



# Genesis Energy (GEL)

Updated February 13<sup>th</sup>, 2026 by Aristofanis Papadatos

## Key Metrics

|                             |      |                                            |       |                                  |           |
|-----------------------------|------|--------------------------------------------|-------|----------------------------------|-----------|
| <b>Current Price:</b>       | \$17 | <b>5 Year CAGR Estimate:</b>               | -2.4% | <b>Market Cap:</b>               | \$2.1 B   |
| <b>Fair Value Price:</b>    | \$10 | <b>5 Year Growth Estimate:</b>             | 2.0%  | <b>Ex-Dividend Date:</b>         | 1/30/2026 |
| <b>% Fair Value:</b>        | 166% | <b>5 Year Valuation Multiple Estimate:</b> | -9.6% | <b>Dividend Payment Date:</b>    | 2/13/2026 |
| <b>Dividend Yield:</b>      | 4.2% | <b>5 Year Price Target</b>                 | \$11  | <b>Years Of Dividend Growth:</b> | 3         |
| <b>Dividend Risk Score:</b> | F    | <b>Sector:</b>                             | MLPs  | <b>Rating:</b>                   | Hold      |

## Overview & Current Events

Genesis Energy is a diversified midstream energy limited partnership. It generates 69% of its operating income from offshore pipeline transportation, 14% from onshore facilities and 17% from marine transportation. It has a market capitalization of \$2.1 billion.

Genesis Energy has dramatically underperformed the market in the last decade, as shares have slumped -30% whereas the S&P has rallied 255%. 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 3<sup>rd</sup>, 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 is 48% 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 mid-February, Genesis Energy reported (2/12/26) financial results for the fourth quarter of fiscal 2025. The offshore pipeline segment grew its operating income 57% over the prior year's quarter thanks to improved volumes in two major platforms. Therefore, despite a -3% decrease in the operating income of the marine transportation segment, total operating income grew 43%. In addition, distribution coverage ratio improved sequentially from 1.8 to 2.8. The MLP provided positive guidance for 2026 thanks to the expansion of Deepwater Gulf, expecting 15%-20% growth of EBITDA.

## Growth on a Per-Share Basis

| Year                      | 2016   | 2017   | 2018    | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026          | 2031          |
|---------------------------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>DCF/U</b>              | \$2.81 | \$2.52 | -\$4.22 | \$2.93 | \$2.08 | \$1.66 | \$2.88 | \$2.87 | \$1.30 | \$1.22 | <b>\$1.35</b> | <b>\$1.49</b> |
| <b>DPU</b>                | \$2.72 | \$2.65 | \$2.10  | \$2.20 | \$1.00 | \$0.60 | \$0.60 | \$0.60 | \$0.62 | \$0.66 | <b>\$0.72</b> | <b>\$0.76</b> |
| <b>Shares<sup>1</sup></b> | 113.4  | 121.5  | 122.6   | 122.6  | 122.6  | 122.6  | 122.6  | 122.5  | 122.5  | 122.5  | <b>122.5</b>  | <b>150.0</b>  |

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 \$3.5 billion, which is 167% of the current market cap, and a high leverage ratio (net debt/EBITDA) of 5.1. 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 last year. Given the outlook for lower capital expenses from this year, we expect 2.0% growth of DCF per unit on average until 2031. Part of this growth should

<sup>1</sup> 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      | 2016 | 2017 | 2018 | 2019 | 2020  | 2021 | 2022 | 2023 | 2024 | 2025 | Now  | 2031 |
|-----------|------|------|------|------|-------|------|------|------|------|------|------|------|
| P/DCF     | 12.9 | 8.9  | ---  | 7.3  | 3.8   | 5.7  | 3.7  | 3.7  | 9.6  | 12.3 | 12.6 | 7.6  |
| Avg. Yld. | 8.1% | 8.8% | 9.4% | 9.4% | 12.5% | 6.3% | 5.6% | 5.6% | 5.0% | 4.4% | 4.2% | 6.7% |

Genesis Energy is trading at a P/DCF ratio of 12.6, which is much higher than the historical 9-year average of 7.6 of the stock. If the stock trades at its average valuation level in five years, it will incur a -9.6% annualized valuation drag.

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

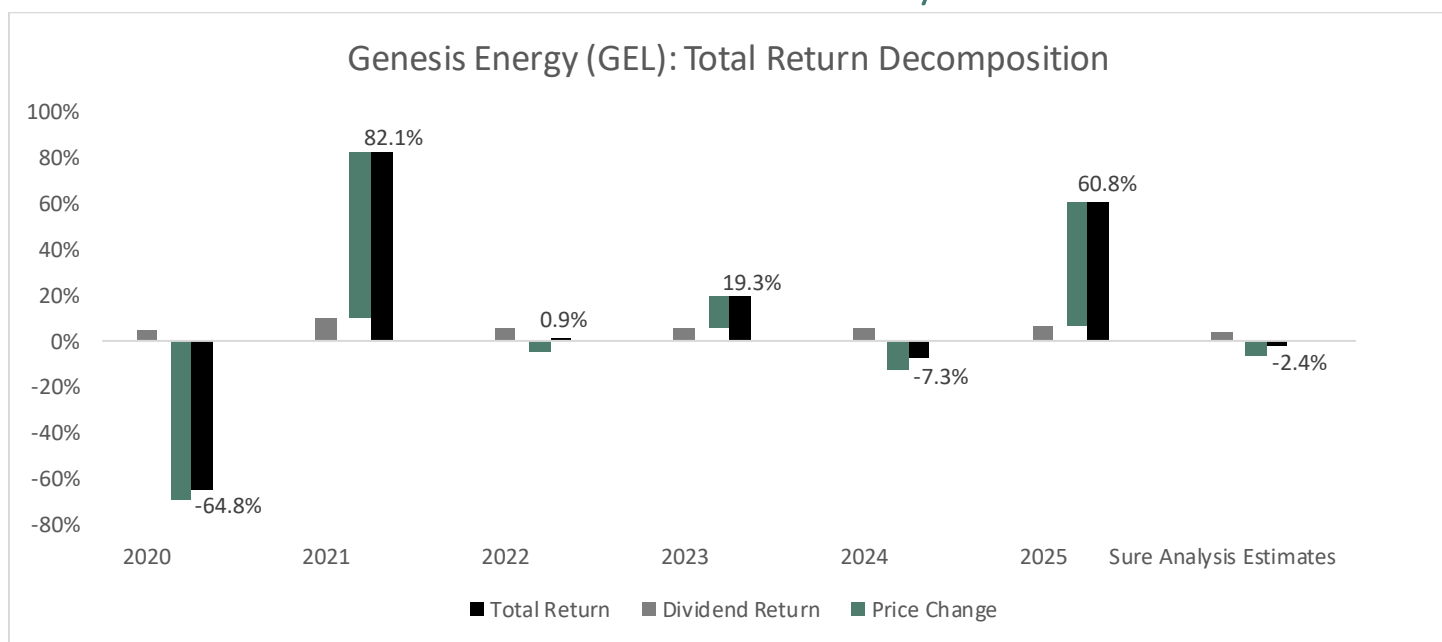
| Year   | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  | 2031  |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Payout | 66.2% | 65.0% | 38.2% | 75.1% | 48.0% | 36.1% | 20.8% | 20.9% | 47.7% | 54.1% | 53.3% | 50.8% |

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 -2.4% average annual return over the next five years, as its 4.2% distribution and 2.0% growth of DCF per unit may be offset by a -9.6% valuation drag. The MLP has improved its business performance lately but it remains 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             | 2016  | 2017  | 2018  | 2019  | 2020   | 2021  | 2022  | 2023  | 2024  | 2025  |
|------------------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| Revenue          | 1,712 | 2,028 | 2,913 | 2,481 | 1,825  | 2,125 | 2,789 | 3,177 | 2,966 | 1630  |
| Gross Profit     | 252   | 247   | 321   | 325   | 114    | 137   | 342   | 395   | 316   | 345   |
| Gross Margin     | 14.7% | 12.2% | 11.0% | 13.1% | 6.2%   | 6.4%  | 12.3% | 12.4% | 10.6% | 21.1% |
| SG&A Exp.        | 46    | 66    | 67    | 53    | 57     | 61    | 67    | 66    | 59    | ---   |
| D&A Exp.         | ---   | ---   | ---   | ---   | ---    | 310   | 296   | 280   | 313   | ---   |
| Operating Profit | 206   | 164   | 259   | 273   | 57     | 76    | 275   | 329   | 256   | 258   |
| Operating Margin | 12.1% | 8.1%  | 8.9%  | 11.0% | 3.1%   | 3.6%  | 9.9%  | 10.4% | 8.6%  | 15.8% |
| Net Profit       | 113   | 83    | (6)   | 96    | (417)  | (165) | 75    | 118   | (64)  | 31    |
| Net Margin       | 6.6%  | 4.1%  | -0.2% | 3.9%  | -22.8% | -7.8% | 2.7%  | 3.7%  | -2.2% | 1.9%  |
| Free Cash Flow   | (180) | 73    | 195   | 219   | 153    | 37    | (90)  | (99)  | (172) | ---   |
| Income Tax       | 3     | (4)   | 1     | 1     | 1      | 2     | 3     | 0     | 2     | 1     |

## Balance Sheet Metrics

| Year                 | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets         | 5,703 | 7,137 | 6,479 | 6,598 | 5,934 | 5,906 | 6,366 | 7,019 | 7,038 | 4,861 |
| Cash & Equivalents   | 7     | 9     | 10    | 29    | 27    | 20    | 8     | 9     | 30    | 6     |
| Accounts Receivable  | 225   | 495   | 323   | 417   | 392   | 400   | 722   | 760   | 741   | 608   |
| Inventories          | 99    | 89    | 74    | 65    | 100   | 78    | 78    | 135   | 111   | 55    |
| Goodwill & Int. Ass. | 530   | 507   | 465   | 441   | 431   | 429   | 429   | 443   | 399   | 378   |
| Total Liabilities    | 3,583 | 4,423 | 4,037 | 4,376 | 4,325 | 3,926 | 4,591 | 5,308 | 5,522 | 4,153 |
| Accounts Payable     | 120   | 271   | 127   | 219   | 198   | 264   | 428   | 589   | 491   | 491   |
| Long-Term Debt       | 3,091 | 3,698 | 3,432 | 3,429 | 3,394 | 2,980 | 3,464 | 3,753 | 4,107 | 3,047 |
| Shareholder's Equity | 2,130 | 2,723 | 2,453 | 2,225 | 1,610 | 1,426 | 1,465 | 1,341 | 1,103 | (314) |

## Profitability & Per Share Metrics

| Year             | 2016  | 2017  | 2018  | 2019  | 2020   | 2021   | 2022   | 2023   | 2024   | 2025  |
|------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|-------|
| Return on Assets | 2.0%  | 1.3%  | -0.1% | 1.5%  | -6.7%  | -2.8%  | 1.2%   | 1.8%   | -0.9%  | 0.5%  |
| Return on Equity | 5.4%  | 3.4%  | -0.2% | 4.1%  | -21.7% | -10.9% | 5.2%   | 6.8%   | -4.0%  | 2.7%  |
| Shares Out.      | 113.4 | 121.5 | 122.6 | 122.6 | 122.6  | 122.6  | 122.6  | 122.5  | 122.5  | 122.5 |
| Revenue/Share    | 15.10 | 16.69 | 23.76 | 20.24 | 14.89  | 17.34  | 22.75  | 25.93  | 24.22  | 13.31 |
| FCF/Share        | -1.59 | 0.60  | 1.59  | 1.79  | 1.25   | 0.30   | (0.73) | (0.81) | (1.40) | ---   |

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

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