

# [***Zacks Industry Outlook Highlights: Enterprise Products Partners, Energy Transfer and Magellan Midstream Partners***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6489-XBF1-F03R-N09D-00000-00&context=1516831)

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For Immediate Release Chicago, IL - December 9, 2021 - Today, Zacks Equity Research discusses Oil & Gas Pipeline, including Enterprise Products Partners LP EPD[1], Energy Transfer LP ET[2] and Magellan Midstream Partners LP MMP[3].

Link: [*https://www.zacks.com/commentary/1836753/3-oil-gas-pipeline-stocks-to-watch-amid-challenging-industry*](https://www.zacks.com/commentary/1836753/3-oil-gas-pipeline-stocks-to-watch-amid-challenging-industry)[4]

Although the midstream energy business is less exposed to coronavirus-induced oil and gas price volatility, the outlook for the ZacksOil and Gas - Pipeline MLP[5]industry is still subjected to heightened levels of uncertainties. Due to dented fuel demand and conservative capital spending by upstream players, lower production volumes have hurt demand for partnerships' midstream assets.

Despite the uncertainties, pipeline players are better off than upstream and downstream firms since the partnerships are generating stable fee-based revenues from their long-term contracts with shippers. Among the frontrunners in the industry that are trying to survive the challenging business scenario areEnterprise Products Partners,Energy Transfer andMagellan Midstream Partners. About the Industry The Zacks Oil and Gas - Pipeline MLP industry comprises master limited partnerships (or MLPs) 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 storage capacities utilized 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 partnerships 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:The coronavirus pandemic continues to affect the global fuel demand, although vaccines are being rolled out at a massive scale. With the Omicron variant of COVID-19 spreading rapidly, the outlook for global fuel demand is still uncertain. The uncertainty in fuel demand is likely to hurt the production of the commodity, which in turn will lower the demand for oil pipeline assets of the partnerships.

Lower Fee-Based Revenues:To survive the pandemic-induced soft demand for pipeline networks, several energy players with midstream presence will likely be left with no option but to offer discounts to shippers. This will lower the midstream energy partnership's fee-based revenues.

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.

Warm Weather:Demand for natural gas has been low amid warmer weather forecasts. This is because the commodity is being used for room heating purposes. Since the partnerships earn fees while delivering raw materials for everyday uses, lower gas demand will hurt the bottom line.

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 13-stock group within the broader ZacksOil - Energy[6]sector. The industry currently carries a Zacks Industry Rank #215, which places it in the bottom 15% 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 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 Underperforms Sector & S&P 500 The Zacks Oil and Gas - Pipeline MLP industry has underperformed the broader Zacks Oil - Energy sector and Zacks S&P 500 composite over the past year. The industry has gained 9.1% in the past year compared to the rise of 25.3% and 25.6% of the broader sector and the S&P 500, respectively. 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 7.91X, lower than the S&P 500's 15.44X. It is, however, significantly above the sector's trailing-12-month EV/EBITDA of 4.44X.

Over the past five years, the industry has traded as high as 15.23X, as low as 6.73X, with a median of 11.96X. 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 the highest credit ratings in the midstream space, it can lean on its strong balance sheet to survive the pandemic.

Units of Enterprise Products, carrying a Zacks Rank #3 (Hold), have gained 7.4% so far this year, backed by its low-risk business model. Major capital growth projects worth $2.9 billion, currently under construction, have contributed to this price performance. The Zacks Consensus Estimate for EPD's current-year sales indicates a 47.4% year-over-year increase.

Energy Transfer LP:Energy Transfer has a huge network of midstream properties that comprise intrastate and interstate natural gas transportation and storage assets. Energy Transfer's midstream business includes transportation assets for crude oil, natural gas liquids (NGL) and refined product. The interstate pipelines of ET, which spread across roughly 19,000 miles, have a throughput capacity of 21 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 7.3% versus the energy sector's 4.3%. 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 Magellan Midstream 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 20 years of annual distribution growth. With an investment-grade credit rating, Magellan Midstream has a strong balance sheet. The Zacks #3 Ranked stock has an excellent management team focusing consistently on creating long-term wealth for shareholders.

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This world-changing technology is projected to generate $100s of billions by 2025. From self-driving cars to consumer data analysis, people are relying on machines more than we ever have before. Now is the time to capitalize on the 4th Industrial Revolution. Zacks' urgent special report reveals 6 AI picks investors need to know about today. See 6 Artificial Intelligence Stocks With Extreme Upside Potential > >[13]

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[ 1]: [*https://www.zacks.com/stock/quote/EPD*](https://www.zacks.com/stock/quote/EPD) [ 2]: [*https://www.zacks.com/stock/quote/ET*](https://www.zacks.com/stock/quote/ET) [ 3]: [*https://www.zacks.com/stock/quote/MMP*](https://www.zacks.com/stock/quote/MMP) [ 4]: [*https://www.zacks.com/commentary/1836753/3-oil-gas-pipeline-stocks-to-watch-amid-challenging-industry*](https://www.zacks.com/commentary/1836753/3-oil-gas-pipeline-stocks-to-watch-amid-challenging-industry) [ 5]: [*https://www.zacks.com/stocks/industry-rank/industry/oil-and-gas-production-pipeline-mlb-221*](https://www.zacks.com/stocks/industry-rank/industry/oil-and-gas-production-pipeline-mlb-221) [ 6]: [*https://www.zacks.com/stocks/industry-rank/sector/oils-energy-12*](https://www.zacks.com/stocks/industry-rank/sector/oils-energy-12) [ 7]: [*https://www.zacks.com/stocks/industry-rank/industries/*](https://www.zacks.com/stocks/industry-rank/industries/) [ 8]: [*https://www.zacks.com/stocks/buy-list/?ADID=zp\_1link\_invideas&ICID=zpi\_1link\_invideas*](https://www.zacks.com/stocks/buy-list/?ADID=zp_1link_invideas&ICID=zpi_1link_invideas) [ 9]: [*https://www.facebook.com/home.php#/pages/Zacks-Investment-Research/57553657748?ref=ts*](https://www.facebook.com/home.php#/pages/Zacks-Investment-Research/57553657748?ref=ts) [ 10]: [*support@zacks.com*](mailto:support@zacks.com) [ 11]: [*https://www.zacks.com*](https://www.zacks.com) [ 12]: [*https://www.zacks.com/performance*](https://www.zacks.com/performance) [ 13]: [*https://www.zacks.com/registration/ultimatetrader/welcome/eoffer/4e87?add=1749&adid=NEWSTEX\_CONTENT\_ZU\_AIREPORT\_B\_PRESSRELEASES\_12092021&cid=CS-NEWSTEX-FT-press\_releases-1837206*](https://www.zacks.com/registration/ultimatetrader/welcome/eoffer/4e87?add=1749&adid=NEWSTEX_CONTENT_ZU_AIREPORT_B_PRESSRELEASES_12092021&cid=CS-NEWSTEX-FT-press_releases-1837206) [ 14]: [*http://www.zacks.com/registration/pfp/?ALERT=RPT\_7BST\_LP194&ADID=NEWSTEX\_CONTENT\_ZER\_ARTCAT\_PRESSRELEASES&cid=CS-NEWSTEX-FT-press\_releases-1837206*](http://www.zacks.com/registration/pfp/?ALERT=RPT_7BST_LP194&ADID=NEWSTEX_CONTENT_ZER_ARTCAT_PRESSRELEASES&cid=CS-NEWSTEX-FT-press_releases-1837206) [ 15]: [*http://www.zacks.com/registration/pfp?ALERT=ZER\_LINK&d\_alert=ZER\_CONF&t=EPD&ADID=NEWSTEX\_CONTENT\_ZER\_ARTCAT\_PRESSRELEASES&cid=CS-NEWSTEX-FT-press\_releases-1837206*](http://www.zacks.com/registration/pfp?ALERT=ZER_LINK&d_alert=ZER_CONF&t=EPD&ADID=NEWSTEX_CONTENT_ZER_ARTCAT_PRESSRELEASES&cid=CS-NEWSTEX-FT-press_releases-1837206) [ 16]: [*http://www.zacks.com/registration/pfp?ALERT=ZER\_LINK&d\_alert=ZER\_CONF&t=MMP&ADID=NEWSTEX\_CONTENT\_ZER\_ARTCAT\_PRESSRELEASES&cid=CS-NEWSTEX-FT-press\_releases-1837206*](http://www.zacks.com/registration/pfp?ALERT=ZER_LINK&d_alert=ZER_CONF&t=MMP&ADID=NEWSTEX_CONTENT_ZER_ARTCAT_PRESSRELEASES&cid=CS-NEWSTEX-FT-press_releases-1837206) [ 17]: [*http://www.zacks.com/registration/pfp?ALERT=ZR\_LINK&d\_alert=rd\_final\_rank&t=ET&ADID=NEWSTEX\_CONTENT\_ZR\_ARTCAT\_PRESSRELEASES&cid=CS-NEWSTEX-FT-press\_releases-1837206*](http://www.zacks.com/registration/pfp?ALERT=ZR_LINK&d_alert=rd_final_rank&t=ET&ADID=NEWSTEX_CONTENT_ZR_ARTCAT_PRESSRELEASES&cid=CS-NEWSTEX-FT-press_releases-1837206) [ 18]: [*http://www.zacks.com/stock/news/1837206/zacks-industry-outlook-highlights-enterprise-products-partners-energy-transfer-and-magellan-midstream-partners?cid=CS-NEWSTEX-FT-press\_releases-1837206*](http://www.zacks.com/stock/news/1837206/zacks-industry-outlook-highlights-enterprise-products-partners-energy-transfer-and-magellan-midstream-partners?cid=CS-NEWSTEX-FT-press_releases-1837206) [ 19]: [*http://www.zacks.com*](http://www.zacks.com)/

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