Investors may be looking at dividend yield to help augment returns in today's market. Kinder Morgan, Inc. (KMI) currently (June 3rd, 2022) has a 5.56% yield and an up sloping price trend. They are in the Energy Sector, Oil & Gas Midstream Industry and is a large size company with an expected growth rate of 5-7%.

Anytime an investor is looking at dividend yield, they should also be looking at how safe and reliable those dividends are. Going to finance.yahoo.com and clicking on Historical Data one can see dividend payouts over time. KMI cut their dividends in January 2016 from .51 to .125 cents per share. The question is, will KMI cut their dividends again?

On the Analyze Growth and Quality screen in our SSGs (Stock Selection Guide), we are not seeing our hoped for up, straight, and parallel growth rates. However, I am more focused on the Valuation and Return screen regarding our question of dividend safety.

3. PRICE EARNINGS HISTORY as an indicator of the future

CLOSING PRICE (06/02/22): 19.96 **HIGH THIS YEAR:** 20.19 **LOW THIS YEAR:** 15.01

	A	B	C	D	E	F	G	H
Year	**Price**		**Earnings**	**Price Earnings Ratio**		**Dividend**	**% Payout**	**% High Yield**
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2017	23.0	16.7	0.01	2,301.0	1,668.0	0.50	5000.0%	3.0%
2018	19.8	14.6	0.66	30.0	22.2	0.72	109.8%	5.0%
2019	21.5	15.1	0.96	22.4	15.7	0.95	99.0%	6.3%
2020	22.6	9.4	0.05	451.6	188.4	1.04	2076.0%	11.0%
2021	19.3	13.5	0.78	24.7	17.3	1.07	137.6%	8.0%
AVERAGE		**13.9**		**566.0**	**382.3**		**1484.5%**	
CURRENT/TTM			**0.45**			**1.11**	**246.7%**	
AVERAGE PRICE EARNINGS RATIO: 474.1				**CURRENT PRICE EARNINGS RATIO: 44.4**				

In section three of the SSG – we can look at a picture of % payout ratios — the percentage of earnings paid out as dividends — High payout numbers tells us something may be wrong with this picture.
If payout ratios reach unsustainable levels, at some point these companies will have to slow down their payout growth. Or worse, cut or suspend the dividend entirely. A consistently high payout ratio may mean the company doesn't have favorable places to invest its money for future growth of earnings and dividends. It may also mean the dividend is not as secure as a dividend of a company with a low payout ratio. We like to see payout ratios of less than 75%. Payout ratio should be analyzed in conjunction with the dividend yield. When considering just these two metrics, a high dividend yield and a low payout ratio would be the optimum.

Distributable cash flow (DCF), the measure of cash flow we use to determine whether the dividend is safe, is forecast to decline from $5.5 billion in 2021 to $4.9 billion in 2022 according to Marc Lichtenfeld. The $4.9 billion should still easily cover the projected $2.5 billion in

dividends being paid out this year. But we never want to see cash flow decreasing. We can see Free Cash Flow/Share and Total Debt by selecting those items to be graphed in the Analyze Growth and Quality screen.

If it's the beginning of a trend, it can put the payout in jeopardy down the road. The cash flow decline is not a major concern on its own at this point. But that issue, combined with a heavy debt load and a history of lowering the dividend, means that Kinder Morgan might cut its dividend in the next year or so.