



Permian Basin Royalty Trust (PBT)

Updated May 28th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$11	5 Year CAGR Estimate:	-6.7%	Market Cap:	\$524 M
Fair Value Price:	\$3.0	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	5/30/25
% Fair Value:	368%	5 Year Valuation Multiple Estimate:	-22.9%	Dividend Payment Date:	6/13/25
Dividend Yield:	2.1%	5 Year Price Target	\$6.0	Years Of Dividend Growth:	0
Dividend Risk Score:	B	Sector: Energy		Rating:	Sell

Overview & Current Events

Permian Basin Royalty Trust (PBT), based in Dallas, Texas, is an oil and gas trust, which was founded in 1980. In 2024, about 52% of output was oil and 48% was gas, but 90% of revenues came from oil. PBT is a combination trust: unit holders have a 75% net overriding royalty interest in Waddell Ranch Properties in Texas, which includes several oil and gas wells; and a 95% net overriding royalty interest in the Texas Royalty Properties, which includes various oil wells.

The trust's assets are static in that no further properties can be added. The trust has no operations but is merely a pass-through vehicle for the royalties. PBT had royalty income of \$29.0 million in 2023 and \$27.0 million in 2024.

In mid-May, PBT reported (5/14/25) financial results for the first quarter of fiscal 2025. The average realized prices of oil and gas decreased significantly over the prior year's period. As a result, distributable income per unit decreased -50%, from \$0.12 to \$0.06.

After some months of disappointing distributions, which resulted from high operating expenses on the Waddell Ranch properties, PBT boosted its distributions in the last two months of 2023. However, it has reduced them again in recent months due to high operating expenses on the Waddell Ranch properties and lackluster prices of oil and gas. In the first five months of this year, PBT has offered total distributions of \$0.09 per unit, which correspond to a 2.1% annualized yield. We are concerned over the unreliable and volatile business performance of PBT.

Growth on a Per-Unit Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCFU	\$0.34	\$0.42	\$0.63	\$0.66	\$0.42	\$0.24	\$0.23	\$1.15	\$0.60	\$0.54	\$0.23	\$0.46
DPU	\$0.34	\$0.42	\$0.63	\$0.66	\$0.42	\$0.24	\$0.23	\$1.15	\$0.60	\$0.54	\$0.23	\$0.46
Units¹	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6

Essentially all the royalty income the trust receives is passed through to unit holders. The trust has generated an average distributable and distributed cash flow of \$0.52/unit annually for the past 10 years, though with a noticeable decrease in 2015-2021. Given the natural decline of the production of oil wells and gas wells, the long-term downtrend in cash flows should be expected. The trust posted 10-year high distributable cash flow in 2022 thanks to the sanctions of western countries on Russia but gas prices have reverted to normal levels since last year due to high supply and unfavorable weather. We also expect oil prices to deflate in the upcoming years due to a record number of clean energy projects underway and the restoration of the output of OPEC. Nevertheless, given the extremely low comparison base this year, we expect distributable cash flow to grow 15% per year on average over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/DCFU	22.9	15.8	14.4	13.2	13.6	13.3	23.9	14.5	37.1	22.2	47.8	13.0
Avg. Yld.	4.4%	6.3%	6.9%	7.6%	7.4%	7.5%	4.2%	6.9%	2.7%	4.5%	2.1%	7.7%

¹ Average Weighted Unit count is in millions.

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The trust's DCFU price multiple has averaged 19.1 over the past 10 years. We assume a fair valuation multiple of 13.0 for the trust due to our natural expectations for declining production volumes in the long run. PBT is currently trading at a 10-year high valuation multiple of 47.8 due to the abnormally low distributions so far this year. If PBT trades at our assumed fair valuation level in five years, it will incur a -22.9% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

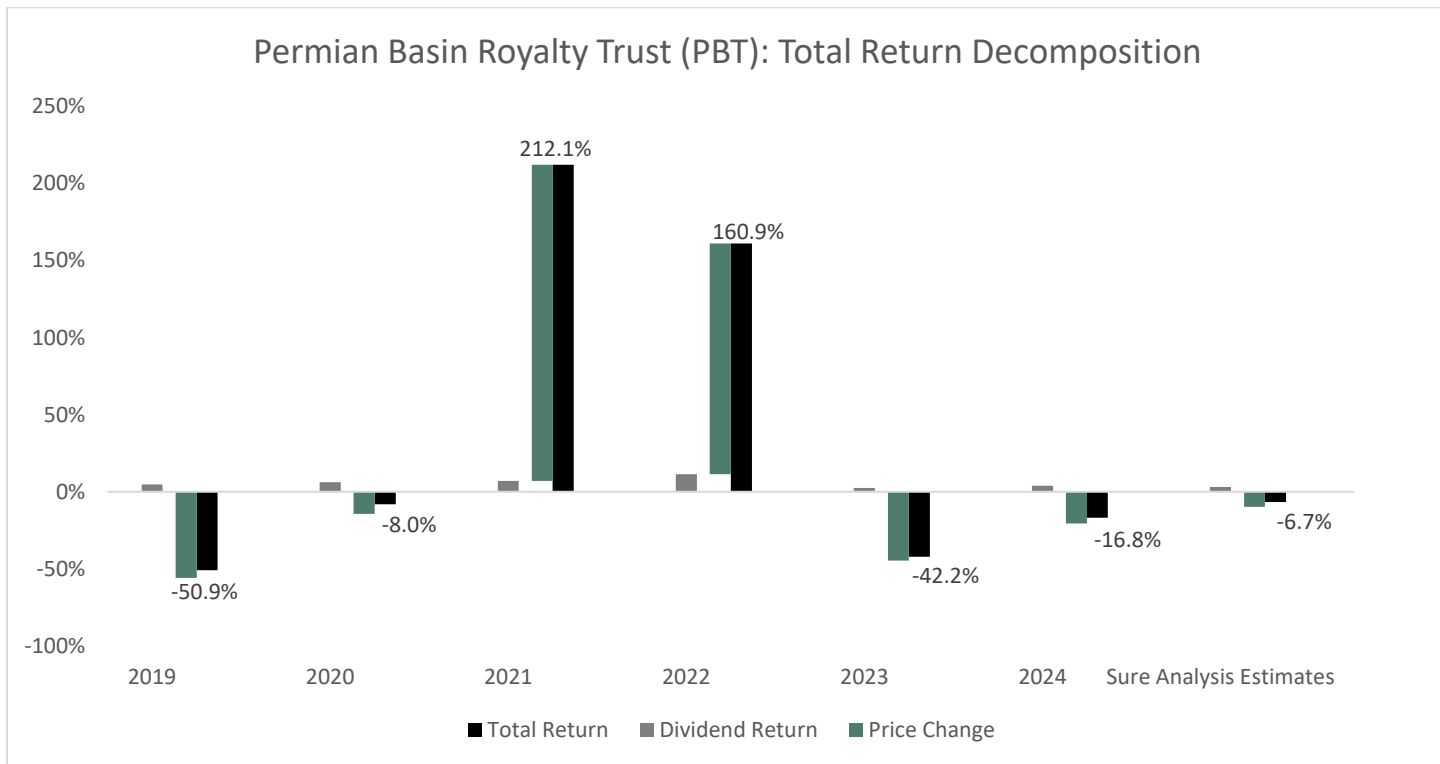
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

PBT has been in continuous existence for 45 years paying an average 5.8% yield in the last decade (albeit with high volatility in the distributions). However, future distributions are highly unpredictable due to the absence of any guidance and the unknown path of oil and gas prices. If the realized prices of oil and gas of PBT remain elevated, the trust will reward its unit holders with generous distributions. On the other hand, whenever the energy market enters another downcycle, the trust is likely to exhibit poor performance.

Final Thoughts & Recommendation

After many quarters of disappointing distributions, which resulted from high operating expenses, PBT boosted its distributions in the last two months of 2023 but it has reduced them again in recent months. Moreover, we expect oil prices to deflate in the upcoming years due to the record number of renewable energy projects that are in their development phase and the decision of OPEC to restore its output. PBT has slumped -59% off its peak in 2023 but it remains unattractive. We expect PBT to offer a -6.7% average annual return over the next five years, as 15% growth of distributable income per unit and a 2.1% initial distribution may be offset by a -22.9% valuation headwind. As a result, PBT maintains its sell rating. We also reiterate that we do not believe PBT is a buy-and-hold-forever stock due to the natural decline of its production in the long run.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	17.80	21.09	30.57	32.11	20.51	12.05	11.81	54.47	29.10	27.11
SG&A Exp.	1.25	1.19	1.25	1.32	1.09	1.04	1.09	0.92	1.12	1.70
Operating Profit	16.05	19.35	29.33	30.79	19.42	10.96	10.72	53.54	27.98	25.42
Operating Margin	90%	92%	96%	96%	95%	91%	91%	98%	96%	94%
Net Profit	16.05	19.35	29.33	30.79	19.42	10.96	10.72	53.54	27.98	25.42
Net Margin	90%	92%	96%	96%	95%	91%	91%	98%	96%	94%

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2.15	4.40	3.95	3.99	3.29	2.11	2.60	3.13	6.27	2.29
Total Liabilities	1.46	3.80	3.42	3.53	2.86	1.73	2.25	2.86	6.05	2.12
Long-Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book Value	0.68	0.60	0.53	0.47	0.42	0.38	0.35	0.28	0.22	0.16
LTD/E Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Shares Out.	46.61	46.61	46.61	46.61	46.61	46.61	46.61	46.61	46.61	46.61
Revenue/Share	0.38	0.45	0.66	0.69	0.44	0.26	0.25	1.17	0.62	0.58

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

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