



# Energy Transfer LP (ET)

Updated February 19<sup>th</sup>, 2026 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$19	<b>5 Year CAGR Estimate:</b>	6.0%	<b>Market Cap:</b>	\$65 B
<b>Fair Value Price:</b>	\$14	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	2/6/26
<b>% Fair Value:</b>	133%	<b>5 Year Valuation Multiple Estimate:</b>	-5.5%	<b>Dividend Payment Date:</b>	2/19/26
<b>Dividend Yield:</b>	7.1%	<b>5 Year Price Target</b>	\$18	<b>Years Of Dividend Growth:</b>	5
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Energy	<b>Rating:</b>	Hold

## Overview & Current Events

On October 19<sup>th</sup>, 2018, Energy Transfer Equity, LP (previously ETE) and Energy Transfer Partners, LP (previously ETP) announced the completion of a merger with ETE buying ETP. As part of the merger, ETE changed its name to “Energy Transfer LP” and the common units began trading under the “ET” symbol. The combined firm owns and operates one of the largest and most diversified portfolios of energy assets in the United States. Operations include natural gas transportation and storage along with crude oil, natural gas liquids and refined product transportation and storage totaling over 130,000 miles of pipelines. Energy Transfer, a \$65 billion market capitalization company, also owns the Lake Charles LNG Company and stakes in Sunoco LP (SUN) and USA Compression Partners (USAC). On December 7<sup>th</sup>, 2021, Energy Transfer acquired Enable Midstream Partners (ENBL) in a \$7 billion stock-for-stock deal.

In mid-February, Energy Transfer reported (2/17/26) financial results for the fourth quarter of fiscal 2025. The MLP continued to grow its volumes in all the segments. As a result, adjusted EBITDA and distributable cash flow grew 8% and 3%, respectively, over the prior year’s quarter. Energy Transfer raised the quarterly distribution by 0.8%, on top of the distribution hikes in each of the 16 previous quarters. It thus now offers an annualized distribution of \$1.34, which is higher than the pre-pandemic level and corresponds to an annual yield of 7.1%. Energy Transfer provided strong guidance for 2026, expecting adjusted EBITDA to grow from \$16.0 billion in 2025 to \$17.45-\$17.85 billion in 2026. This guidance implies 10% growth at the mid-point. Management also reiterated its guidance for average annual distribution growth of 3%-5% over the long run.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>CF/S</b>	\$3.20	\$3.38	\$2.06	\$2.20	\$2.13	\$2.90	\$2.40	\$2.88	\$2.44	\$2.38	<b>\$2.70</b>	<b>\$3.45</b>
<b>DPS</b>	\$1.14	\$1.15	\$1.22	\$1.22	\$1.07	\$0.61	\$0.87	\$1.24	\$1.28	\$1.32	<b>\$1.34</b>	<b>\$1.48</b>
<b>Units<sup>1</sup></b>	1,047	1,079	2,619	2,650	2,699	2,831	3,103	3,295	3,450	3,449	<b>3,449</b>	<b>4,000</b>

Energy Transfer operates a “toll booth” model of transporting energy, with natural gas being particularly interesting. Eventually the world may move away from fossil fuels, but this is not the case for the foreseeable future. Moreover, all the environmental policies are positive for natural gas, which is considered a cleaner and environmentally friendly fuel. In the last decade, U.S. electricity production has shifted dramatically from coal to natural gas.

Energy Transfer has a healthy backlog and expects to spend \$5.0-\$5.5 billion in growth capital expenditures this year to enhance its natural gas network. A great portion of the capital expenses of this year are for projects that are expected to begin delivering cash flows until the end of next year. The growth projects and the acquisitions of Energy Transfer will be significant growth drivers, but its results will be burdened by its high net debt load (\$74.1 billion) and its increased share count. Energy Transfers’ investments prime the MLP for growth in a positive scenario but render it vulnerable to downturns. The MLP has grown its cash flow per share by 2.1% per year on average over the last seven years but we expect 5% average annual growth in cash flow per share until 2031, given the increased amount of investment.

<sup>1</sup> Units in millions

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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg P/DCF	6.0	5.1	6.4	5.3	3.6	3.1	4.6	4.5	6.6	7.5	<b>7.0</b>	<b>5.3</b>
Avg. Yld.	8.6%	6.5%	9.2%	10.5%	14.1%	6.8%	7.9%	9.5%	8.0%	7.4%	<b>7.1%</b>	<b>8.1%</b>

The average price-to-cash flow ratio of Energy Transfer has dramatically decreased since 2012-2014 due to its excessive debt load. The stock is currently trading at a cash flow multiple of 7.0, which is higher than the 9-year average cash flow multiple of 5.3. If the stock trades at its average valuation level in 2031, it will incur a -5.5% annual valuation headwind.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

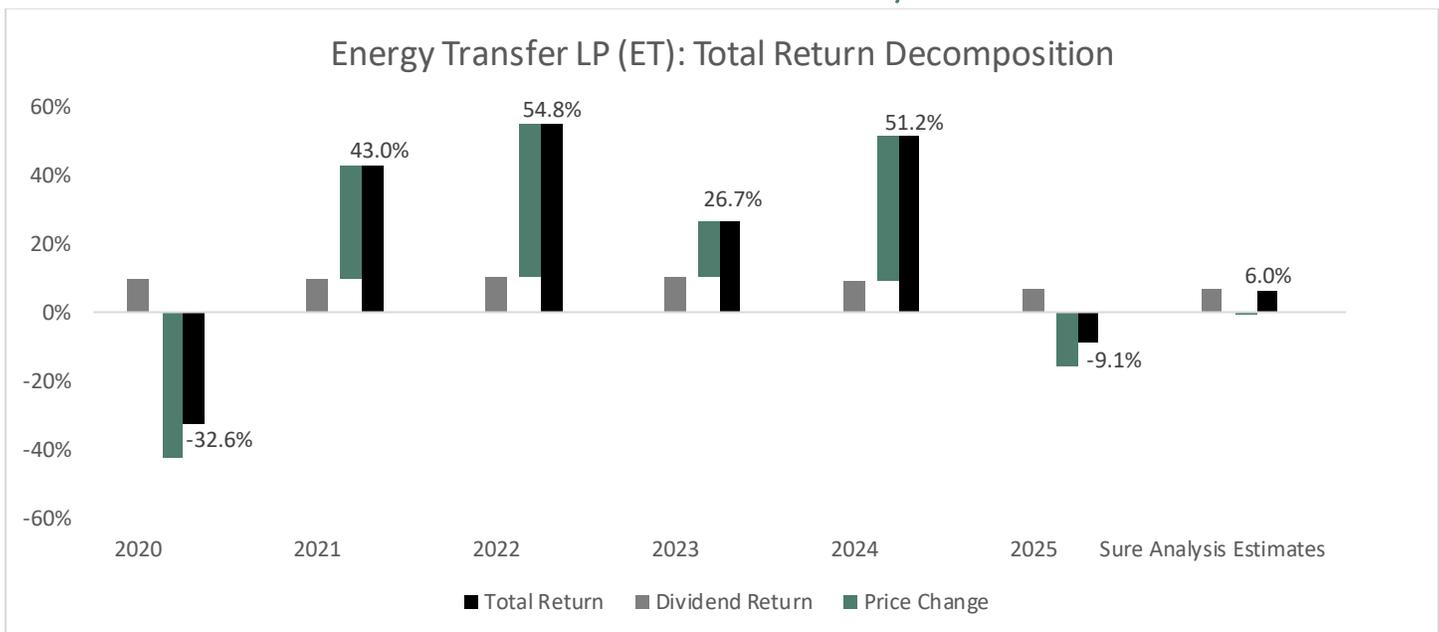
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	36%	34%	59%	56%	50%	21%	36%	43%	52%	55%	<b>50%</b>	<b>43%</b>

Energy Transfer has been trying to offer extremely generous distributions to its shareholders and at the same time it has been investing excessive amounts in growth projects and acquisitions. Unfortunately, it is impossible to achieve these without a price. The price is the leveraged balance sheet, which renders the MLP vulnerable to any unforeseen downturn. When the pandemic struck, Energy Transfer was forced to cut its distribution by -50% due to its high leverage. Moreover, the stock plunged -70% in less than three months due to investors' aversion to the risk of the stock. Income-oriented investors who are attracted by the high distribution yield of the MLP should be well aware of its risk and its volatility. With that said, the distribution has been restored above the pre-pandemic level and is currently well covered by cash flows, with a coverage ratio of 2.0. Therefore, in the absence of another downturn, the 7.1% forward distribution yield should be considered fairly safe.

## Final Thoughts & Recommendation

Energy Transfer is a risky bet due to its weak balance sheet. The stock could offer a 6.0% average annual return over the next five years thanks to its 7.1% distribution yield and 5% growth in cash flow per share, partly offset by a -5.5% valuation headwind. The stock maintains its hold rating, but it is suitable only for investors who can stomach extreme volatility.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	31792	40523	54087	54213	38,954	67,417	89,876	78,586	82,671	85,536
<b>Gross Profit</b>	8099	9557	12429	14486	9,789	13,205	13,480	13,660	15,531	10,492
<b>Gross Margin</b>	25.5%	23.6%	23.0%	26.7%	25.1%	19.6%	15.0%	17.4%	18.8%	12.3%
<b>SG&amp;A Exp.</b>	656	599	702	694	711	818	1,018	985	1,177	---
<b>Operating Profit</b>	2891	3760	5779	7351	5,860	8,813	8,124	8,307	9,190	9,312
<b>Operating Margin</b>	9.1%	9.3%	10.7%	13.6%	15.0%	13.1%	9.0%	10.6%	11.1%	10.9%
<b>Net Profit</b>	995	954	1694	3592	(648)	5,470	4,756	3,935	4,814	5,708
<b>Net Margin</b>	3.1%	2.4%	3.1%	6.6%	-1.7%	8.1%	5.3%	5.0%	5.8%	6.7%
<b>Free Cash Flow</b>	(4449)	(4015)	99	2043	2,231	8,340	5,670	6,421	7,417	---
<b>Income Tax</b>	(258)	(1833)	4	195	237	184	204	303	541	350

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	78925	86246	88246	98880	95,144	105,963	105,643	113,698	125,380	141,286
<b>Cash &amp; Equivalents</b>	467	336	419	291	367	336	257	161	321	---
<b>Acc. Receivable</b>	3557	4504	4009	5038	3,875	7,654	8,466	9,148	10,278	---
<b>Inventories</b>	2055	2022	1677	1935	1,739	2,014	2,461	2,478	3,220	---
<b>Goodwill &amp; Int. Ass.</b>	11182	10884	10885	11321	8,137	8,389	7,981	10,258	9,874	12,890
<b>Total Liabilities</b>	56494	56266	57396	65035	63,756	65,835	64,491	68,981	78,946	92,026
<b>Accounts Payable</b>	3502	4685	3493	4118	2,809	6,834	6,952	6,684	8,325	---
<b>Long-Term Debt</b>	44052	44084	46028	51054	51,438	49,702	48,262	52,388	59,752	69,823
<b>Total Equity</b>	(1694)	(1196)	20559	21827	18,529	31,300	33,025	36,682	35,118	31,012

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	1.3%	1.2%	1.9%	3.8%	-0.7%	5.4%	4.5%	3.6%	4.0%	4.3%
<b>Return on Equity</b>	---	---	17.5%	16.9%	-3.2%	22.0%	14.8%	9.2%	10.6%	11.9%
<b>Shares Out.</b>	1,047	1,079	2,619	2,650	2,699	2,831	3,087	3,177	3,421	3,450
<b>Revenue/Share</b>	29.48	35.21	37.01	20.55	14.45	24.61	29.12	24.73	24.17	24.80
<b>FCF/Share</b>	(4.12)	(3.49)	0.07	0.77	0.83	3.04	1.84	2.02	2.17	---

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

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