

Black Stone Minerals (BSM): EV/EBITDA 6.5x and EV/FCF 13.9x Reflect High-ROIC Yield Profile Facing FCF Contraction

BSM | Black Stone Minerals, L.P. | Energy | Oil & Gas Exploration & Production | FY 2025 | 2026-06-12T09:01:48.627Z

At EV/EBITDA of 6.5x and EV/FCF of 13.9x, Black Stone Minerals combines ROIC of 27.7% and ROE of 26.9% with revenue growth of -3.9% and free cash flow growth of -22.5%, framing a debate between earnings resilience and deteriorating cash conversion.

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THESIS RISK
Mixed but researchable candidate	58 / 100	69 / 100	0 / 100	0 / 100
Low Priority Candidate				

PRIMARY DEBATE — The debate centers on whether a high-return royalty structure with ROIC of 27.7% and ROE of 26.9% can sustain earnings yield of 10.1% despite revenue growth of -3.9% and free cash flow growth of -22.5%. Evidence of EPS growth at 11.3% contrasts with operating cash flow growth of -20.3%, implying that accounting earnings resilience may not be fully translating into cash. The implication is that valuation support at EV/EBITDA 6.5x depends on stabilization in FCF growth rather than continued reliance on EPS beats.

INVESTMENT NARRATIVE

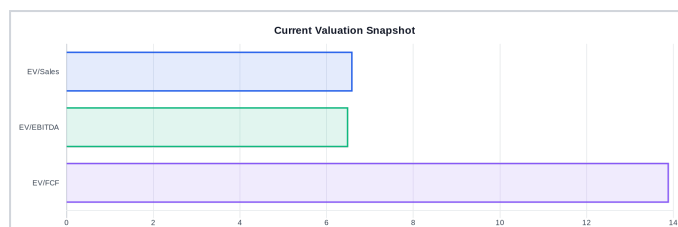
Archetype	High-ROIC yield vehicle with cyclical/guidance overhang	<p>Core Tension: Earnings resilience and high returns on capital vs. challenged top-line and cash conversion</p> <p>Market Assumption: The royalty model will continue to deliver resilient earnings and distributions with modest growth, supported by high ROIC/ROE and low leverage; guidance resets are manageable.</p> <p>Trajectory: Near-term deceleration in revenue and FCF despite continued EPS resilience; 5Y growth supported but trend mixed as guidance and analyst revisions remain focal.</p> <p>Mispricing Hypothesis: The market is anchoring on EPS strength and high ROIC while underestimating the risk that challenged revenue trend and deteriorating FCF persist, leaving units vulnerable given the higher EV/FCF.</p>
Company Type	Oil & gas mineral and royalty L.P.	
Key Monitoring Metric	FCF growth	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTING EVIDENCE
ROE 26.86% and ROIC 27.66% indicate a high-return, capital-light model	Latest revenue growth -3.9% signals top-line pressure
Net Debt/EBITDA 0.37 reflects conservative leverage	FCF growth -22.5% and EV/FCF 13.94 imply challenged cash conversion and a richer valuation on cash flow
Earnings yield 10.13% and EV/EBITDA 6.54 suggest reasonable valuation on earnings/EBITDA	Revenue beat rate 25% points to softer-than-expected top-line delivery
Latest EPS growth 11.3% and 5Y EPS growth 39.9% show earnings resilience	FCF yield 7.60% is only moderate for an energy royalty vehicle
EPS beat rate 62.5% indicates a history of outperforming EPS expectations	Reported proved reserves of 59,824 barrels as of 2021 raise questions about reserve depth/sustainability

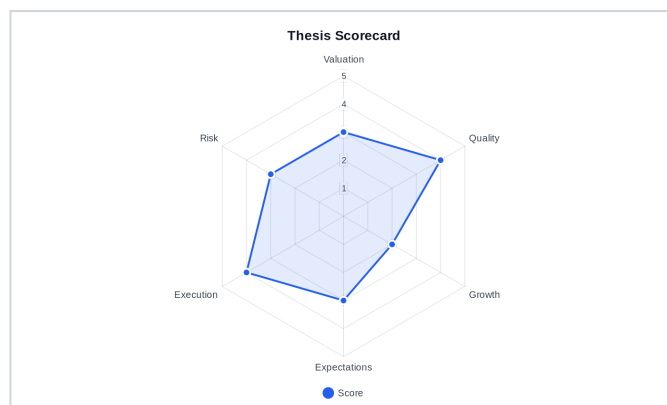
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
3	4	2	3	4	3	3
MIXED	SUPPORTED	CHALLENGED	MIXED	SUPPORTED	MODERATE	MIXED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
6.5x	13.9x	7.6%	27.7%	-3.9%	11.3%	-22.5%	62.5%

EXECUTIVE SUMMARY

Core Tension	Earnings resilience and high returns on capital vs.
Market Assumption	The royalty model will continue to deliver resilient earnings and distributions with modest growth, supported by high ROIC/ROE and low leverage; guidance resets are manageable.
Current Pricing	At a price of \$13.82 and market cap of \$2.9B, the market is valuing the partnership at EV/Sales of 6.6x and EV/EBITDA of 6.5x, while accepting EV/FCF of 13.9x and FCF yield of 7.6%.
Valuation	Current EV/EBITDA of 6.5x paired with ROIC of 27.7% suggests the market is pricing durable returns but not assigning a premium multiple.
Quality	The partnership exhibits ROE of 26.9%, ROIC of 27.7%, and ROA of 22.2%, reflecting capital efficiency consistent with a royalty model.
Growth	Latest revenue growth of -3.9% and operating income growth of -4.5% contrast with net income growth of 10.5% and EPS growth of 11.3%, indicating margin resilience rather than top-line expansion.
Cash Flow	Operating cash flow growth of -20.3% and free cash flow growth of -22.5% indicate contraction at both levels, satisfying the condition that when both OCF and FCF are negative, conversion pressure is present.
Execution	Over 8 quarters, EPS beat rate is 62.5% with average EPS surprise of 12.4%, while revenue beat rate is 25.0% with average revenue surprise of -3.2%.
Primary Monitor	Can Operating Cash Flow Growth recover from -20.3% to positive territory?

THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Beat Rate	62.5%	1	FCF Growth	-22.5%
2	ROIC	27.7%	2	Revenue Beat Rate	25.0%
3	EPS Growth	11.3%	3	Revenue Growth	-3.9%
4	FCF Yield	7.6%			

COMPANY & BUSINESS MODEL

Black Stone Minerals, L.P. and its subsidiaries are primarily engaged in the ownership and active management of oil and natural gas mineral interests. The company possesses an extensive portfolio, encompassing approximately 16.8 million gross acres of mineral interests, 1.8 million gross acres of nonparticipating royalty interests, and 1.7 million gross acres of overriding royalty interests, distributed across 41 states within the United States. As of December 31, 2021, Black Stone Minerals reported estimated total proved oil and natural gas reserves equivalent to 59,824 barrels. This entity, founded in 1876, is headquartered in Houston, Texas.

INVESTMENT THESIS

Black Stone Minerals, L.P., an oil and gas mineral and royalty owner with 16.8 million gross acres, operates a capital-light model evidenced by ROIC of 27.7% and ROE of 26.9% on invested capital of \$72.1M. The current valuation of EV/EBITDA 6.5x and earnings yield 10.1% implies the market assumes earnings durability and continued distributions supported by net debt/EBITDA of 0.4x and a current ratio of 2.3. However, latest revenue growth of -3.9% and free cash flow growth of -22.5%, alongside EV/FCF of 13.9x and FCF yield of 7.6%, indicate that cash conversion is challenged even as EPS growth remains 11.3%. The core tension is whether the royalty model's high returns on capital can offset contracting top-line trend and negative operating cash flow growth of -20.3%. If FCF growth stabilizes above -22.5% and ROIC remains near 27.7%, the valuation case would be supported by capital efficiency; if FCF contraction persists while EV/FCF remains 13.9x, the multiple would embed optimism relative to cash generation.

INVESTABLE DEBATE

The debate centers on whether a high-return royalty structure with ROIC of 27.7% and ROE of 26.9% can sustain earnings yield of 10.1% despite revenue growth of -3.9% and free cash flow growth of -22.5%. Evidence of EPS growth at 11.3% contrasts with operating cash flow growth of -20.3%, implying that accounting earnings resilience may not be fully translating into cash. The implication is that valuation support at EV/EBITDA 6.5x depends on stabilization in FCF growth rather than continued reliance on EPS beats.

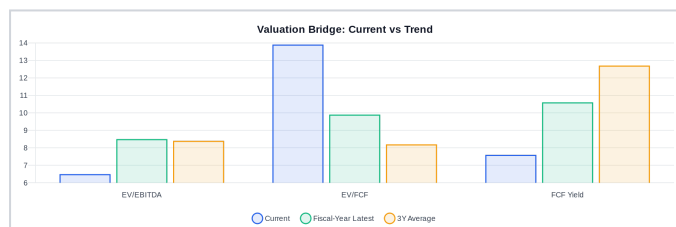
MARKET EXPECTATIONS

At a price of \$13.82 and market cap of \$2.9B, the market is valuing the partnership at EV/Sales of 6.6x and EV/EBITDA of 6.5x, while accepting EV/FCF of 13.9x and FCF yield of 7.6%. Compared with fiscal-year trend data showing latest EV/EBITDA of 8.5x versus a 3Y average of 8.4x, the current 6.5x multiple is below recent averages, implying caution. However, latest ROIC of 19.9% in the trend context versus a 3Y average of 25.7% shows declining capital efficiency, suggesting that even a lower multiple must be viewed against moderation in returns.

CURRENT VALUATION VS HISTORICAL TREND

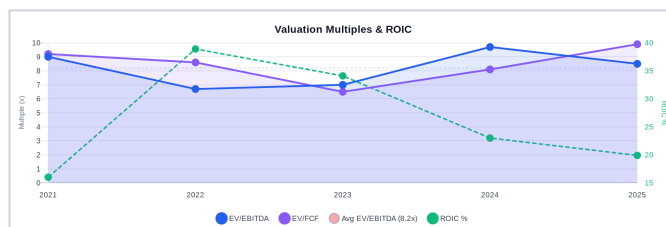
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	6.5x	8.5x	8.4x	8.2x
EV/FCF	13.9x	9.9x	8.2x	8.5x
FCF Yield	7.6%	10.6%	12.7%	12.2%

Current EV/EBITDA is 6.5x, while fiscal-year trend data shows latest EV/EBITDA of 8.5x versus a 3Y average of 8.4x. Current EV/FCF is 13.9x, while fiscal-year trend data shows latest EV/FCF of 9.9x versus a 3Y average of 8.2x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 6.5x, while fiscal-year trend data shows latest EV/EBITDA of 8.5x versus a 3Y average of 8.4x.



VALUATION MULTIPLES & ROIC OVERLAY

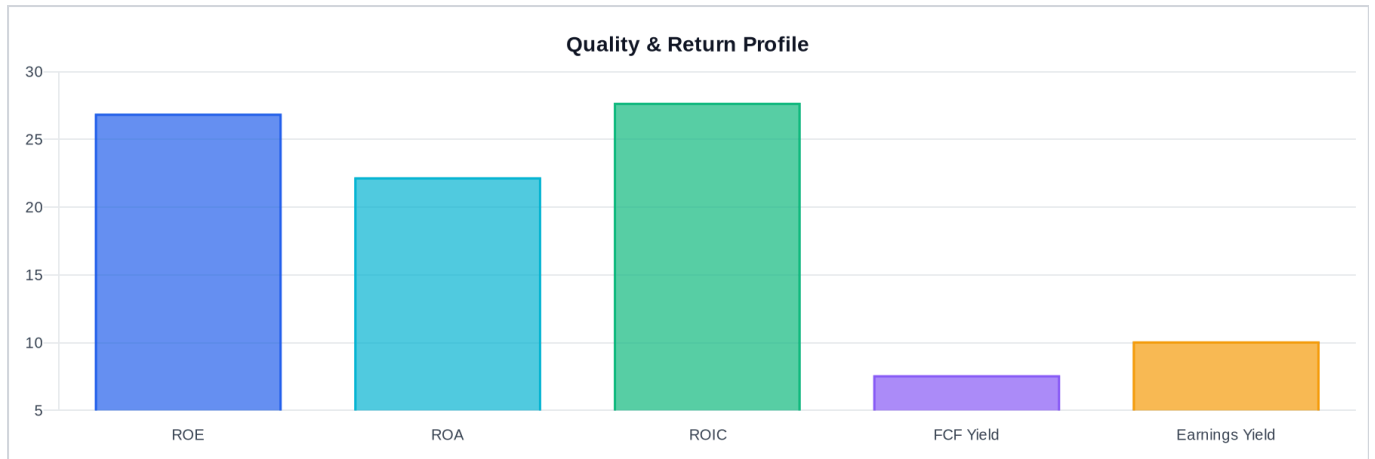
Current EV/EBITDA of 6.5x paired with ROIC of 27.7% suggests the market is pricing durable returns but not assigning a premium multiple.

VALUATION ANALYSIS

Current EV/EBITDA of 6.5x paired with ROIC of 27.7% suggests the market is pricing durable returns but not assigning a premium multiple. However, EV/FCF of 13.9x compared with a 3Y average EV/FCF of 8.2x indicates a higher multiple on cash flow at a time when latest free cash flow growth is -22.5%. This divergence between earnings-based valuation and cash-flow-based valuation implies that the multiple is more aligned with earnings yield of 10.1% than with FCF yield of 7.6%, increasing reliance on earnings durability rather than cash expansion.

QUALITY & CAPITAL EFFICIENCY

The partnership exhibits ROE of 26.9%, ROIC of 27.7%, and ROA of 22.2%, reflecting capital efficiency consistent with a royalty model. Net debt/EBITDA of 0.4x and current ratio of 2.3 indicate conservative leverage and liquidity. Income quality of 1.0 suggests earnings are closely aligned with cash flow at the accounting level, but the fiscal-year trend shows latest ROIC of 19.9% below the 3Y average of 25.7%, implying some moderation in efficiency versus prior cycles.

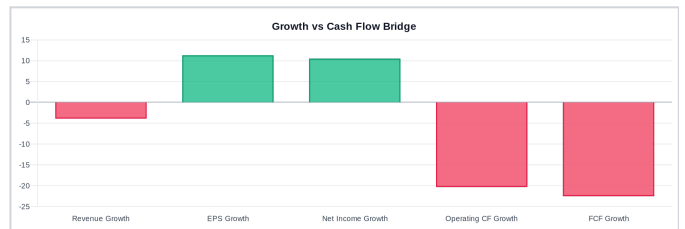


QUALITY & RETURN PROFILE

The partnership exhibits ROE of 26.9%, ROIC of 27.7%, and ROA of 22.2%, reflecting capital efficiency consistent with a royalty model.

GROWTH TRAJECTORY

Latest revenue growth of -3.9% and operating income growth of -4.5% contrast with net income growth of 10.5% and EPS growth of 11.3%, indicating margin resilience rather than top-line expansion. Over three years, average EPS growth is -13.6%, while the five-year average is 39.9%, highlighting cyclical volatility. Because free cash flow growth of -22.5% is below both the 3Y average of -8.1% and the 5Y average of 6.7%, cash-flow trend is deteriorating despite positive EPS growth.



HISTORICAL GROWTH TRENDS

Latest revenue growth of -3.9% and operating income growth of -4.5% contrast with net income growth of 10.5% and EPS growth of 11.3%, indicating margin resilience rather than top-line expansion.

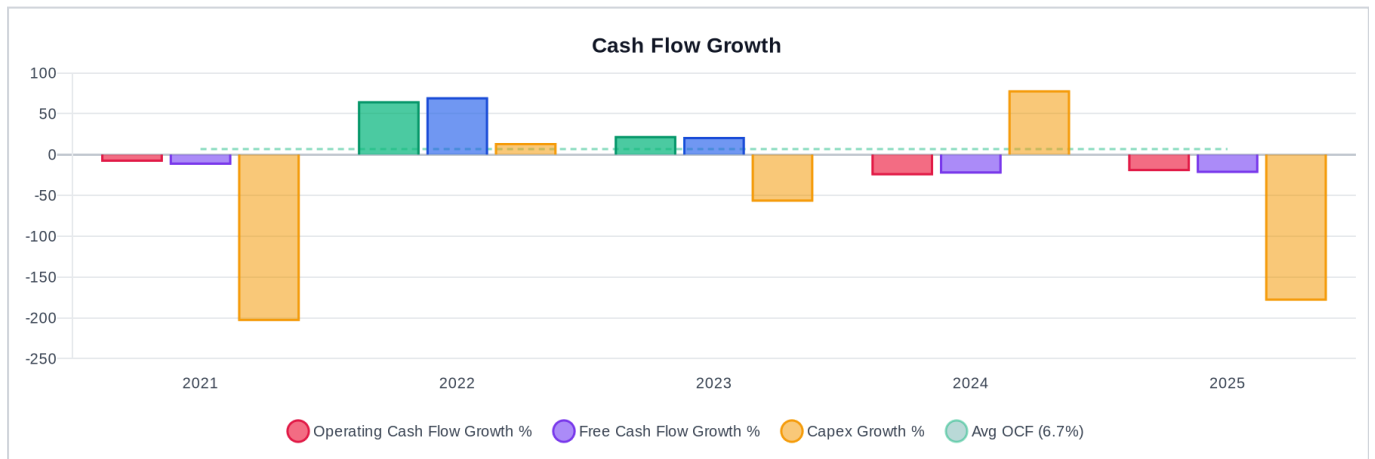
GROWTH VS CASH FLOW BRIDGE

Latest revenue growth of -3.9% and operating income growth of -4.5% contrast with net income growth of 10.5% and EPS growth of 11.3%, indicating margin resilience rather than top-line expansion.

CASH FLOW GROWTH & CONVERSION

Operating cash flow growth of -20.3% and free cash flow growth of -22.5% indicate contraction at both levels, satisfying the condition that when both OCF and FCF are negative, conversion pressure is present. Capex growth of -179.1% shows capex declined, yet FCF still fell -22.5%, implying that the decline is not driven by incremental capital spending. This suggests that lower operating cash generation, not capex expansion, is the driver of challenged FCF.

Income quality of 1.0 indicates earnings approximate operating cash flow, but operating cash flow growth of -20.3% versus net income growth of 10.5% reveals a gap between accounting growth and cash realization. With FCF yield at 7.6% versus a 3Y average of 12.7%, cash generation relative to valuation has compressed, implying distributions rely on stabilization of operating cash flow rather than growth.



CASH FLOW GROWTH — OCF, FCF & CAPEX

Operating cash flow growth of -20.3% and free cash flow growth of -22.5% indicate contraction at both levels, satisfying the condition that when both OCF and FCF are negative, conversion pressure is present.

ANALYST EXPECTATIONS

Next Revenue Estimate	\$528.0M
Revenue Bull Case	\$534.0M
Revenue Bear Case	\$522.0M
Next EPS Estimate	1.38
EPS Bull Case	1.4
EPS Bear Case	1.36
Revenue Dispersion	2.27%
EPS Dispersion	3.14%
Revenue Coverage	1
EPS Coverage	1

Consensus next revenue estimate of \$528.0M sits within a narrow bull case of \$534.0M and bear case of \$522.0M, with revenue dispersion of 2.3% and only 1 analyst covering revenue. Next EPS estimate of \$1.38 lies between \$1.40 and \$1.36, with EPS dispersion of 3.1% and 1 analyst covering EPS. Limited coverage of 1 analyst constrains supported by supplied metricsness, but contained dispersion indicates expectations are stable; given latest EPS growth of 11.3% and FCF growth of -22.5%, expectations appear Reasonable relative to mixed trend.



ANALYST EXPECTATIONS RANGE

Consensus next revenue estimate of \$528.0M sits within a narrow bull case of \$534.0M and bear case of \$522.0M, with revenue dispersion of 2.3% and only 1 analyst covering revenue.



EXECUTION HISTORY

Over 8 quarters, EPS beat rate is 62.5% with average EPS surprise of 12.4%, while revenue beat rate is 25.0% with average revenue surprise of -3.2%.

EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	62.5%
Revenue Beat Rate	25.0%
Avg EPS Surprise	12.4%
Avg Revenue Surprise	-3.2%
EPS Beats / Misses	5 / 3
Revenue Beats / Misses	2 / 6

Over 8 quarters, EPS beat rate is 62.5% with average EPS surprise of 12.4%, while revenue beat rate is 25.0% with average revenue surprise of -3.2%. This divergence indicates earnings execution has exceeded expectations more frequently than revenue. The most recent quarter on 2026-05-04 showed EPS of 0.28 versus 0.22 estimated, a 27.3% surprise, alongside revenue surprise of 15.4%, supporting near-term execution credibility.

A 62.5% EPS beat rate and 25.0% revenue beat rate over 8 quarters suggest that earnings estimates have historically been more conservative than revenue estimates. However, with analystCoverageEps at 1 and analystCoverageRevenue at 1, estimate reliability is limited to a single forecaster, implying that while dispersion of 3.1% is contained, credibility is dependent on one viewpoint.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
<p>If next revenue reaches \$534.0M and next EPS reaches \$1.40 while ROIC remains at 27.7% and EV/EBITDA holds near 6.5x, then earnings resilience would align with capital efficiency, supporting the valuation case through sustained 10.1% earnings yield.</p> <p>Revenue Bull Case \$534.0M EPS Bull Case \$1.40</p> <p>ROIC 27.7%</p>	<p>If revenue tracks the consensus \$528.0M and EPS approximates \$1.38 while free cash flow growth stabilizes at -22.5% and EV/FCF remains 13.9x, then the narrative remains balanced between earnings yield of 10.1% and FCF yield of 7.6%.</p> <p>Revenue Estimate \$528.0M EPS Estimate \$1.38</p> <p>EV/FCF 13.9x</p>	<p>If revenue falls to \$522.0M and EPS declines to \$1.36 while free cash flow growth remains at -22.5% and ROIC trends toward 19.9% as shown in fiscal-year data, then EV/FCF of 13.9x would appear elevated relative to contracting cash flow.</p> <p>Revenue Bear Case \$522.0M</p> <p>EPS Bear Case \$1.36</p>

Free Cash Flow Growth -22.5%

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
27%	52%	21%	51 / 100

12-24 MONTH CONDITIONAL OUTLOOK

With next revenue estimate at \$528.0M versus long-term revenue estimate of \$407.4M, near-term expectations exceed longer-term normalization, implying sensitivity to commodity cycles.

Next EPS estimate of \$1.38 compared with long-term EPS estimate of \$0.41 implies that current earnings embed favorable conditions relative to normalized levels.

If EV/EBITDA remains 6.5x while ROIC holds at 27.7%, valuation aligns with capital efficiency; if ROIC trends toward 19.9%, alignment challenged.

EPS beat rate of 62.5% over 8 quarters supports near-term execution credibility, though revenue beat rate of 25.0% indicates top-line volatility.

If free cash flow growth improves from -22.5% toward the 5Y average of 6.7%, the narrative would emphasize cash durability; if contraction persists at -22.5%, focus would remain on distribution sustainability.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can Operating Cash Flow Growth recover from -20.3% to positive territory?	If Free Cash Flow Growth improves from -22.5% to above the 5Y average of 6.7%, then the cash contraction concern would ease.	If ROIC falls below 19.9% and remains below the 3Y average of 25.7%, then the high-return classification challenged.
Will ROIC remain near 27.7% or trend toward 19.9%?	If ROIC increases from 27.7% toward the 3Y average of 25.7% after fiscal moderation to 19.9%, then capital efficiency would appear stable across cycles.	If Operating Cash Flow Growth declines further below -20.3% while EV/FCF remains 13.9x, then valuation would not align with cash contraction.
Can FCF Yield return from 7.6% to the 3Y average of 12.7%?	If FCF Yield rises from 7.6% toward the 3Y average of 12.7%, then valuation would be more aligned with historical cash generation.	If EPS Growth turns negative from 11.3%, then the earnings resilience component of the thesis challenged.



RISK & THESIS MONITOR

Can Operating Cash Flow Growth recover from -20.3% to positive territory?

RISK ASSESSMENT

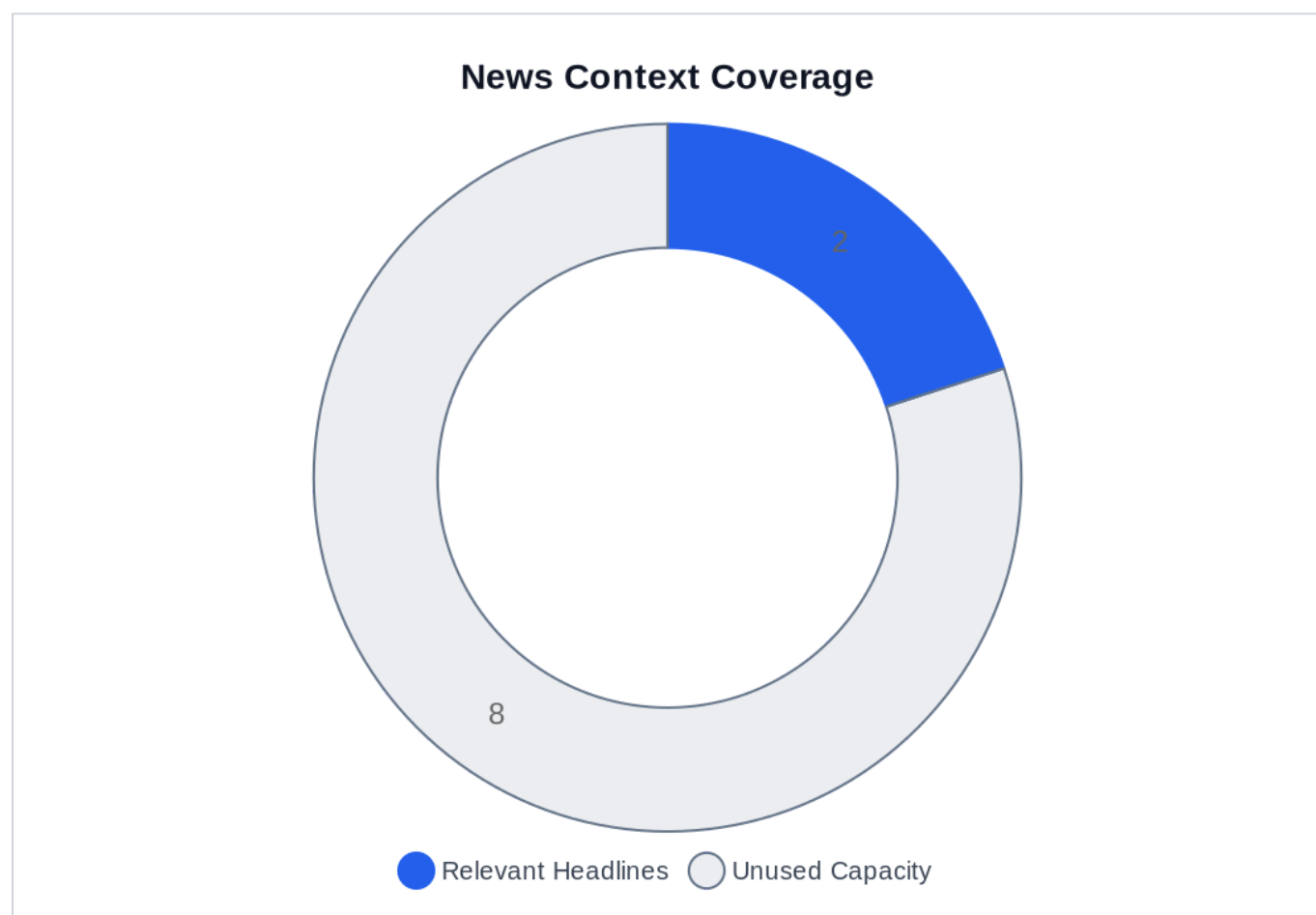
DIMENSION	SCORE	LEVEL
Valuation Risk	3 / 5	Moderate
Growth Risk	4 / 5	Elevated
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate

DIMENSION	SCORE	LEVEL
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate
Composite Risk Score	2.8 / 5	

- Net Debt/EBITDA 0.4x
- Current Ratio 2.3
- Working Capital \$54.7M

NEWS NARRATIVE

The headline "Black Stone Minerals, L.P. Reports First Quarter Results" is relevant to monitoring EPS surprise of 27.3% in the most recent quarter, but additional evidence is required to determine financial impact. The headline "Black Stone Minerals, L.P. Announces Distribution and Schedules Earnings Call to Discuss First Quarter 2026 Results" is relevant to monitoring distribution sustainability relative to free cash flow growth of -22.5%, but additional evidence is required to determine financial impact.



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance, analyst_revision, product_strategy.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Mixed evidence balance	Medium	Moderate	Low Priority Candidate

Core Thesis: At EV/EBITDA of 6.5x and EV/FCF of 13.9x, Black Stone Minerals combines ROIC of 27.7% and ROE of 26.9% with revenue growth of -3.9% and free cash flow growth of -22.5%, framing a debate between earnings resilience and deteriorating cash conversion.

Primary Risk: Free Cash Flow Growth -22.5%

Monitor: Can Operating Cash Flow Growth recover from -20.3% to positive territory?