Genesis Energy (GEL)

Updated May 20th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$15	**5 Year CAGR Estimate:**	-0.1%	**Market Cap:**	$1.9 B
Fair Value Price:	$11	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date[1]:**	7/30/2025
% Fair Value:	143%	**5 Year Valuation Multiple Estimate:**	-6.9%	**Dividend Payment Date[1]:**	8/13/2025
Dividend Yield:	4.4%	**5 Year Price Target**	$12	**Years Of Dividend Growth:**	1
Dividend Risk Score:	F	**Sector:** MLPs		**Rating:**	Hold

Overview & Current Events

Genesis Energy is a diversified midstream energy limited partnership, which generates 44% of its operating income from offshore pipeline transportation, 34% from sodium minerals and sulfur services, 4% from onshore facilities and 18% from marine transportation. It has a market capitalization of $1.9 billion.

Genesis Energy has dramatically underperformed the market in the last decade, as shares have slumped -69% whereas the S&P has rallied 182%. The underperformance of Genesis Energy reflects its poor business performance. The MLP has spent hefty amounts on capital expenses but the performance of its investments has been poor. As a result, it has posted negative free cash flows in six out of the last ten years. Moreover, it has markedly increased its debt load, with its interest expense currently exceeding its operating income. When some turnarounds and Hurricane Harvey adversely affected its results, the MLP was forced to cut its distribution by -31% in late 2017.

Even worse, Genesis Energy faced a fierce downturn in 2020-2021 due to the pandemic, which severely hurt the oil segment and the sodium business. The MLP cut its quarterly distribution by -73% in 2020, from $0.55 to $0.15.

On March 3rd, 2025, Genesis Energy announced that it sold its soda ash operations to an affiliate of WE Soda for $1.0 billion in cash. It used the proceeds to retire debt and preferred shares and thus it has strengthened its balance sheet. As the deal value exceeds 50% of the current market cap of the stock and the divested business generated 34% of earnings, we view the deal as positive, particularly given our aversion of highly indebted companies.

In early May, Genesis Energy reported (5/8/25) financial results for the first quarter of fiscal 2025. The offshore pipeline saw its operating income decrease -22% vs. last year's quarter due to continued underperformance in two major platforms and increased operating costs. The marine transportation segment had slightly lower utilization rates. Distributable cash flow (DCF) decreased from $54 million to $20 million and distribution coverage ratio plunged from 2.9 to 1.0. The MLP expects essentially flat adjusted EBITDA of ~$550 million this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
DCF/U	$2.18	$2.81	$2.52	-$4.22	$2.93	$2.08	$1.66	$2.88	$2.87	$1.30	***$1.50***	***$1.66***
DPU	$2.47	$2.72	$2.65	$2.10	$2.20	$1.00	$0.60	$0.60	$0.60	$0.62	***$0.66***	***$0.66***
Shares[2]	103.0	113.4	121.5	122.6	122.6	122.6	122.6	122.6	122.5	122.5	***122.5***	***150.0***

Genesis Energy has failed to grow its DCF per unit consistently over the last decade, mostly due to its poor investments and the impact of the pandemic on its business. The MLP has net debt of $3.6 billion, which is nearly double the current market cap, and a high leverage ratio (net debt/EBITDA) of 5.5. Due to its high leverage, the MLP was forced to sell a 36% stake in its CHOPS oil pipeline system in 2021 and used the proceeds to pay debt and become compliant with the requirements of its lenders. It sold its soda ash operations for the same reason this year. Given the outlook for lower capital expenses from this year, we expect 2.0% growth of DCF per unit on average until 2030. Part of this growth should

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[1] Estimated date.

[2] In millions.

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come from the deleveraging process, which will reduce interest expense to healthier levels. The choppy and poor growth record raises a red flag for the stock.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/DCF	16.9	12.9	8.9	---	7.3	3.8	5.7	3.7	3.7	9.6	***10.0***	***7.0***
Avg. Yld.	5.7%	8.1%	8.8%	9.4%	9.4%	12.5%	6.3%	5.6%	5.6%	5.0%	***4.4%***	***5.7%***

Genesis Energy is currently trading at a P/DCF ratio of 10.0, which is higher than the historical 9-year average of 7.0 of the stock. If the stock trades at its average valuation level in five years, it will incur a -6.9% annualized valuation drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

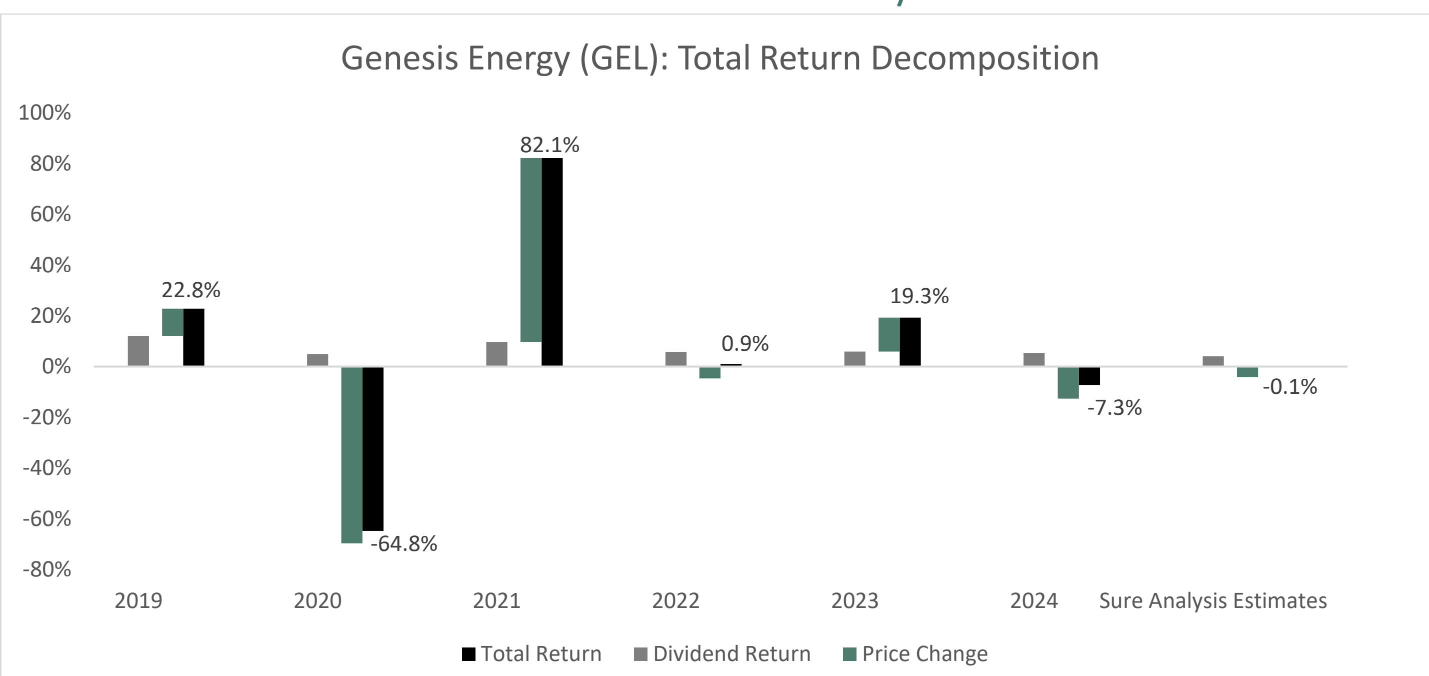
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	37.6%	66.2%	65.0%	38.2%	75.1%	48.0%	36.1%	20.8%	20.9%	47.7%	***44.0%***	***39.9%***

Given the volatile and lackluster performance record of Genesis Energy, it is evident that there is no meaningful competitive advantage in place. While Genesis Energy operates primarily with a fee-based model, its earnings are not resilient. In our view, the MLP invested too heavily and increased its leverage too much in the past. As a result, the financial burden of its debt exerts a strong drag on its results through high interest expense and dilution of its unit holders. It also renders Genesis Energy highly vulnerable to any downturn in its business, such as a recession.

Final Thoughts & Recommendation

Due to its poor business performance and its high leverage, which has caused two major distribution cuts, Genesis Energy has dramatically underperformed the market in the last decade. The stock could offer a -0.1% average annual return over the next five years, as its 4.4% distribution and 2.0% growth of DCF per unit may be offset by a -6.9% valuation drag. The MLP will be highly vulnerable in the event of a downturn, such as a recession. We rate the stock as a hold only for those who realize its risk and can stomach high stock price volatility.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,247	1,712	2,028	2,913	2,481	1,825	2,125	2,789	3,177	2,966
Gross Profit	222	252	247	321	325	114	137	342	395	316
Gross Margin	9.9%	14.7%	12.2%	11.0%	13.1%	6.2%	6.4%	12.3%	12.4%	10.6%
SG&A Exp.	65	46	66	67	53	57	61	67	66	59
D&A Exp.	---	---	---	---	---	---	310	296	280	313
Operating Profit	139	206	164	259	273	57	76	275	329	256
Operating Margin	6.2%	12.1%	8.1%	8.9%	11.0%	3.1%	3.6%	9.9%	10.4%	8.6%
Net Profit	423	113	83	(6)	96	(417)	(165)	75	118	(64)
Net Margin	18.8%	6.6%	4.1%	-0.2%	3.9%	-22.8%	-7.8%	2.7%	3.7%	-2.2%
Free Cash Flow	(206)	(180)	73	195	219	153	37	(90)	(99)	(195)
Income Tax	4	3	(4)	1	1	1	2	3	0	2

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,460	5,703	7,137	6,479	6,598	5,934	5,906	6,366	7,019	7,038
Cash & Equivalents	11	7	9	10	29	27	20	8	9	30
Accounts Receivable	220	225	495	323	417	392	400	722	760	741
Inventories	44	99	89	74	65	100	78	78	135	111
Goodwill & Int. Ass.	548	530	507	465	441	431	429	429	443	399
Total Liabilities	3,439	3,583	4,423	4,037	4,376	4,325	3,926	4,591	5,308	5,522
Accounts Payable	141	120	271	127	219	198	264	428	589	491
Long-Term Debt	2,922	3,091	3,698	3,432	3,429	3,394	2,980	3,464	3,753	4,107
Shareholder's Equity	2,029	2,130	2,723	2,453	2,225	1,610	1,426	1,465	1,341	1,103

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.7%	2.0%	1.3%	-0.1%	1.5%	-6.7%	-2.8%	1.2%	1.8%	-0.9%
Return on Equity	25.9%	5.4%	3.4%	-0.2%	4.1%	-21.7%	-10.9%	5.2%	6.8%	-4.0%
Shares Out.	103.0	113.4	121.5	122.6	122.6	122.6	122.6	122.6	122.5	122.5
Revenue/Share	21.81	15.10	16.69	23.76	20.24	14.89	17.34	22.75	25.93	24.22
FCF/Share	-2.00	-1.59	0.60	1.59	1.79	1.25	0.30	(0.73)	(0.81)	(1.59)

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