

## SM Energy (SM)

**\$18.88** (Stock Price as of 12/23/2025)

Price Target (6-12 Months): **\$21.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/03/25)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM: A

Value: A

Growth: C

Momentum: C

## Summary

SM Energy announced that it has entered an all-stock merger agreement with Civitas Resources, with the combined entity valued at approximately \$12.8 billion. The combination of the two companies is expected to establish a high-quality portfolio of assets across highly productive U.S. shale basins. Notably, the combined entity will own approximately 823,000 net acres across high-return shale basins, with a significant part of the acreage located within the Permian Basin. Furthermore, the company has identified annual synergies of approximately \$200 million. However, the company has more exposure to debt capital as compared to composite stocks belonging to the industry. Also, rising lease operating expenses could erode profit margins, particularly if oil and gas prices remain volatile or decline further.

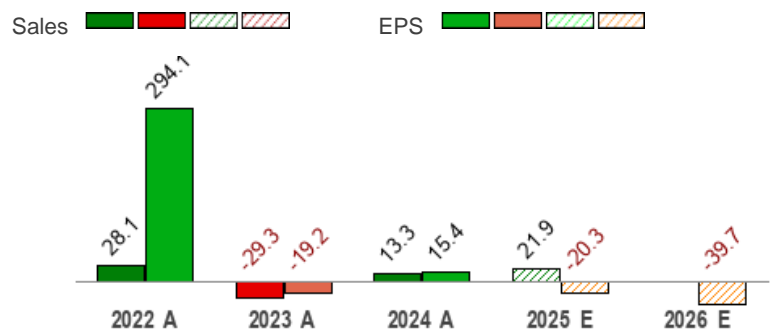
## Price, Consensus & Surprise<sup>(1)</sup>



## Data Overview

52 Week High-Low	\$44.95 - \$17.58
20 Day Average Volume (sh)	2,639,762
Market Cap	\$2.2 B
YTD Price Change	-51.3%
Beta	1.16
Dividend / Div Yld	\$0.80 / 4.2%
Industry	<a href="#">Oil and Gas - Exploration and Production - United States</a>
Zacks Industry Rank	Bottom 22% (188 out of 243)

## Sales and EPS Growth Rates (Y/Y %)<sup>(1)</sup>



Last EPS Surprise	6.4%
Last Sales Surprise	-3.1%
EPS F1 Est- 4 week change	0.6%
Expected Report Date	02/18/2026
Earnings ESP	-34.5%

## Sales Estimates (millions of \$)<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026		1,783 E	1,841 E	1,836 E	5,300 E
2025	845 A	793 A	812 A	793 E	3,280 E
2024	560 A	635 A	644 A	852 A	2,690 A

## EPS Estimates<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	0.95 E	0.60 E	0.73 E	0.91 E	3.27 E
2025	1.76 A	1.50 A	1.33 A	0.89 E	5.42 E
2024	1.41 A	1.85 A	1.62 A	1.91 A	6.80 A

\*Quarterly figures may not add up to annual.

P/E TTM	2.9
P/E F1	3.5
PEG F1	-0.1
P/S TTM	0.7

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/23/2025.

(2) The report's text and the price target are as of 12/08/2025.

## Overview

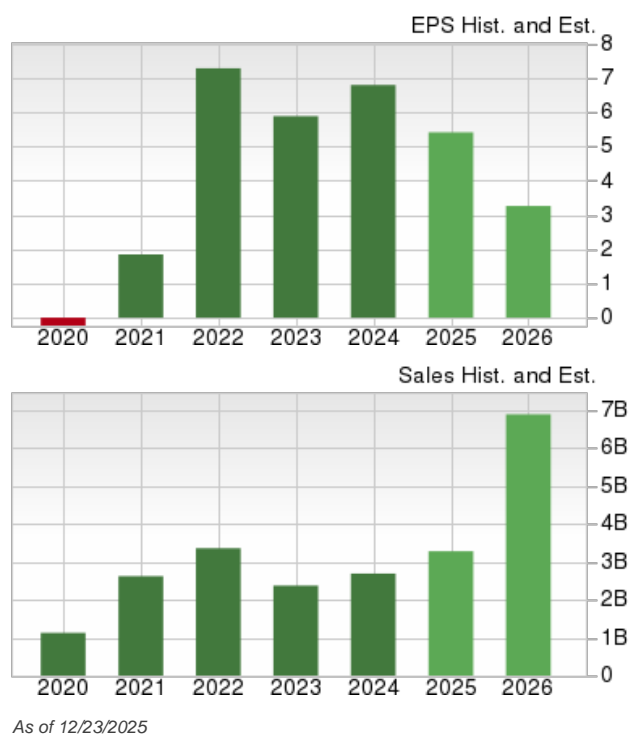
Denver, CO-based SM Energy Company, previously known as St. Mary Land & Exploration Company, is an independent oil and gas company engaged in the exploration, exploitation, development, acquisition and production of natural gas and crude oil in North America. The company was founded in 1908 and incorporated in Delaware in the year 1915.

The company's operations are focused on the Permian Basin region and the South Texas & Gulf Coast region. SM Energy divested its Rocky Mountain assets in the first half of 2018. As of Dec 31, 2024, it had proved reserves of 678.3 million barrels of oil equivalent (MMBoe), of which 44% was crude oil, 38% natural gas and 18% NGLs. Notably, 60% of the reserves are proved developed.

The company's 2024 net production was 62.4 MMBoe (47.1% oil) compared with the year-ago level of 55.5 MMBoe.

SM Energy manages its operations in the Permian Basin region from its regional office in Midland, TX. The company has approximately 110,000 net acreages in the Midland Basin, of which 88,752 acres are developed. Its Midland Basin assets are divided between RockStar and Sweetie Peck. The Midland Basin holding provides it with substantial future development opportunities in multiple oil-rich locations, such as the Spraberry and Wolfcamp formations. At the end of 2024, SM Energy had 230.5 MMBoe of proved reserves in Midland Basin. Of this, 75% were proved developed. It had 134.3 million barrels (MMBbls) of crude oil and 576.4 billion cubic feet (Bcf) of natural gas in proved reserves in the region.

SM Energy manages its South Texas & Gulf Coast region operations from its regional office in Houston, TX. This region includes approximately 155,000 net acres in the Eagle Ford, of which 91,475 acres are developed. At the end of 2024, the company had 347.9 MMBoe of proved reserves in the South Texas region. Of this, 56% were proved developed. It had 79.2 MMBbls of crude oil and 868.1 Bcf of natural gas in proved reserves in the region.



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## Reasons To Buy:

- ▲ With an increasing focus on crude oil, especially in the Permian Basin, Uinta Basin and Eagle Ford regions, this upstream company is set to expand its oil-focused operations in the coming years. SM Energy has roughly 155,000 net acres in South Texas and operates two drilling rigs and one completion crew. In the Midland Basin, the company controls 110,000 net acres, signaling a positive outlook for sustained oil production growth with favorable operating margins.
- ▲ SM Energy announced that it has entered an all-stock merger agreement with Civitas Resources, with the combined entity valued at approximately \$12.8 billion. The combination of the two companies is expected to establish a high-quality portfolio of assets across highly productive U.S. shale basins. Notably, the combined entity will own approximately 823,000 net acres across high-return shale basins, with a significant part of the acreage located within the Permian Basin. Furthermore, the company has identified annual synergies of approximately \$200 million that are expected to generate additional shareholder value.
- ▲ SM Energy has mentioned that the strategic combination of the two firms is expected to be immediately accretive to key financial metrics, including operating cash flow, debt-adjusted cash flow and free cash flow. SM stated that the asset portfolios of the two companies are complementary and the combination is expected to yield an increase in free cash flows that will enable the company to strengthen the balance sheet and generate higher shareholder returns.
- ▲ In April 2025, Rystad Energy ranked SM Energy #1 among U.S. oil-focused operators for ESG performance, affirming the company's commitment to sustainability and stakeholder alignment. The rating reflects SM's progress in environmental stewardship, social responsibility, and governance practices, setting it apart from peers. This leadership reinforces its appeal to ESG-conscious investors and underscores the alignment of operational goals with long-term societal outcomes.

SM Energy's attractive oil and gas investments can create long-term value for shareholders.

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## Reasons To Sell:

- ▼ SM Energy expects weaker production momentum in the coming days. This is because the upstream energy company expects drilling activities to slow down and revealed that the number of drilling rigs has declined from nine to six. This is casting a shadow over SM Energy's production outlook.
- ▼ The company has more exposure to debt capital as compared to composite stocks belonging to the industry. SM's debt-to-capitalization of 32.7% is higher than the industry's average. Thus, this elevated level of debt could pressure future cash flows, limit flexibility, and increase interest expenses, making it a concerning factor for investors.
- ▼ Lease operating expenses (LOE) increased to \$5.76 per Boe in the nine months ended September 2025, up from \$5.01 per Boe in the year-ago comparable period. These cost increases could erode profit margins, particularly if oil and gas prices remain volatile or decline further.
- ▼ Being an upstream energy company, SM Energy's financial performance is tied to the health of the oil and gas industry. The company's overall business depends on the crude oil pricing environment, given that a major part of its production consists of oil. The company faces significant exposure to commodity price risk, which is evident in its high beta of 2.30. The high beta indicates that the stock is more volatile than the overall market, thereby making it unattractive for investors who are unaccustomed to sharp price fluctuations on a regular basis.

A sharp rise in SM Energy's net debt to \$2.8 billion in can concern investors.

## Last Earnings Report

### SM Energy Beats on Q3 Earnings, Announces Merger With Civitas

SM Energy reported third-quarter 2025 adjusted earnings of \$1.33 per share, which surpassed the Zacks Consensus Estimate of \$1.25. The bottom line, however, declined from the year-ago quarter's figure of \$1.62.

Total quarterly revenues of \$811.6 million missed the Zacks Consensus Estimate of \$838 million. However, the top line increased from the year-ago quarter's level of \$643.6 million.

Better-than-expected quarterly earnings were primarily driven by increased oil equivalent production volumes. However, a significant decline in the average realized oil prices and an increase in production expenses partially offset the gains.

### Operational Performance

#### Production

SM Energy's third-quarter production volume amounted to 213.8 thousand barrels of oil equivalent per day (MBoe/d) (almost 53% oil), reflecting an increase of 26% from the year-ago level of 170 MBoe/d. The Zacks Consensus Estimate for the same was pinned at 213 MBoe/d. The growth was primarily aided by an increase in oil-weighted production from the company's Uinta Basin assets.

Oil production increased approximately 47% year over year to 113.9 thousand barrels per day (MBbls/d). The Zacks Consensus Estimate for the same was pegged at 115 MBbls/d.

The company produced 418.2 million cubic feet per day of natural gas in the quarter, up 11% year over year. Natural gas liquids production totaled 30.2 MBbls/d in the third quarter. The figure remained flat year-over-year.

#### Realized Prices

Before the effects of derivative settlements, the average realized price per Boe was \$41.23 compared with \$41.08 in the year-ago quarter. The average realized oil price slipped 15% to \$63.83 per barrel.

The average realized price of natural gas improved 50% year over year to \$2.19 per thousand cubic feet, while that for natural gas liquids declined 4% to \$20.79 per barrel.

#### Costs & Expenses

On the cost front, unit lease operating expenses increased 20% year over year to \$5.67 per Boe. General and administrative expenses decreased 11% to \$2 per Boe from the prior-year level of \$2.25. Transportation expenses jumped 77% to \$3.77 per Boe.

Total hydrocarbon production expenses in the quarter were \$229 million compared with the year-ago level of \$148.4 million. Total exploration expenses were \$11.5 million, lower than the year-ago quarter's figure of \$12.1 million.

#### Capex

Capital expenditures in the September-end quarter totaled \$397.7 million, and adjusted free cash flow amounted to \$234.3 million.

#### Balance Sheet

As of Sept. 30, 2025, SM Energy had cash and cash equivalents of \$162.3 million and a net debt of \$2.57 billion.

#### Guidance

For the fourth quarter of 2025, SM Energy expects production to be in the range of 206-212 MBoe/d. Of the total production, oil is expected to contribute 52-53%. Capital expenditures (net of the change in capital accruals), excluding acquisitions, are forecasted to be in the \$225-\$245 million range.

For full-year 2025, net production volume is expected to be in the range of 207-208 MBoe/d. Oil is anticipated to account for 53-54% of the total production. The company has narrowed its full-year net production guidance range, while maintaining the midpoint at the prior level of 200-215 Mboe/d. Full-year capital expenditures have been updated to be approximately \$1.375-\$1.395 billion. SM has also reduced exploration expenses to approximately \$65 million.

#### Merger Announcement

Alongside the earnings release, SM Energy announced that it has entered an all-stock merger agreement with Civitas Resources, with the combined entity valued at approximately \$12.8 billion. The combined valuation includes the net debt of both companies. Per the terms of the merger agreement, Civitas Resources shareholders will receive 1.45 shares of SM Energy common stock for each common share of Civitas.

The combination of the two companies is expected to establish a high-quality portfolio of assets across highly productive U.S. shale basins. Notably, the combined entity will own approximately 823,000 net acres across high-return shale basins, with a significant part of the acreage

**FY Quarter Ending** **12/31/2024**

Earnings Reporting Date	Nov 03, 2025
Sales Surprise	-3.13%
EPS Surprise	6.40%
Quarterly EPS	1.33
Annual EPS (TTM)	6.50

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located within the Permian Basin. Furthermore, the company has identified annual synergies of approximately \$200 million that are expected to generate additional shareholder value.

SM Energy has mentioned that the strategic combination of the two firms is expected to be immediately accretive to key financial metrics, including operating cash flow, debt-adjusted cash flow and free cash flow. SM stated that the asset portfolios of the two companies are complementary and the combination is expected to yield an increase in free cash flows that will enable the company to strengthen the balance sheet and generate higher shareholder returns.

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## Valuation

SM Energy's shares are down 21.3% in the past six months and 50.5% in the trailing 12-month period. Stocks in the Zacks sub-industry decreased 3.3% while the Zacks Oil-Energy sector increased 10.7%, in the past six months. Over the past year, the Zacks sub-industry fell 23.5% while the sector was up 4.7%.

The S&P 500 Index was up 17.3% in the past six months and up 16.3% in the past year.

The stock is currently trading at 0.71X forward 12-month sales, which compares to 3.32X for the Zacks sub-industry, 1.24X for the Zacks sector and 5.33X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.42X and as low as 0.44X, with a 5-year median of 1.48X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$21.00 price target reflects 0.75X F12M sales.

The table below shows summary valuation data for SM.

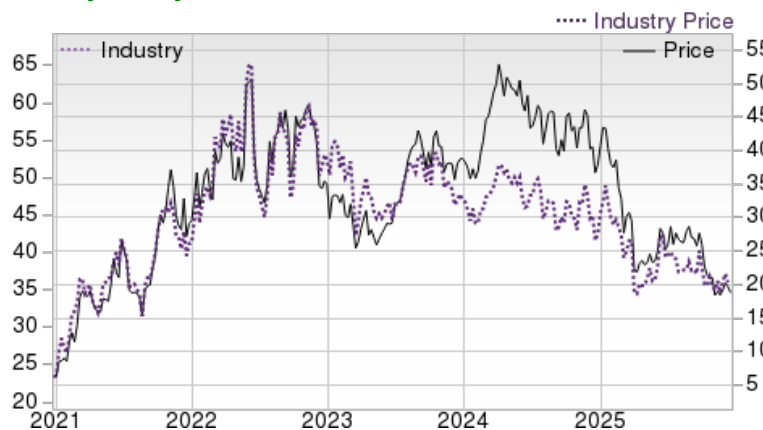
Valuation Multiples - SM					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.71	3.32	1.24	5.33
	5-Year High	2.42	5.51	1.24	5.5
	5-Year Low	0.44	1.26	0.74	3.83
	5-Year Median	1.48	2.28	0.97	5.05
EV/EBITDA TTM	Current	1.94	10.47	5.5	18.74
	5-Year High	10.46	16.04	6.84	22.41
	5-Year Low	1.83	3.56	2.77	13.87
	5-Year Median	3.64	6.55	4.4	17.96
P/B TTM	Current	0.49	2.88	1.72	8.56
	5-Year High	3.13	4.77	1.92	9.16
	5-Year Low	0.285	1.11	1.18	6.6
	5-Year Median	1.29	2.19	1.67	8.04

As of 12/05/2025

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Bottom 22% (188 out of 243)

## Top Peers<sup>(1)</sup>



Company (Ticker)	Rec	Rank
Antero Resources Cor... (AR)	Neutral	3
Chord Energy Corpora... (CHRD)	Neutral	3
Civitas Resources, I... (CIVI)	Neutral	3
California Resources... (CRC)	Neutral	4
Comstock Resources, ... (CRK)	Neutral	3
EOG Resources, Inc. (EOG)	Neutral	3
Matador Resources Co... (MTDR)	Neutral	3
Murphy Oil Corporati... (MUR)	Neutral	3

### Industry Comparison<sup>(1)</sup>

Industry: Oil And Gas - Exploration And Production - United States

Industry Peers

	SM	X Industry	S&P 500	AR	CHRD	CRK
<b>Zacks Recommendation (Long Term)</b>	Neutral	-	-	Neutral	Neutral	Neutral
<b>Zacks Rank (Short Term)</b>	3	-	-	3	3	3
<b>VGM Score</b>	A	-	-	B	A	D
Market Cap	2.16 B	742.53 M	39.09 B	10.72 B	5.16 B	6.76 B
# of Analysts	4	5	22	6	6	3
Dividend Yield	4.24%	0.00%	1.4%	0.00%	5.73%	0.00%
<b>Value Score</b>	A	-	-	C	A	D
Cash/Price	0.08	0.05	0.04	0.00	0.12	0.00
EV/EBITDA	2.23	4.00	14.63	14.40	2.64	15.18
PEG Ratio	-0.11	2.76	2.22	NA	NA	NA
Price/Book (P/B)	0.46	1.24	3.33	1.43	0.64	2.58
Price/Cash Flow (P/CF)	1.35	3.78	15.32	14.29	2.79	9.13
P/E (F1)	3.48	10.38	19.84	17.41	9.41	50.50
Price/Sales (P/S)	0.66	1.83	3.13	2.13	1.00	3.76
Earnings Yield	28.71%	9.02%	5.03%	5.76%	10.63%	1.99%
Debt/Equity	0.49	0.27	0.56	0.17	0.18	1.19
Cash Flow (\$/share)	14.00	2.79	8.98	2.43	32.58	2.52
<b>Growth Score</b>	C	-	-	B	C	C
Hist. EPS Growth (3-5 yrs)	34.32%	20.88%	8.16%	-20.09%	-11.57%	-7.12%
Proj. EPS Growth (F1/F0)	-20.29%	-14.11%	8.50%	852.38%	-42.11%	NA
Curr. Cash Flow Growth	14.54%	-3.54%	6.86%	-14.21%	42.25%	-1.43%
Hist. Cash Flow Growth (3-5 yrs)	15.31%	14.85%	7.48%	-3.10%	32.04%	11.02%
Current Ratio	0.56	0.85	1.18	0.31	1.35	0.41
Debt/Capital	32.74%	23.14%	38.01%	14.81%	15.48%	54.42%
Net Margin	22.03%	9.39%	12.78%	11.73%	3.31%	3.14%
Return on Equity	16.67%	8.97%	17.00%	7.51%	8.27%	6.71%
Sales/Assets	0.37	0.37	0.53	0.39	0.40	0.27
Proj. Sales Growth (F1/F0)	21.90%	0.00%	5.83%	18.70%	-24.70%	51.90%
<b>Momentum Score</b>	C	-	-	B	B	F
Daily Price Chg	-0.58%	0.00%	0.46%	3.33%	-0.04%	5.73%
1 Week Price Chg	-4.45%	-3.39%	1.61%	-3.32%	-7.40%	-0.55%
4 Week Price Chg	2.05%	-0.52%	2.13%	2.18%	-1.20%	-8.27%
12 Week Price Chg	-24.39%	-4.13%	3.31%	3.52%	-8.64%	16.29%
52 Week Price Chg	-49.71%	-14.27%	14.40%	4.48%	-19.79%	37.34%
20 Day Average Volume	2,639,762	422,402	2,805,434	5,221,247	570,237	2,699,424
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.56%	0.14%	0.00%	1.64%	0.82%	0.00%
(F1) EPS Est 12 week change	-6.88%	-2.80%	0.67%	-21.57%	-1.33%	-7.28%
(Q1) EPS Est Mthly Chg	-4.84%	0.00%	0.00%	5.08%	-3.42%	0.00%

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	C
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

## Disclosures

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