

ONEOK, Inc. (OKE)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

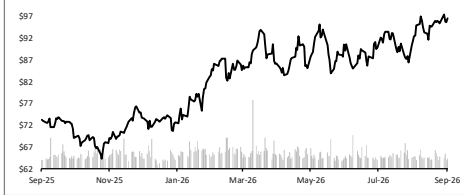
Analyst: Blake Hansen

Recommendation: BUY

Value Fit 5 / 10
Philosophy Fit 4 / 5
As of: 09/11/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	6.8% vs 8.1% → Below ke
Change in performance — ΔROIC	+0.1 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+1.4% → Price below our value



BUSINESS DESCRIPTION

ONEOK, Inc. engages in gathering, processing, fractionating, transporting, storing and marketing of natural gas. It operates through the following segments: Natural Gas Gathering and Processing, Natural Gas Liquids, Natural Gas Pipelines, and Refined Products and Crude. The Natural Gas Gathering and Processing segment offers midstream services to producers in North Dakota, Montana, Wyoming, Kansas and Oklahoma. The Natural Gas Liquids segment owns and operates facilities that gather, fractionate, treat and distribute NGLs and store NGL products in Oklahoma, Kansas, Texas, New Mexico, and the Rocky Mountain region, which includes the Williston, Powder River and DJ Basins, where it provides midstream services to producers of NGLs and delivers those products to the two market centers, one in the Mid-Continent in Conway, Kansas and the other in the Gulf Coast in Mont Belvieu, Texas. The Natural Gas Pipelines segment provides transportation and storage services to end users. The Refined Products and Crude segment engages in the transportation, storage and distribution of Refined Products and crude oil. The company was founded in 1906 and is headquartered in Tulsa, OK.

INVESTMENT THESIS

ONEOK has assembled a genuinely integrated midstream platform, and on a bull case for capital efficiency our four DCF methods average \$98, roughly in line with the \$96.62 price. That case rests on net fixed asset turnover recovering from 0.51x to 0.55x by FY2032E as the acquired Magellan, EnLink and Brazos assets are utilized harder. It is not heroic: turnover was 0.81x as recently as FY2021. Even so, ROIC rises only from 6.8% to 7.3% and never reaches the 8.1% cost of equity. We buy: over 85% fee-based revenue and a 4.4% yield pay us to wait, and OKE trades at a 44% discount to the peer median on book, but there is no margin of safety at \$98 against a \$96.62 price.

MARKET SNAPSHOT

Current Price	\$96.62	Market Cap (\$B)	\$60.9	Beta	0.76
52-Week Range	\$64 – \$98	Inst. Ownership	n/a	Insider Own.	n/a
Shares Out. (mm)	624.8	Short Interest (% float)	n/a	Dividend Yield	4.4%
Consensus L-T Growth	2.3%	Payout Ratio	72.6%	Cost of Equity	8.1%
Price Target	\$98.00	Upside to Target	1.4%	Value Range	\$78 – \$129

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$87.54	(9.4%)	16.9x P/E
Equity DCF – terminal P/S	\$128.64	33.1%	2.6x P/S
Equity DCF – terminal P/B	\$98.65	2.1%	2.7x P/B
Equity DCF – constant growth	\$78.47	(18.8%)	2.0% g, 8.1% ke
Average of methods	\$98.33	1.8%	Equal-weighted
Analyst price target	\$98.00	1.4%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.1 pts; price is 0.98x our average value	Yes
2. Investing through company cycles	ROIC recovers 6.8% to 7.3% on improving capital turnover; EBIT margin held 17.2%	Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits, with a hard stop set at entry given 5.7 times net debt to EBIT	Yes
4. Capital allocation discipline	Net debt/invested capital 50.3%; net debt/EBIT 5.7x	No
5. Identifiable catalysts & conservative underwriting	Four dated catalysts through mid-2028; underwriting holds EBIT margin at FY2025A and credits none of the guided synergies	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 5 / 10

		Pass?
1. Catalyst / Investment Drivers		Yes
Driver 1 — Permian wellhead-to-water integration	The \$4.45 billion Brazos Midstream acquisition more than doubles Permian gas processing capacity, adding about 1.2 Bcf per day of processing and about 700 miles of gathering line, and makes ONEOK the third-largest gathering and processing operator in the Midland Basin. That connectivity lets ONEOK earn gathering, processing, long-haul transport, fractionation and terminaling fees on the same molecule. The model credits it through capital efficiency, not margin: EBIT margin is still held at the FY2025A level of 17.2%, so any margin gain from integration is upside to the \$98 target.	
Driver 2 — NGL value chain and butane blending synergies	Magellan's roughly 9,800-mile refined products network, the Easton Energy Gulf Coast assets and the Conway to Mid-Continent line let ONEOK extract butane at its fractionation hubs and blend it into finished gasoline. Blending economics scale with system throughput and are a major part of the \$150 million of guided 2026 merger synergies, against a \$625 million cumulative target. Management guides \$250 million to \$450 million of annual run-rate synergies by 2027.	
Driver 3 — Dated capacity catalysts through 2028	Four dated projects carry the earnings bridge. Medford fractionator restarts in two phases, 89 MBPD in 4Q26 and 110 MBPD in 1Q27. The 35 MBPD Denver refined products expansion reaches mechanical completion in 4Q26. The Texas City LPG export terminal joint venture with MPLX, 400 MBPD and 80% commercially secured, starts in early 2028, and the 3.7 Bcf per day Eiger Express Pipeline joint venture provides Permian to Katy egress from mid-2028.	
What does management say?	Management guides to net leverage of 3.5x or below, accelerated by the \$9.0 billion Apollo minority equity raise that funds Brazos with no new corporate debt and allows about \$5.0 billion of immediate debt reduction. The Apollo Class B units carry a capped hurdle of about 7% and leave asset-level upside with common holders. Management also points to initial firm gas supply agreements for AI data center power, including one deal of about \$100 million.	

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$5.49	\$5.19	\$5.43	\$4.90	\$5.59	\$6.33	
P/E at current price	17.6x	18.6x	17.8x	19.7x	17.3x	15.3x	
Peer median P/E (FactSet, subject excl.)	20.3x	FY2026E P/E vs. peer median		(3%)			
3. Low Price / Cash Flow							No
FCFE / share	-\$23.42	-\$0.95	-\$4.69	-\$9.51	\$9.75	\$5.13	
Price / FCFE	NM	NM	NM	NM	9.9x	18.8x	
Peer median P/CF (FactSet, subject excl.)	9.7x	Price / FCFE (today) vs. peer median		n/a			
4. Low Price / Book Value							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$34.04	\$29.14	\$35.99	\$45.96	\$44.46	\$44.97	
Price / Book	2.8x	3.3x	2.7x	2.1x	2.2x	2.1x	
ROE (EOY book)	16.1%	17.8%	15.1%	10.7%	12.6%	12.7%	
Peer median P/B (FactSet, subject excl.)	4.8x	Price / book (today) vs. peer median		(44%)			

ONEOK, Inc. (OKE) — Value Criteria, continued

