



Exeter Student Investment Fund

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Williams Companies, Inc. (WMB)

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Recommendation – Long WMB



- **Company**
 - The Williams Companies, Inc (WMB)

- **Reasons to Buy**
 - Strong performance even during the pandemic
 - Consistent high Earning per Share, EPS reported in Q4 shows 29.17% rise
 - Planned and under construction expansion
 - Promising financials and high projected growths, 5.00% growth rate for 2022

- **Potential Risks**
 - WMB being rated BBB/Stable – Fitch Ratings
 - Price volatility of the commodities
 - State Gathering Regulations
 - Supply chain interruptions
 - Increasing gap between the capital resources and projected growth spending

Company Overview - History



○ Information about the company

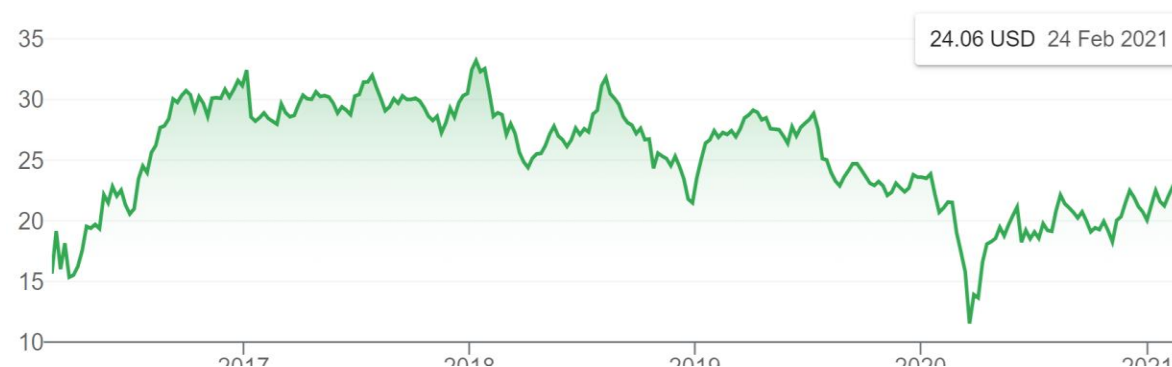
- Founded in 1908, Oklahoma, USA
- Operates as an energy infrastructure primarily in the US
- Natural gas and crude oil gathering and processing, and transportation assets – rewrite

○ Past Strategies

- Owns and operates 30,000 miles of pipelines, 28 processing facilities, 7 fractionation facilities
- 23 million barrels of NGL storage capacity

○ Historical Performance

- Currently: \$23.84
- High: \$24.08
- P/E: 141.38
- Market Cap: \$29.17B





Pres, CEO & Director - Alan S. Armstrong



- Appointed in January, 2011
- VP of Midstream 2002 – 2011
- VP of Gathering and Processing 1997 - 2002
- BSc Engineering, University of Oklahoma 1985

Sr. VP & CFO - Mr. John D. Chandler CPA



- Appointed in September 2017
- CFO of Megellan Midstream 2003 – 2014
- Director at US Compression GP
- CFA and BSc in Business Administration, University of Tulsa 1992



- **Strong and Meaningful Entry Barriers**
 - Operates 13700 miles of transcontinental pipelines
 - Acquiring rights to way and rights to land
 - Peak-day delivery capacity of approximately 14 MMdth of natural gas

- **Large Market Share**
 - Gas transportation industry in the US worth a total of \$67.3B
 - Williams Companies has 12.6% of that market share, the second highest after KMI



- **The stock contains strong financial profile**

- S&P500 52-Week Change 26.90% rise
- Operating Margin 33.4%
- Forward Annual Dividend Yield 6.95%

- **Planned Expansion Projects**

- Bluestem Pipeline has been designed to transport 120,000 barrels-per-day (bpd) of natural gas liquids (NGLs), expandable to 225,000 (bpd) in Kansas
- The Gateway Expansion Project has been designed to provide up to 65,000 dekatherms per day of natural gas transportation service to northeastern consumers

- **Company's Monopoly in the energy sector**

- Williams handles 30% of the natural gas in the United States that is used every day to heat our homes, cook our food and generate our electricity
- Increased its energy transportation capacity on the pipelines by more than 25% since 2014



- **Rising oil prices**

- Already nearing pre-pandemic levels, the recent rally in oil prices from March lows to the 60-dollar range will increase profits and boost the share price for Williams Company Inc.
- As the world transitions to renewable energy, it's arguable oil prices will continue to rise as oil will become scarcer as supplies fall, a prolonged period of high oil prices will bolster profits and will likely keep the share price rising

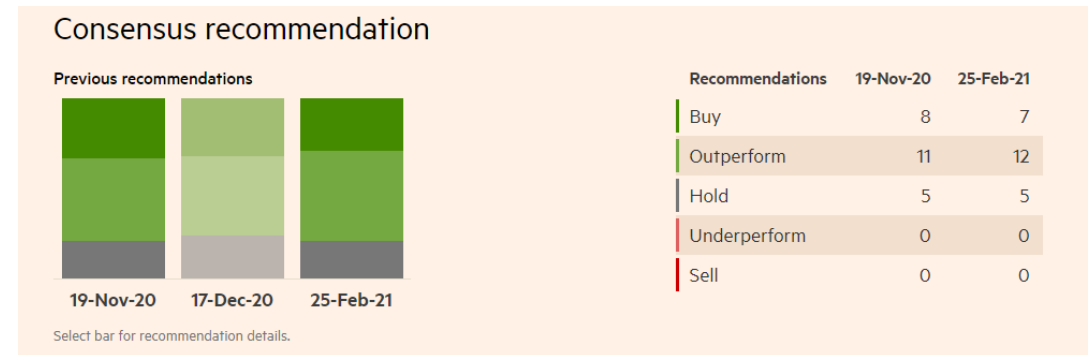
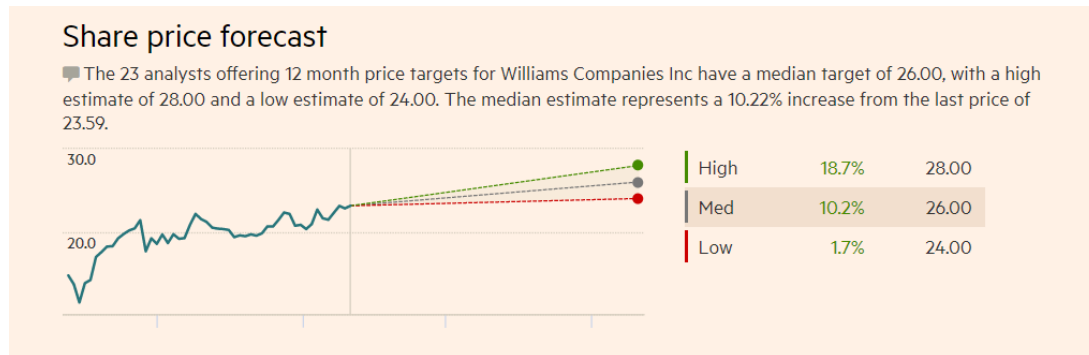
- **Global economic recovery**

- As the vaccine programme continues to rollout successfully, the demand for energy will continue to rise and there is predictions for a boom out of the pandemic recession that could lead to large revenue and profit rises.
- This positive outlook will increase confidence also and multiply this effect of increased demand, the markets are likely to price this in when there is more data proving we're coming out of the pandemic and into a strong recovery, at this point we will see positive share price movement
- Expansionary fiscal and monetary policy will also likely increase asset prices in the short term which only compounds the factors above



- **Bull case: 28.00 (18.7% upside)**
- **Bear case: 24.00 (1.7% upside)**

- **Company undervalued with room for error (even if the bear case plays out, we are still likely to see a positive return)**



Valuation data from the Financial Times



- **Regulatory Changes and Reforms**

- Operating in huge geographical territory means the company is vulnerable to regulatory changes and reforms not just in States in the US, but also in Canada and Mexico

- **Potential interruptions in the Supply Chain**

- Relying on subcontracts to deliver divisional services across the country makes the company dependent on regional players to maintain its operations

- **Frequent Acquisitions**

- WMB made a series of acquisitions to establish its Northeast segment. It brings the risk that in widely deteriorating and distressed, midstream landscape, WMB might try at an opportunistic acquisition that stretches its capacity to manage new regions or poor customer credit profiles



- **Williams demonstrates strong ESG performance**
 - As the first North American midstream company to set aggressive and actionable climate targets, Williams is committed to addressing climate change in a pragmatic and economically feasible manner across our operations, and hold themselves accountable through transparent interactions with customers, employees and shareholders
- **CDP Recognized Energy Company**
 - CDP, a widely known global ranking, most recently recognized Williams for its commitment to transparency and governance around climate change.
- **Dow Jones Sustainability Index:**
 - Williams ranked in the top 7% in the oil and gas storage and transportation industry and peer group and was added to the Dow Jones North America Sustainable Index for the first time this year.
- **MSCIESG Ranking**
 - Williams maintained a BB rating, illustrating its ongoing emphasis on ESG developments



Recommend going long on The Williams Companies, Inc

○ **Reasons to Buy**

- Strong performance even during the pandemic, with strong EPS and financials
- Planned and under construction expansion

○ **Potential Risks**

- Regulations, volatility, supply chain interruption

○ **Substantial catalysts**

- Strong evidence and predictions for large economic growth out of the COVID recession, leading to increased demand for energy and it's transportation

Thank you, we now welcome questions