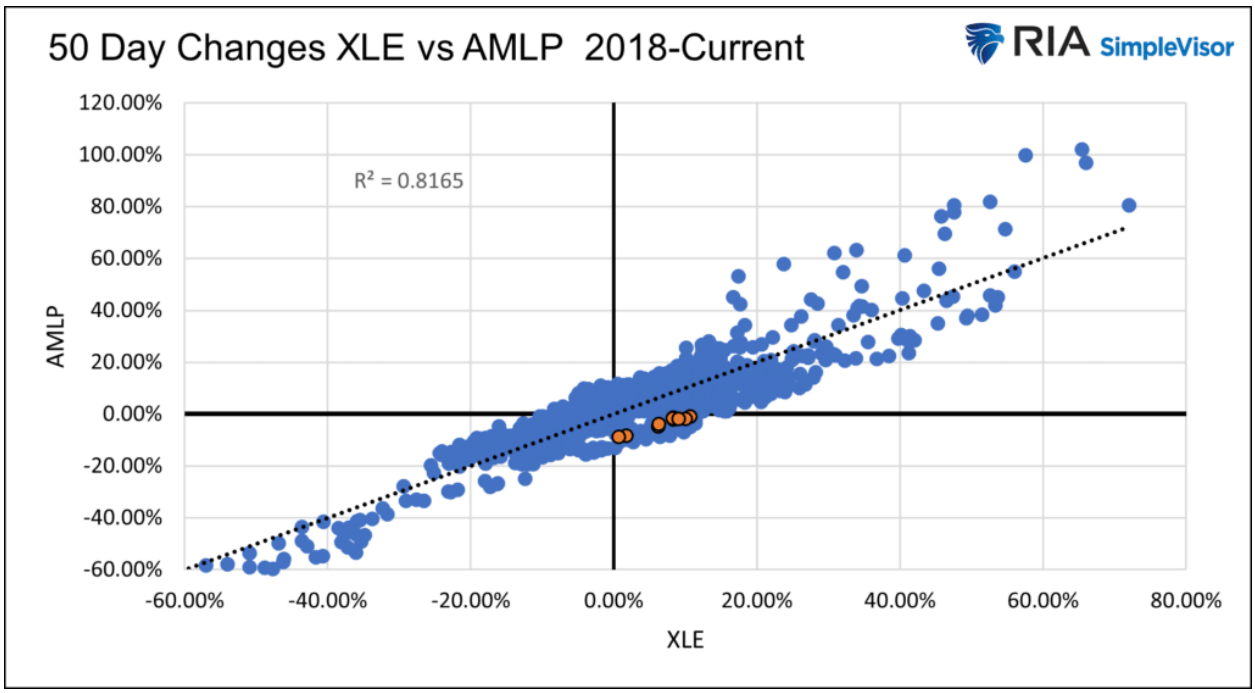
Due to the coming holidays, the next edition of Five for Friday will be released in the first week of January.

MLPs

MLPs, or Master Limited Partnerships, are a unique type of stock that often trade with high dividend yields. Investors tend to shy away from the sector because the tax structure of MLP's is less understood than traditional stocks. As a result, MLPs can provide additional value, at times. For more information on MLP?s, we suggest reading this Charles Schwab description.

Recently, MLP stocks have traded poorly, offering patient investors more dividend yield and value than is typical. Since peaking in January 2020, AMLP, an ETF holding MLPs, is down 10%. Over the same period, the popular energy ETF XLE is up 3%.

As shown below, the two ETFs have a strong correlation (R-squared = .8165). Based on the regression, AMLP is currently trading at a 10% discount to XLE, highlighted with orange dots. Recent underperformance may continue through December due to tax-related trading and money manager window dressing.

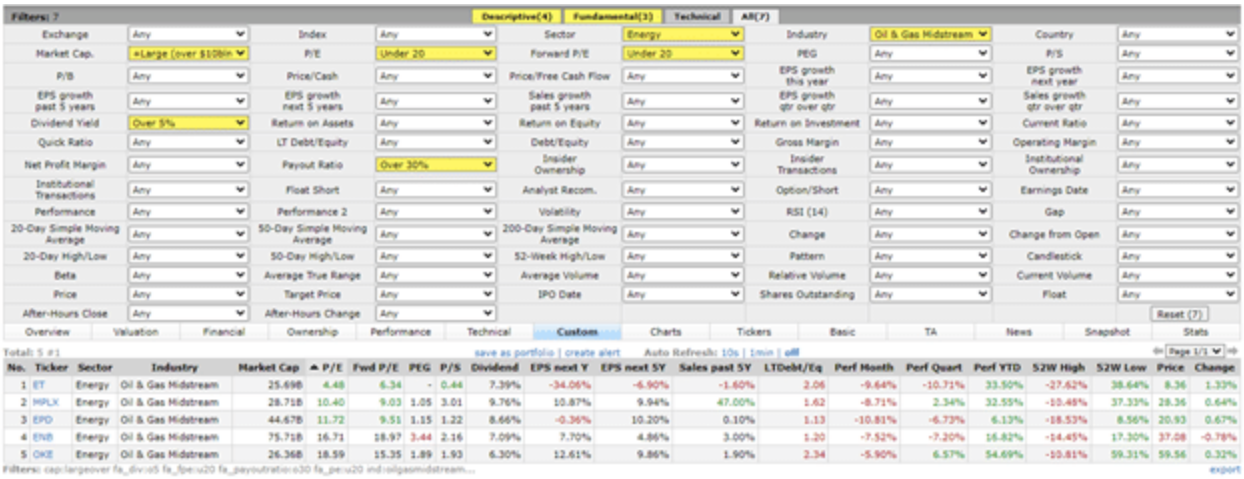


Important Tax Disclosure- MLPs follow different tax guidelines than most corporations. Unlike dividends, which are taxed when realized, MLP distributions are considered a reduction in the cost basis, therefore not taxed until its sold. Investors rely on receiving K-1 schedules from their respective MLP holdings to identify capital gains from ordinary income.

Screening Criteria

The scan below seeks medium to large midstream energy companies with cheap valuations, high payout ratios, and dividend yields. Mid-stream describes companies involved in the processing, transportation, and storage of energy products.

As we show below, the scan only reveals five companies, so no further scanning, ranking, or sorting is required. OKE is not an MLP, but we leave it in the report as it meets the screening qualifications.



No.	Ticker	Sector	Industry	Market Cap	P/E	Fwd P/E	PEG	P/S	Dividend	EPS next Y	EPS next 5Y	Sales past 5Y	LTDebt/Eq	Perf Month	Perf Quart	Perf YTD	52W High	52W Low	Price	Change
1	ET	Energy	Oil & Gas Midstream	25.69B	4.48	6.34	-	0.44	7.39%	-34.06%	-6.90%	-1.60%	2.06	-9.64%	-10.71%	33.50%	-27.62%	38.64%	8.36	1.33%
2	MPLX	Energy	Oil & Gas Midstream	28.71B	10.40	9.03	1.05	3.01	9.76%	10.87%	9.94%	47.00%	1.62	-8.71%	2.34%	32.55%	-10.48%	37.33%	28.36	0.64%
3	EPD	Energy	Oil & Gas Midstream	44.67B	11.72	9.51	1.15	1.22	8.66%	-0.36%	10.20%	0.10%	1.13	-10.81%	-6.73%	6.13%	-18.53%	8.56%	20.93	0.67%
4	ENB	Energy	Oil & Gas Midstream	75.71B	16.71	18.97	3.44	2.16	7.09%	7.70%	4.86%	3.00%	1.20	-7.52%	-7.20%	16.82%	-14.45%	17.30%	37.08	-0.78%
5	OKE	Energy	Oil & Gas Midstream	26.36B	18.59	15.35	1.89	1.93	6.30%	12.61%	9.86%	1.90%	2.34	-5.90%	6.57%	54.69%	-10.81%	59.31%	59.56	0.32%

Company Summaries (all descriptions courtesy Zacks)

ET

Energy Transfer LP (ET) ? Energy - Energy Transfer LP owns and operates diversified portfolios of energy assets primarily in the United States. The company is a publicly-traded limited partnership with core operations which include complementary natural gas midstream, intrastate and interstate transportation and storage assets; crude oil, natural gas liquids and refined product transportation and terminalling assets; NGL fractionation and various acquisition and marketing assets.

Energy Transfer trades at a P/E (4.8), which is well below the rest of the other screen results. This likely relates to analyst expectations for earnings growth of -6.9% over the next five years. The low P/S (0.44) also suggests investors are expecting weak sales growth. To fuel growth, ET recently announced the completion of a $7.2B acquisition of Enable Midstream. The acquisition creates cost synergies and adds roughly 24,000 miles of pipeline to ET?s portfolio. Management is hoping it delivers solid growth at a bargain.



MPLX

MPLX LP (MPLX) ? Energy - MPLX LP is a master limited partnership (MLP) engaged in providing a wide range of midstream energy services, including fuel distribution solutions. The large-cap partnership was created in 2012 to own, operate and develop midstream energy infrastructures and logistics assets.

MPLX has the second-lowest P/E (10.4) in this list while delivering the strongest growth. Sales have grown 47% over the last 5-years, and the market's expectation for 5-year earnings growth (9.9%) yields a low PEG of 1.05. MPLX pays the highest dividend yield (9.8%) of the group.



EPD

Enterprise Products Partners (EPD) ? Energy - Headquartered in Houston, TX, Enterprise Products Partners is among the leading midstream energy players in North America. With its wide base of midstream infrastructure assets, the partnership provides services to producers and consumers of commodities that include natural gas, natural gas liquids (NGL), oil and refined petrochemical products.

EPD is in the middle of the pack P/E wise but leads the list in 5-year expected EPS growth (10.8%). This awards EPD the second-lowest PEG ratio in the list of 1.15. The MLP also carries the lightest debt load of the capital-intensive group with a Long-Term Debt/Equity of 1.13. The stock is only up 6% YTD after retreating over 18% from its 52-week high.



ENB

Enbridge (ENB) ? Energy - Headquartered in Calgary, Alberta, Enbridge Inc. is a leading energy infrastructure company. Through the Mainline and Express pipelines, the company transports 3 million barrels of crude every day which accounts for almost 63% of the Canadian crude oil production that are transported to the U.S.

ENB is the largest MLP on the list, with a market cap of $75.7B. The stock has the 2nd highest PEG ratio (3.44), next to ET, due to its comparatively elevated P/E (16.7) and lackluster expectations for 5-year earnings growth (4.9%). ENB recently gave up 14.4% after hitting a 52-week high in November.



OKE

ONEOK Inc. (OKE) ? Energy - Tulsa, OK-based ONEOK Inc. was founded in 1906. The company is an energy company engaged in natural gas and natural gas liquids (NGL) businesses. ONEOK Inc.?s operations are divided into three reportable business segments: Natural Gas Gathering and Processing, Natural Gas Liquids and Natural Gas Pipelines. OKE is not an MLP.

OKE trades at the highest P/E (18.6) in the list but only the second-highest forward P/E (15.4). EPS should grow 12.6% next year and 9.7% over the next five years, contributing to a moderate PEG ratio (1.9). However, OKE brings the lowest dividend yield and highest Long-Term Debt/Equity ratio. It has delivered the best return YTD (54.7%) and remains 10.8% below its 52-week high. It appears to be forming a flag pattern in which a breakout to the upside would be a bullish signal. Technically speaking, it has performed much better than the four MLPs over the past year. Some of this is likely attributable to tax status and resulting liquidity issues of MLPs.



Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.