# Sabine Royalty Trust (SBR)

*Updated March 4th, 2026 by Aristofanis Papadatos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $72 | **5 Year CAGR Estimate:** | -2.8% | **Market Cap:** | $1.1 B |
| **Fair Value Price:** | $37 | **5 Year Growth Estimate:** | 3.0% | **Ex-Dividend Date[1]:** | 3/16/2026 |
| **% Fair Value:** | 197% | **5 Year Valuation Multiple Estimate:** | -12.7% | **Dividend Payment Date:** | 3/30/2026 |
| **Dividend Yield:** | 5.1% | **5 Year Price Target** | $42 | **Years Of Dividend Growth:** | 0 |
| **Dividend Risk Score:** | F | **Sector:** Energy | | **Rating:** | Sell |

## Overview & Current Events

Sabine Royalty Trust (SBR) is an oil and gas trust set up in 1983 by Sabine Corporation. At initiation, the trust initially had an expected reserve life of 9 to 10 years but it has surpassed expectations by an impressive margin. The trust consists of royalty and mineral interests in producing properties and proved oil and gas properties in Florida, Louisiana, Mississippi, New Mexico, Oklahoma, and Texas. It is roughly 2/3 oil and 1/3 gas in terms of revenues. 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 royalties. SBR had royalty income of $77.1 million in 2025 and has a current market cap of $1.1 billion.

In late February, SBR reported (2/27/26) financial results for the full fiscal 2025. Production of oil and gas decreased over the prior year. In addition, the average realized price of oil dipped -17% while the average realized price of gas grew 39%. Distributable cash flow per unit dipped -5.5%. Based on its distributions in the first two months of this year, SBR is offering an annualized distribution yield of 5.1% but there is material upside potential for the distribution in 2026 thanks to the ongoing crisis in Iran, which has caused a surge in the price of oil.

## Growth on a Per-Share Basis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DCFU | $1.88 | $2.38 | $3.42 | $3.02 | $2.28 | $3.97 | $8.65 | $6.38 | $5.45 | $5.15 | ***$3.66*** | ***$4.24*** |
| DPU | $1.93 | $2.37 | $3.35 | $3.02 | $2.40 | $3.22 | $8.65 | $6.38 | $5.45 | $5.15 | ***$3.66*** | ***$4.24*** |
| Units[2] | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | ***14.6*** | ***14.6*** |

The trust does not have earnings per se, but rather is a pass-through vehicle for royalty payments – essentially all the royalty income (cash) it receives is passed through to unit holders. About 5%-8% of royalty income is consumed in administrative expenses. The trust has generated an average annual distributable cash flow of $4.26 per unit over the last decade. However, the cash flows of SBR are extremely sensitive to the gyrations of the prices of oil and gas and hence they have resulted in a markedly volatile performance record. Given a somewhat low comparison base this year due to somewhat low distributions in the first two months, we expect 3.0% average annual growth of distributable cash flow per unit over the next five years. Investors should be aware of two significant long-term headwinds, namely the natural decay of the producing fields of SBR and the secular shift from fossil fuels to clean energy sources. Moreover, we believe that the well-known cyclicality of oil prices will remain the norm and thus we expect oil prices to somewhat appreciate in the upcoming years vs. a low base in 2025.

## Valuation Analysis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P/DCFU | 16.3 | 16.7 | 12.0 | 14.6 | 13.4 | 9.4 | 7.9 | 10.9 | 11.6 | 13.4 | ***19.7*** | ***10.0*** |
| Avg. Yld. | 6.3% | 5.9% | 8.2% | 6.8% | 7.9% | 8.6% | 12.6% | 9.1% | 8.6% | 7.5% | ***5.1%*** | ***10.0%*** |

[1] Estimated date.

[2] Average Weighted Unit count is in millions.

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SBR has traded at an average price-to-distributable cash flow ratio of 12.6 over the last decade. However, this average multiple seems quite high given the risk of a royalty trust. It is critical to note that the trust has a limited lifetime and hence its returns will be greatly affected by the commodity prices that will prevail throughout this period. When the music begins to slow down on one of these trusts (i.e., the end of reserves comes into view) or the market gets the slightest hint that the music will slow, the price of a unit often plummets. As a result, investors should pay extra attention to the valuation of SBR before investing in it. We assume a fair DCFU multiple of 10.0 for SBR. If the stock trades at our fair value estimate in five years, it will incur a -12.7% annualized drag in its returns.

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

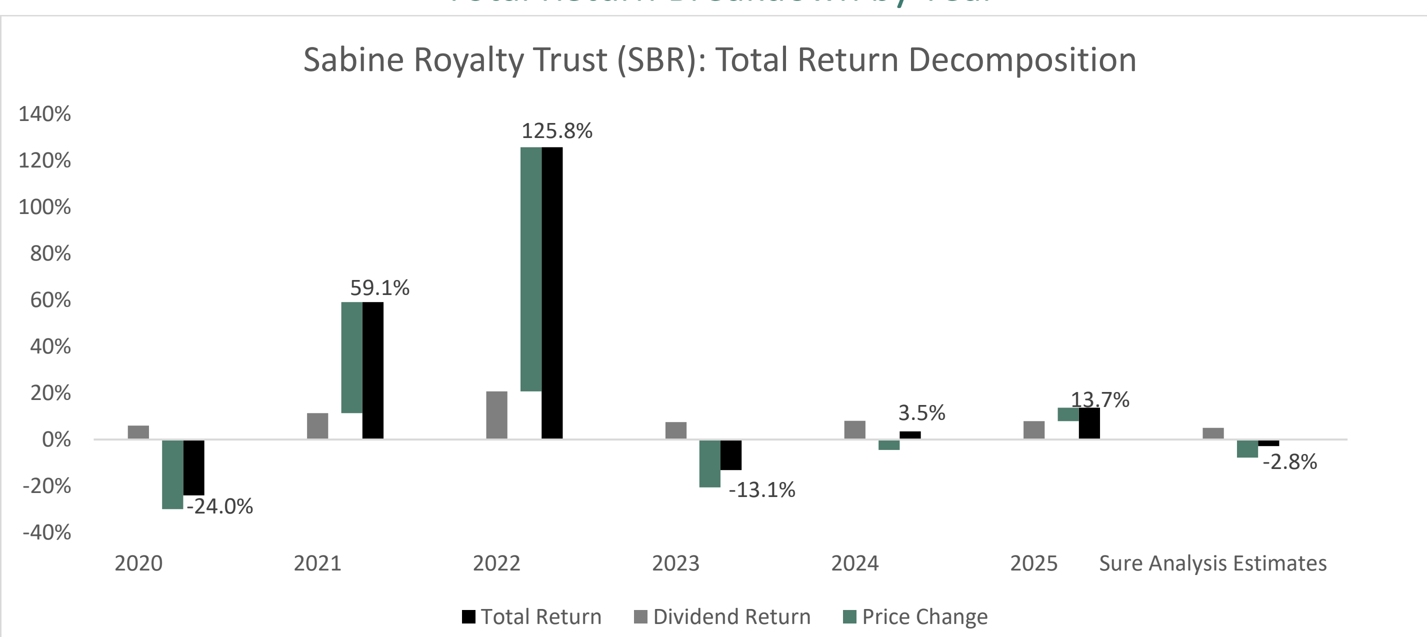
| **Year** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2031** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 103% | 100% | 98% | 100% | 105% | 81% | 100% | 100% | 100% | 100% | ***100%*** | ***100%*** |

On the positive side, the trust has been in continuous existence for 43 years paying a 10-year average yield of 8.2%, albeit with considerable volatility in the distributions. Considering that the initial expected life was just 10 years, this longevity is certainly impressive. We also note that the proved developed reserves of SBR have grown 47% since the end of 2021. For some investors, there may be tax advantages resulting from passed-through depletion allowances. However, it is critical to note the pronounced vulnerability of SBR to a downturn in the energy sector, partly due to its limited time horizon. If the energy market incurs a prolonged downturn, it will greatly hurt the returns of SBR. Overall, while the 5.1% distribution yield may entice some income-oriented investors, we believe that the trust is not suitable for most of them due to its huge downside risk in the event of a downturn.

## Final Thoughts & Recommendation

SBR has been thriving in the last four years, mostly thanks to the conflict between Russia and Ukraine and the restricted quotas of OPEC, which have resulted in above-average oil prices. The trust is also likely to benefit from the ongoing crisis in Iran, which has triggered a surge in oil prices. However, we consider the stock unattractive from a long-term perspective due to its rich valuation. We expect SBR to offer a -2.8% average annual return over the next five years, as its 5.1% initial distribution yield and 3.0% growth of distributable income may be offset by a -12.7% valuation headwind. The stock maintains its sell 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** | 30 | 37 | 52 | 47 | 36 | 61 | 126 | 93 | 83 | 78 |
| **Gross Profit** | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | - |
| **Gross Margin** | (0) | (0) | | | | | | | | |
| **SG&A Exp.** | - | - | - | - | - | - | - | - | - | - |
| **Operating Profit** | 27 | 35 | 50 | 44 | 33 | 58 | 122 | 89 | 79 | 73 |
| **Operating Margin** | 91.5% | 93.3% | 95.0% | 93.9% | 91.6% | 95.0% | 97.4% | 96.2% | 95.7% | 93.6% |
| **Net Profit** | 27 | 35 | 50 | 44 | 33 | 58 | 123 | 90 | 80 | 73 |
| **Net Margin** | 91.5% | 93.5% | 95.3% | 94.2% | 91.7% | 95.0% | 97.6% | 97.0% | 96.5% | 93.6% |

## Balance Sheet Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Assets** | 5 | 5 | 9 | 7 | 5 | 16 | 16 | 9 | 9 | 8 |
| **Total Liabilities** | 1 | 1 | 4 | 1 | 1 | 1 | 5 | 1 | 1 | 1 |
| **Long-Term Debt** | - | - | - | - | - | - | - | - | - | - |
| **Partner's Equity** | 4 | 5 | 6 | 6 | 4 | 15 | 11 | 9 | 9 | 7 |
| **LTD/E Ratio** | - | - | - | - | - | - | - | - | - | - |

## Profitability & Per Share Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Return on Assets** | 484.2% | 657.5% | 675.0% | 537.8% | 561.4% | 543.9% | 752.7% | 701.8% | 852.3% | 869.4% |
| **Return on Equity** | 572.2% | 770.2% | 973.2% | 778.4% | 691.3% | 612.5% | 932.5% | 903.9% | 922.5% | 944.3% |
| **ROIC** | 572.2% | 770.2% | 973.2% | 778.4% | 691.3% | 612.5% | 932.5% | 903.9% | 922.5% | 944.3% |
| **Shares Out.** | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 | 14.6 |
| **Revenue/Share** | 2.06 | 2.55 | 3.59 | 3.21 | 2.49 | 4.18 | 8.63 | 6.38 | 5.66 | 5.32 |
| **DCF/Share** | 1.88 | 2.38 | | | | | | | | |

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