$31.42	4.27	7.05x	8x	26.9%	5.57%	19.4%	.94%
PDC Energy	PDCE	\$6.76B	\$75.73	19.77	5.57x	4x	47.8%	9.78%	15.3%	1.16%
Devon Energy	DVN	\$44.16B	\$70.73	9.56	8.55x	8x	58.1%	13.38%	33.1%	4.66%
Continental Resources	CLR	\$26.45B	\$74.05	9.95	9.20x	7x	42.06%	8.93%	22.6%	1.16%
Median				9.05	11.89x	8.5x	44.93%	9.34%	21%	1.71%

**Total Return %**

	GOOGL	Energy	SPY ETF
YTD	102.31%	68.28%	-15.11%
1 Year	98.60%	69.63%	-12.80%
5 Years	528.26%	7.37%	12.68%

Governance Disclosure Score	
Social Disclosure Score:	
Environmental Disclosure Score:	
ESG Disclosure:	