



Plains All American Pipeline, L.P. (PAA)

Updated February 26th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$20.15	5 Year CAGR Estimate:	13.5%	Market Cap:	\$14.2 B
Fair Value Price:	\$21.20	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	04/30/25 ¹
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date:	05/15/25
Dividend Yield:	7.5%	5 Year Price Target	\$27	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Plains All American Pipeline, L.P. is a midstream energy infrastructure provider. The company owns an extensive network of pipeline transportation, terminalling, storage, and gathering assets in key crude oil and natural gas liquids-producing basins at major market hubs in the United States and Canada. On average, it handles more than 7 million barrels per day of crude oil and NGL through 18,370 miles of active pipelines and gathering systems. Plains All American generates around \$40 billion in annual revenues and is based in Houston, Texas.

On January 9th, 2025, Plains All American raised its distribution by 19.7% to a quarterly rate of \$0.38.

On February 7th, 2025, Plains All American posted its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, revenues came in at \$12.4 billion, down 2.3% compared to last year.

Adjusted EBITDA from crude oil increased by 1% year-over-year, primarily due to higher tariff volumes on our pipelines, tariff escalations and contributions from acquisitions. These drivers were partially offset by fewer market-based opportunities, as well as an increase in estimated costs for long-term environmental remediation obligations.

Adjusted EBITDA from NGL declined 9% year-over-year results primarily due to lower weighted average frac spreads in the fourth quarter of 2024.

Thus, adjusted EBITDA totaled \$867 million for the quarter, down 1% compared to Q4 2023. Distributable cash flows (DCF) fell by four cents to \$0.64 on a per-unit basis. However, for the year, it rose three cents to \$2.49. Management introduced the partnership's full-year 2025 guidance for adjusted EBITDA, projecting it to be between \$2.80 billion and \$2.95 billion. We expect a DCFU of around \$2.65 for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCFU²	\$3.74	\$1.82	\$1.82	\$2.46	\$2.99	\$2.31	\$2.05	\$2.26	\$2.46	\$2.49	\$2.65	\$3.38
DPS	\$2.78	\$2.50	\$1.70	\$1.20	\$1.44	\$0.90	\$0.72	\$0.92	\$1.12	\$1.33	\$1.52	\$2.68
Units³	394	464	717	726	727	728	716	701	699	702	702	670.0

Over the past decade, Plains All American Pipeline has experienced a rollercoaster ride when it comes to its DCFU, due to the volatile nature of the energy sector and its ability to navigate shifting market conditions. Back in 2015, DCFU was riding high at \$3.74, but the oil market downturn hit hard in 2016 and 2017, slashing cash flow nearly in half to \$1.82. This period was a wake-up call for PAA, forcing the company to rethink capital allocation and focus on strengthening its balance sheet. By 2018 and 2019, the company had regained its footing, pushing DCFU back up to \$2.99 as production levels increased and pipeline demand grew. Then came 2020, and the COVID-19 pandemic delivered another major setback. With oil demand collapsing, DCFU fell to \$2.31, and the energy sector faced yet another round of uncertainty.

¹ Estimated dates based on past dividend dates.

² Distributable Cash Flow per Unit is a more meaningful metric compared to EPS for PAA's business model and capital structure.

³ Unit count is in millions.

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However, PAA's disciplined approach to cost management and asset optimization helped the company weather the storm.

The years following the pandemic saw a slow but steady recovery, with DCFU rebounding to \$2.26 in 2022. By 2023 and 2024, cash flow stabilized around \$2.49, signaling that PAA had found a more sustainable footing. This period of stability reflects a mix of improved market conditions, disciplined capital spending, and initiatives to boost operational efficiency.

We now expect DCFU growth of 5% through 2030, powered by an improving outlook in the energy sector. We have also set our expected distribution growth rate at 12% over the medium-term. Unit buybacks should also contribute to results during this period.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/DCF	9.6	14.8	14.3	9.8	7.7	5.6	5.0	4.7	5.0	6.7	7.6	8.0
Avg. Yld.	7.7%	9.3%	6.5%	5.0%	6.3%	5.5%	7.0%	8.4%	9.0%	8.0%	7.5%	9.9%

Plains All American's valuation multiple has, on average, hovered just over 8x its distributable cash flows over the past decade. During the tumultuous period of the COVID-19 pandemic, the stock's valuation experienced a notable multiple compression. This theme lasted all the way to last year. Encouragingly, the stock has been gradually converging to a more reasonable level, nearing our fair multiple of now 8x. The distribution yield of 7.5% is significant, and we expect it to advance further higher following continuous distribution hikes.

Safety, Quality, Competitive Advantage, & Recession Resiliency

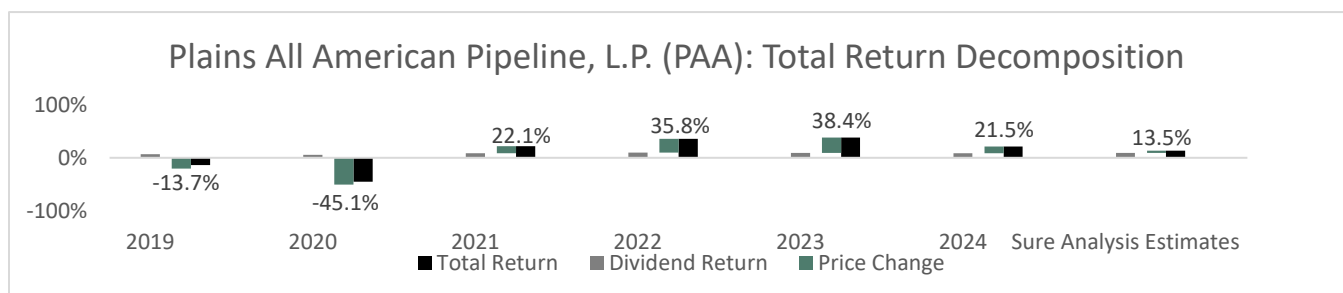
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	74%	137%	93%	49%	48%	39%	35%	41%	46%	54%	57%	79%

PAA's payout ratio is currently sitting at relatively comfortable levels. Following last year's distribution cut and clear capital allocation strategy, we don't expect another one going forward, especially considering management's intention to grow the annual distribution rate per unit. That being said, we cannot restfully trust its resiliency either. The company enjoys some qualities and competitive strengths, including a geographically diverse and interconnected asset base that provides operational flexibility, a high-quality customer base that supports sustainable fee-based cash flow generation (Marathon Petroleum, Phillips 66, etc.), and a highly experienced management team. Still, the company is highly susceptible to a potential recession and the overall volatile profile of the energy sector, which could materially affect its performance and financials, as has been the case several times.

Final Thoughts & Recommendation

In recent years, Plains All American has registered excellent returns. Nevertheless, we project lasting gains ahead. Based on our growth projections, the 7.5% yield, and the possibility of a soft valuation tailwind, we expect an annual return potential of 13.5% over the medium term. As a result, we continue to rate the stock as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	43,464	23,152	20,182	26,223	34,055	33,669	23,290	42,080	57,340	48,710
Gross Profit	2,124	1,540	1,253	1,538	2,479	2,313	1,130	1,735	1,886	1,708
Gross Margin	4.9%	6.7%	6.2%	5.9%	7.3%	6.9%	4.9%	4.1%	3.3%	3.5%
SG&A Exp.	325	278	279	276	316	297	271	292	325	350
D&A Exp.	384	432	514	517	520	601	653	774	965	1,048
Operating Profit	1,799	1,262	974	1,262	2,163	2,016	859	1,443	1,561	1,358
Operating Margin	4.1%	5.5%	4.8%	4.8%	6.4%	6.0%	3.7%	3.4%	2.7%	27.9%
Net Profit	1,384	903	726	856	2,216	2,171	(2,590)	593	1,037	1,230
Net Margin	3.2%	3.9%	3.6%	3.3%	6.5%	6.4%	-11.1%	1.4%	1.8%	2.5%
Free Cash Flow	72	(721)	(601)	1,475	974	1,323	776	1,660	1,953	2,168
Income Tax	171	100	25	44	198	66	(19)	73	189	121

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	22,198	22,288	24,210	25,351	25,511	28,677	24,497	29,610	27,890	27,360
Cash & Equivalents	403	27	47	37	66	45	22	449	401	450
Accounts Receivable	2,615	1,785	2,279	3,029	2,454	3,614	2,553	4,705	3,907	3,760
Inventories	891	916	1,343	713	640	604	647	783	729	548
Goodwill & Int. Ass.	2,810	2,688	2,586	3,410	3,293	3,247	805	1,960	2,145	1,875
Total Liabilities	14,007	14,349	15,394	14,393	13,509	15,482	14,759	15,800	14,570	13,620
Accounts Payable	2,986	2,038	2,588	3,323	2,704	3,686	2,437	4,810	4,044	3,844
Long-Term Debt	9,991	11,374	11,839	9,920	9,209	9,624	10,132	9,161	8,446	7,751
Shareholder's Equity	8,133	7,881	8,759	10,958	12,002	13,062	9,593	9,972	10,060	10,420
LTD/E Ratio	1.09	1.44	1.35	0.91	0.77	0.74	0.95	0.92	0.84	0.74

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.5%	4.1%	3.1%	3.5%	8.7%	8.0%	-9.7%	2.2%	3.7%	4.5%
Return on Equity	17.5%	11.3%	8.7%	8.7%	19.3%	17.3%	-22.9%	6.1%	10.4%	9.1%
ROIC	15.4%	8.4%	6.2%	7.9%	23.2%	22.9%	-25.9%	5.3%	8.7%	10.8%
Shares Out.	367	394	464	717	726	727	728	716	701	699
Revenue/Share	117.79	58.46	43.31	36.52	42.62	42.09	31.99	58.77	81.80	69.69
FCF/Share	0.20	(1.82)	(1.29)	2.05	1.22	1.65	1.07	2.32	2.79	3.10

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

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