



Kinder Morgan, Inc. (KMI)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$27.5	5 Year CAGR Estimate:	5.3%	Market Cap:	\$60.5 B
Fair Value Price:	\$22.6	5 Year Growth Estimate:	5.1%	Ex-Dividend Date:	7/30/25 ¹
% Fair Value:	122%	5 Year Valuation Multiple Estimate:	-3.8%	Dividend Payment Date:	8/15/25 ²
Dividend Yield:	4.3%	5 Year Price Target	\$29	Years Of Dividend Growth:	8
Dividend Risk Score:	D	Sector:	Energy	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.

On April 16, 2025, Kinder Morgan reported its financial results for the first quarter of 2025. The company posted a net income of \$717 million, a 4% decrease from the \$746 million reported in the same quarter of 2024. Adjusted net income, however, saw a slight increase of 1% year-over-year, reaching \$766 million. Adjusted earnings per share (EPS) remained steady at \$0.34, just below the analyst consensus estimate of \$0.35. Revenue for the quarter was \$4.24 billion, surpassing expectations and marking an increase from the previous year's \$3.84 billion. The company's adjusted EBITDA rose by 1% to \$2.157 billion. Operationally, Kinder Morgan experienced a 3% increase in natural gas transport volumes, attributed to higher LNG and power plant deliveries, while natural gas gathering volumes declined by 6%, primarily due to reduced activity in the Haynesville gathering system. The Products Pipelines segment faced challenges due to a planned turnaround at the Houston Ship Channel condensate processing facility and lower commodity prices, though this was partially offset by higher transport rates and volumes. Refined products volumes increased by 2%, and crude and condensate volumes rose by 4% compared to the first quarter of 2024. The Terminals segment reported improved earnings, driven by higher rates in the Jones Act tanker fleet, despite lower coal handling activities. Strategically, Kinder Morgan expanded its project backlog by \$900 million, bringing the total to \$8.8 billion, with 91% focused on natural gas projects. Notable additions include the \$431 million Bridge project in South Carolina and the \$1.6 billion Trident Intrastate Pipeline in Texas. The company also completed a \$640 million acquisition of Outrigger Energy II's gathering and processing system in North Dakota. Looking ahead, Kinder Morgan reaffirmed its full-year 2025 guidance, projecting a net income of \$2.8 billion, an 8% increase from 2024, and an adjusted EPS of \$1.27.

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	\$2.26	\$2.90
DPS	\$1.93	\$0.50	\$0.50	\$0.72	\$1.00	\$1.05	\$1.07	\$1.10	\$1.13	\$1.15	\$1.17	\$1.43
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

¹ Estimated

² Estimated

³ DCFPS stands for Distributable Cash Flow Per Share.

⁴ In millions



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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 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	12.2	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%	4.9%

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

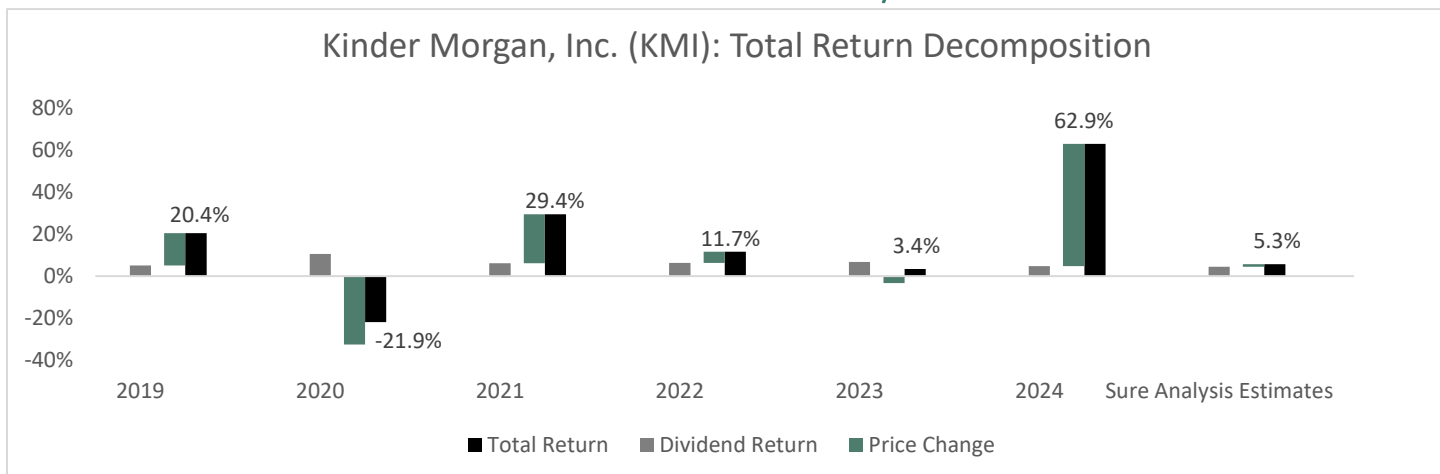
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	90.2%	24.8%	25.0%	34.0%	45.7%	52.0%	44.6%	49.5%	53.8%	52.5%	51.8%	49.3%

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 5.3% 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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