**Investment Thesis**

**UNIQUE SHORT-TERM GROWTH PROSPECTS**

I am initiating a coverage of DCP Midstream with a BUY at market price and a $19.16 price target. I view DCP as a best in class in term of pipeline coverage; the company also states it is the largest provider in the United States. DCP has shown a steep decline in its stock price over the past year but is now about to come back strong with a projected 24% increase in revenue. As a result, DCP has the capability to achieve the stock price it once had back in mid-2018 of around $45/share.

**For the long:**

1. They are the biggest in the United States so they have security:

DCP is the largest transporter of Natural Gas through its pipeline service. They also do refining of the oil that other manufactures extract from the soil. They are not as exposed to the risk associated to extracting oil as they can buy it from multiple providers. They will, however, be impacted for the price they buy the oil at.   
2. They are planning to expand their pipeline network during the next years:

With a growing network, DCP will remain the biggest transporter in the United States. They will then be protected from its competitors expanding as well.   
3. Risk factor to be taken into account is the recent poor performance of DCP’s stock price:

Even though, DCP is expected to have a strong growth in revenue, the company still had a bad run due to a considerable risk factor. They are very dependent on the demand for NGL and Crude Oil, and their down turn in the recent year has been due to a decline in the price of Crude Oil and NGL.

**For the short:**

1. Growth opportunity as they will expand, revenues should increase:

From all the sources researched, all point to an above 20% increase of revenue. The revenue had recently seen decline as severe as 16% for multiple quarters. Therefore, the increase in revenue will likely reassure the shareholders.

**Key Catalysts for price change**

• Politics around Crude Oil and NGL

• Prices and demand for Crude Oil moving forward to lower CO2 emission world.

• Potential competitors catching up to DCP

**Valuation**

My $19.16 price target is derived from 100% Discounted Unlevered Free Cash Flow estimates.





