



# Enterprise Products Partners (EPD)

Updated February 10<sup>th</sup>, 2025 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$32.9	<b>5 Year CAGR Estimate:</b>	11.1%	<b>Market Cap:</b>	\$71.4 B
<b>Fair Value Price:</b>	\$34.5	<b>5 Year Growth Estimate:</b>	4.6%	<b>Ex-Dividend Date:</b>	4/31/25 <sup>1</sup>
<b>% Fair Value:</b>	95%	<b>5 Year Valuation Multiple Estimate:</b>	0.9%	<b>Dividend Payment Date:</b>	5/14/25 <sup>2</sup>
<b>Dividend Yield:</b>	6.5%	<b>5 Year Price Target</b>	\$43	<b>Years Of Dividend Growth:</b>	27
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## 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. Enterprise Products Partners reported strong fourth-quarter 2024 earnings, delivering \$1.6 billion in net income, or \$0.74 per common unit, representing a 3% increase over the prior year. Adjusted cash flow from operations rose 4% to \$2.3 billion, with the company declaring a quarterly distribution of \$0.535 per unit, a 4% year-over-year increase. Enterprise also continued its capital return strategy, repurchasing 2.1 million common units during the quarter and 7.6 million units for the full year, bringing total buybacks under its program to \$1.1 billion. For the full year, the company posted \$9.9 billion in EBITDA, moving 12.9 million barrels of oil equivalent per day and setting multiple financial and operational records. Key infrastructure expansions included the completion of two Permian processing plants, the acquisition of Pinon Midstream, and investments in its crude pipeline system. In 2025, Enterprise expects to bring online additional gas processing capacity in the Permian, the Bahia NGL pipeline, and expanded NGL and ethylene export capacity at its Gulf Coast terminals. The company continues to pursue commercial opportunities for its SPOT offshore crude export terminal but has yet to secure sufficient customer commitments. Management acknowledged shifting crude export dynamics, including increased shipments to Europe rather than Asia, and the challenges in securing long-term commitments for VLCC loadings. However, Enterprise remains focused on growing its broader export footprint, targeting over 100 million barrels per month in hydrocarbon exports by 2027. Enterprise's petrochemicals business remains challenged by global oversupply, though the company sees long-term demand growth for ethane and ethylene exports. The firm recently signed a new ethane offtake contract with a customer in Vietnam and continues to see opportunities to expand its global customer base. Its PDH plants are expected to contribute an incremental \$200 million in EBITDA in 2025, though current utilization remains below expectations. On the capital allocation front, Enterprise ended 2024 with \$32.2 billion in total debt, a leverage ratio of 3.1x, and \$4.8 billion in available liquidity. The company expects 2025 growth capital expenditures of \$4.0–\$4.5 billion, with sustaining capital expenditures projected at \$525 million, including planned plant maintenance. Management reiterated its commitment to maintaining a strong balance sheet while balancing growth investments, distributions, and buybacks.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>DCF/S</b>	\$2.52	\$2.45	\$2.56	\$3.30	\$3.43	\$2.91	\$3.00	\$3.52	\$3.46	\$3.58	<b>\$3.83</b>	<b>\$4.80</b>
<b>DPS</b>	\$1.51	\$1.59	\$1.67	\$1.71	\$1.76	\$1.79	\$1.80	\$1.90	\$2.01	\$2.10	<b>\$2.14</b>	<b>\$2.75</b>
<b>Units<sup>3</sup></b>	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2176.4	2170.8	2168.2	2167.6	<b>2167.6</b>	<b>2000</b>

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> Shares in millions

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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 mid-single-digit annualized DCF-per-unit growth through 2030. Unit buybacks and deleveraging will likely be tailwinds for growth.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/DCF	13.3	10.2	11.1	10.4	7.2	7.0	6.5	7.4	8.0	8.5	8.6	9.0
Avg. Yld.	4.6%	4.9%	6.4%	4.7%	4.9%	8.5%	8.6%	8.3%	7.9%	7.3%	6.5%	6.4%

We believe that EPD's fair value multiple is 9 times DCF. As a result, Enterprise Products appears to be slightly undervalued today. As a result, we expect the multiple to slightly increase over the next five years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

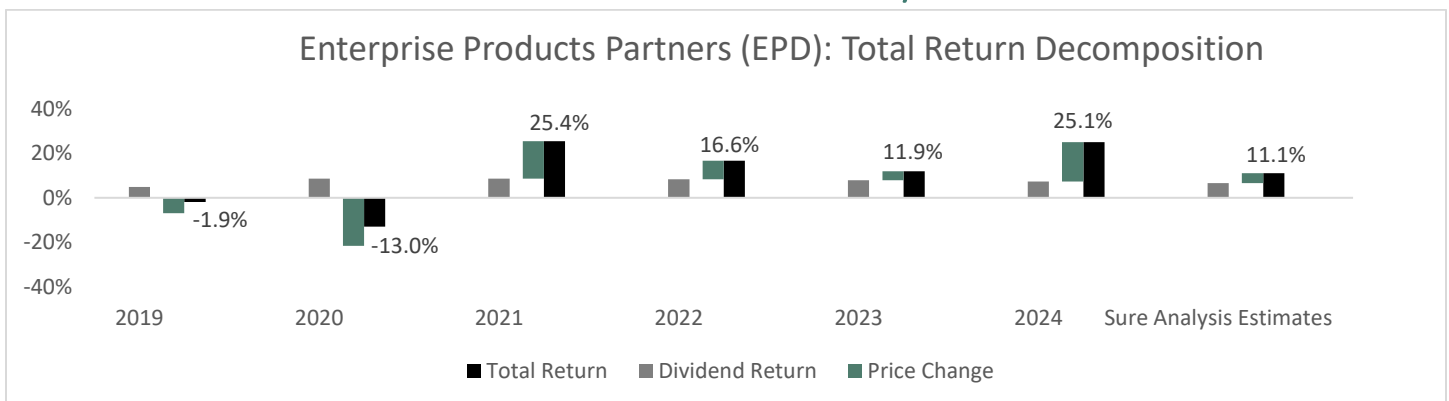
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	60%	65%	65%	52%	51%	62%	60%	54%	58%	59%	56%	57%

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 nearly 2x, 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 27 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 6.5% current distribution yield, which is a highly attractive yield for income investors. We believe Enterprise Products can generate total returns of 11.1% annualized over the next half decade, and therefore have a Buy rating as we view the partnership as one of the best MLPs in the market.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	47,951	27,028	23,022	29,242	36,534	32,789	27,200	40,807	58,186	49,715
<b>Gross Profit</b>	3,731	3,359	3,379	3,684	5,137	5,727	4,829	5,730	6,684	6,698
<b>Gross Margin</b>	7.8%	12.4%	14.7%	12.6%	14.1%	17.5%	17.8%	14.0%	11.5%	13.5%
<b>SG&amp;A Expense</b>	215	193	160	181	208	212	220	209	241	231
<b>D&amp;A Expense</b>	1,361	1,516	1,552	1,644	1,792	1,949	2,072	2,113	1,974	2,072
<b>Operating Profit</b>	3,516	3,167	3,219	3,503	4,929	5,516	4,609	5,520	6,443	6,467
<b>Op. Margin</b>	7.3%	11.7%	14.0%	12.0%	13.5%	16.8%	16.9%	13.5%	11.1%	13.0%
<b>Net Profit</b>	2,787	2,521	2,513	2,799	4,172	4,591	3,776	4,638	5,490	5,532
<b>Net Margin</b>	5.8%	9.3%	10.9%	9.6%	11.4%	14.0%	13.9%	11.4%	9.4%	11.1%
<b>Free Cash Flow</b>	1,269	172	1,083	1,565	1,903	1,989	2,604	6,289	6,075	4,303
<b>Income Tax</b>	23	-3	23	26	60	46	-124	70	82	44

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	47,201	48,802	52,194	54,418	56,970	61,733	64,107	67,526	68,108	70,982
<b>Cash &amp; Equivalents</b>	74	19	63	5	345	335	1,060	2,819	76	180
<b>Acc. Receivable</b>	3,823	2,570	3,330	4,358	3,659	4,874	4,803	6,967	6,964	7,765
<b>Inventories</b>	1,014	1,038	1,771	1,610	1,522	2,091	3,304	2,681	2,554	3,352
<b>Goodwill &amp; Int.</b>	8,602	9,782	9,609	9,436	9,354	9,194	8,758	8,600	9,573	9,378
<b>Total Liabilities</b>	27,509	28,301	29,928	31,646	32,678	35,906	38,729	41,087	40,406	42,223
<b>Accounts Payable</b>	893	944	503	929	1,243	1,167	854	799	743	1,195
<b>Long-Term Debt</b>	21,364	22,541	23,698	24,569	26,178	27,625	29,866	29,535	28,295	28,748
<b>Total Equity</b>	18,063	20,295	22,047	22,547	23,854	24,764	24,304	25,329	26,623	27,673

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	6.4%	5.3%	5.0%	5.3%	7.5%	7.7%	6.0%	7.0%	8.1%	8.0%
<b>Return on Equity</b>	16.8%	13.1%	11.9%	12.6%	18.0%	18.9%	15.4%	18.7%	21.1%	19.6%
<b>Shares Out.</b>	1933.4	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2176.4	2170.8	2168.2
<b>Revenue/Share</b>	25.30	13.52	11.02	13.57	16.71	14.89	12.35	18.52	26.46	22.66
<b>FCF/Share</b>	0.67	0.09	0.52	0.73	0.87	0.90	1.18	2.85	2.76	1.96

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

## Disclaimer

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