

## **No. 11 (tie): Magellan Midstream Partners**

**By SONYA COLBERG World Correspondent | Posted: Sunday, September 27, 2015 12:00 am**

Magellan Midstream Partners made \$2.3 billion in revenue and watched its stock price swing from \$61 to \$90 per share over the past year. Low oil prices and stock market chaos recently knocked the share price back into the \$66-\$72 range.

Yet the Tulsa-based pipeline giant may be in the cat bird seat, as analyst Qian Zhang sees it.

Magellan transports, stores and distributes crude oil and refined petroleum products.

And its storage and transportation divisions together generate 85 percent of total margin.

U.S. crude oil supply is now bulging at the seams, approaching 70 percent of capacity. Zhang said that situation raises a big question.

“The \$64,000 question is: Where to put it?” said Zhang, Fredric E. Russell Investment Management Co. investment manager. “Oil put in storage today could be there for years and makes Magellan’s storage business very profitable.”

In the transportation division, long-term contracts lock in much of the revenue. The contracts are based on changes to fixed goods in the Producer Price Index and regulated by the Federal Energy Regulatory Commission.

“Those contracted prices provide inflation protection and allow Magellan to increase profits even with flat volumes,” Zhang said.

She said Magellan’s business model will help it survive the current downturn and rebound when the market improves.

Magellan recently reported a \$208 million quarterly operating profit, up more than 16 percent from a year ago. Cash distributions to investors also rose 16 percent to 74 cents per share. Quarterly earnings reached 78 cents per share, hitting \$3.57 over 12 months.

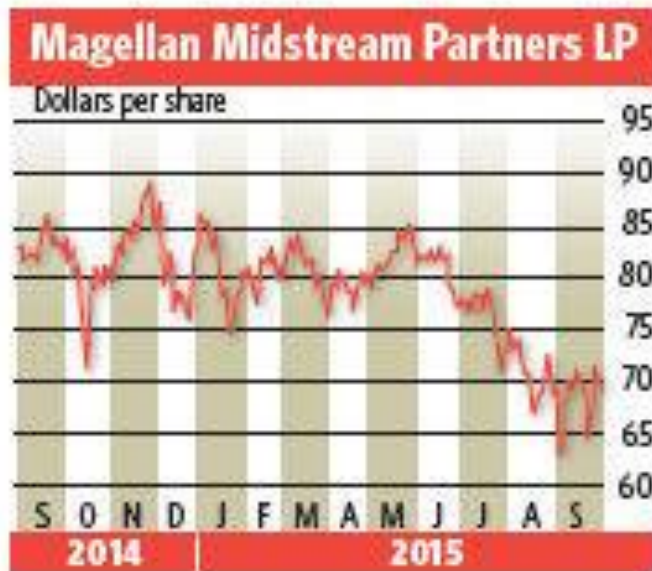
TheStreet recently rated Magellan a “buy,” noting its “strengths can be seen in multiple areas, such as its compelling growth in net income, expanding profit margins and impressive record of earnings per share growth.”

Although Magellan is generally considered low-risk, investment risks include exposure to commodity price fluctuations, cost overruns on expansion projects and lower-than-expected demand for refined products.



### **Magellan**

Magellan Midstream Partners transports, stores, and distributes oil and gasoline. STEPHEN PINGRY/Tulsa World file



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**Ticker symbol (Exchange):** MMP (NYSE)

**Operation:** Engages in the transportation, storage, and distribution of refined petroleum products and crude oil in the United States.