Initiating Coverage:

Kinder Morgan Inc. ($KMI)

Balancing Growth Ambitions with Financial Constraints

Key Takeaway: Kinder Morgan is one of the largest energy infrastructure companies in the US. They transport natural gas, refined petroleum products, crude oil, condensate, CO2, renewable fuels, and more. Within the industry, the demand for natural gas is projected to grow the most until 2030 (around 25 percent). Kinder Morgan plans to capitalize on this trend by completing numerous natural gas projects between 2026 and 2029. They have put themselves in a strong position to make these innovations by issuing $1.8 billion in Senior Notes and posting a strong Q2 in 2025. In comparison to Q2 of 2024, Kinder Morgan has had an increase in net income, assets, and cash.

Innovation Through Projects: Since 2019, Kinder Morgan has been working tirelessly to get itself ready for the projected increase in natural gas demand. Kinder Morgan has done this through numerous different projects to expand natural gas transportation outreach. Some examples of these include the Cumberland Project, Evangeline Pass Expansion Project, and the Trident Instrastate Project. All these projects have consistent themes: increasing the amount of natural gas they can transport (in dekatherms, tonnes per annum, and billion cubic feet per day), creating a positive impact on the local economy, and increasing revenue output. These projects are predicted to finish between 2026 and 2029. If the projects are finished smoothly and successfully, then Kinder Morgan is projected to see an increase in revenue and investor confidence in the future.

Recent Senior Notes Issuance: Kinder Morgan plans to pay for all of these projects using cash. As a result, they have recently issued approximately $1.8 billion of senior notes. $1.1 billion of those notes have a 5.15% coupon that matures at 2030, and the other $750 million of those notes have a 5.85% coupon that matures at 2035. These coupons are close to the risk-free rate of around 4.5%, and this is because Kinder Morgan was recently upgraded to a BBB organization by Moody’s and S&P due to its consistent growth over the past few years, which allows it to decrease their coupon rate. Cash lent to Kinder Morgan through these notes will be used to pay off commercial paper, other maturing debts, and financing projects (specifically the Trident Instrastate Project). Between giving itself a reinforced balance sheet and favorable credit ratings, Kinder Morgan is trying to create a sense of stability for current and future investors.

Valuation: We initiate coverage with a $24.00 PT.

Consortium Research Group
Energy | Gas Midstream
August 15th, 2025

Stock Rating:	Underweight
Price Target:	$24.00
Price:	$26.71
Potential Downside:	10.1%
Ticker:	$KMI
Market Cap:	$59.66b
Shares Outstanding:	$2.22b
Dividend Yield:	4.36%

Energy and Sustainability

Analyst
Mitchell Keiper
University of Kentucky
mdke234@uky.edu

Company Overview

Company Description: Kinder Morgan is one of the largest midstream companies in North America. They operate around 79,000 miles of pipelines and 139 terminals. Their pipelines transport natural gas, gasoline, crude oil, and carbon dioxide. Their terminals store and handle numerous renewable fuel alternatives such as petroleum products, chemicals, vegetable oils, etc. However, many of their projects have an emphasis on natural gas since it is the fastest-growing fuel alternative that Kinder Morgan transports.

Adaptation through Acquisition: Kinder Morgan is a young company, starting in 1997 as Kinder Morgan Energy Partners, founded by Richard Kinder and William Morgan. Immediately, they were able to acquire KN Energy in 1999, where they also acquired Natural Gas Pipeline Company of America in the deal, where KN Energy rebranded to Kinder Morgan. Just two years later, Kinder Morgan started a third publicly traded company called Kinder Morgan Management and then purchased Terasen in Canada. The trend of acquiring companies continues as they acquired El Paso Pipeline Partners, Copano Energy, and NextEra Energy Partners. All the acquisitions have led Kinder Morgan to be one of the largest midstream companies on the continent.

Kinder Morgan Treating: Kinder Morgan Treating is the largest manufacturer and provider of contract-operated natural gas treating plants in the United States. The plants ensure that natural gas and liquid hydrocarbons meet pipeline and downstream requirements. To run properly, the treating plants have teams dedicated to engineering, installation, operations, and winterization. Finally, Kinder Morgan Treating is one of the largest contributors to their Commodity Sales revenue stream.

Industry Overview

Modernizing Infrastructure: Kinder Morgan isn't the only midstream company constantly innovating. Competitors such as Energy Transfer LP, Western Midstream Partners, and The Williams Companies also have numerous projects underway, as well as acquisitions in process. The constant adaptation of the midstream space is crucial for survival within this market.

Increase in Natural Gas Demand: According to Kinder Morgan's Q3 press release, they expect the demand for Natural Gas to increase approximately 28 bcfd by 2030. Many competitors are following this trend, evident by the efforts to increase their LNG transportation capabilities. The increase in demand works in Kinder Morgan's favor, as natural gas transport was approximately 65 percent of their revenue.

Environmental Strategy: Kinder Morgan and their competitors have an emphasis on sustainability. These midstream companies are tasked with the responsibility of transferring energy to downstream companies across the country. However, not only does doing the job matter, but how it gets done matters just as much to investors.

Peer Comparisons

Comparable Companies					
$mm					
Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
Targa Resources Cor|	$35,616	$52,477	18.9x	$17,079	$4,491
MPLX LP (NYSE:M	$51,137	$71,693	11.0x	$11,486	$5,897
The Williams Compa	$70,022	$100,093	24.7x	$11,363	$6,027
Cheniere Energy, Inc.	$51,125	$80,340	18.1x	$18,231	$8,167
Kinder Morgan Inc	$59,663	$93,698	20.5x	$15,969	$6,721

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	1 Yr Rev Growth Rate LF
Targa Resources Cor|	11.7x	72.9%	26.3%	17.6%	4.3%
MPLX LP (NYSE:M	12.2x	56.0%	51.3%	40.1%	3.9%
The Williams Compa	16.6x	40.9%	53.0%	32.6%	6.9%
Cheniere Energy, Inc.	9.8x	59.7%	44.8%	37.9%	16.4%
Kinder Morgan Inc	13.9x	46.1%	42.1%	27.4%	5.8%
High	16.61x	72.9%	53.0%	40.1%	16.4%
75th Percentile	13.94x	59.7%	51.3%	37.9%	6.9%
Average	12.85x	55.1%	43.5%	31.1%	7.4%
Median	12.16x	56.0%	44.8%	32.6%	5.8%
25th Percentile	11.68x	46.1%	42.1%	27.4%	4.3%
Low	9.84x	40.9%	26.3%	17.6%	3.9%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	78,528
Implied Enterprise Value (Median)	**$**	**81,710**
Implied Enterprise Value (75th Percentile)	$	93,698
Implied Share Price (25th Percentile)	$	21.03
Implied Share Price (Median)	**$**	**22.47**
Implied Share Price (75th Percentile)	$	27.86

Source: CapIQ

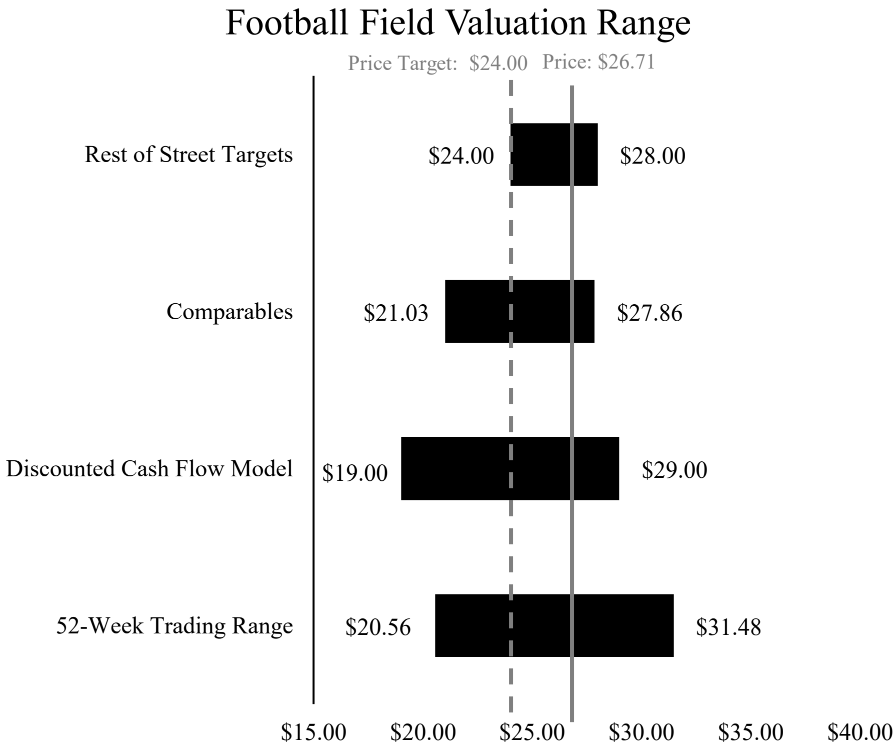
Investment Theses

Weak Cash Position: Despite issuing $1.8 billion in senior notes, Kinder Morgan has a surprisingly weak cash position of only $88 million. To put that into context, they have $788 million in current debt with $31 billion in long-term debt to complement the current debt. In total, Kinder Morgan has nearly $32 billion in debt and only $88 million in cash. This eliminates any flexibility they could have when it comes to weathering obstacles in the future. Some obstacles include anything going wrong with the construction of the pipelines, high interest rates, and foreign LNG demand. Most of Kinder Morgan's exports come from the Gulf Coast and are heavily dependent on the European LNG market. In the last year, Europe has taken approximately 19% fewer LNG imports, reaching a low that hasn't been seen in Europe since 2021. With the European LNG market slipping the profitability of Kinder Morgan's exports remains in question. With the state of the economy, the FED cutting interest rates remains unknown. If they aren't cut, then any debt they have will become more expensive. Additionally, anything that goes wrong with future projects for enhanced transportation of LNG will be an expensive fix. In short, it seems Kinder Morgan's future success relies on variables they cannot control, and with their weak cash position, challenges will be difficult to overcome.

Revenue Variability: Kinder Morgan, over the past few years, has been inconsistent from a revenue standpoint. Since 2020, Kinder Morgan has regressed in revenue growth twice, with the maximum revenue growth being 42 percent and the minimum being negative 20 percent. This includes their Commodity sales revenue varying between 120 percent growth in a year and a 37 percent decline in a year. Additionally, their Other revenue streams in that same period have been down 27 percent in a year but have been up 28 percent in a year. The only revenue stream that has experienced any kind of stability is the Services revenue, which, even then, has experienced minimal growth with a maximum of approximately 6 percent growth in the past five years. With such inconsistent revenue, investors will likely feel that investing in Kinder Morgan is a risky investment and will result in the stock suffering.

Price Target & Valuation

Our analysis gives ($KMI) a price target of $23.00 and an Underweight rating.



Potential Downsides to Our Rating

Limited Tariff Effect: Kinder Morgan stated at their most recent earnings report that they are confident tariffs will have a limited effect on their profitability. This could lead to increased investor confidence and cause their stock price to increase.

Innovation Success: All the projects that are currently underway for Kinder Morgan could prove to be a massive success. This would allow for Kinder Morgan to take advantage of the increase in natural gas demand, further increasing shareholder confidence.

Increase in Natural Gas Demand: With the huge increase in natural gas backlog since 2023, Kinder Morgan plans on taking advantage of the projected increase in natural gas demand. If the trend stays true and the projects are completed successfully, then Kind Morgan's financial performance could skyrocket.

Our Price Target: $24.00

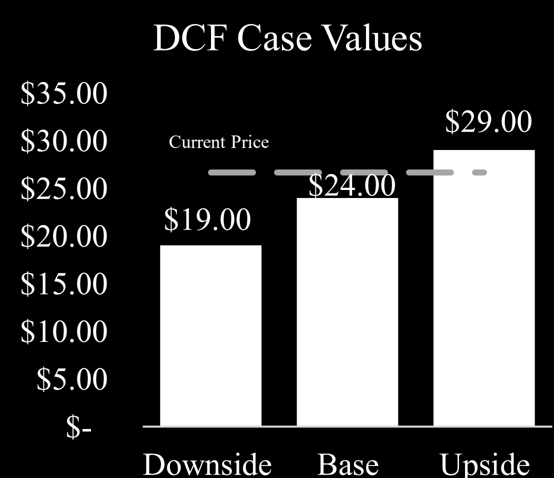
Our price target is based on a 14.6x EV/EBITDA exit multiple with revenue streams remaining relatively flat. Due to if the increase of competition in the natural gas market will likely leave their service revenue stream performance underwhelming.

Our Upside Case: $29.00

This price target is based on a 15.6x EV/EBITDA exit multiple. It puts a premium on the services revenue stream because the model assumes that the demand for natural gas goes up as projected, and Kinder Morgan can take advantage of the success of their innovation projects.

Our Downside Case: $19.00

This price target is based on a 13.6x EV/EBITDA exit multiple. It comes with the assumption that the service's revenue vastly underperforms due to possible complications with the European market, increased rates, or obstacles with construction, and Kinder cannot weather those storms with a weak cash position.



Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	15,100	15,954	17,284	18,617	19,939	9.7%
EBITDA	6,738	6,952	8,123	8,424	8,673	8.8%
EBIT	4,384	4,500	5,185	5,352	5,483	7.7%
NOPAT	1,079	2,547	3,355	3,548	3,697	50.8%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	44.6%	43.6%	47.0%	45.3%	43.5%	44.8%
EBIT Margin	29.0%	28.2%	30.0%	28.8%	27.5%	28.7%
Revenue Growth	-1.5%	5.7%	8.3%	7.7%	7.1%	5.5%
EBIT Growth	2.8%	2.6%	15.2%	3.2%	2.4%	5.3%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	46.4x	18.4x	15.3x	13.9x	12.8x	21.4x
EV/Sales	6.0x	5.7x	5.3x	4.9x	4.6x	5.3x
EV/EBITDA	13.5x	13.1x	11.2x	10.8x	10.5x	11.8x
FCF Yield	2.2%	5.4%	6.5%	7.2%	7.8%	5.8%

About $KMI

Kinder Morgan Inc. ($KMI), founded in 1997, operates as an oil and gas midstream. Kinder Morgan manages the task of transporting oil, gas, and other energy alternatives to downstream companies across the country. The company has three revenue segments, Services, Commodity Sales, and Other, which includes revenue from selling raw materials, transporting them, and unrelated forms of revenue. Kinder Morgan's purpose is to provide citizens with the right to energy in a safe way that benefits all living beings.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

DCF Analysis ($mm)	FY2020 12/31/20	FY2021 12/31/21	FY2022 12/31/22	FY2023 12/31/23	FY2024 12/31/24	FY2025 12/31/2025	FY2026 12/31/26	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/31/30
Stub						0.64	1.64	2.64	3.64	4.64	5.64
Discount Period						0.18	0.86	1.86	2.86	3.86	4.86
Revenue	11,700	16,610	19,200	15,334	15,100	15,954	17,284	18,641	20,017	21,398	22,773
Revenue Growth	*0%*	*42%*	*16%*	*-20%*	*-2%*	*6%*	*8%*	*8%*	*7%*	*7%*	*6%*
Serivces	7,618	7,757	8,145	8,371	8,916	9,200	9,844	10,484	11,113	11,724	12,310
Commodity Sales	3,891	8,714	10,897	6,786	5,957	6,500	7,150	7,829	8,534	9,259	10,000
Other	191	139	158	177	227	254	290	328	370	415	463
EBIT	1,560	2,916	4,065	4,263	4,384	4,500	5,185	5,359	5,505	5,617	5,693
EBIT Margin	*13%*	*18%*	*21%*	*28%*	*29%*	*28%*	*30%*	*29%*	*28%*	*26%*	*25%*
Tax Expense	481	369	710	715	687	677	778	804	826	843	854
Effective Tax Rate	*31%*	*13%*	*17%*	*17%*	*16%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
NOPAT	1,079.00	2,547.00	3,355.00	3,548.00	3,697.00	3,823.00	4,407.31	4,555.49	4,678.95	4,774.52	4,839.28
D&A	180	1,850	2,186	2,250	2,354	2,452	2,938	3,076	3,203	3,317	3,416
Capex	1,707	1,281	1,621	2,317	2,629	2,826	2,593	2,563	2,502	2,407	2,277
Changes in NWC	(9)	(121)	(1,135)	(1,534)	2,140	227	864	792	701	588	455
UFCF	(439)	3,237	5,055	5,015	1,282	3,222	3,889	4,276	4,679	5,095	5,522
PV of FCF						3,188	3,698	3,837	3,962	4,071	4,164

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.82
Risk Free Rate	4.39%
Cost of Equity	3.52%
Weighted Average Cost of Debt	5.20%
Tax Rate	15.00%
Cost of Debt	2.46%
Total Equity	$58,663
Total Debt	$31,789
Equity/Total Capitalization	44.33%
Debt/Total Capitalization	55.67%
WACC	5.98%

Terminal Value — Perpetuity Growth Method	
2034 FCF	$5,522
Growth	5.00%
Terminal Value	$565,043
PV of Terminal Value	$426,025
PV of Projection Period	$22,921
PV of Terminal Value	$426,025
Implied TEV	$448,947
(-) Debt	$31,871
(+) Cash	$82
Implied Equity Value	$417,158
Basic Shares Outstanding	2222
Implied Share Price	$187.73
Upside/Downside	611.11%
Implied Exit BF EV/EBIT	78.9x

Terminal Value — Exit Multiple Method	
2034 EBIT	$5,693
EV/EBIT Exit Multiple	14.6x
Terminal Value	$83,122
PV of Terminal Value	$62,671
PV of Projection Period	$22,921
PV of Terminal Value	$62,671
Implied TEV	$85,592
(-) Debt	$31,871
(+) Cash	$82
Implied Equity Value	$53,803
Diluted Shares Outstanding	2,222
Implied Share Price	$24.21
Upside/Downside	-8.3%
Implied PGR	-2.6%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$24.21
Upside/Downside	-8.28%