

# [***Zacks Industry Outlook Highlights Enterprise Products Partners, Energy Transfer and Magellan Midstream Partners***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:66WF-YBC1-JCMN-Y3TF-00000-00&context=1516831)

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Nov 17, 2022( Zacks Investment Research: [*http://www.zacks.com*](http://www.zacks.com)/ Delivered by Newstex) ;

For Immediate Release Chicago, IL - November 17, 2022 - Today, Zacks Equity Research discusses Enterprise Products Partners LP EPD[1], Energy Transfer LP ET[2] and Magellan Midstream Partners LP MMP[3].

Industry: Oil & Gas - Pipeline

Link:

[*https://www.zacks.com/commentary/2018753/3-oil-gas-pipeline-stocks-to-gain-amid-a-challenging-industry*](https://www.zacks.com/commentary/2018753/3-oil-gas-pipeline-stocks-to-gain-amid-a-challenging-industry)[4]

Although the midstream energy business is less exposed to oil and gas price volatility, the ZacksOil and Gas - Pipeline MLP[5]industry's outlook is still subjected to uncertainties. Due to conservative capital spending by upstream players and possibilities for soft fuel demand, production volumes could get dented, hurting demand for partnerships' midstream assets.

Despite the uncertainties, pipeline players are better off than upstream and downstream firms since the partnerships generate stable fee-based revenues from their long-term contracts with shippers. The industry frontrunners include Enterprise Products Partners LP, Energy Transfer LP and Magellan Midstream Partners LP. About the Industry The Zacks Oil and Gas - Pipeline MLP industry comprises master limited partnerships (or MLPs) that are primarily engaged in transporting oil, natural gas, refined petroleum products and natural gas liquids (NGL) to consumers in North America. Apart from transporting the commodities, the partnerships have huge capacities to store oil, natural gas and petrochemical products.

The partnerships are thus providing midstream services to both producers and consumers of the commodities. From all those transportation and storage assets, the players generate stable fee-based revenues. The services provided by the partnerships entail the gathering and processing of commodities. The integrated midstream energy players also generate cashflows from ownership interests in fractionators and condensate distillation facilities. What's Shaping the Future of the Oil & Gas Pipeline MLP Industry? Soft Pipeline Demand:Amid a high inflationary ***environment***, possibilities for recession in the United States continue to grow, which could hurt fuel demand as a whole. The uncertainty in fuel demand is likely to affect the production of the commodity, which in turn will lower the demand for oil pipeline assets of the partnerships.

Lower Fee-Based Revenues:Soft demand for midstream assets will possibly ultimately lead to lower fee-based revenues for the master limited partnerships. Also, to sail through soft demand for pipeline networks, several energy players with midstream presence will likely be left with no option but to offer discounts to shippers.

Shift to Renewables:Energy majors will increasingly face challenges in providing sustainable energy to the entire world while reducing greenhouse gas ***emissions***. Thus, to address the issue of climate change, there will be a gradual shift from fossil fuel to renewable energy. This will lower demand for the partnerships' pipeline and storage networks for oil and natural gas since the commodities were formed from buried remains of plants and animals.

Explorers' Conservative Capital Spending: Oil and gas exploration and production companies are facing heightened pressure from investors to focus on stockholders' returns rather than production. This is hindering the production of commodities, thereby denting pipeline and storage assets. Zacks Industry Rank Indicates Gloomy Outlook The Zacks Oil and Gas - Pipeline MLP industry is a 10-stock group within the broader ZacksOil - Energy[6]sector. The industry currently carries a Zacks Industry Rank #167, which places it in the bottom 34% of more than 250 Zacks industries.

The group'sZacks Industry Rank[7], which is basically the average of the Zacks Rank of all the member stocks, indicates bearish near-term prospects. Our research shows that the top 50% of the Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

The industry's position in the bottom 50% of the Zacks-ranked industries is a result of the negative earnings outlook for the constituent stocks in aggregate. Before we present a few oil and gas pipeline MLPs that you may want to consider for your portfolio, let's take a look at the industry's recent stock market performance and current valuation. Industry Lags Sector, Outperforms S&P 500 The Zacks Oil and Gas - Pipeline MLP industry has underperformed the broader Zacks Oil - Energy sector, but outperformed the Zacks S&P 500 composite over the past year. The industry has soared 11% in the past year compared to the rise of 32.8% of the broader sector and a decline of 17.2% of the S&P 500. Industry's Current Valuation Since midstream-focused oil and gas partnerships use fixed-rate debt for the majority of their borrowings, it makes sense to value them based on the EV/EBITDA (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization) ratio. This is because the valuation metric takes into account not just equity but also the level of debt. For capital-intensive stocks, EV/EBITDA is a better valuation metric because it is not influenced by changing capital structures and ignores the effect of noncash expenses.

On the basis of the trailing 12-month enterprise value-to-EBITDA (EV/EBITDA) ratio, the industry is currently trading at 10.12X, lower than the S&P 500's 11.98X. It is, however, significantly above the sector's trailing-12-month EV/EBITDA of 3.43X.

Over the past five years, the industry has traded as high as 15.75X and as low as 6.85X, with a median of 10.62X. 3 Oil & Gas Pipeline MLPs Trying to Survive the Industry Challenges Enterprise Products Partners LP: Enterprise Products is a leading North American midstream infrastructure provider, generating stable fee-based revenues from its network of NGL, crude oil, natural gas, petrochemicals and refined products pipelines, spreading across roughly 50,000 miles. Since Enterprise Products has among the highest credit ratings in the midstream space, it can lean on its strong balance sheet to survive any economic turmoils.

Units of Enterprise Products, carrying a Zacks Rank #3 (Hold), have gained 13.3% so far this year, backed by its low-risk business model. Major capital growth projects worth $5.5 billion, currently under construction, have contributed to this price performance.

Energy Transfer LP:Energy Transfer has a huge network of midstream properties that comprise intrastate and interstate natural gas transportation and storage assets. Its midstream business includes transportation assets for crude oil, natural gas liquids (NGL) and refined product. The interstate pipelines of ET, which spread across roughly 26,900 miles, have a throughput capacity of 31 billion cubic feet per day (Bcf/D).

Energy Transfer boasted that 95% of its revenues, derived from interstate pipelines, are based on fixed reservation fees. This signifies stability in business and ensures handsome future distributions. Currently, Energy Transfer's distribution yield is 8.8% versus the energy sector's 4.2%. In fact, in the past year, the distribution yield of the #3 Ranked stock has consistently been higher than the energy sector. You can seethe complete list of today's Zacks #1 Rank stocks here[8].

Magellan Midstream Partners LP: Magellan Midstream has extensive petroleum midstream infrastructures that will be needed in the United States for decades to come. The business model of the company is resilient to commodity price fluctuations and derives stable fee-based revenues.

The cash distribution picture looks bright, with Magellan Midstream depicting a story of more than 20 years of annual distribution growth. With an investment-grade credit rating, it has a strong balance sheet. The stock, carrying a Zacks Rank #2 (Buy), has an excellent management team focusing consistently on creating long-term wealth for shareholders. Why Haven't You Looked at Zacks' Top Stocks? Our 5 best-performing strategies have blown away the S&P's impressive +28.8% gain in 2021. Amazingly, they soared+40.3%, +48.2%, +67.6%, +94.4%, and+95.3%. Today you can access their live picks without cost or obligation.

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One Tiny Company Could Shake the EV Industry

Zacks Aggressive Growth expert Brian Bolan has pinpointed a U.S. manufacturer with an under-$5 stock price that's gearing for a monster ride. It's ramping up production of an affordable, "working man's" rival to Tesla just as soaring gas prices and desire for energy independence are set to drive the EV market to $1 trillion in 5 years. See This Stock Now > >[14]

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