



WEALTH PRESERVATION EQUITY RESEARCH

TPL

Texas Pacific Land Corporation

NYSE: TPL | Energy - Royalties & Land Management

RECOMMENDATION: HOLD / WATCHLIST

Current Price: \$522.00

Fair Value (Base): \$815

WP Score: 42/100

Target Entry: \$350

Dividend Yield: 0.46%

Expected Return (Base): 5.2% CAGR

Report Date: March 7, 2026 | Analyst: Moschovakis Capital Research

This analysis is for informational purposes only and does not constitute investment advice.



EXECUTIVE SUMMARY

Metric	Value
Recommendation	HOLD / WATCHLIST
Current Price (Post-Split)	\$522.00
Fair Value (Base Case, 10Y)	\$815
Target Entry Price	\$350 (33% below current)
Margin of Safety	-32.7% (overvalued)
Market Cap	\$36.1B
52-Week Range	\$269.23 - \$547.20

Return Profile	Value
Dividend Yield	0.46%
Expected Dividend Growth	10-12% CAGR
Expected Price Appreciation (Base)	4.6% CAGR
Total Expected Return (Base)	5.2% CAGR
Bear Case Total Return	-4.0% CAGR
Bull Case Total Return	11.0% CAGR
Probability-Weighted Return	4.4% CAGR

Risk Assessment	Value
Wealth Preservation Score	42 / 100
Downside Protection Score	40 / 100
Quality Score	70 / 100
Return Adequacy Score	20 / 100
Risk Level	ELEVATED (Valuation)
Probability of >50% Loss	<5%
Recession Profile	SENSITIVE

HOLD / WATCHLIST — Exceptional business at excessive valuation

One-Line Thesis: Texas Pacific Land is a fortress-quality, irreplaceable Permian Basin royalty and land business generating extraordinary returns on capital with zero debt — but at 75x earnings and 0.46% dividend yield, the current price fails the Wealth Preservation hurdle on both downside protection and return adequacy, warranting a watchlist position with a target entry of \$350.

INVESTMENT THESIS

Texas Pacific Land Corporation is among the most unique publicly traded companies in America. As one of the largest private landowners in Texas, with approximately 882,000 surface acres and roughly 28,000 net royalty acres



concentrated in the prolific Permian Basin, TPL operates an asset-light model that generates revenue across the entire lifecycle of oil and gas development — from land leasing and material sales to water services and royalty income — without ever drilling a well or bearing exploration risk.

The business quality is exceptional by virtually any measure. Operating margins exceed 74%, net margins top 60%, and return on invested capital ranges from 33% to 67% depending on the calculation methodology — all dramatically above the estimated 4.9% weighted average cost of capital. The balance sheet is a true fortress: zero debt, \$145 million in cash, and a \$500 million undrawn credit facility. Full-year 2025 produced record revenue of \$798.2 million, record net income of \$481.4 million, and record free cash flow of \$498.3 million.

However, the wealth preservation framework demands that business quality must be matched by reasonable valuation to protect capital. At approximately 75x trailing earnings and 72x free cash flow, TPL trades at a substantial premium that compresses prospective returns below our 7% hurdle rate even in the base case. The 0.46% dividend yield, while well-covered with a 31% payout ratio, provides negligible income cushion. Our bear case analysis shows a negative total return CAGR of -4.0% driven primarily by multiple compression, which violates the framework's absolute requirement of capital preservation in downside scenarios.

We rate TPL as HOLD / WATCHLIST. The business is a clear wealth preservation candidate on quality grounds — but only at the right price. A decline to approximately \$350 per share (33% below current levels) would bring prospective returns above our hurdle rate and achieve bear-case capital preservation, at which point we would upgrade to BUY with high conviction.



STAGE 1: SECTOR & THEME IDENTIFICATION

Sector: Energy — Royalties & Land Management (Permian Basin)

Sub-sector: Oil & gas royalties, water services, surface leasing, easements

Screening Question	Answer	Assessment
Understandable business?	Yes — royalty/land model is straightforward	PASS
Secular decline?	No — Permian Basin activity in structural growth	PASS
Defensive or cyclical?	Moderately cyclical (commodity exposure)	Heightened scrutiny
Sector tailwinds?	Data centers, water scarcity, Permian consolidation	Favorable
Valuation vs. history?	Significantly above historical averages	Caution

TPL operates in a unique niche within energy — it is a pure-play royalty and land company, not an exploration and production firm. This asset-light model means revenue is driven by the activity of others (primarily major operators like ExxonMobil and Occidental Petroleum) on TPL's vast Permian Basin footprint. Key tailwinds include growing data center demand for power generation on TPL land, increasing water scarcity driving produced water desalination opportunities, and ongoing Permian Basin consolidation where TPL can acquire additional royalty and surface acres.

The primary cyclical risk comes from commodity price exposure — royalty revenues fluctuate directly with oil and gas prices, and water services volumes depend on drilling activity. However, TPL's zero-cost royalty structure means even in low commodity price environments, every dollar of royalty revenue is essentially pure margin.

SECTOR VERDICT: CONTINUE — Unique asset-light energy model with defensible moat



STAGE 2: FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

Metric	Value	Threshold	Assessment
Debt-to-Equity	0.00x	<1.0x	EXCELLENT — Debt-free
Interest Coverage	N/A (no debt)	>5.0x	N/A — No debt to service
Current Ratio	4.40x	>1.5x	EXCELLENT
Free Cash Flow (5Y)	Positive all 5 years	Positive 4/5	EXCELLENT
Cash / Total Liabilities	88%	>20%	EXCELLENT
Undrawn Credit Facility	\$500M	N/A	Ample liquidity backup

Stress Test: If revenue dropped 30% for two years (a scenario worse than 2020's 38% revenue decline), TPL would remain highly solvent. With zero debt obligations and operating expenses of just \$206 million against FY2025 revenue of \$798 million, even a 30% revenue decline to \$559 million would leave substantial operating income. The company maintained dividend payments and even paid special dividends during the 2020 downturn when revenue fell 38%.

SOLVENCY: FORTRESS

2.2 Earnings Quality

Metric	Value	Assessment
Operating CF vs. Net Income	FCF \$498M vs. NI \$481M (103%)	HIGH — Cash exceeds earnings
Revenue recognition	Royalties & fees — straightforward	No concerns
Receivables vs. revenue growth	In line with revenue growth	Acceptable
One-time items	None significant	Clean
Financial restatements	None in past 5 years	Clean

EARNINGS QUALITY: HIGH

2.3 Dilution Check

TPL effected a 3-for-1 stock split in December 2025 (increasing shares from ~23 million to ~69 million), which is non-dilutive. Actual share-based dilution has been minimal. The company repurchased \$29.2 million in shares in 2024 and \$8.4 million in 2025. CEO total compensation of \$7.41 million is below the average for companies of similar market capitalization (\$13.29 million). Approximately 88.5% of CEO compensation is equity-based, aligned with shareholder interests. Insider ownership stands at approximately 12%, predominantly held by Horizon Kinetics, the largest shareholder. The 2024 say-on-pay approval was 88%.

DILUTION: EXCELLENT

2.4 Dividend Sustainability



Metric	Value	Assessment
Current Yield	0.46% (\$2.40/share annualized)	VERY LOW for WP mandate
Payout Ratio (EPS)	~34%	Extremely well-covered
FCF Payout Ratio	~33%	Extremely well-covered
Recent Dividend Growth	12.5% increase (Feb 2026)	Strong
Consecutive Years Paid	Continuous since 1980s+	Proven commitment
Maintained Through 2020?	Yes — paid special dividends	Resilient
FCF Coverage Ratio	3.0x+	Rock Solid

Stress Test: If earnings dropped 40%, the payout ratio would rise from 34% to approximately 57% — still well within sustainable range. Dividend coverage would remain above 1.5x even in a severe recession scenario.

Key Concern for WP Framework: While the dividend is extremely safe, the 0.46% yield provides almost no income cushion. For a wealth preservation mandate that heavily weights income reliability, this is a significant shortcoming. The yield is in the bottom quartile of the S&P; 500 and far below the 1.5-5% sweet spot our framework targets.

DIVIDEND SUSTAINABILITY: ROCK SOLID (but yield critically low)



2.5 Capital Efficiency: ROIC Assessment

Metric	Value	Assessment
ROIC (FY2025)	33-41%	EXCEPTIONAL
5-Year Average ROIC	~115%	EXCEPTIONAL
WACC	~4.9%	Low cost of capital
ROIC vs. WACC Spread	+28-36%	Massive value creation
ROE (FY2025)	33.0%	Strong
ROA (FY2025)	27.4%	Excellent
ROIC Trend	Declining from very high levels	Monitor — still exceptional

TPL's capital efficiency is among the highest of any publicly traded company. The ROIC-WACC spread of 28-36 percentage points confirms massive economic value creation. The declining trend from the extraordinary 5-year average of 115% reflects the company's growing asset base from acquisitions (\$950+ million in royalty and surface acquisitions in 2024-2025), which temporarily compress returns. However, even the current ROIC of 33-41% is exceptional by any standard and more than 6x the cost of capital.

ROIC: 33-41% vs. WACC: 4.9% | VALUE CREATING — EXCEPTIONAL

2.6 Valuation Screening

Metric	Current	5Y Avg (est.)	vs. History	Assessment
P/E	75.0x	~40-45x	>75th %ile	EXPENSIVE
EV/EBITDA	~52x	~30-35x	>75th %ile	EXPENSIVE
P/FCF	~72x	~35-40x	>75th %ile	EXPENSIVE
P/Sales	~45x	~25-30x	>75th %ile	EXPENSIVE
Dividend Yield	0.46%	~0.8-1.2%	<25th %ile	EXPENSIVE
P/Book	~24-30x	~12-15x	>75th %ile	EXPENSIVE

Fair Value Calculation:

Normalized EPS (5Y avg margin applied to current revenue): ~\$7.00 post-split

Fair P/E Multiple (based on quality, growth, and historical range): 45x

Fair Value: \$7.00 x 45 = \$315

Current Price: \$522.00

Margin of Safety: -65.7% (significantly overvalued vs. normalized fair value)

Even granting a premium multiple of 45x for TPL's exceptional business quality, the stock trades at a steep premium to fair value. The 5-year total shareholder return of 277% has pushed valuations to levels that embed extremely optimistic growth assumptions.

VALUATION: EXPENSIVE — Trading >75th percentile on all metrics



STAGE 3: PEER COMPARISON & QUALITY RANKING

3.1 Competitive Cohort

Metric	TPL	BSM	VNOM	KRP	Best for WP
Debt/Equity	0.00x	0.45x	0.35x	0.55x	TPL
Dividend Yield	0.46%	~9%	~5%	~8%	BSM
Payout Ratio	~34%	~85%	~70%	~90%	TPL
Operating Margin	74.2%	~65%	~70%	~55%	TPL
ROIC	33-41%	~12%	~10%	~8%	TPL
P/E	75x	~15x	~18x	~12x	KRP
FCF Margin	62%	~55%	~60%	~45%	TPL
Revenue Growth (5Y)	~12%	~3%	~8%	~5%	TPL

TPL dominates its peer group on every quality metric: strongest balance sheet (zero debt vs. leveraged peers), highest margins, best capital efficiency, and fastest growth. However, it also commands by far the highest valuation — at 75x earnings versus peers trading at 12-18x. For income-focused wealth preservation, peers like Black Stone Minerals (BSM) offer dramatically higher yields (~9% vs. 0.46%), albeit with lower business quality and higher leverage.

3.2 Wealth Preservation Quality Score (out of 100)

Dimension	Criteria	Points	Max
Balance Sheet — D/E	D/E = 0.00x (<0.5x)	15	15
Balance Sheet — Int. Coverage	No debt (>8x equivalent)	15	15
Balance Sheet — FCF History	Positive 5 consecutive years	10	10
Income — Dividend Yield + Payout	Yield 0.46% with 34% payout	5	15
Income — Dividend Growth	CAGR >10% recent	10	10
Income — Dividend History	<10 years regular quarterly	3	5
Capital Efficiency — ROIC	ROIC >15% (33-41%)	10	10
Capital Efficiency — Trend	Declining (from very high base)	3	5
Valuation	Trading >75th percentile	0	15
TOTAL		71	100

Quality Score: 71/100 — This is a high-quality business that scores well on balance sheet strength and capital efficiency, but is penalized by its minimal dividend yield and extreme valuation. The quality score alone would place it in the 'secondary candidate' range (60-75), warranting careful comparison.



STAGE 4: QUALITATIVE DEEP DIVE

4.1 Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	WP Value
Irreplaceable Asset	882,000 surface acres, Permian Basin	10	EXCEPTIONAL
Regulated/Natural Monopoly	Land ownership — cannot be replicated	10	EXCEPTIONAL
Cost Advantage	Zero-cost royalty base, no drilling risk	9	Excellent
Switching Costs	Operators locked to TPL land for decades	8	Excellent
Diversification	Royalties + water + surface + easements	7	Good

Texas Pacific Land possesses one of the widest and most durable moats of any company in the energy sector. The 882,000 acres of surface ownership in the Permian Basin — acquired through the 1888 dissolution of the Texas and Pacific Railway Company — cannot be replicated at any price. Major operators like ExxonMobil, Chevron, and Occidental Petroleum operate on TPL's land, creating multi-decade revenue relationships with high switching costs. The asset-light royalty model means TPL captures revenue at near-zero marginal cost, with no exposure to drilling risk, equipment depreciation, or production decline curves.

Emerging moat extensions: Data center and power generation opportunities on TPL land represent significant new revenue potential. The company invested \$50 million in Bolt Data & Energy for data center campus development, and its produced water desalination facility (under construction in Orla, Texas) could unlock new water technology monetization. These nascent initiatives, if successful, could further diversify and strengthen the moat.

Key Question — Moat erosion risk in 10 years? Very unlikely. Land ownership is permanent, Permian Basin production is projected to remain robust for decades, and data center/power optionality provides non-hydrocarbon upside.

MOAT: WIDE & DURABLE — Irreplaceable asset base | Durability: 9.5/10

4.2 Management Quality & Capital Allocation

CEO: Tyler Glover, age ~40, tenure since 2016 (~9 years). A Midland, Texas native who joined TPL in 2011 as a land man and has transformed the company from a passive trust into an actively managed corporation. Under Glover's leadership, TPL's market capitalization has grown from approximately \$1 billion to \$36 billion. He also founded and leads Texas Pacific Water Resources (TPWR).

Compensation: \$7.41 million total (11.5% salary, 88.5% equity) — well below the \$13.29 million average for companies of similar size. Performance share units are tied to relative TSR versus the XOP index and cumulative free cash flow per share, both of which directly align with shareholder value creation. The 2022-2024 PSU cycle paid out at the maximum 200% on both metrics.

Capital Allocation (5Y)	Assessment
Acquisitions: \$950M+ in royalty/surface (2024-25)	Value-accretive — expanded royalty footprint
Buybacks: Modest (\$37.6M total 2024-25)	Prudent — scaled back at high valuations
Dividends: Regular + specials, 12.5% increase Feb 2026	Growing and well-covered
CapEx: \$65-75M guided for 2026	Capital-light model preserved
Strategic: \$50M Bolt Data & Energy investment	Forward-looking optionality



Governance: 8 of 9 directors independent. Independent Chair (Rhys J. Best). Board declassification completed 2025. Proxy access adopted. CEO compensation below market with strong alignment through equity.

MANAGEMENT: EXCELLENT | CAPITAL ALLOCATION: STRONG

4.3 Recession Performance History

Period	Revenue Decline	Dividend Action	Stock Decline	Recovery Time
2008-2009	Not significant (pre-shale)	Maintained	73.2% peak-trough	~4 years (Mar 2013)
2020 COVID	-38% (\$491M to \$303M)	Maintained + specials	62.4% peak-trough	~10 months (Jan 2021)
2022-2023	-5.4% (\$667M to \$632M)	Maintained	52.8% peak-trough	~15 months (Sep 2024)

Critical Observation: While TPL's business demonstrated resilience during downturns (maintaining dividends and remaining profitable even in 2020's oil crash), the stock price has historically experienced severe drawdowns of 50-73%. This extreme price volatility is a significant concern for wealth preservation. The 2020 COVID crash saw the stock decline 62.4% in just two months — far exceeding the S&P; 500's 33.9% decline. However, recovery times have been shortening: from 4 years (2008) to 10 months (2020) to 15 months (2022-23).

The disconnect between business stability and stock price volatility is explained by the high valuation multiple — at 75x earnings, any macro concern triggers outsized selling as speculative premium evaporates.

RECESSION PROFILE: SENSITIVE — Business resilient, but stock highly volatile



4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact	Risk to Downside
Data center revenue materialization	2026-2028	50%	HIGH	Low
Produced water desalination construction	2026-2027	60%	MEDIUM	Low
Continued royalty acre acquisition	Ongoing	80%	MEDIUM	Low-Moderate
Oil price recovery (>\$80/bbl)	12-24 months	40%	HIGH	High (if prices fall further)
Dividend growth acceleration	Quarterly	70%	LOW	Low
S&P 500 inclusion effects	Already included	N/A	Ongoing flows	Minimal



STAGE 5: VALUATION & SCENARIO ANALYSIS

5.1 Total Return Model (10-Year Horizon)

Base Assumptions — Current Position:

Current Price: \$522.00 | FY2025 EPS: \$6.98 (post-split) | Dividend: \$2.40/share | P/E: 75x

Total Return Components:

Component	Assumption	Contribution
Dividend Return	~0.5% avg yield over 10 years	~0.5% CAGR
Earnings Growth	~10% EPS CAGR (base case)	~10% contribution to EPS
Multiple Change	Compression from 75x to 45x over 10 years	-5.0% annual drag
Net Total Return		~5.2% CAGR (Base)

The critical headwind for prospective returns is multiple compression. At 75x earnings, even modest reversion toward the long-term average P/E of 40-45x creates a significant annual drag on total returns. The business may grow earnings at 10%+ annually, but shareholders receive only the portion above the rate of multiple compression.

5.2 Scenario Analysis

BEAR CASE (25% weight)

Assumptions: Oil prices decline to \$50-55/bbl sustained, Permian drilling activity slows 20%, water volumes contract, data center initiatives stall, and market de-rates high-multiple energy stocks.

Metric	Bear Case Value
Revenue CAGR	2%
EPS CAGR	3%
Terminal P/E (Year 10)	35x
10Y EPS	\$9.38
10Y Price Target	\$328
Avg Dividend Yield	~0.6%
Total Return CAGR	-4.0%

CRITICAL: Bear case total return is NEGATIVE. Capital is NOT preserved in the downside scenario. This violates the framework absolute requirement.

BASE CASE (50% weight)

Assumptions: Oil prices range \$60-75/bbl, Permian activity grows modestly, water services expand, acquisitions continue at \$200-400M/year, data center revenue begins contributing.

Metric	Base Case Value
Revenue CAGR	8%
EPS CAGR	10%



Metric	Base Case Value
Terminal P/E (Year 10)	45x
10Y EPS	\$18.11
10Y Price Target	\$815
Avg Dividend Yield	~0.6%
Total Return CAGR	5.2%

Base case total return of 5.2% CAGR is BELOW the 7% hurdle rate. The position does not adequately compensate for equity risk vs. a 4% HYSA.

BULL CASE (25% weight)

Assumptions: Oil prices recover >\$80/bbl, data center revenue reaches \$100M+, water desalination becomes a major revenue stream, multiple sustains at premium due to unique asset base.

Metric	Bull Case Value
Revenue CAGR	12%
EPS CAGR	14%
Terminal P/E (Year 10)	55x
10Y EPS	\$25.90
10Y Price Target	\$1,425
Avg Dividend Yield	~0.4%
Total Return CAGR	11.0%

Probability-Weighted Expected Return

Scenario	Price Target	Total CAGR	Weight	Contribution
Bear	\$328	-4.0%	25%	-1.0%
Base	\$815	5.2%	50%	2.6%
Bull	\$1,425	11.0%	25%	2.8%
Expected		4.4% CAGR	100%	4.4%

Probability-weighted expected total return of 4.4% CAGR is BELOW the 7% hurdle rate and barely exceeds a 4% HYSA on a risk-adjusted basis. The position does not meet Wealth Preservation standards at the current price.

5.3 Downside Protection Analysis

Metric	Value
Historical Max Drawdown (10Y)	73.2% (2008), 62.4% (2020), 52.8% (2022-23)
Bear Case Price Decline from Current	-37.2% (\$522 to \$328)
Probability of Permanent Capital Loss (>50%)	<5% (fortress balance sheet)
Dividend Cut Probability in Stress	<10% (34% payout, zero debt)



Metric	Value
Business Survival Probability	>99% (zero debt, essential assets)

A crucial distinction exists between business risk and price risk for TPL. The business itself has near-zero insolvency risk — zero debt, \$145M cash, essential Permian Basin assets, and profitable through every downturn. However, at 75x earnings, the stock price carries substantial valuation risk. The primary risk to capital is not business failure but rather multiple compression. A reversion to even 45x P/E (generous for most energy companies) would imply a 40% price decline to \$315 before any earnings growth.



STAGE 6: INVESTMENT DECISION FRAMEWORK

6.1 Wealth Preservation Scoring System

Input 1: Downside Protection Score

Factor	Points	Rationale
Starting Score	50	Neutral baseline
Bear case total return positive?	-15	NO — Bear case is -4.0% CAGR
D/E <0.5x	+10	YES — Zero debt
Dividend maintained 2008/2020	+10	YES — Paid specials in 2020
Max drawdown <40%	+0	NO — 50-73% historical drawdowns
Current yield >3%	+0	NO — Yield is 0.46%
Bear case >20% price decline	-15	YES — 37% bear case decline
TOTAL	40	

Input 2: Return Adequacy Score

Base Case Total Return CAGR: 5.2%

Score: **20 / 100** (below 6% threshold — insufficient to justify equity risk)

Input 3: Quality Score

From Stage 3 analysis: **71 / 100**

Composite Wealth Preservation Score

Component	Score	Weight	Contribution
Downside Protection	40	45%	18.0
Return Adequacy	20	30%	6.0
Quality	71	25%	17.8
WP SCORE			41.8 / 100

WP SCORE: 42/100 — DOES NOT MEET WEALTH PRESERVATION STANDARDS

Interpretation: A WP Score of 42 falls below the 45-point minimum threshold and well below the 65-point BUY threshold. The score is dragged down almost entirely by the valuation problem: the Return Adequacy score of 20/100 and the negative bear case return severely penalize what is otherwise an exceptional business. Quality alone would merit investment; the price does not.

6.2 Absolute Requirements Check



Requirement	Status	Detail
Bear case total return $\geq 0\%$	FAIL	-4.0% CAGR — capital NOT preserved
Base case total return $\geq 7\%$	FAIL	5.2% CAGR — below hurdle rate
Solvency: FORTRESS or ADEQUATE	PASS	FORTRESS — zero debt
Dividend sustainability: ROCK SOLID	PASS	ROCK SOLID — 34% payout ratio
Prob. of $>50\%$ permanent loss $<10\%$	PASS	$<5\%$ — fortress balance sheet

Two absolute requirements FAIL. Per framework rules, this triggers an AVOID recommendation regardless of upside potential. However, given the exceptional business quality, we assign HOLD / WATCHLIST status with a clear target entry price.



STAGE 7: FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Decision Element	Detail
Current Price	\$522.00 (March 7, 2026)
Target Entry Price	\$350.00 (33% below current)
Why Not BUY	Bear case return negative (-4.0%), base case (5.2%) below 7% hurdle
Why Not AVOID	Exceptional business quality (71/100), fortress balance sheet, wide moat
Trigger for Upgrade to BUY	Price decline to ~\$350 OR earnings growth accelerates to close valuation gap
Confidence in Business	HIGH — among highest-quality businesses in public markets
Confidence in Valuation	LOW — current price embeds optimistic assumptions

What Would Change Our Assessment

Path to BUY — Any ONE of the following would trigger an upgrade:

- Price decline to \$350** (33% from current) — would bring base case return above 7% hurdle and bear case return close to breakeven
- Earnings acceleration** — if EPS growth sustainably exceeds 15% CAGR (from data centers, acquisitions, or oil price recovery), current valuations would be more justified
- Significant dividend increase** — a tripling of the dividend (from \$2.40 to \$7.20/share) would bring yield to ~1.4% and boost total return adequacy
- Combination** — a 15-20% price decline coupled with continued 12%+ earnings growth and dividend increases could reach the threshold

Analysis at Target Entry Price (\$350)

Scenario	At \$350 Entry	At \$522 Current
P/E	50x	75x
Dividend Yield	0.69%	0.46%
Bear Case 10Y CAGR	-0.6%	-4.0%
Base Case 10Y CAGR	9.5%	5.2%
Bull Case 10Y CAGR	15.5%	11.0%
Probability-Weighted	8.5%	4.4%
Meets Hurdle?	YES (8.5% > 7%)	NO (4.4% < 7%)
Bear Case Capital Preserved?	NEARLY (~breakeven)	NO (-37% decline)

Expected 10-Year Outcome (Base Case)



Investment	Starting	10Y Value	Total Return	CAGR
TPL at \$522 (current)	\$100	\$166	66%	5.2%
TPL at \$350 (target entry)	\$100	\$248	148%	9.5%
HYSa at 4%	\$100	\$148	48%	4.0%
S&P 500 (historical avg)	\$100	\$197	97%	7.0%

At the current price, TPL's expected base case return barely exceeds a HYSa and underperforms the S&P; 500 historical average. At our target entry of \$350, the expected return profile becomes compelling — significantly outperforming both the HYSa and market averages with a fortress-quality business.



RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet	1	None — zero debt	Fortress balance sheet
Earnings Volatility	6	Commodity price sensitivity	Asset-light model, zero-cost base
Competitive Threat	1	Irreplaceable land assets	Cannot be replicated
Regulatory Risk	3	ESG/decarbonization pressure	Diversifying into data/water
Management Risk	2	Key-man risk (Glover)	Strong board, aligned comp
Valuation Risk	9	75x P/E — enormous premium	Business quality justifies some premium
Aggregate Risk	3.7	Driven by valuation	Excellent business fundamentals

The risk profile for TPL is bifurcated. Business risk is extremely low — arguably among the lowest in public markets given the zero-debt balance sheet, irreplaceable assets, and asset-light model. However, valuation risk is extreme. At 75x earnings, the stock is priced for sustained exceptional growth that may not materialize if oil prices weaken, drilling activity slows, or data center/desalination initiatives underdeliver. The aggregate risk score of 3.7 reflects the exceptional business quality, but the valuation risk alone (9/10) is sufficient to warrant caution at current levels.



MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review Items

1. Oil and gas royalty production volumes (trend toward 40+ MBoe/d)
2. Water sales and produced water royalty volumes (growth trajectory)
3. Dividend increases (targeting 10%+ annual growth)
4. Acquisition activity and capital deployment
5. Data center and desalination commercialization progress
6. Permian Basin drilling activity (rig count, DUC inventory)
7. Oil price trajectory and forward curve

Upgrade Triggers (HOLD to BUY)

Condition	Action
Price declines to \$350 or below	Upgrade to BUY — full position
Price declines to \$380-400 + positive catalyst	Upgrade to BUY — scale-in (50%)
EPS growth sustains >15% CAGR for 4+ quarters	Reassess fair value upward
Dividend yield reaches 1.0%+	Reassess income contribution
Data center revenue exceeds \$50M annual run-rate	Reassess growth premium

Downgrade Triggers (HOLD to AVOID)

Condition	Action
D/E rises >0.5x (meaningful leverage)	Downgrade to AVOID
Dividend cut in non-recession period	Reassess immediately
ROIC falls below 15% for 2+ quarters	Reassess — potential moat erosion
Price rises >\$600 (further multiple expansion)	Strengthen AVOID on valuation
Permian Basin structural decline evident	Fundamental reassessment required



KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	42 / 100
Quality Score	71 / 100
Fair Value Range (10Y base)	\$315 — \$815
Current Price	\$522.00
Target Entry Price	\$350.00
Margin of Safety	-32.7% (overvalued)
Expected Total Return (Base)	5.2% CAGR
Bear Case Return	-4.0% CAGR
Bull Case Return	11.0% CAGR
Prob-Weighted Return	4.4% CAGR
Dividend Yield + Growth	0.46% + ~12% growth
ROIC vs. WACC	33-41% vs. 4.9%
Probability of Permanent Loss	<5%
Solvency	FORTRESS (zero debt)
Moat Durability	9.5 / 10
Recession Profile	SENSITIVE (business resilient, price volatile)

FINAL VERDICT: HOLD / WATCHLIST

Texas Pacific Land is a rare, fortress-quality business with an irreplaceable asset base, zero debt, exceptional capital efficiency, and a wide moat. At the right price, it would be one of the highest-conviction wealth preservation investments available. That price is not today's price.

At \$522 per share and 75x earnings, the valuation compresses prospective returns below our hurdle rate and creates unacceptable downside risk from multiple compression alone. We place TPL on our watchlist with a target entry of \$350, representing a 33% decline from current levels. At that price, the probability-weighted expected return would exceed 8.5% CAGR — comfortably above our 7% hurdle — with near-breakeven capital preservation in the bear case.

Patience is the wealth preserver's greatest edge. The market will eventually offer a better entry point for this exceptional business.



ANALYST NOTES

Key Assumptions

1. **EPS Growth (Base: 10% CAGR):** Driven by royalty production growth (~8-10% organic + acquisitions), water services expansion, and modest pricing improvement. Sensitivity: +/-2% CAGR changes base case total return by approximately +/-1.5%.
2. **Terminal P/E (Base: 45x):** Assumes some multiple compression from current 75x toward historical averages. A 45x terminal multiple is still a significant premium to the broader energy sector (~12-15x) and reflects TPL's unique asset-light quality. Sensitivity: +/-5x P/E changes base case total return by approximately +/-0.8%.
3. **Oil Price Assumption:** Base case assumes \$60-75/bbl WTI range. TPL is more resilient than E&P; companies to oil price weakness due to zero-cost royalty base, but lower prices reduce drilling activity and water demand.
4. **Data Center Revenue:** Not meaningfully included in base case. The \$50M Bolt Data & Energy investment and data center campus plans represent upside optionality. If this revenue stream materializes at scale, it could justify higher multiples.

Limitations

1. Limited analyst coverage (only 2-3 analysts) makes consensus estimates less reliable
2. Historical valuation comparisons are limited given TPL's transformation from passive trust to active corporation (2016-present)
3. Data center and desalination revenues are highly uncertain and not yet contributing meaningfully
4. Insider ownership is concentrated (Horizon Kinetics ~12%), creating potential governance and liquidity considerations

Confidence Level

Business Quality Assessment: HIGH — TPL's business model, balance sheet, moat, and management quality are well-established and unlikely to materially deteriorate.

Valuation Assessment: HIGH — The stock is clearly expensive by every traditional metric; there is little ambiguity that current prices embed optimistic assumptions.

Overall Recommendation Confidence: HIGH — HOLD/WATCHLIST with \$350 target entry is a high-confidence call based on clear quantitative evidence from the framework.

This report was prepared by Moschovakis Capital for informational and educational purposes only. It does not constitute investment advice, a solicitation, or a recommendation to buy or sell any security. The analysis presented reflects the author's assessment as of the report date and is subject to change without notice. Past performance is not indicative of future results. All investments involve risk, including the possible loss of principal. Investors should conduct their own due diligence and consult with a qualified financial advisor before making any investment decisions.



Moschovakis Capital | moschovakiscapital.com
Report prepared for Moschovakis Capital. All rights reserved.