



# PermRock Royalty Trust (PRT)

Updated September 24<sup>th</sup>, 2025 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$3.99	<b>5 Year CAGR Estimate:</b>	11.4%	<b>Market Cap:</b>	\$49 M
<b>Fair Value Price:</b>	\$3.28	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	09/30/2025
<b>% Fair Value:</b>	122%	<b>5 Year Valuation Multiple Estimate:</b>	-3.8%	<b>Payment Date:</b>	10/15/2025
<b>Dividend Yield:</b>	10.3%	<b>5 Year Price Target</b>	\$4.39	<b>Years of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Energy	<b>Rating:</b>	Sell

## Overview & Current Events

PermRock Royalty Trust (PRT) is a trust formed in November 2017 by Boaz Energy, a company that is focused on the acquisition, development and operation of oil and natural gas properties in the Permian Basin. The trust derives all its cash flows from profits from the sale of oil and natural gas production from these properties and distributes dividends monthly. PermRock trades with a market capitalization of \$49 million. The stock went public in May 2018.

The Permian Basin is the most prolific oil producing area in the U.S. The properties of PermRock consist of long-life reserves in mature, conventional oil fields, with shallow, predictable decline rates. The trust can pump additional oil via water-flooding techniques, while it can also identify new reserves in the area in the upcoming years.

On March 31, 2025, Boaz Energy completed the sale of the oil and gas properties underlying the Trust to T2S Permian Acquisition II LLC.

On August 13<sup>th</sup>, 2025, PermRock Royalty reported second quarter 2025 results for the period ending June 30, 2025. Net profits income received by the trust was \$1.55 million, compared to \$1.66 million in the prior year quarter. The average realized sale price of oil declined by 16% year-over-year, while natural gas edged up by 8.7%. Distributable income for the trust came to \$1.20 million, down 11% from \$1.35 million in the prior year period and distributable income per unit of \$0.10 was short a penny from \$0.11 in the prior year.

Total cash reserves as of June 30<sup>th</sup>, 2025, were \$1 million, identical to June 30<sup>th</sup>, 2024. Year-to-date, the trust has declared \$0.3105 in distributions.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>DIPU</b>	---	---	---	---	\$1.28	\$0.73	\$0.16	\$0.61	\$1.01	\$0.42	<b>\$0.41</b>	<b>\$0.55</b>
<b>DPU</b>	---	---	---	---	\$1.28	\$0.73	\$0.16	\$0.61	\$1.01	\$0.42	<b>\$0.41</b>	<b>\$0.55</b>
<b>Units<sup>1</sup></b>	---	---	---	---	12.0	12.0	12.0	12.0	12.0	12.2	<b>12.2</b>	<b>12.5</b>

PermRock previously guided for production growth, however, oil and natural gas production volumes have declined every year since 2019. Still, the average realized sales price was higher for both oil and natural gas in 2021 and 2022, but declined in 2023 and 2024. T2S, the new owner of PermRock's properties, expects to drill one injector well and one producer well in Crane County, Texas in 2025.

Given the mature nature of the trust's assets, future production and reserve estimates are somewhat predictable. Moreover, management believes that it can grow production rates via expanded water-flooding operations and drilling of additional wells. Nevertheless, the results of the trust are extremely sensitive to the price of oil and hence it is impossible to predict future earnings with any degree of accuracy. The oil glut in 2020 due to the coronavirus ravaged commodity prices but prices soared in 2022 due to the ongoing war in Ukraine. As with other O&G royalty trusts, this one is highly dependent on commodity prices. Significant increases in oil and natural gas sales prices led to blowout

<sup>1</sup> Unit count in millions

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results in 2022 and 2023, which was a cyclical peak in the company’s results. The average realized sale price of oil (\$/Bbl) was \$75.33 during 2024, a 1.2% decrease compared to the price of \$76.24 in the prior year.

We estimate 6% annual growth in distributable income per unit into 2030 driven by an increase in oil price.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/DI	---	---	---	---	4.6	6.8	10.3	10.8	8.3	9.6	9.7	8.0
Avg. Yld.	---	---	---	---	9.5%	13.0%	4.9%	5.4%	9.6%	10.9%	10.3%	12.5%

PermRock is currently trading at a P/DI ratio of 9.7 based on our estimated DIPU for 2025. As the trust has a short history and it is highly exposed to the price of oil, we prefer to be conservative and assume a fair earnings multiple of 8.0. PermRock is trading above our assumed fair value, thus we expect a -3.8% headwind to total annual returns from a contracting valuation.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

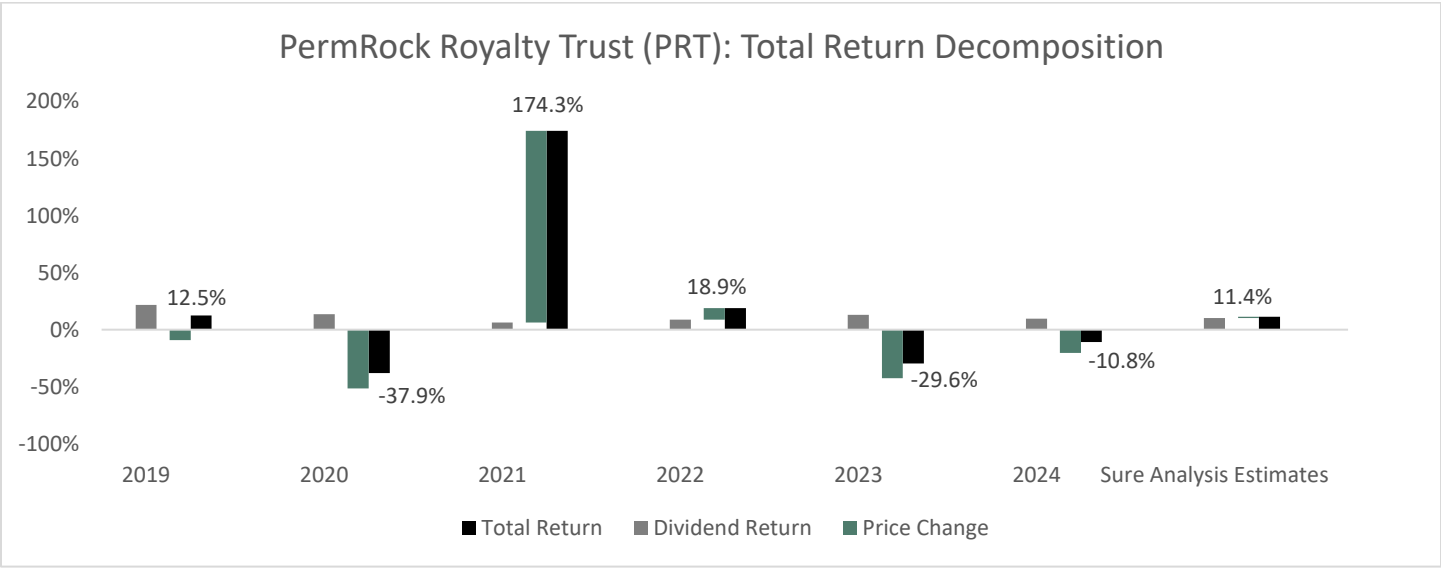
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	100%	100%	100%	100%	100%	100%	100%	100%

The properties of PermRock are in the Permian Basin, the most prolific oil producing area in the U.S. However, a trust may be a poor way to gain exposure to the booming production in the area. A real oil & gas company, either in corporate or MLP form, even if it is not active in this particular oil field, may produce better overall returns in the long term. The large increases in crude oil prices have led to great revenue benefits for the trust and its operations. Suspending the dividend for a few months in 2020 was a cautious move, and with the current outlook, it may not surpass its prior dividend level in the intermediate term.

## Final Thoughts & Recommendation

PermRock Royalty Trust operates in a highly cyclical industry, which renders its results and distributions very volatile from year to year. We forecast annualized total returns of 11.4% over the next half decade stemming from the 10.3% yield and 6.0% distributable income per share growth, offset by a 3.8% valuation headwind. Nevertheless, due to its nonexistent dividend growth streak, PermRock earns a sell rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	18	32	16	18	10	3	8	13	7	6
Gross Profit	5	14		5						
Gross Margin	27.8%	42.6%		27.8%						
SG&A Exp.	3	3	1	3	1	1	1	1	1	1
Operating Profit	0	6	16	0	9	2	7	12	6	5
Operating Margin	0.5%	19.5%	96.0%	0.5%	90.3%	72.5%	90.5%	93.3%	87.1%	85.8%
Net Profit	-6	-2	16	-6	9	2	7	12	6	5
Net Margin	-35.2%	-7.6%	96.0%	-35.2%	84.6%	59.9%	90.5%	93.3%	87.1%	85.8%
Free Cash Flow	-45	-20		-45						

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	119	0	94	119	90	89	86	82	77	74
Cash & Equivalents	1			1						
Accounts Receivable	4	0	0	4	0	0	0	0	0	
Total Liabilities	53	0	1	53	1	0	1	1	0.4	0.6
Accounts Payable	3			3						
Long-Term Debt	36	0	0	36	0	0	0	0	0	0
Shareholder's Equity	66	0	92	66	90	89	85	81	77	73
D/E Ratio	0.54	0.00	0.00	0.54	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
Return on Assets		-4.0%	33.3%		9.6%	2.13%	8.4%	14.7%	7.9%	6.8%
Return on Equity		-7.3%	33.8%		9.7%	2.14%	8.5%	14.8%	7.9%	6.9%
ROIC		-4.7%	33.8%		9.7%	2.14%	8.5%	14.8%	7.9%	6.9%
Shares Out.				12.2	12.2	12.2	12.2	12.2	12.2	12.2
Revenue/Share	1.44	2.61	1.33	1.44	0.86	0.26	0.67	1.08	0.59	0.49
FCF/Share	-3.68	-1.67		-3.68						

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

## Disclaimer

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