Coterra Energy (CTRA)

Updated May 12th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	$23	**5 Year CAGR Estimate:**	5.0%	**Market Cap:**	$17.9 B
Fair Value Price:	$22	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	5/15/25
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.5%	**Dividend Payment Date:**	5/29/25
Dividend Yield:	3.8%	**5 Year Price Target**	$25	**Years Of Dividend Growth:**	9
Dividend Risk Score:	D	**Sector:** Energy		**Rating:**	Hold

Overview & Current Events

Coterra Energy (CTRA) is an oil and gas company that develops, explores, and produces oil, natural gas, and natural gas liquids (NGLs). The business primarily operates in the Permian Basin, the Marcellus Shale area and the Anadarko Basin. The business makes most of its money from natural gas (69% of 2024 output) and to a lesser extent from oil and NGLs (16% and 15% of 2024 output, respectively). The proved reserves of the company are approximately 75% natural gas, 11% oil and 14% NGLs. Overall, Coterra Energy is extremely sensitive to the dramatic cycles of the price of natural gas.

On October 1st, 2021, Coterra was formed through the combination of Cabot Oil & Gas (used to trade as COG) and Cimarex Energy (used to trade as XEC). With the new combined company, management believes to have built a diversified company with a strong free cash flow profile, and expects to enhance shareholder value by returning free cash flow to shareholders through dividends and share buybacks. The company also reaped $100 million of G&A synergies from the merger.

In early May, Coterra Energy reported (5/5/25) results for the first quarter of 2025. The price of oil decreased over the prior year's quarter but production grew significantly. As a result, earnings-per-share surged from $0.51 to $0.80, in line with the analysts' estimates. Management has provided strong guidance for 2025-2027, expecting 5% average annual production growth. After having declined -17% in 2022 and -3% in 2023, proved reserves dipped -2% in 2024. The decline in reserves raises a red flag for future growth but the expected production growth in 2025-2027 is strong.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-$0.28	-$0.91	$0.22	$1.24	$1.63	$0.50	$2.29	$4.94	$2.26	$1.68	***$2.80***	***$3.09***
DPS	$0.08	$0.08	$0.17	$0.25	$0.35	$0.40	$0.46	$0.60	$0.80	$0.84	***$0.88***	***$0.96***
Shares	414	457	466	448	418	401	504	781	751	736	***730***	***1000***

As a primarily gas upstream company, Coterra Energy is extremely sensitive to the swings of gas prices. This is clearly reflected in the highly volatile performance record of the company. Coterra Energy greatly benefited from the sanctions imposed by western countries on Russia in 2022. Before the sanctions, Russia was producing about one-third of natural gas consumed in Europe. As a result, the sanctions greatly tightened the global gas market and led gas prices to skyrocket in 2022.

However, gas prices have returned to normal levels since 2023. Moreover, there is a record number of renewable energy projects that are under development all over the world right now. When all these projects come online, they are likely to take their toll on the prices of oil and gas. Nevertheless, due to the strong production growth expected from this year, we assume 2% growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	42.2	9.2	30.7	21.6	5.4	11.4	15.4	***8.2***	***8.0***
Avg. Yld.	1.9%	2.6%	2.8%	2.7%	2.4%	3.5%	3.6%	2.3%	3.1%	3.3%	***3.8%***	***3.9%***

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As a cyclical business, Coterra Energy has fluctuating earnings and fluctuating price-to-earnings ratios. We estimate that a price-to-earnings ratio of about 8.0 is fair for the company under normal conditions. The stock is currently trading at a price-to-earnings ratio of 8.2. If it trades at our assumed fair valuation level in five years, it will incur a -0.5% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

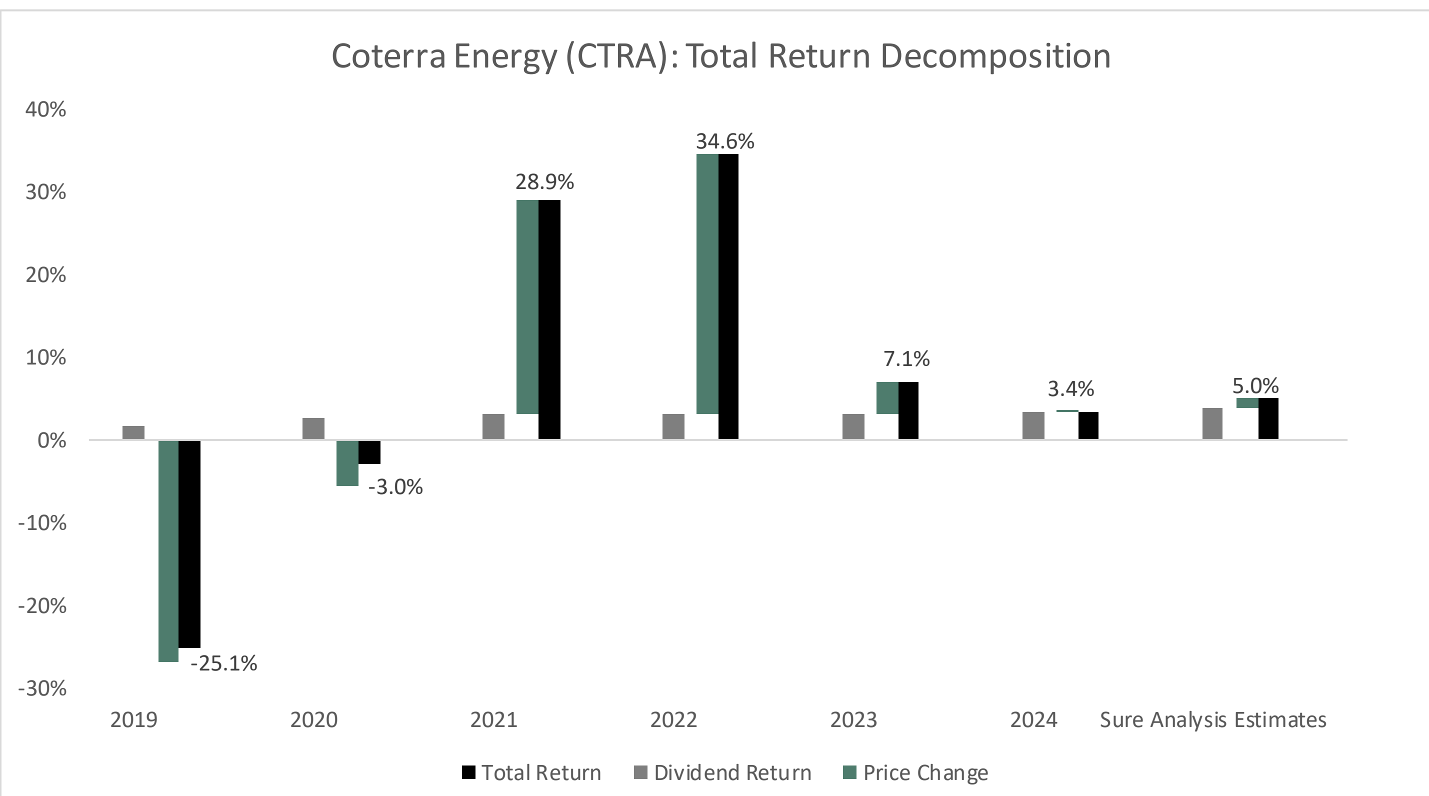
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	77%	20%	21%	80%	20%	12%	35%	50%	***31%***	***31%***

Coterra Energy has a strong balance sheet, which will help the company endure a potential downturn in its business. It is also focused on areas with low-cost reserves and hence it is more resilient to a decrease in oil and gas prices than other producers. However, the company is inevitably vulnerable to the downturns of the energy sector, as its earnings are extremely sensitive to the price of natural gas. Consequently, the stock is not suitable for income-oriented investors. It is suitable only for investors with a strong conviction for higher gas prices in the future.

Final Thoughts & Recommendation

Coterra Energy is a company that is positioned to benefit from potentially high gas prices in the future. Gas prices have increased this year amid a somewhat tighter gas market. Given also a -17% decline of the stock in the last 12 months, Cottera Energy is not as unattractive as it was a few months ago, though it remains far from earning a buy rating. The stock could offer a 5.0% average annual return over the next five years, as its 2% growth of earnings-per-share and its 3.8% starting dividend yield may be partly offset by a -0.5% potential valuation headwind. The stock receives a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,357	1,156	1,764	2,188	2,066	1,466	3,449	9,051	5,914	5,458
Gross Profit	154	18	596	1,020	1,008	431	1,937	7,636	2,736	1,995
Gross Margin	11.3%	1.5%	33.8%	46.6%	48.8%	29.4%	56.2%	84.4%	46.3%	36.9%
SG&A Exp.	68	86	98	97	95	106	164	327	279	302
D&A Exp.	---	---	---	---	406	391	693	1,635	1641	1,840
Operating Profit	16	(125)	444	787	876	296	1,672	5,279	2,154	1,386
Op. Margin	1.2%	-10.8%	25.1%	36.0%	42.4%	20.2%	48.5%	58.3%	36.4%	25.4%
Net Profit	(114)	(417)	100	557	681	201	1,158	4,065	1,625	1,121
Net Margin	-8.4%	-36.1%	5.7%	25.5%	33.0%	13.7%	33.6%	44.9%	27.5%	20.5%
Free Cash Flow	(206)	22	134	210	657	202	939	3,746	1,559	1,024
Income Tax	(73)	(242)	(329)	141	219	41	344	1,104	503	224

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,253	5,123	4,727	4,199	4,487	4,524	19,900	20,154	20,415	21,625
Cash & Equivalents	1	499	480	2	200	140	1,036	673	956	2,038
Acc. Receivable	117	186	216	363	209	216	922	1,067	723	820
Inventories	17	13	8	11	14	15	39	63	59	46
Total Liabilities	3,244	2,555	2,203	2,111	2,336	2,308	8,162	7,495	7,376	8,503
Accounts Payable	30	27	8	30	22	11	94	27	60	59
Long-Term Debt	2,016	1,521	1,522	1,226	1,220	1,134	3,125	2,181	2,161	3,535
Total Equity	2,009	2,568	2,524	2,088	2,151	2,216	11,738	12,659	13,039	13,122
LTD/E Ratio	1.00	0.59	0.60	0.59	0.57	0.51	0.27	0.17	0.17	0.27

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-2.1%	-8.0%	2.0%	12.5%	15.7%	4.5%	9.5%	20.3%	8.0%	5.3%
Return on Equity	-5.5%	-18.2%	3.9%	24.2%	32.1%	9.2%	16.6%	33.3%	12.6%	8.6%
ROIC	-2.9%	-10.3%	2.5%	15.1%	20.4%	6.0%	12.7%	27.4%	10.8%	7.0%
Shares Out.	414	457	466	448	418	401	504	799	760	745
Revenue/Share	3.28	2.53	3.79	4.89	4.94	3.66	6.84	11.33	7.78	7.33
FCF/Share	(0.50)	0.05	0.29	0.47	1.57	0.50	1.86	4.69	2.05	1.37

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.