The New ONEOK is a Midstream Behemoth Built for Yield

Price $79.19 | **Dividend Holding** | **January 31, 2026**

- Compelling 5.4% dividend yield, supported by resilient fee-based cash flows.
- Recent acquisitions of Magellan, EnLink, and Medallion have solidified OKE as a top-tier diversified midstream operator.
- Approximately 90% of earnings are now fee-based, significantly reducing direct commodity price exposure.
- Trading at a discount to our intrinsic value estimate, particularly given the synergy potential from recent M&A.
- Long-term volume risk tied to energy transition pressures on refined products and regulatory hurdles for new infrastructure.

Investment Thesis

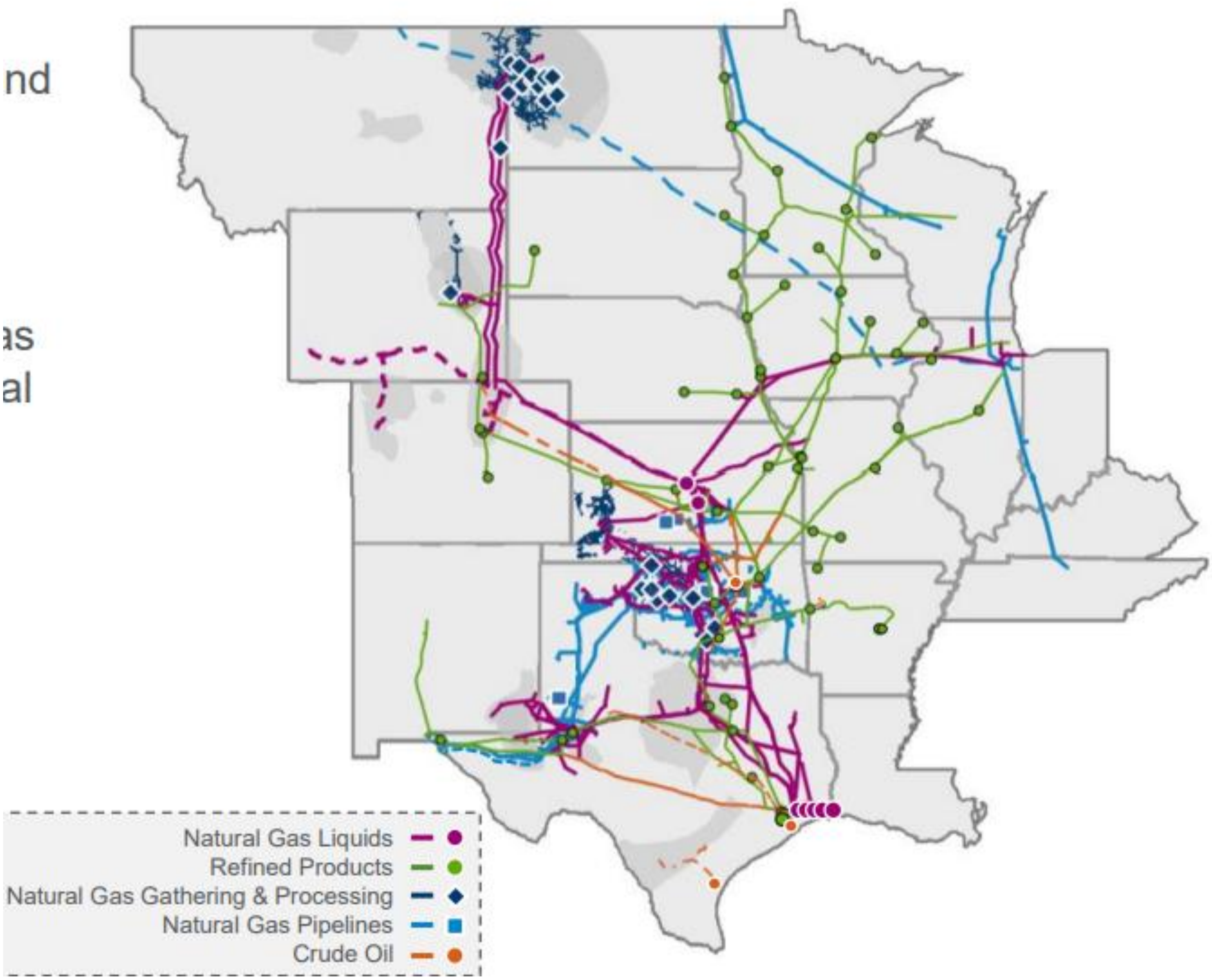
ONEOK, Inc. (OKE) is a diversified midstream energy leader operating an extensive 60,000-mile pipeline network that connects prolific U.S. supply basins, including the Permian, Williston, and Mid-Continent to key market centers.

We view ONEOK as a high-quality dividend stock that has successfully transformed into a diversified midstream behemoth. Strategic acquisitions of Magellan Midstream, EnLink Midstream, and Medallion Midstream over the past two years have expanded the company's footprint beyond its historical natural gas liquids focus into refined products and crude oil. This diversification creates a comprehensive energy logistics platform connecting key supply basins like the Permian, Williston, and Mid-Continent with high-demand export and refining centers on the Gulf Coast. The stock appears attractive at current levels near $79.

The market may be underappreciating the long-term earnings power generated by the integrated asset base and the realization of cost synergies from recent consolidations. ONEOK's shift toward a predominantly fee-based model means that approximately 90% of its expected 2026 earnings are insulated from direct commodity price swings. This defensive moat combined with the company's ability to generate substantial free cash flow and return capital to shareholders creates a favorable risk-reward profile for income-focused portfolios.

Operations

ONEOK operates a vast 60,000-mile pipeline network that functions as a toll road for U.S. energy. The business is divided into four primary reporting segments that contribute varying degrees to the company's profitability. The Natural Gas Liquids segment remains the largest contributor and generated approximately 36% of the company's total segment adjusted EBITDA in the third quarter of 2025. This segment connects NGL-rich basins to the critical market hub in Mont Belvieu and operates with a segment-level adjusted EBITDA margin of roughly 20.6%.



The newly expanded Refined Products and Crude segment has become a major pillar of the business following the Magellan acquisition. This segment contributed roughly 28%

of total segment adjusted EBITDA in the third quarter of 2025. It operates the longest common-carrier refined products pipeline system in the U.S. and posted a segment adjusted EBITDA margin of approximately 14.9%. The lower margin percentage relative to other segments reflects the high volume of lower-margin commodity sales inherent in liquid logistics, but the absolute cash flow contribution is substantial.

The Natural Gas Gathering and Processing segment gathers raw gas from wellheads and processes it to separate NGLs. Aided by the EnLink and Medallion assets, this segment contributed about 27% of total segment adjusted EBITDA in the recent quarter with a robust margin of 30.7%. Finally, the Natural Gas Pipelines segment provides steady regulated returns. While it is the smallest contributor at approximately 9.5% of total segment adjusted EBITDA, it boasts the highest profitability with a margin of 44.4%.

Growth and Expansion

ONEOK has pivoted its growth strategy from pure organic build-outs to a hybrid model involving strategic M&A and targeted high-return projects. The immediate growth driver is the integration of EnLink and Medallion assets where the company expects to realize substantial commercial and cost synergies. Management estimates these synergies will be realized by optimizing flows across newly connected networks and directing Permian volumes to internal fractionation facilities.

A significant catalyst for future expansion is the joint venture with MPLX to construct a new LPG export terminal in Texas City alongside the associated MBTC pipeline. This project is expected to be completed in early 2028 and represents a total investment of approximately $1 billion. The terminal will tap into robust international demand for NGLs and provide a critical long-term volume outlet for the company’s network. Additionally, ONEOK is expanding its Permian footprint by relocating a 150 MMcf/d processing plant to the basin by early 2026 and constructing the new Bighorn processing plant which is slated to come online in mid-2027.

Risk

We are monitoring volume and supply risks as ONEOK remains ultimately dependent on the volume of hydrocarbons produced despite its fee-based contracts. A sustained collapse in energy prices could lead producers to curtail drilling and reduce throughput in the Gathering and Processing and NGL segments. The company has significant exposure to the Permian and Williston basins, so any decline in production efficiency or regulatory limits in these specific areas would directly impact growth.

Financial leverage is another key consideration following the company's aggressive M&A activity. ONEOK’s net debt-to-EBITDA ratio stood at 4.2x as of September 30, 2025. While the company maintains an investment-grade credit profile, failure to deleverage toward its stated target of 3.5x could pressure its credit rating or limit dividend growth during an economic downturn.

Financials

ONEOK demonstrated strong financial performance for the nine months ended September 30, 2025. Net income rose to $2.48 billion from $2.11 billion in the prior year period, driven largely by contributions from acquired assets. Adjusted EBITDA for the same nine-month period reached $5.88 billion, underscoring the scale of the combined entity.

The balance sheet reflects the recent acquisitions with total long-term debt of approximately $33.7 billion as of September 30, 2025. Management is committed to strengthening the balance sheet and expects to reach a leverage target of 3.5x by 2027 through a combination of earnings growth and debt repayment. Liquidity remains robust with a $3.5 billion credit agreement that was expanded in February 2025 and access to commercial paper markets.

Capital allocation remains disciplined with a clear focus on shareholder returns. The company pays a quarterly dividend of $1.03 per share which equates to an annualized payout of $4.28 and a yield of approximately 5.4%. ONEOK also authorized a $2 billion share repurchase program and repurchased $62 million in stock during the first nine months of 2025.

Conclusion

We maintain a constructive view on ONEOK as a core energy infrastructure holding. The company has successfully navigated a complex transformation to emerge with a highly integrated asset base that is difficult to replicate. The strategic shift toward fee-based earnings provides a high degree of visibility into future cash flows and supports the sustainability of the dividend.

Current valuations offer a margin of safety as the market has yet to fully price in the synergy potential of the EnLink and Magellan integrations. We expect the stock to re-rate higher as the company demonstrates execution on deleveraging and capitalizes on new export opportunities over the next 12 to 24 months. ONEOK offers income-oriented investors a compelling blend of yield and stability in the volatile Energy sector.

Disclaimer and Related Information

This report was written by Julie Brown and reviewed and edited by Benjamin C. Halliburton.

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