



Plains GP Holdings, L.P. (PAGP)

Updated February 20th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$22	5 Year CAGR Estimate:	5.6%	Market Cap:	\$4.8 B
Fair Value Price:	\$16.30	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	04/30/2025 ¹
% Fair Value:	135%	5 Year Valuation Multiple Estimate:	-5.8%	Dividend Payment Date:	05/15/2025 ²
Dividend Yield:	6.9%	5 Year Price Target	\$20.80	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Plains GP Holdings (PAGP), via its subsidiary Plains All American Pipeline (PAA), manages midstream energy infrastructure across the USA and Canada. Their operations span two sectors: Crude Oil and Natural Gas Liquids (NGLs). They transport these resources through pipelines, gathering systems, and trucks while providing storage, terminalling, throughput, NGL fractionation, isomerization, and natural gas processing services. Their logistics aid producers, refiners, and clients in the energy sector.

On February 7th, 2025, the company announced results for the fourth quarter of 2024. Plains GP Holdings reported Q4 non-GAAP EPS of -\$0.05, missing the market's estimates by \$0.25. The company reported revenues of \$12.4 billion for the quarter, which were down 2.4% year-over-year.

Elsewhere, Plains GP Holding exceeded expectations, with adjusted EBITDA reaching \$729 million for the quarter and \$2.78 billion for the year, surpassing guidance by \$105 million. Net income attributable to PAA was \$36 million in Q4 and \$772 million for the year, while net cash provided by operating activities totaled \$726 million for Q4 and \$2.49 billion for the full year. CEO Willie Chiang highlighted the successful integration of Ironwood Midstream Energy and the acquisition of the remaining 50% interest in Midway Pipeline, enhancing the company's integrated asset base and long-term growth potential. CFO Al Swanson noted that higher crude volumes and pipeline tariff escalations contributed to Q4 earnings, and 2025 adjusted free cash flow is projected at \$1.15 billion after recent acquisitions.

Looking ahead, Plains expects 2025 adjusted EBITDA between \$2.8 billion and \$2.95 billion, representing a 3% increase at the midpoint. The company also announced a 20% increase in its quarterly distribution to \$1.52 per unit annually, with the next payout of \$0.25 per unit scheduled for February 14, 2025. Plains remains focused on disciplined capital allocation, with a \$400 million growth capital budget, including investments in Permian JV improvements and the Fort Saskatchewan debottleneck project. With Permian crude production forecast to grow by 200,000 to 300,000 barrels per day, Plains anticipates high utilization rates on Corpus Christi-bound assets and increasing volumes on the basin pipeline. Chiang emphasized that Plains remains well-positioned for sustained growth, leveraging its strong balance sheet, strategic bolt-on acquisitions, and continued financial discipline to enhance unitholder value in 2025 and beyond.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.41	\$0.94	-\$5.04	\$2.11	\$1.96	-\$3.08	\$0.31	\$0.86	\$1.02	\$0.73	\$1.26	\$1.60
DPS	\$0.54	\$0.62	\$0.55	\$0.30	\$0.30	\$0.36	\$0.18	\$0.18	\$0.27	\$1.33	\$1.52	\$1.68
Shares³	83	99	145	282	170	246	194	194	195	197	197	238.4

Plains GP Holdings evaluates the performance of its crude oil and NGL (natural gas liquids) segments through segment adjusted EBITDA. Plains GP Holdings saw an increase in shares outstanding in 2024, primarily driven by equity issuances

¹ Estimated ex-dividend date.

² Estimated payment date.

³ Shares in millions.

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related to strategic acquisitions and capital allocation initiatives aimed at enhancing long-term growth and financial flexibility.

In-line with the midpoint of analysts' estimates, we expect the company to post EPS of \$1.26 in 2025. Our annual EPS growth forecast is 5.0% over the next five years, leading to our estimated EPS of \$1.60 by 2030. Moreover, the company has a record of paying dividends despite operating in a volatile energy sector, as Plains GP Holdings has paid increasing dividends for the past 4 years. We do not expect consistency in maintaining dividend growth. However, the long-term trends remain positive, so we estimate a 2.0% dividend growth rate, suggesting a DPS of \$1.68 by 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	42.0	30.2	-5.2	10.9	11.2	-2.9	32.5	13.6	14.5	25.0	17.5	13.0
Avg. Yld.	0.9%	2.2%	2.1%	1.3%	1.4%	4.0%	1.8%	1.5%	1.8%	7.3%	6.9%	8.1%

The midstream energy infrastructure operator trades at a forward P/E of 17.5, close to the five-year average P/E of 17.2. Even though the volatility and rise in prices and demand will benefit the company in the near-term, we assign a P/E of 13.0 to the stock, which we believe is a fair reflection of its value. Accordingly, with an expected EPS of \$1.68 by 2030 and a target P/E of 13.0, our five-year target price for the stock stands at \$20.80.

Safety, Quality, Competitive Advantage, & Recession Resiliency

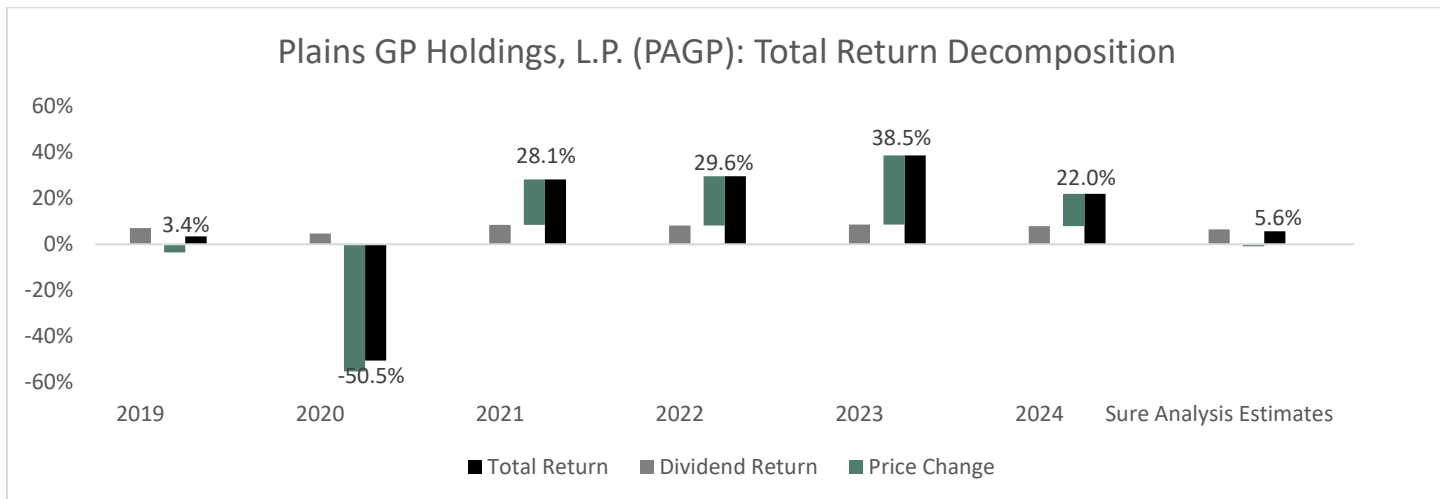
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	65%	-11%	14%	15%	-12%	58%	21%	26%	182%	121%	105%

While the company has paid a volatile dividend to its shareholders, we expect the company to maintain and increase its payout in the future. In Q4, repurchased approximately \$500 million in shares, bringing the year-to-date total to \$1.1 billion, as part of its ongoing commitment to returning capital to unitholders and enhancing shareholder value.

Final Thoughts & Recommendation

Plains GP Holdings runs a critical crude and NGL infrastructure business, and we believe that increased energy demand and upstream underinvestment will be a positive catalyst for EPS growth. However, Plains GP Holdings' dividend growth prospects could remain low given the payout ratio. We maintain our hold rating premised upon 5.6% annualized expected total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, 6.9% dividend yield, and a valuation headwind.

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	42,078	57,342	48,710
Gross Profit	3,578	2,993	2,434	2,719	3,741	3,613	2,203	2,797	3,198	3,130
Gross Margin	8.2%	12.9%	12.1%	10.4%	11.0%	10.7%	9.5%	6.6%	5.6%	6.4%
SG&A Exp.	331	281	282	280	320	302	276	298	330	356
D&A Exp.	386	433	515	519	521	604	656	777	968	1,051
Operating Profit	1,791	1,258	970	1,256	2,158	2,008	851	1,434	1,553	1,349
Op. Margin	4.1%	5.4%	4.8%	4.8%	6.3%	6.0%	3.7%	3.4%	2.7%	2.8%
Net Profit	70	118	94	(731)	334	331	(568)	60	168	198
Net Margin	0.2%	0.5%	0.5%	-2.8%	1.0%	1.0%	-2.4%	0.1%	0.3%	0.4%
Free Cash Flow	56	(732)	(616)	1,472	970	1,319	772	1,655	1,949	2,163
Income Tax	212	182	78	937	302	176	(167)	112	246	189

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	23,923	24,142	26,103	26,753	26,830	29,969	25,951	29,978	29,207	28,600
Cash & Equivalents	404	30	50	40	69	47	25	452	404	453
Acc. 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.	2,810	2,688	2,586	3,410	3,293	3,247	805	1,960	2,145	1,875
Total Liabilities	14,542	14,908	15,396	14,395	13,511	15,484	14,761	15,801	14,569	13,620
Accounts Payable	---	---	---	3,324	2,705	3,687	2,425	4,811	4,045	3,845
Long-Term Debt	10,525	11,931	11,839	9,920	9,209	9,691	10,213	9,220	8,446	7,751
Total Equity	1,657	1,762	1,737	1,695	1,846	2,155	1,464	1,533	1,524	1,548
D/E Ratio	6.35	6.77	6.82	5.85	4.99	4.50	6.98	6.01	5.54	5.00

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.3%	0.5%	0.4%	-2.8%	1.2%	1.2%	-2.0%	0.2%	0.6%	0.7%
Return on Equity	5.2%	6.9%	5.4%	-42.6%	18.9%	16.5%	-31.4%	4.0%	11.0%	1.3%
ROIC	0.4%	0.6%	0.5%	-3.5%	1.6%	1.6%	-2.7%	0.3%	0.8%	0.9%
Shares Out.	77.7	83.0	99.0	145.0	159.5	170.0	194.0	194.0	194.0	195.0
Revenue/Share	178.13	278.94	203.86	180.85	120.76	198.05	94.67	216.90	295.58	249.81
FCF/Share	0.23	-8.82	-6.22	10.15	3.44	7.76	3.14	8.53	10.05	11.09

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

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