Valero Energy Corporation (VLO)

Updated May 8th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$236	**5 Year CAGR Estimate:**	-5.2%	**Market Cap:**	$70 B
Fair Value Price:	$149	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	5/21/2026
% Fair Value:	159%	**5 Year Valuation Multiple Estimate:**	-8.8%	**Dividend Payment Date:**	6/23/2026
Dividend Yield:	2.0%	**5 Year Price Target**	$156	**Years Of Dividend Growth:**	4
Dividend Risk Score:	F	**Sector:** Energy		**Rating:**	Hold

Overview & Current Events

Valero, a $70 billion market cap business, is the largest petroleum refiner in the U.S. It owns 14 refineries in the U.S., Canada and the U.K. and has a total capacity of about 3.0 million barrels/day. It also produces renewable diesel and has a midstream segment, Valero Energy Partners LP, but its contribution to total earnings is under 10%. Valero should be viewed as a nearly pure refiner.

U.S. refiners faced a severe downturn in 2020-2021 due to the pandemic, which caused a collapse in the consumption of oil products. Refining margins plunged and hence all the U.S. refiners incurred hefty losses in 2020. However, as the pandemic has subsided, global oil demand has recovered.

In late April, Valero reported (4/30/26) results for the first quarter of 2026. Refining margins surged over the prior year's quarter. As a result, earnings-per-share more than quadrupled over the prior year's quarter, from $0.89 to $4.22, exceeding the analysts' consensus by a massive $1.06. Valero has not missed the analysts' estimates for 31 consecutive quarters. Refining margins remained elevated since early 2022 thanks to strong demand for oil products, the permanent shutdown of some refineries around the globe since 2020 due to the pandemic and tight supply due to the Ukrainian crisis and the crisis in Iran lately. They returned to normal levels last year but they have expanded significantly in the last three quarters. We also expect the refiner to greatly benefit from an expected increase of Venezuelan crude oil in its feedstock mix this year thanks to the recent intervention of the U.S. in the Latin American country. As Valero exceeded expectations by a wide margin, we have raised our forecast for earnings-per-share in 2026 from $11.20 to $12.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$4.94	$4.96	$7.37	$5.70	-$3.12	$2.81	$29.16	$24.90	$8.48	$10.61	***$12.00***	***$12.61***
DPS	$2.40	$2.80	$3.20	$3.60	$3.92	$3.92	$3.92	$4.08	$4.28	$4.52	***$4.80***	***$5.04***
Shares[1]	464	444	422	410	407	408	381	338	315	303	***290***	***280***

As shown in the above table, the earnings of Valero are extremely sensitive to the cycles of refining margins. Valero was severely hurt by the pandemic in 2020-2021 and froze its dividend for 12 consecutive quarters, thus putting an end to its 10-year dividend growth streak. However, it has been thriving since 2022 thanks to the aforementioned tailwinds and thus it has raised its dividend by 6% this year. Moreover, it has a promising pipeline of growth projects for the next three years. These projects aim to lower carbon intensity and improve refining margins. Nevertheless, as refining margins are highly cyclical, we have assumed just 1% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.9	14.3	13.8	14.9	---	25.5	3.8	5.1	17.2	13.6	***19.7***	***12.4***
Avg. Yld.	4.1%	4.0%	3.1%	4.2%	6.7%	5.5%	3.6%	3.2%	2.9%	3.1%	***2.0%***	***3.2%***

[1] In millions.

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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Valero is currently trading at 19.7 times its expected earnings-per-share this year. This earnings multiple is much higher than the 10-year average price-to-earnings ratio of 12.4 of the stock. If the stock trades at its average valuation level in five years, it will incur an -8.8% annualized drag due to the contraction of its price-to-earnings ratio.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48.6%	56.5%	43.4%	63.2%	---	140%	13%	16.4%	50.5%	42.6%	***40.0%***	***40.0%***

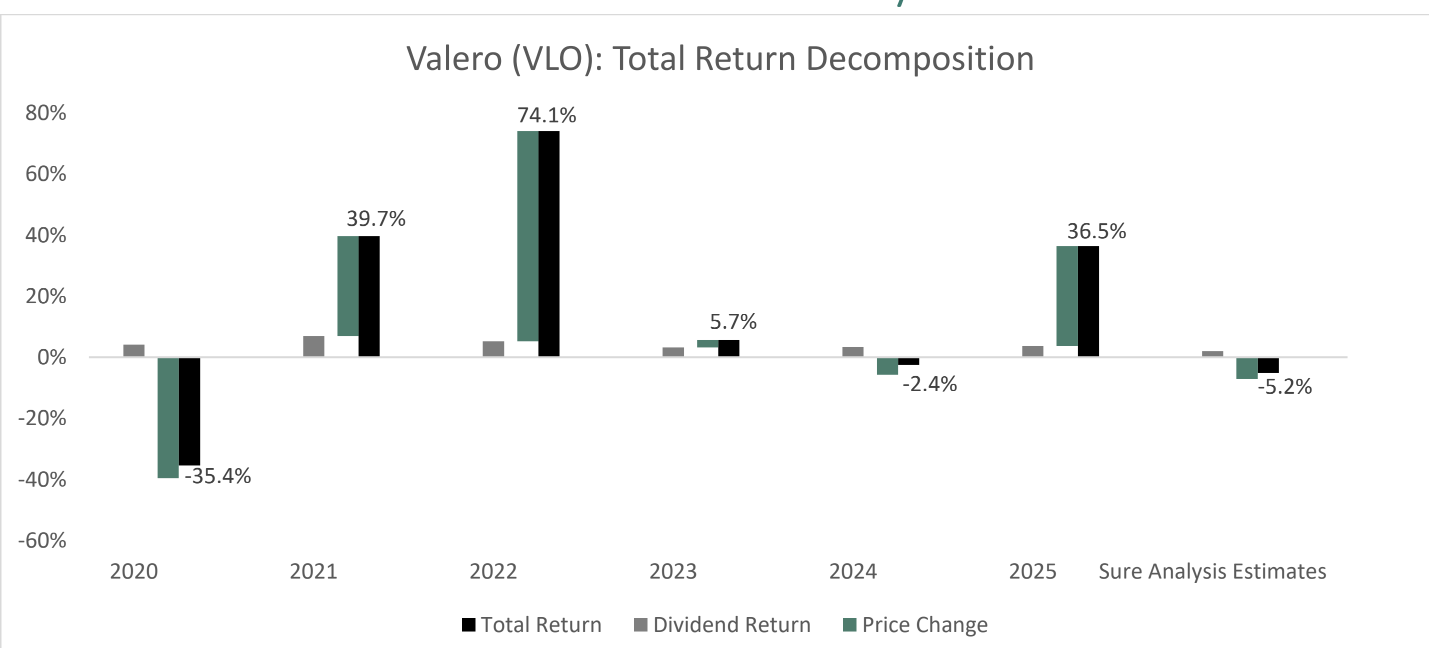
Refining is a highly cyclical business and hence all the refiners are vulnerable to declining crack spreads. Crack spreads tightened significantly during the Great Recession, when the demand for oil products greatly deteriorated and gasoline became cheaper than crude oil for almost three months. As a result, Valero posted operating losses. A similar picture was evident in 2020-2021 due to the pandemic, as the prices of refined products fell more than the price of crude oil, thus exerting pressure on refining margins. On the bright side, Valero has a competitive advantage over its peers, namely the high complexity of its refineries, which enables the company to benefit from the gyrations of oil prices and refined products by optimizing its blend of feedstock and products.

Nevertheless, investors should note that U.S. refiners have now lost a significant past advantage. During the fierce downturn of the refining sector within 2011-2013, about 20% of refineries worldwide went out of business. The domestic refiners were not affected, as they were protected thanks to the ban on oil exports that prevailed back then. However, now that the ban has been lifted, they are more vulnerable and thus they all incurred material losses in 2020.

Final Thoughts & Recommendation

Valero has been thriving over the last four years thanks to strong demand for oil products and low global inventories of oil products due to the crises in Ukraine and Iran and the permanent shutdown of some refineries due to the pandemic. However, we view the stock as unattractive from a long-term perspective. It could offer a -5.2% average annual return over a 5-year period, as 1% growth of earnings-per-share and a 2.0% dividend may be offset by an -8.8% valuation headwind. The stock receives a hold rating. Valero is likely to have material downside risk upon the next downturn of the refining industry.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue ($B)	75.66	93.98	117.03	108.3	64.9	114.0	176.4	144.8	129.9	122.7
Gross Profit	4,299	4,453	5,542	4,725	-788	3,082	16,751	12,889	4,760	5,369
Gross Margin	5.7%	4.7%	4.7%	4.4%	-1.2%	2.7%	9.5%	8.9%	3.7%	4.4%
SG&A Exp.	709	829	925	868	756	865	992	998	961	1,042
D&A Exp.	1,894	1,986	2,069	2,255	2,351	2,405	2,473	2,701	2,774	3,158
Operating Profit	3,590	3,563	4,572	3,836	-1,579	2,130	15,693	11,858	3,755	4,312
Operating Margin	4.7%	3.8%	3.9%	3.5%	-2.4%	1.9%	8.9%	8.2%	2.9%	3.5%
Net Profit	2,289	4,065	3,122	2,422	-1,421	930	11,528	8,835	2,770	2,450
Net Margin	3.0%	4.3%	2.7%	2.2%	-2.2%	0.8%	6.5%	6.1%	2.1%	2.0%
Free Cash Flow	3,542	4,103	2,619	3,537	-840	4,304	10,893	8,318	5,776	3,941
Income Tax	765	-949	879	702	-903	255	3,428	2,619	692	759

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	46,173	50,158	50,155	53,864	51,774	57,888	60,982	63,056	60,143	59,265
Cash & Equivalents	4,816	5,850	2,982	2,583	3,313	4,122	4,862	5,424	4,657	4,715
Acc. Receivable	5,687	6,784	6,984	8,058	4,807	9,968	10,761	11,038	9,731	8,717
Inventories	5,709	6,384	6,532	7,013	6,038	6,265	6,752	7,583	7,761	7,591
Goodwill & Int.	148	142	567	543	508	478	462	443	411	383
Total Liabilities	25,319	27,258	27,424	31,328	32,132	38,071	35,514	34,532	32,622	32,660
Accounts Payable	6,357	8,348	8,594	10,205	6,082	12,495	12,728	12,567	12,092	10,139
Long-Term Debt	8,001	8,872	9,109	9,672	13,013	11,950	9,241	9,218	10,463	11,284
Total Equity	20,024	21,991	21,667	21,803	18,801	18,430	23,561	26,346	24,512	23,725
D/E Ratio	0.40	0.40	0.42	0.44	0.69	0.65	0.39	0.35	0.43	0.49

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	5.1%	8.4%	6.2%	4.7%	-2.7%	1.7%	19.4%	14.2%	4.5%	3.7%
Return on Equity	11.3%	19.4%	14.3%	11.1%	-7.0%	5.0%	54.9%	32.7%	9.9%	8.3%
ROIC	8.0%	13.4%	9.8%	7.6%	-4.4%	2.9%	34.7%	24.4%	7.1%	5.8%
Shares Out.	464	444	422	410	407	408	396	353	322	309
Revenue/Share	163.06	211.67	273.44	261.65	159.49	280.04	445.41	410.10	403.36	397.15
FCF/Share	7.63	9.24	6.12	9.09	-1.45	10.57	27.51	25.56	17.94	12.75

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