



Diamondback Energy (FANG)

Updated February 26th, 2026, by Aristofanis Papadatos

Key Metrics

Current Price:	\$168	5 Year CAGR Estimate:	4.4%	Market Cap:	\$48 B
Fair Value Price:	\$138	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	3/5/26
% Fair Value:	122%	5 Year Valuation Multiple Estimate:	-3.9%	Dividend Payment Date:	3/12/26
Dividend Yield:	2.5%	5 Year Price Target	\$184	Years Of Dividend Growth:	9
Dividend Risk Score:	C	Sector:	Energy	Rating:	Hold

Overview & Current Events

Diamondback Energy (FANG) develops and explores onshore oil and natural gas reserves in the Permian Basin. The profits of the company are extremely sensitive to the prices of oil and gas. To be sure, Diamondback Energy reported earnings-per-share of -\$28.59 in 2020, when oil prices dived due to the pandemic, but posted strong earnings-per-share of \$12.30 in 2021 thanks to the rebound of oil prices. Diamondback was founded in 2007 and is a \$48 billion company.

On September 10th, 2024, Diamondback Energy completed its merger with Endeavor Energy Resources, the largest privately held producer of oil and gas in the Permian Basin, in a \$26 billion cash-and-stock deal (including debt).

Diamondback Energy paid \$8 billion in cash and issued ~117 common shares. The company grew its output 76% thanks to this acquisition and reaped annual synergies of \$550 million. The deal value was 74% of the market cap of Diamondback Energy before the merger and the growth of output was 76%. Given the expected huge synergies from economies of scale, we view the deal as highly positive for Diamondback Energy.

In late February, Diamondback Energy reported (2/23/26) financial results for the fourth quarter of fiscal 2025. The average realized prices of oil and gas decreased significantly over the previous quarter. As a result, earnings-per-share decreased -44%, from \$3.08 to \$1.74, and missed the analysts' consensus by \$0.26. Management provided guidance for average production of 926,000-962,000 barrels per day in 2026, implying 2.5% growth at the mid-point.

Diamondback Energy grew its proved reserves 2% in 2025, on top of 63% growth in 2024, 7% growth in 2023 and 14% growth in 2022. This certainly bodes well for future production growth. However, OPEC is in the process of restoring its production aggressively, with a goal to boost its output by 2.2 million barrels per day until the end of this year. Consequently, a global oil surplus of approximately 2.0 million barrels per day is expected this year. Due to the decrease in the oil price that has resulted from the increased output of OPEC, we expect earnings-per-share of \$11.00 in 2026.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	-\$2.20	\$4.94	\$8.06	\$1.47	-\$28.59	\$12.30	\$24.04	\$18.01	\$16.57	\$13.37	\$11.00	\$14.72
DPS	---	---	\$0.50	\$0.75	\$1.53	\$1.70	\$2.80	\$3.28	\$3.60	\$4.00	\$4.20	\$5.20
Shares	75	98	164	159	158	178	178	179	292	286	280	300

Over the past several years, Diamondback Energy has posted strong earnings-per-share during periods of high oil prices. Diamondback's breakeven point is around \$33 per barrel, so the company incurred excessive losses in 2020, when oil prices remained below \$50 per barrel for most of the year and hit their low of -\$20 per barrel in April.

Diamondback Energy recovered strongly in 2022-2024 thanks to the crisis in Ukraine and deep production cuts of OPEC, which provided a strong support to the price of oil. However, the company is likely to incur a material decrease in its earnings this year due to low oil prices amid a global supply glut. Nevertheless, due to the high cyclicity of the energy market, we expect oil prices to rise in the upcoming years. Given the low comparison base formed by the expected earnings this year, we expect Diamondback Energy to grow its earnings-per-share by 6.0% per year on average over the next five years.

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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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	---	20.3	15.1	---	---	6.9	5.4	7.8	11.3	11.0	15.3	12.5
Avg. Yld.	---	---	0.4%	0.8%	3.4%	2.0%	2.2%	2.3%	1.9%	2.7%	2.5%	2.8%

Diamondback Energy has traded with an average P/E of 11.1 over the last decade and with an average P/E of 8.5 over the last five years. As a cyclical business, Diamondback Energy tends to have higher P/E ratios during periods of lower earnings, and lower P/E ratios during periods of higher earnings. We assume a normalized P/E ratio of 12.5 for the stock, which is now trading at a P/E ratio of 15.3. If the stock trades at our assumed fair valuation level in five years, it will incur a -3.9% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

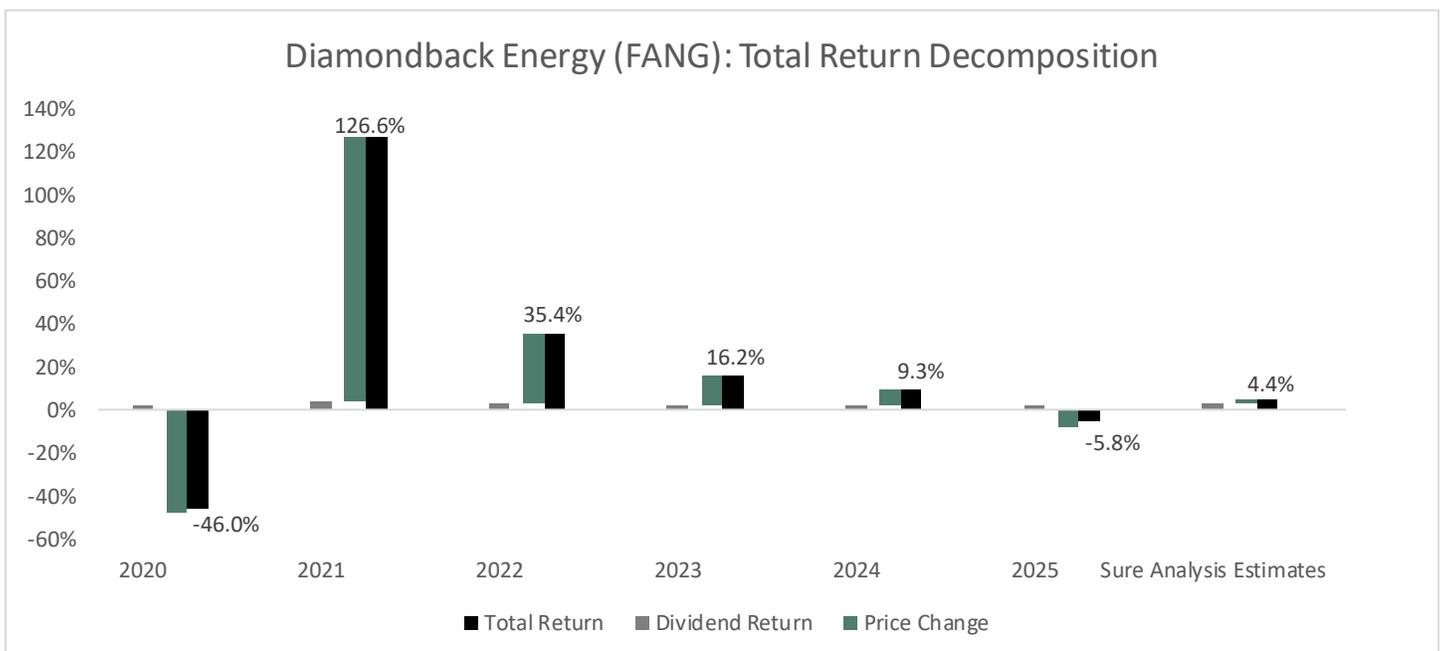
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	6%	51%	---	14%	12%	18%	22%	30%	38%	35%

Diamondback Energy has a highly cyclical business and hence it is susceptible to economic downturns. Still, it does pay a growing dividend and is using its strong cash flows to pay down debt and strengthen its balance sheet. The low payout ratio of 38% is likely to provide a wide margin of safety for the dividend for the foreseeable future. On the other hand, due to its dramatic cyclical nature and its vulnerability to the downturns of the energy sector, the stock is unsuitable for income-oriented investors.

Final Thoughts & Recommendation

Diamondback Energy offers investors a pure play investment in oil and gas prices. Although the stock might not make sense for long term dividend investors due to its volatile earnings and cyclical nature, it could be interesting for investors who expect oil and gas prices to rise. However, we consider the stock unattractive around its current valuation level. The stock could offer a 4.4% average annual return over the next five years, as its 2.5% dividend and 6% growth of earnings-per-share may be partly offset by a -3.9% potential valuation headwind. The stock receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	527	1,205	2,176	3,964	2,813	6,797	9,566	8,339	11,023	15,026
Gross Profit	221	654	1,117	1,593	637	4,231	6,701	4,798	4,972	5,283
Gross Margin	41.9%	54.3%	51.3%	40.2%	22.6%	62.2%	70.3%	57.5%	45.1%	35.2%
SG&A Exp.	43	48	65	104	88	146	144	150	213	---
D&A Exp.	---	---	---	1,454	1,311	1,275	1,344	1,746	2,850	5,038
Operating Profit	177	605	1,047	1,485	545	4,079	6,522	4,581	4,699	4,918
Op. Margin	33.6%	50.2%	48.1%	37.5%	19.4%	60.0%	67.7%	54.9%	42.6%	32.7%
Net Profit	(165)	482	846	240	(4,517)	2,182	4,386	3,143	3,338	1,547
Net Margin	-31.3%	40.0%	38.9%	6.1%	-160.6%	32.1%	45.5%	37.7%	30.3%	10.3%
Free Cash Flow	(859)	(2,413)	(1,911)	(958)	74	1,645	2,712	1,206	(5,374)	(703)
Income Tax	0	(20)	168	47	(1,104)	631	1,174	912	800	327

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	5,350	7,771	21,596	23,531	17,619	22,898	26,209	29,001	67,292	71,059
Cash & Equivalents	1,667	112	215	123	104	654	157	582	161	106
Acc. Receivable	120	232	392	615	337	670	722	846	1,585	1,386
Inventories	2	9	37	37	33	62	67	63	116	86
Total Liabilities	1,331	2,189	7,429	8,625	7,815	9,653	10,519	11,571	27,430	28,092
Accounts Payable	48	95	128	179	71	36	127	261	253	1,168
Long-Term Debt	1,106	1,477	4,464	5,371	5,815	6,687	6,248	6,641	12,975	14,489
Total Equity	3,697	5,255	13,700	13,249	8,794	12,088	15,009	16,625	37,736	36,972
LTD/E Ratio	0.30	0.28	0.33	0.41	0.66	0.55	0.42	0.40	0.34	0.39

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-4.1%	7.3%	5.8%	1.1%	-22.0%	10.8%	17.9%	11.4%	6.9%	2.2%
Return on Equity	-5.9%	10.8%	8.9%	1.8%	-41.0%	20.9%	30.3%	19.0%	11.7%	3.7%
ROIC	-4.3%	7.9%	6.6%	1.2%	-25.2%	12.3%	21.0%	13.7%	8.7%	2.8%
Shares Out.	75	98	164	159	158	178	177	180	214	289
Revenue/Share	7.02	12.34	20.74	24.19	17.81	38.32	54.19	46.33	51.62	51.98
FCF/Share	-11.44	-24.70	-18.21	-5.85	0.47	9.28	15.36	6.70	-25.17	-2.43

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

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