



Kinder Morgan, Inc. (KMI)

Updated February 10th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$27.0	5 Year CAGR Estimate:	5.7%	Market Cap:	\$60.1 B
Fair Value Price:	\$24.0	5 Year Growth Estimate:	3.9%	Ex-Dividend Date:	5/3/25 ¹
% Fair Value:	113%	5 Year Valuation Multiple Estimate:	-2.3%	Dividend Payment Date:	5/18/25 ²
Dividend Yield:	4.3%	5 Year Price Target	\$29	Years Of Dividend Growth:	7
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Kinder Morgan, Inc., in its current form, conducted its initial public offering on 2/10/11. Today, the company is among the largest energy companies in the U.S. It is engaged in storage and transportation of oil and gas, and other products. It owns an interest in or operates approximately 83,000 miles of pipelines and 144 terminals. Its pipelines transport natural gas, refined petroleum products, crude oil, carbon dioxide (CO₂) and more. Kinder Morgan's transportation assets operate like a toll road, whereby the company receives a fee for its services, which generally avoids commodity price risk. Approximately 90% of Kinder Morgan's cash flow is fee-based.

Kinder Morgan reported strong fourth-quarter results, emphasizing its expansion into major natural gas infrastructure projects and continued growth in earnings and cash flow. The company announced the final investment decision (FID) on the \$1.7 billion Trident project, which will provide gas to Southeast Texas. Over the past year, Kinder Morgan has added \$6.3 billion in projects to its backlog, growing it to \$8.1 billion, and expects to spend approximately \$2.5 billion per year on expansion capital for the next several years. The company's natural gas transport volumes were flat year-over-year while gathering volumes declined 7% due to lower Haynesville and Bakken activity. However, the company expects a 5% increase in gathering volumes in 2025, anticipating rising demand from LNG export growth in the latter half of the year. Refined product pipeline volumes increased by 2%, but crude and condensate volumes fell by 5%. Kinder Morgan highlighted strong utilization of its liquids storage terminals at 95%, along with high contract coverage for its Jones Act tanker fleet, which is nearly fully leased through 2026. The company continues to benefit from demand for LNG, power generation, and industrial growth, with 45% of U.S. LNG exports and 50% of Mexico-bound gas exports flowing through its pipelines. It also highlighted increasing power demand from artificial intelligence-driven data center expansion as a potential long-term growth driver. Fourth-quarter net income was \$667 million, up 12% year-over-year, while adjusted earnings per share grew 14% to \$0.32. For the full year, adjusted EPS increased 7% to \$1.17, and net debt declined slightly to \$31.7 billion, with a 4.0x leverage ratio, with an expectation to reduce it further to 3.8x in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCFPS³	\$2.14	\$2.02	\$2.00	\$2.12	\$2.19	\$2.02	\$2.40	\$2.22	\$2.10	\$2.19	\$2.40	\$2.90
DPS	\$1.93	\$0.50	\$0.50	\$0.72	\$1.00	\$1.05	\$1.07	\$1.10	\$1.13	\$1.15	\$1.15	\$1.45
Shares⁴	2229	2230	2217	2216	2200	2200	2267	2248	2219	2222	2222	2200

Kinder Morgan's biggest growth catalysts for the future are new pipeline and terminal projects. Natural gas is a compelling growth catalyst and continued to drive growth in the first half of this year. Natural gas is rapidly replacing coal, which gives Kinder Morgan a major advantage. Unfortunately for them, new pipeline projects face severe political headwinds for the foreseeable future so growth for the company will likely slow significantly. The company plans to continue investing in growth projects in 2025 and they expect to fully fund it with internally generated cash flow without

¹ Estimated

² Estimated

³ DCFPS stands for Distributable Cash Flow Per Share.

⁴ In millions



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the need to access capital markets. We expect the company’s DCF per share to increase steadily over the next half-decade due to continued incremental growth projects and share repurchases.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/DCF	7.0	10.3	9.0	8.8	9.0	4.9	7.3	7.9	8.0	11.1	11.3	10.0
Avg. Yld.	12.9%	2.4%	2.8%	3.9%	5.1%	10.6%	6.1%	6.3%	6.7%	4.7%	4.3%	5.0%

Since Kinder Morgan, Inc. became a publicly traded stock its valuation has fluctuated wildly. During the heyday of the oil and gas industry of 2011-2014, Kinder Morgan held a very high valuation, but when the oil and gas markets entered a downturn and Kinder Morgan cut its dividend, the stock valuation dramatically contracted. We give KMI a 10x fair value multiple given the tailwinds from expected growth in natural gas demand, which is somewhat offset by elevated interest rates. As a result, we view the stock as being slightly overvalued right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

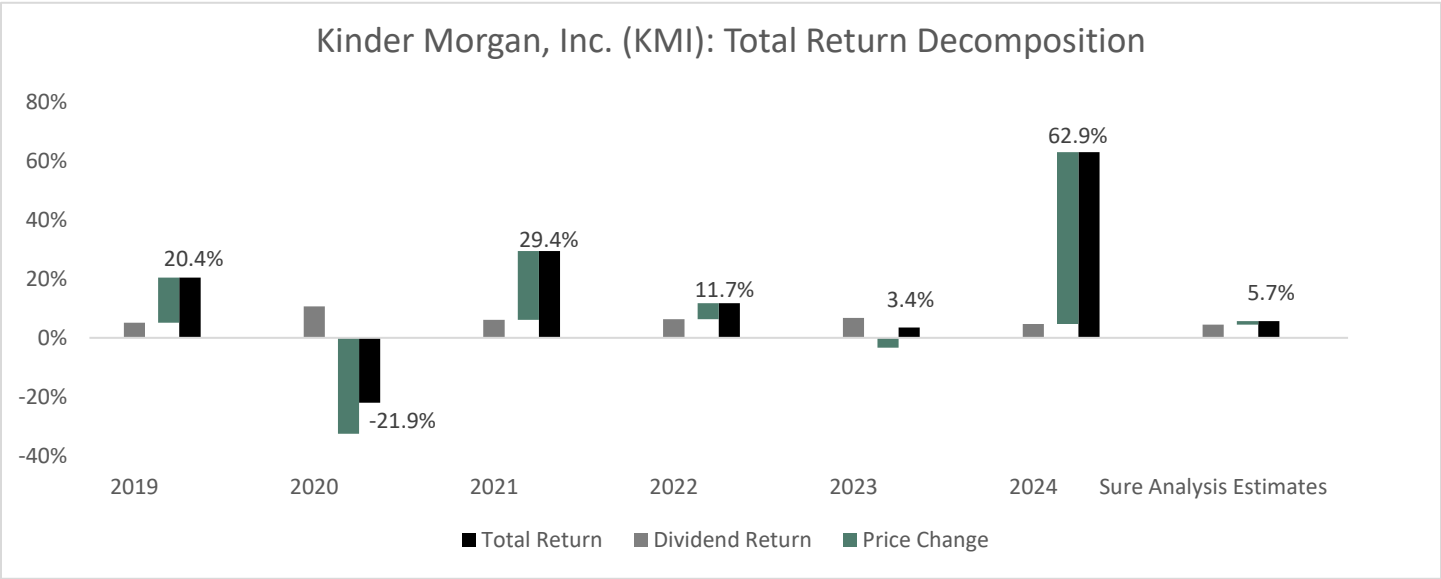
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	90.2%	24.8%	25.0%	34.0%	45.7%	52.0%	44.6%	49.5%	53.8%	52.5%	47.9%	50.0%

Kinder Morgan operates in the cyclical energy sector, but its business model still enables it to generate fairly stable cash flows. Kinder Morgan has a fairly low interest coverage ratio, and its elevated level of debt prompted the company’s dividend cut in 2016. The good news is the new dividend payout level seems to be secure, and the company utilized the savings from the dividend reduction to pay down debt and improve its balance sheet. Kinder Morgan has been deleveraging and the company received a credit rating upgrade from Standard & Poor’s and Moody’s. Kinder Morgan has significant network and economies of scale competitive advantages as one of the largest energy companies in the U.S. and the largest natural gas transporter, moving approximately 40% of the natural gas used in the U.S. It is also the largest independent transporter of petroleum products and carbon dioxide and the largest independent terminals operator.

Final Thoughts & Recommendation

The combination of the 4.3% dividend yield and expected steady per share distributable cash flow growth – offset by slight expected valuation contraction – could result in annualized total returns of 5.7% per year over the next half-decade, which earns Kinder Morgan a Hold recommendation at current prices.

Total Return Breakdown by Year





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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	14,403	13,058	13,705	14,144	13,209	11,700	16,610	19,200	15,334	15,100
Gross Profit	8,035	7,420	7,099	7,426	7,535	6,991	7,982	7,759	8,146	8,409
Gross Margin	55.8%	56.8%	51.8%	52.5%	57.0%	59.8%	48.1%	40.4%	53.1%	55.7%
SG&A Exp.	690	703	688	601	590	648	655	637	668	712
Operating Profit	4,516	3,925	3,542	3,961	3,931	3,492	4,540	4,065	4,263	4,384
Operating Margin	31.4%	30.1%	25.8%	28.0%	29.8%	29.8%	27.3%	21.2%	27.8%	29.0%
Net Profit	253	708	183	1,609	2,190	119	1,784	2,548	2,391	2,613
Net Margin	1.8%	5.4%	1.3%	11.4%	16.6%	1.0%	10.7%	13.3%	15.6%	17.3%
Free Cash Flow	1,417	1,876	1,413	2,139	2,478	2,843	4,427	3,346	4,174	3,006
Income Tax	564	917	1,938	587	926	481	369	710	715	687

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	84,104	80,305	79,055	78,866	74,157	71,973	70,416	70,078	71,020	71,407
Cash & Equivalents	229	684	264	3,280	185	1,184	1,140	745	83	88
Acc. Receivable	1,315	1,370	1,448	1,498	1,379	1,293	1,611	1,840	1,588	1,506
Inventories	407	357	424	385	371	348	562	634	525	555
Goodwill & Int.	27,341	25,470	25,261	24,845	24,127	22,304	21,592	21,774	22,078	21,844
Total Liabilities	48,701	45,503	43,931	43,669	39,268	39,407	38,495	37,964	39,291	39,540
Accounts Payable	1,192	1,257	1,340	1,337	914	837	1,259	1,444	1,366	1,395
Long-Term Debt	43,227	40,050	37,633	37,114	34,182	34,579	33,210	31,679	31,895	31,669
Total Equity	35,119	34,431	33,636	33,678	33,742	31,436	30,823	30,742	30,306	30,531
LTD/E Ratio	1.23	1.16	1.12	1.10	1.01	1.10	1.08	1.03	1.05	1.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.3%	0.9%	0.2%	2.0%	2.9%	0.2%	2.5%	3.6%	3.4%	3.7%
Return on Equity	0.7%	2.0%	0.5%	4.6%	6.2%	0.4%	5.5%	8.0%	7.5%	8.2%
ROIC	0.3%	0.9%	0.2%	2.2%	3.1%	0.2%	2.7%	4.0%	3.8%	4.1%
Shares Out.	2229	2230	2217	2216	2200	2200	2267	2248	2219	2222
Revenue/Share	6.57	5.86	6.15	6.38	5.83	5.17	7.33	8.50	6.86	6.80
FCF/Share	0.65	0.84	0.63	0.97	1.09	1.26	1.95	1.48	1.87	1.35

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

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