



Enterprise Products Partners (EPD)

Updated August 7th, 2022 by Samuel Smith

Key Metrics

Current Price:	\$25.7	5 Year CAGR Estimate:	9.3%	Market Cap:	\$56 B
Fair Value Price:	\$27.9	5 Year Growth Estimate:	1.7%	Ex-Dividend Date:	10/28/22 ¹
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	11/12/22 ²
Dividend Yield:	7.4%	5 Year Price Target	\$30	Years Of Dividend Growth:	24
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Enterprise Products Partners was founded in 1968. It is structured as a Master Limited Partnership, or MLP, and operates as an oil and gas storage and transportation company. Enterprise Products has a tremendous asset base which consists of nearly 50,000 miles of natural gas, natural gas liquids, crude oil, and refined products pipelines. It also has storage capacity of more than 250 million barrels. These assets collect fees based on materials transported and stored.

On 08/03/22, Enterprise Products reported second-quarter results. Net income increased to \$0.64 from \$0.50 in the year-ago period. Revenue increased 69.95% to \$16.1 billion year-over-year. Distributable cash flow stood at \$2.0 billion, up by 30% from \$1.6 billion in the year-ago period and provided 1.9 times coverage of the distribution declared.

Adjusted cash flow provided by operating activities stood at \$2.1 billion, up from \$1.7 billion year-over-year. Crude oil pipelines & services segment decreased to \$407 million from \$419 million in Q2 2021. Furthermore, crude oil pipeline transportation volume stood at 2.2 million bbl per day, up from 2.0 million bbl per day in the year-ago period. Meanwhile, the company reported capital investments for the second quarter of \$383 million which includes \$301 million growth capital expenditures and \$82 million for sustaining capital expenditures. The company also purchased ~1.4 million of its common units on the open market for ~\$35 million.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
DCF/S	\$2.40	\$2.54	\$2.71	\$2.52	\$2.45	\$2.56	\$3.30	\$3.43	\$2.91	\$3.00	\$3.49	\$3.80
DPS	\$1.27	\$1.35	\$1.43	\$1.51	\$1.59	\$1.67	\$1.71	\$1.76	\$1.79	\$1.80	\$1.90	\$1.95
Units³	1789.8	1864.1	1933.4	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2182.1	2201.0	2000

In this report, DCF-per-unit is used instead of earnings-per-share, since DCF is a more accurate measure of cash flow for an MLP. Enterprise has positive growth potential moving forward, thanks to new projects and exports. It has several billion dollars' worth of major capital projects currently under construction. They expect all of these projects to come online in the coming years, boosting cash flows.

Exports are also a key growth catalyst. Demand for liquefied petroleum gas and liquefied natural gas, or LPG and LNG respectively, is growing at a high rate across the world, particularly in Asia. That said, the world is also moving rapidly towards renewable energy and the pipeline industry is facing political and regulatory pressures right now, limiting new growth project opportunities. As a result, we expect mediocre annual DCF-per-unit growth through 2027. Distributions are expected to rise at a slow rate as well as management focuses on generating free cash flow after distributions. Unit buybacks and deleveraging will likely be meaningful tailwinds for per-unit growth, though.

¹ Estimate

² Estimate

³ Shares 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.



Enterprise Products Partners (EPD)

Updated August 7th, 2022 by Samuel Smith

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/DCF	10.4	13.0	13.3	10.2	11.1	10.4	7.2	7.0	6.5	7.4	7.4	8.0
Avg. Yld.	5.1%	4.1%	4.0%	5.9%	5.8%	6.3%	7.2%	7.3%	9.5%	8.1%	7.4%	6.4%

In this report, Enterprise Products units are valued on the basis of price-to-DCF, since DCF is used instead of traditional earnings-per-share. In the past 10 years, units traded for an average price-to-DCF ratio of 9.9. As a result, Enterprise Products appears to be significantly undervalued today. That being said, current growth headwinds facing the space are causing us to reduce our fair value multiple to 8 times DCF. As a result, we expect the multiple to only increase slightly over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

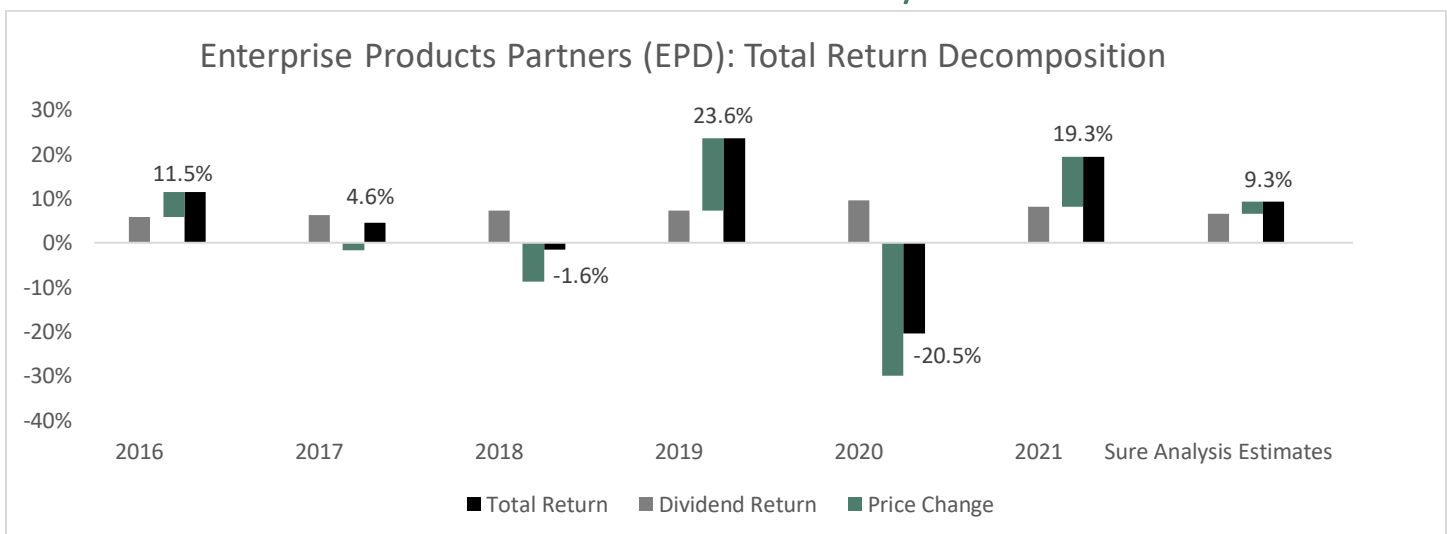
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	52.9%	53.1%	52.8%	59.9%	64.9%	65.2%	51.8%	51.3%	61.5%	59.8%	54.4%	51.3%

In terms of safety, Enterprise Products Partners is one of the strongest midstream MLPs. It has credit ratings of BBB+ from Standard & Poor's and Baa1 from Moody's, which are higher ratings than most MLPs. It also has a distribution coverage ratio of over 1.6x, leaving room for distribution increases and unit repurchases. Enterprise Products' high-quality assets generate strong cash flow, even in recessions. As a result, Enterprise Products has been able to raise its distribution to unitholders for 24 years in a row. Enterprise Products has tremendous competitive advantages, primarily its vast network of assets. It would be enormously costly to build out a network of pipelines and terminals large enough to compete with Enterprise Products.

Final Thoughts & Recommendation

Enterprise Products has an excellent network of assets and durable competitive advantages. In addition, its cash flow has remained fairly stable through the sharp energy market volatility over the past half decade. Enterprise Products has a 7.4% current distribution yield, which is a highly attractive yield for income investors. We believe Enterprise Products can generate total returns of 9.3% annualized over the next half decade, and therefore have a Hold rating as we view the partnership as one of the best MLPs in the market.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Enterprise Products Partners (EPD)

Updated August 7th, 2022 by Samuel Smith

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	42,583	47,727	47,951	27,028	23,022	29,242	36,534	32,789	27,200	40,807
Gross Profit	3,215	3,488	3,731	3,359	3,379	3,684	5,137	5,727	4,829	5,730
Gross Margin	7.6%	7.3%	7.8%	12.4%	14.7%	12.6%	14.1%	17.5%	17.8%	14.0%
SG&A Exp.	170	188	215	193	160	181	208	212	220	209
Operating Profit	1,105	1,218	1,361	1,516	1,552	1,644	1,792	1,949	2,072	2,113
Op. Margin	3,045	3,300	3,516	3,167	3,219	3,503	4,929	5,516	4,609	5,520
Net Profit	7.2%	6.9%	7.3%	11.7%	14.0%	12.0%	13.5%	16.8%	16.9%	13.5%
Net Margin	2,420	2,597	2,787	2,521	2,513	2,799	4,172	4,591	3,776	4,638
Free Cash Flow	5.7%	5.4%	5.8%	9.3%	10.9%	9.6%	11.4%	14.0%	13.9%	11.4%
Income Tax	(731)	457	1,269	172	1,083	1,565	1,903	1,989	2,604	6,289

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	35,934	40,139	47,201	48,802	52,194	54,418	56,970	61,733	64,107	67,526
Cash & Equivalents	16	57	74	19	63	5	345	335	1,060	2,819
Acc. Receivable	4,351	5,476	3,823	2,570	3,330	4,358	3,659	4,874	4,803	6,967
Inventories	1,088	1,093	1,014	1,038	1,771	1,610	1,522	2,091	3,304	2,681
Goodwill & Int.	3,654	3,542	8,602	9,782	9,609	9,436	9,354	9,194	8,758	8,600
Total Liabilities	22,638	24,698	27,509	28,301	29,928	31,646	32,678	35,906	38,729	41,087
Accounts Payable	892	874	893	944	503	929	1,243	1,167	854	799
Long-Term Debt	16,202	17,352	21,364	22,541	23,698	24,569	26,178	27,625	29,866	29,535
Total Equity	13,188	15,215	18,063	20,295	22,047	22,547	23,854	24,764	24,304	25,329

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	6.9%	6.8%	6.4%	5.3%	5.0%	5.3%	7.5%	7.7%	6.0%	7.0%
Return on Equity	19.1%	18.3%	16.8%	13.1%	11.9%	12.6%	18.0%	18.9%	15.4%	18.7%
Shares Out.	1789.8	1864.1	1933.4	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2182.1
Revenue/Share	24.71	25.90	25.30	13.52	11.02	13.57	16.71	14.89	12.35	18.52
FCF/Share	(0.42)	0.25	0.67	0.09	0.52	0.73	0.87	0.90	1.18	2.85

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.