Enterprise Products Partners L.P. (NASDAQ: EPD)

Sector: Energy

Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend Yield	Beta
$35.40	$29.18	$30.25	$23.59	23.4	$63.3 B	6.01%	1.01

Business Description

EPD is a publicly traded Delaware limited partnership, the common units of which are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "EPD." EPD was formed in April 1998 to own and operate certain natural gas liquids ("NGLs") related businesses of EPCO and are a leading North American provider of midstream energy services to producers and consumers of natural gas, NGLs, crude oil, petrochemicals and refined products. Their midstream energy operations currently include: natural gas gathering, treating, processing, transportation and storage; NGL transportation, fractionation, storage, and export and import terminals (including those used to export liquefied petroleum gases, or "LPG," and ethane); crude oil gathering, transportation, storage, and export and import terminals; petrochemical and refined products transportation, storage, export and import terminals, and related services; and a marine transportation business that operates primarily on the United States ("U.S.") inland and Intracoastal Waterway systems. Their assets currently include approximately 49,300 miles of pipelines; 260 MMBbls of storage capacity for NGLs, crude oil, petrochemicals and refined products; and 14 Bcf of natural gas storage capacity.

Industry Trends

The industry is in the midst a transition that began as commodity prices began falling in 2014. The strongest players have practiced financial discipline and laid the groundwork for future growth, while the weaker players have struggled to continue paying distributions (leading some to restructure in order to survive. EPD has shown a best-in-class ability to operate in these conditions by continue to increase its distribution while maintaining a superior, investment grade credit rating and executing on its growth projects.

Investment Thesis

EPD is positioned to grow due to its economies of scale, future growth projects, and innovative technology. With over 50,000 miles of pipelines, EPD will be a first choice for NGL producers for years to come. Additionally, the company is projecting $5.2B in new pipeline developments over the next eight quarters. With their industry-leading credit rating, EPD is uniquely positioned to capitalize on projects competitors could not afford. Finally, new discoveries in the isomerization of butylene will enable EPD to produce 26% more petrochemical feedstock by converting waste products back into useable material.

Valuation Assumptions

WACC: 7.35%
Terminal FCF Growth Rate: 3.0%
Upside: 21.3%
Sources: Bloomberg, Annual reports

Key Financials

Current stock price: $29.18
Intrinsic Value: $35.40

Corporate Social Responsibility

EPD prides itself on maintaining a world-class system of infrastructure that carries very little rate of catastrophic failure. As such, its operations have a relatively minimal impact on the environments neighboring its assets. By delivering gas to thousands of homes and business, it provides a cost-effective source of energy that burns much cleaner than alternative traditional forms of energy. The company's board is chaired by a Randa Duncan Williams and 46% of its directors are independent, despite having no requirement to structure the board as such, due to an exception given to publicly traded partnerships under stock exchange rules. Finally, EPD's composite ESG rank (per Bloomberg) is 84% higher than its closest competitor's, Williams Partners, and roughly in-line with the industry average, despite maintaining one of the most extensive pipeline systems in the country.

5-Year Stock Performance

Competitive Analysis

EPD is an upper-tier player in the midstream pipeline business. Their market cap, north of $63 Billion, makes them the second largest player in the space behind Enbridge at $67B; and direct competitors Williams Partners are far behind at $42B. Additionally, EPD dominates with over 50,000 miles of pipelines. While competitors like Kinder Morgan and Energy Transfer Partners do boast closer to 70,000, EPD is still far ahead of Enbridge with 18,000 and ETP with 10,000. Together, this combination of market cap and pipeline scale makes EPD a dominant midstream player.

Competitive Advantages

EPD's main competitive advantage is economies of scale. No other player in the MLP marker has the same combination of market cap and an expansive pipeline network that they do. Additionally, EPD is well positioned investment poised to benefit from recent legislation lifting restrictions on internal NGL exports. Finally, their industry leading credit rating of Baa1 is a competitive advantage.

Risks

The chief risks facing EPD are high-profile accidents along its network and political risks from those opposed to American energy emancipation. EPD has and continues to use every resource at its disposal to effectively mitigate these risks.

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