

## Industry Outlook

### Oil and Gas - Exploration and Production - United States

**Industry Rank: Top 19%** (48 out of 250)

**Sector:** Oils and Energy

**Sector Rank:** Top 32% (5 out of 16)

#### Industry Description

The Zacks Oil and Gas - US E&P industry consists of companies primarily based in the domestic market, focused on the exploration and production (E&P) of oil and natural gas. These firms find hydrocarbon reservoirs, drill oil and gas wells, and produce and sell these materials to be refined later into products such as gasoline, fuel oil, distillate, etc. The economics of oil and gas supply and demand are the fundamental drivers of this industry. In particular, a producer's cash flow is primarily determined by the realized commodity prices. In fact, all E&P companies' results are vulnerable to historically volatile prices in the energy markets. A change in realizations affects their returns and causes them to alter their production growth rates. The E&P operators are also exposed to exploration risks where drilling results are comparatively uncertain.

#### Top 3 Industry Players (By Market Cap)

EOG Resources, Inc (EOG)

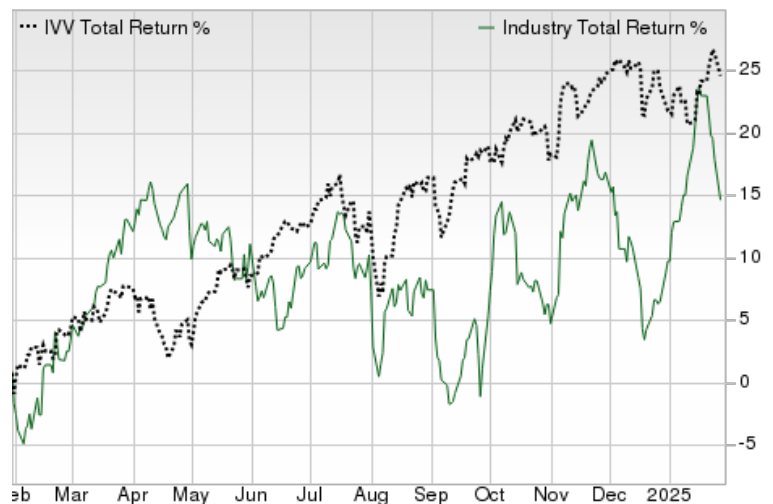
Cheniere Energy, Inc (LNG)

Diamondback Energy, Inc (FANG)

Key Metrics	Industry	Sector
YTD Return	10.50%	6.00%
1-Year Return	14.44%	6.43%
Beta	0.87	1.12
Hist. EPS Growth	48.75%	31.92%
Proj. EPS Growth	18.23%	17.86%
Hist. Sales Growth	20.22%	15.28%
P/E F1	9.24	12.72
PEG	1.35%	1.67%
P/B	1.43	1.40
P/S	2.13	1.42

orders, signaling a dramatic shift in U.S. energy policy. Among the most significant was an order ending former president Biden's moratorium on new liquefied natural gas ("LNG") export permits. This move underscores Trump's commitment to bolstering America's energy dominance, reversing the Biden-era environmental policies, and prioritizing economic growth over regulatory constraints.

#### Industry Vs. iShares Core S&P 500 ETF - 1 Year



#### Industry Trends

**Oil Price Rebound and Rising Energy Demand:** Crude oil prices are projected to remain relatively healthy, with WTI expected to average above \$70 per barrel in 2025. The anticipated rebound aligns with increasing global energy demand, particularly in emerging markets. Additionally, the resurgence of nuclear energy and rising industrial activity, including AI-driven data centers, could further strengthen the demand for energy. This environment provides a strong backdrop for sustained revenue growth in the energy sector.

**Cold Weather Sparks Gas Demand Surge:** Frigid weather sweeping across the United States has been a key driver of this price surge. Forecasts indicate sustained low temperatures, with Arctic blasts gripping the Midwest and Northeast, dropping temperatures to as low as -20°F. Heating demand has surged, particularly in regions where natural gas is the primary source of energy for millions of homes. Analysts project continued tightness in the supply-demand balance as these cold conditions persist through January.

**Trump Lifts Biden's LNG Freeze, Energizes Industry:** On his first day back in office, President Donald Trump issued a flurry of executive

## Zacks Industry Rank Indicates Positive Outlook

The Zacks Oil and Gas - US E&P industry is a 33-stock group within the broader Zacks Oil - Energy sector. The industry currently carries a Zacks Industry Rank #48, which places it in the top 19% of 250 Zacks industries.

The group's Zacks Industry Rank, which is basically the average of the Zacks Rank of all the member stocks, indicates fairly strong near-term prospects. Our research shows that the top 50% of the Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

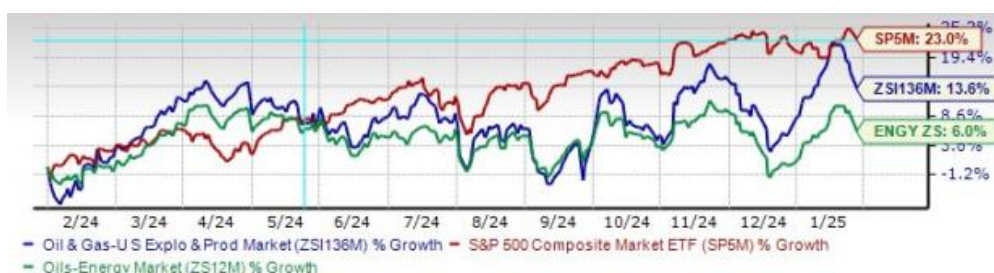
Considering the encouraging dynamics of the industry, we will present a few stocks that you may want to consider for your portfolio. But it's worth taking a look at the industry's shareholder returns and current valuation first.

## Industry Lags S&P 500 But Outperforms Sector

The Zacks Oil and Gas - US E&P industry has fared worse than the Zacks S&P 500 composite over the past year but has outperformed the broader Zacks Oil – Energy sector over the same period.

The industry has moved up 13.6% over this period compared with the broader sector's increase of 6%. Meanwhile, the S&P 500 has gained 23%.

### One-Year Price Performance



## Industrys Current Valuation

Since oil and gas companies are debt-laden, it makes sense to value them based on the EV/EBITDA (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization) ratio. This is because the valuation metric takes into account not just equity but also the level of debt. For capital-intensive companies, EV/EBITDA is a better valuation metric because it is not influenced by changing capital structures and ignores the effect of noncash expenses.

On the basis of the trailing 12-month enterprise value-to-EBITDA (EV/EBITDA), the industry is currently trading at 7.09X, significantly lower than the S&P 500's 18.78X. It is, however, above the sector's trailing 12-month EV/EBITDA of 4.41X.

Over the past five years, the industry has traded as high as 10.81X, as low as 3.29X, with a median of 5.66X.

### Trailing 12-Month Enterprise Value-to EBITDA (EV/EBITDA) Ratio (Past Five Years)

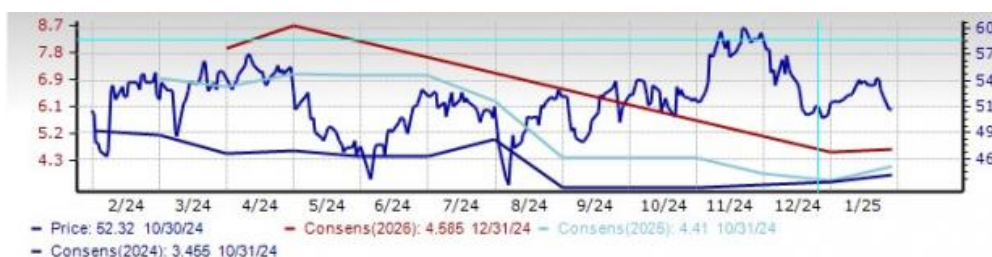


## 4 Stocks to Buy

**California Resources:** It is a California-based independent oil producer with a strong focus on conventional, shallow oilfields, producing around 60% oil. Alongside its core E&P operations, CRC is expanding into carbon capture and storage. The company actively partners with CO2 emitters to permanently sequester CO2 in its depleted reservoirs, positioning itself as both an energy and carbon management leader in the state.

California Resources' expected EPS growth rate for three to five years is currently 11.8%, which compares favorably with the industry's growth rate of 11.7%. CRC delivered a trailing four-quarter earnings surprise of roughly 13.1%, on average. The Zacks Rank #1 (Strong Buy) company's shares have edged up 0.8% in a year.

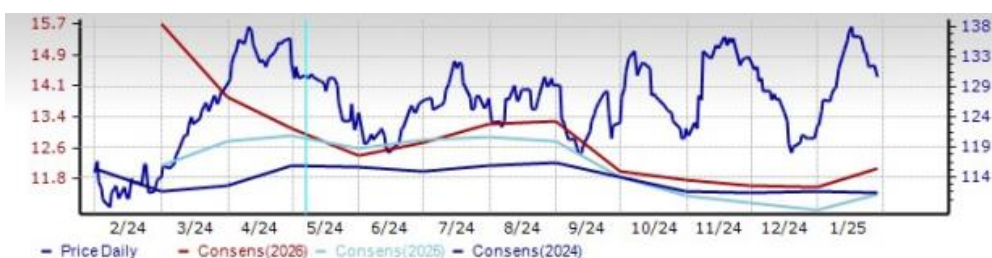
### Price and Consensus: CRC



**EOG Resources:** It is a leading player in the Permian Basin, leveraging its extensive acreage in the prime Northern Delaware region. The company excels in cost control and technological innovation, such as Super Zipper fracs, enhancing operational efficiencies. With a strong focus on maximizing returns through strategic investments and partnerships, EOG continues to drive significant growth and value in the region.

Over the past 60 days, the Zacks Consensus Estimate for EOG Resources' 2025 earnings has moved up 1.7%. EOG delivered a trailing four-quarter earnings surprise of roughly 3.5% on average. The Zacks Rank #2 (Buy) company's shares have gained 11.5% in a year.

### Price and Consensus: EOG



**Cheniere Energy:** Being the first company to receive regulatory approval to export LNG from its 2.6 billion cubic feet per day Sabine Pass terminal, Cheniere Energy certainly enjoys a distinct competitive advantage. The Zacks Rank #2 (Buy) company is primed for significant revenue and earnings growth on the back of solid operations and long-term contracts. Cheniere Energy's Corpus Christi Stage 3 expansion is also progressing well, with construction 68% complete and Train 1 scheduled for initial gas introduction by the year-end. The company's gas supply deals for its Sabine Pass and Corpus Christi projects offer excellent cash flow visibility in the coming years.

Over the past 60 days, the Zacks Consensus Estimate for Cheniere Energy's 2025 earnings has moved up 5.6%. With a Zacks Rank of 2, the natural gas exporter has a market capitalization of \$50.4 billion. LNG's shares have increased 36% in a year.

### Price and Consensus: LNG



**Gulfport Energy:** It is a natural gas-focused exploration and production company headquartered in Oklahoma City, OK. Operating

primarily in the Utica Shale in Ohio and the SCOOP play in Oklahoma, Gulfport has emerged from bankruptcy with a stronger balance sheet and a free cash flow-oriented strategy. Of its total production, more than 90% comprises natural gas.

Carrying a Zacks Rank #2, the 2025 Zacks Consensus Estimate for GPOR indicates 55% year-over-year EPS growth. Over the past 60 days, the Zacks Consensus Estimate for Gulfport Energy's 2025 earnings has moved up 9.6%. The company's shares have gone up 36.7% in a year.

Price and Consensus: GPOR

