



Western Midstream Partners, LP (WES)

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Key Metrics

Current Price:	\$42	5 Year CAGR Estimate:	7.5%	Market Cap:	\$17 B
Fair Value Price:	\$32	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	2/2/26
% Fair Value:	130%	5 Year Valuation Multiple Estimate:	-5.2%	Dividend Payment Date:	2/13/26
Dividend Yield:	8.7%	5 Year Price Target	\$41	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Sector:	MLPs	Rating:	Hold

Overview & Current Events

Western Midstream Partners, LP is a master limited partnership that is focused on gathering, compressing, treating, processing, and transporting natural gas. It also transports natural gas liquids and crude oil and gathers, transports, recycles, treats, and disposes of produced water for its customers. Its key operational regions are Texas, New Mexico and the Rocky Mountains. The company was founded in 2007, it was formerly known as Western Gas Equity Partners, LP and changed its name in 2019. It is based in The Woodlands, Texas, and has a market capitalization of \$17 billion.

In early November, Western Midstream Partners reported (11/4/25) results for the third quarter of fiscal 2025. It grew its total natural gas volumes 2% sequentially, to a new all-time high, and grew its adjusted EBITDA 3%, to a new all-time high. It also achieved record total system operability of 99.6%. As a result, it grew its earnings-per-share 18% over the prior year's quarter, from \$0.74 to \$0.87. Thanks to positive business momentum, management provided strong guidance for the full year. It expects adjusted EBITDA to be near the high end of guidance of \$2.35-\$2.55 billion and free cash flow to exceed the guidance range of \$1.275-\$1.475 billion, thus implying free cash flow per share above \$3.85.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.39	\$1.53	\$1.72	\$1.69	\$1.59	\$1.18	\$2.18	\$3.00	\$2.60	\$4.02	\$3.50	\$4.47
DPS	\$1.40	\$1.71	\$2.02	\$2.30	\$2.45	\$1.56	\$1.27	\$1.83	\$2.14	\$3.20	\$3.64	\$4.02
Units²	219	219	219	219	416	436	412	396	381	383	383	383

Ideally you would use distributable cash flow as a leading metric for a master limited partnership, but Western Midstream Partners does not report this metric. As a result, we will focus on earnings-per-share. In general, pipelines tend to have a stronghold in terms of extracting economic rents. Building pipelines requires years of approvals and ongoing regulation. As such, the incumbent positions enjoy "toll-booth" type business models, with a good portion of their revenue fixed via fee-based and minimum volume contracts.

Western Midstream Partners has a strong position in the Delaware Basin and in the DJ Basin in Colorado. A major growth driver is the growing amount of produced water as a byproduct of oil and gas exploration. More than 18 million barrels of water per day need to be handled in the Delaware Basin. The consistent growth in drilling activity in the area is likely to result in material growth of volumes of natural gas and water that pass through the network of the MLP. Management expects to grow distribution at a mid-to-low single-digit rate every year. We expect 5% average annual growth of earnings-per-share until 2030 but we have assumed 2% annual distribution growth due to a high payout ratio.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/E	137.9	24.4	24.4	25.2	18.8	9.0	9.1	8.7	10.4	9.1	12.0	9.2
Avg. Yld.	2.6%	4.6%	4.8%	5.4%	8.2%	14.7%	6.4%	7.0%	7.9%	8.8%	8.7%	9.8%

¹ Estimated date.

² In millions.

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Western Midstream Partners has traded at an average price-to-earnings ratio of 9.2 over the last five years. We assume this as a fair valuation level for the MLP, which is currently trading at a price-to-earnings ratio of 12.0. If the stock trades at its fair valuation level in five years, it will incur a -5.2% annualized valuation drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	359%	112%	117%	136%	154%	132%	58%	61%	82%	80%	104%	90%

Occidental Petroleum holds a controlling stake of approximately 45% in Western Midstream Partners. This affiliation offers Western Midstream Partners the opportunity for many growth projects while it also generates about 60% of the total revenue of the MLP. The strong relationship between Western Midstream Partners and Occidental is beneficial for both companies but it is also a risk factor for the MLP, as any downturn of Occidental is likely to hurt the MLP.

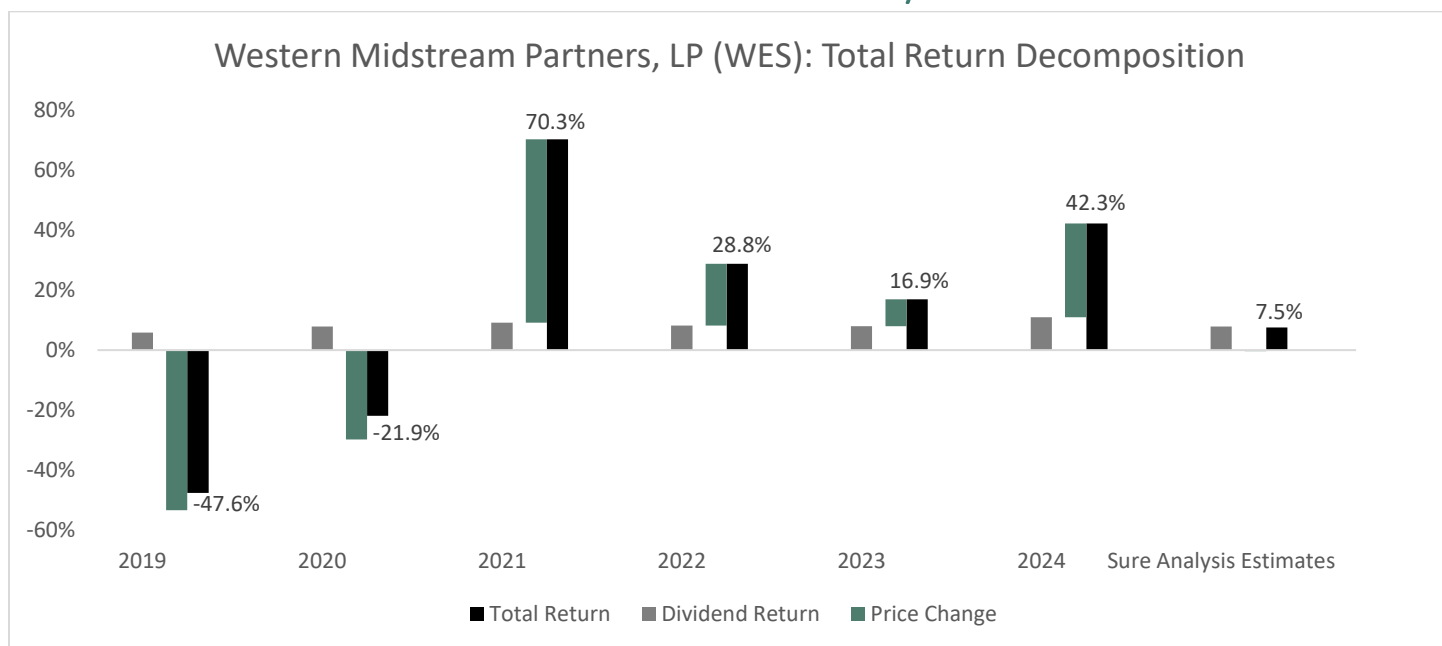
Western Midstream Partners is more resilient to the downturns of the oil and gas industry than most companies thanks to its fee-based contracts that have minimum volume requirements. Even in 2020, when nearly all the oil producers incurred losses due to the coronavirus crisis, the MLP remained profitable. Moreover, Western Midstream Partners has a healthy balance sheet, with a leverage ratio of 2.8x and an investment grade credit rating of BBB- from S&P and Fitch. This is paramount for a company engaged in the highly cyclical oil and gas industry. On the other hand, the company is not immune to downturns. In 2020, it incurred a -26% decrease in its earnings-per-share due to the pandemic.

Western Midstream Partners is offering an above-average distribution yield of 8.7% but it has a payout ratio of 104% and hence its distribution is far from safe. The MLP cut its quarterly distribution by 50% in early 2020, at the onset of the pandemic. Nevertheless, it can boast that it belongs to the less than 1% stocks of the Russell 3000 that offer a distribution yield in excess of 7.0% and have an investment grade credit rating.

Final Thoughts & Recommendation

Western Midstream Partners enjoys positive business momentum and is offering an attractive distribution yield of 8.7%. While the distribution is not safe, the stock appears fairly attractive. It could offer a 7.5% average annual return over the next five years thanks to its 8.7% distribution yield and its 5% growth rate, partly offset by a -5.2% valuation headwind. The stock receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,561	1,733	2,250	2,308	2,747	2,549	2,698	3,252	3,106	3,605
Gross Profit	553	701	732	1,022	1,178	1,289	1,243	1,594	1,579	1,902
Gross Margin	35.4%	40.4%	32.5%	44.3%	42.9%	50.6%	46.1%	49.0%	50.8%	52.8%
SG&A Exp.	44	49	51	67	115	156	196	194	233	272
D&A Exp.	273	273	291	389	483	491	552	582	601	650
Operating Profit	475	611	635	903	1,002	1,065	983	1,321	1,290	1,568
Operating Margin	30.4%	35.3%	28.2%	39.1%	36.5%	41.8%	36.4%	40.6%	41.5%	43.5%
Net Profit	(68)	586	573	449	778	517	944	1,251	1,048	1,611
Net Margin	-4.4%	33.8%	25.5%	19.4%	28.3%	20.3%	35.0%	38.5%	33.7%	44.7%
Free Cash Flow	161	454	245	(571)	166	1,246	1,495	1,278	965	1,334
Income Tax	46	8	5	59	13	6	(10)	4	4	18

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,303	7,736	8,016	11,457	12,346	11,830	11,273	11,272	12,472	13,145
Cash & Equivalents	100	359	80	92	100	445	202	287	273	1,090
Accounts Receivable	96	166	162	227	268	458	442	558	676	714
Inventories	2	7	11	6		1	3	4	3	3
Goodwill & Int. Ass.	1,222	1,221	1,191	1,163	-	781	750	718	686	655
Total Liabilities	3,383	3,625	4,071	6,565		8,935	8,177	8,164	9,442	9,770
Accounts Payable	99	123	350	443	293	211	326	361	362	313
Long-Term Debt	2,707	3,119	3,493	4,815	8	7,890	6,942	6,819	7,950	8,081
Shareholder's Equity	1,491	1,048	1,061	2,340	3,196	2,761	2,958	2,972	2,897	3,236

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.0%	7.8%	7.3%	4.6%	6.5%	4.3%	8.2%	11.1%	8.8%	12.6%
Return on Equity	-1.7%	14.6%	14.2%	10.2%	18.9%	16.6%	31.5%	40.3%	34.2%	50.3%
Shares Out.	219	219	219	219	416	436	412	396	381	383
Revenue/Share	7.13	7.92	10.28	10.54	6.61	5.85	6.56	8.21	8.08	9.43
FCF/Share	0.74	2.08	1.12	(2.61)	0.40	2.86	3.63	3.23	2.51	3.49

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

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