



# Enterprise Products Partners (EPD)

Updated November 8<sup>th</sup>, 2024 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$30.4	<b>5 Year CAGR Estimate:</b>	11.9%	<b>Market Cap:</b>	\$66.0 B
<b>Fair Value Price:</b>	\$32.1	<b>5 Year Growth Estimate:</b>	5.2%	<b>Ex-Dividend Date:</b>	1/30/25 <sup>1</sup>
<b>% Fair Value:</b>	95%	<b>5 Year Valuation Multiple Estimate:</b>	1.1%	<b>Dividend Payment Date:</b>	2/14/25 <sup>2</sup>
<b>Dividend Yield:</b>	6.9%	<b>5 Year Price Target</b>	\$41	<b>Years Of Dividend Growth:</b>	26
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Enterprise Products Partners was founded in 1968. It is structured as a Master Limited Partnership, or MLP, and operates as an oil and gas storage and transportation company. Enterprise Products has a tremendous asset base which consists of nearly 50,000 miles of natural gas, natural gas liquids, crude oil, and refined products pipelines. It also has storage capacity of more than 250 million barrels. These assets collect fees based on materials transported and stored.

On October 28, 2024, Enterprise Products Partners L.P. (NYSE: EPD) announced its financial results for the third quarter ended September 30, 2024. The company reported earnings per share (EPS) of \$0.66, surpassing analyst expectations by \$0.01, while revenue reached \$13.78 billion, marking a 14.81% year-over-year increase but missing projections by \$97.09 million. Net income attributable to common unitholders stood at \$1.4 billion, or \$0.65 per unit on a fully diluted basis, reflecting an 8% increase compared to \$1.3 billion, or \$0.60 per unit, in the third quarter of 2023. Distributable Cash Flow (DCF) for the quarter was \$2.0 billion, a 5% increase from \$1.9 billion in the same period last year. The company declared distributions of \$0.525 per common unit for Q3 2024, representing an annualized rate of \$2.10 per unit and a 5% increase from the third quarter of 2023. This DCF provided 1.7 times coverage of the declared distributions, and Enterprise retained \$808 million of DCF for reinvestment and strategic initiatives.

Enterprise executed share repurchases amounting to approximately \$76 million of its common units in Q3 2024, bringing total repurchases for the first nine months of 2024 to \$156 million. Including these purchases, the partnership has repurchased approximately \$1.1 billion of common units under its authorized \$2.0 billion buyback program. Adjusted Cash Flow from Operations (Adjusted CFFO) increased to \$2.1 billion for Q3 2024, a 4% rise from \$2.0 billion in the third quarter of 2023. For the twelve months ended September 30, 2024, Adjusted CFFO reached \$8.5 billion, with a payout ratio of 56% of Adjusted CFFO, encompassing distributions to common unitholders and buybacks. Total capital investments for the quarter amounted to \$1.2 billion, including \$1.1 billion allocated to growth capital projects and \$129 million for sustaining capital expenditures. The company anticipates organic growth capital investments to range between \$3.5 billion and \$3.75 billion for 2024, with sustaining capital expenditures expected to be approximately \$640 million, elevated due to plant turnarounds in its petrochemicals business. Additionally, Enterprise updated its 2025 organic growth capital investment guidance to \$3.5 billion to \$4.0 billion, driven by newly identified growth opportunities, particularly in the Permian Basin following its acquisition of Piñon Midstream.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>DCF/S</b>	\$2.71	\$2.52	\$2.45	\$2.56	\$3.30	\$3.43	\$2.91	\$3.00	\$3.52	\$3.46	<b>\$3.57</b>	<b>\$4.60</b>
<b>DPS</b>	\$1.43	\$1.51	\$1.59	\$1.67	\$1.71	\$1.76	\$1.79	\$1.80	\$1.90	\$2.01	<b>\$2.10</b>	<b>\$2.60</b>
<b>Units<sup>3</sup></b>	1933.4	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2176.4	2170.8	2168.2	<b>2192.0</b>	<b>2000</b>

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> Shares in millions

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In this report, DCF-per-unit is used instead of earnings-per-share, since DCF is a more accurate measure of cash flow for an MLP. Enterprise has positive growth potential moving forward, thanks to new projects and exports. It has several billion dollars' worth of major capital projects currently under construction. They expect all of these projects to come online in the coming years, boosting cash flows. Exports are also a key growth catalyst. Demand for liquefied petroleum gas and liquefied natural gas, or LPG and LNG respectively, is growing at a high rate across the world, particularly in Asia. That said, the world is also moving rapidly towards renewable energy and the pipeline industry is facing political and regulatory pressures right now, limiting new growth project opportunities. As a result, we expect mid-single-digit annualized DCF-per-unit growth through 2029. Unit buybacks and deleveraging will likely be tailwinds for growth.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/DCF	13.0	13.3	10.2	11.1	10.4	7.2	7.0	6.5	7.4	8.0	8.5	9.0
Avg. Yld.	4.1%	4.5%	6.4%	5.9%	5.0%	7.1%	8.8%	9.2%	7.3%	7.3%	6.9%	6.3%

We believe that EPD's fair value multiple is 9 times DCF. As a result, Enterprise Products appears to be slightly undervalued today. As a result, we expect the multiple to slightly increase over the next five years.

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

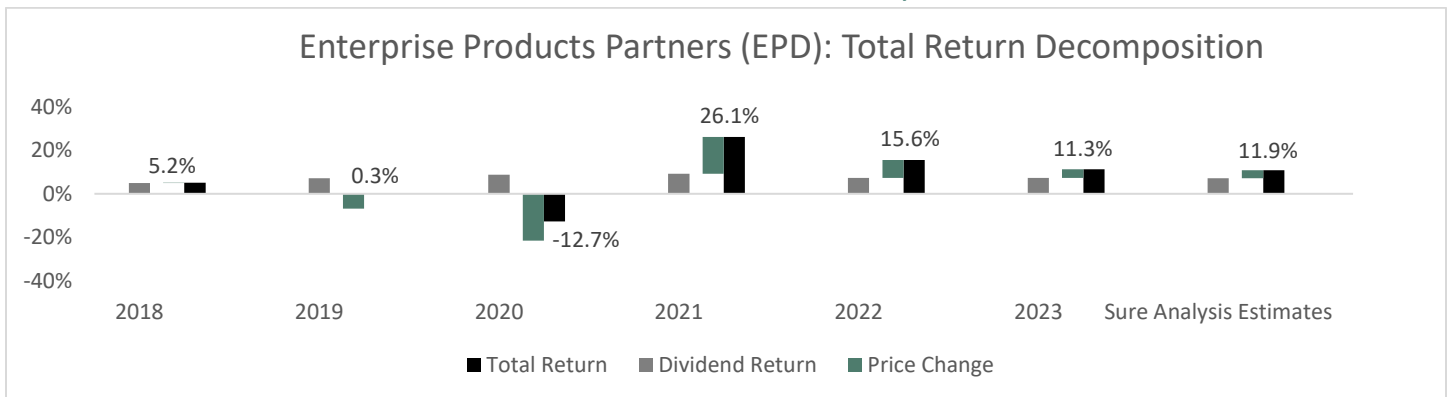
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	53%	60%	65%	65%	52%	51%	62%	60%	54%	58%	58.8%	56.5%

In terms of safety, Enterprise Products Partners is one of the strongest midstream MLPs. It has credit ratings of BBB+ from Standard & Poor's and Baa1 from Moody's, which are higher ratings than most MLPs. It also has a distribution coverage ratio of nearly 2x, leaving room for distribution increases and unit repurchases. Enterprise Products' high-quality assets generate strong cash flow, even in recessions. As a result, Enterprise Products has been able to raise its distribution to unitholders for 26 years in a row. Enterprise Products has tremendous competitive advantages, primarily its vast network of assets. It would be enormously costly to build out a network of pipelines and terminals large enough to compete with Enterprise Products.

## Final Thoughts & Recommendation

Enterprise Products has an excellent network of assets and durable competitive advantages. In addition, its cash flow has remained fairly stable through the sharp energy market volatility over the past half-decade. Enterprise Products has a 6.9% current distribution yield, which is a highly attractive yield for income investors. We believe Enterprise Products can generate total returns of 11.9% annualized over the next half decade, and therefore have a Buy rating as we view the partnership as one of the best MLPs in the market.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	47,951	27,028	23,022	29,242	36,534	32,789	27,200	40,807	58,186	49,715
<b>Gross Profit</b>	3,731	3,359	3,379	3,684	5,137	5,727	4,829	5,730	6,684	6,698
<b>Gross Margin</b>	7.8%	12.4%	14.7%	12.6%	14.1%	17.5%	17.8%	14.0%	11.5%	13.5%
<b>SG&amp;A Expense</b>	215	193	160	181	208	212	220	209	241	231
<b>D&amp;A Expense</b>	1,361	1,516	1,552	1,644	1,792	1,949	2,072	2,113	1,974	2,072
<b>Operating Profit</b>	3,516	3,167	3,219	3,503	4,929	5,516	4,609	5,520	6,443	6,467
<b>Op. Margin</b>	7.3%	11.7%	14.0%	12.0%	13.5%	16.8%	16.9%	13.5%	11.1%	13.0%
<b>Net Profit</b>	2,787	2,521	2,513	2,799	4,172	4,591	3,776	4,638	5,490	5,532
<b>Net Margin</b>	5.8%	9.3%	10.9%	9.6%	11.4%	14.0%	13.9%	11.4%	9.4%	11.1%
<b>Free Cash Flow</b>	1,269	172	1,083	1,565	1,903	1,989	2,604	6,289	6,075	4,303
<b>Income Tax</b>	23	-3	23	26	60	46	-124	70	82	44

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	47,201	48,802	52,194	54,418	56,970	61,733	64,107	67,526	68,108	70,982
<b>Cash &amp; Equivalents</b>	74	19	63	5	345	335	1,060	2,819	76	180
<b>Acc. Receivable</b>	3,823	2,570	3,330	4,358	3,659	4,874	4,803	6,967	6,964	7,765
<b>Inventories</b>	1,014	1,038	1,771	1,610	1,522	2,091	3,304	2,681	2,554	3,352
<b>Goodwill &amp; Int.</b>	8,602	9,782	9,609	9,436	9,354	9,194	8,758	8,600	9,573	9,378
<b>Total Liabilities</b>	27,509	28,301	29,928	31,646	32,678	35,906	38,729	41,087	40,406	42,223
<b>Accounts Payable</b>	893	944	503	929	1,243	1,167	854	799	743	1,195
<b>Long-Term Debt</b>	21,364	22,541	23,698	24,569	26,178	27,625	29,866	29,535	28,295	28,748
<b>Total Equity</b>	18,063	20,295	22,047	22,547	23,854	24,764	24,304	25,329	26,623	27,673

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	6.4%	5.3%	5.0%	5.3%	7.5%	7.7%	6.0%	7.0%	8.1%	8.0%
<b>Return on Equity</b>	16.8%	13.1%	11.9%	12.6%	18.0%	18.9%	15.4%	18.7%	21.1%	19.6%
<b>Shares Out.</b>	1933.4	2019.3	2118.9	2161.1	2184.9	2189.2	2181.6	2176.4	2170.8	2168.2
<b>Revenue/Share</b>	25.30	13.52	11.02	13.57	16.71	14.89	12.35	18.52	26.46	22.66
<b>FCF/Share</b>	0.67	0.09	0.52	0.73	0.87	0.90	1.18	2.85	2.76	1.96

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

### Disclaimer

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