

NOVEMBER 12, 2021

MIDSTREAM UPDATE

NOVEMBER 2021

With 3Q21 earnings now complete, we would characterize earnings as a return to normal, or succinctly, “boring”—this is a good thing! While there were beats and misses, the beats were driven by improving long term fundamentals, and the misses were the result of items we would characterize as rear-view, such as Hurricane Ida downtime or seasonal optimization issues.

Improving return of capital to equity holders was on full display, and served to reinforce our thematic question of “what else are they going to do with the excess cash”. A few highlights include:

- Several companies indicated plans for increased distribution/dividends in 2022
- ~\$500mm Q/Q increase in Midstream buybacks
 - ✓ Magellan Midstream Partners LP (MMP, \$49.22), completed prior \$750mm program, authorized additional \$750mm buyback
- MPLX LP (MPLX, \$30.87), “all of the above” strategy:
 - ✓ \$155mm stock repurchase program
 - ✓ First incremental distribution increase since 2019, +2.5% Y/Y
 - ✓ Special Distribution of \$0.575 per unit (\$589mm)
- Targa Resources Corp (TRGP, \$54.22):
 - ✓ 4Q21 forecasted dividend increase to \$0.35/quarter, \$1.40/year
 - ✓ 2022 expected dividend payout ratio of 30%, continuing Free Cash Flow flexibility
 - ✓ 2022 expected equity repurchase activity, likely targeting preferred equity
 - ✓ 2022 expected buy-in of DevCo JV, simplifying and integrating system assets further
 - ✓ 3.25x estimated year-end '21 Debt to EBITDA ratio; targeting 2022 credit rating upgrade
- Companies continued progress on lowering 2022 capex which should increase Free Cash Flow and flexibility for cash returns to equity holders

Lastly, as a follow-up to our recent “You Say Inflation, I Say Midstream” white paper, companies provided strong commentary regarding the contractual inflation protection measures they possess.

Ticker	Executive	Commentary
CEQP	Robert Halpin ¹	“all of our [Midstream] contracts have escalators built into them oftentimes tied to CPI or other inflation metrics”
DCP	Wouter Van Kampen ²	“we have PPI, CPI [escalators] that we can [use to] increase on both the Logistics & Marketing and the Gathering & Processing”
ENB	Vern Yu ³	“roughly 80% of our EBITDA has total escalators”
ENLC	Pablo Mercado ⁴	“overwhelming majority of our G&P contracts include annual market-based inflation adjusters”
EPD	Randy Fowler ⁵	“90% of our revenues have some sort of escalation mechanism”
ET	Mackie McCrea ⁶	“all...Liquids contracts around our [NGL] transportation & fractionation and our crude contracts...have [a FERC] index [adjuster]”
MMP	Mike Mears ⁷	“historically changed the rates in [regulated] markets consistent with the [PPI-FG] index and most likely will do so again on July 1 st , next year”
OKE	Kevin Burdick ⁸	“vast majority of our contracts do have escalators on the fee rate”
SHLX	Steve Ledbetter ⁹	“cash flows are expected to be ratable and growing with inflation”
TRGP	Jen Kneale ¹⁰	“escalators across our contracts, both in G&P and also in logistics and transportation”
WMB	Alan Armstrong ¹¹	“our...contractual portfolios are set up with a long-term investor in mind, and are positioned to thrive through these cycles”

INVESTMENT TEAM

Geoffrey P. Mavar – Principal
 Matthew G. Mead – Principal
 Robert M.T. Walker – Principal
 Bryan F. Bulawa – Principal

Paul R. Jacob – Vice President
 Scott B. Warren, CFA – Senior Analyst
 Luke B. Davis, CFA – Senior Analyst

The information herein was prepared for informational purposes only and may not be copied, photocopied, duplicated or disseminated to any other party in any form without the express written consent of Chickasaw Capital Management, LLC.

Opinions expressed are our current opinions or those of any quoted individuals only as of the date appearing in this material. This information is subject to change without prior notice. The material is based upon information which we consider reliable, but we do not represent that such information is accurate or complete, and it should not be relied upon as such. Any historical price(s) or value(s) is as of the date indicated. We, or persons involved in the preparation or issuance of this material, may from time to time, have long or short positions in, buy or sell (on a principal basis or otherwise) the securities or options of any companies mentioned herein.

Chickasaw Capital Management, LLC gives no guarantees with respect to the success of its investment management services and has not authorized any person to represent or guarantee any particular investment results. Any historical data provided herein are solely for the purpose of illustrating past performance and not as a representation or prediction that such performance could or will be achieved in the future. Securities are subject to numerous risks, including market, currency, economic, political and business risks. Investments in securities will not always be profitable, and investors may lose money, including principal.

Chickasaw Capital Management, LLC does not provide legal, tax or accounting advice. Any statement contained in this communication concerning U.S. tax matters is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties imposed on the relevant taxpayer. Clients of Chickasaw Capital Management, LLC should obtain their own independent tax advice based on their particular circumstances.

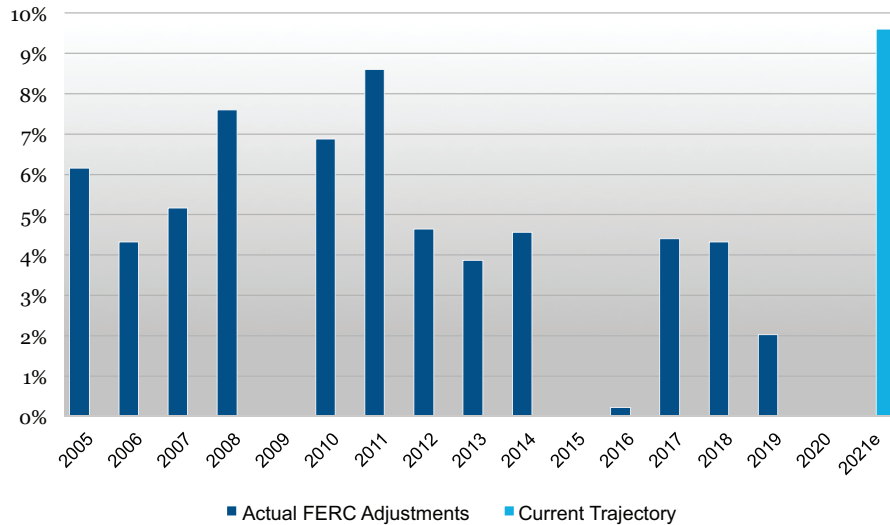
CPI (Consumer Price Index) is a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Distributions are quarterly payments, similar to dividends, made to Limited Partner (LP) and General Partner (GP) investors. These amounts are set by the GP and are supported by an MLP’s operating cash flows.

EBITDA is earnings before interest rates, taxes, depreciation and amortization.

Free Cash Flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

FERC Tariff Adjustments



Source: FERC, CCM as of 9/30/2021

- (1) Robert Halpin, EVP and CFP, Crestwood Equity Partners, LP (CEQP, \$28.76), 10/26/21
- (2) Wouter Van Kampen, Chairman, President & CEO, DCP Midstream, LP (DCP, \$30.59), 11/3/21
- (3) Vern Yu, EVP and CFO, Enbridge Energy Inc (ENB, \$40.41), 11/5/21
- (4) Pablo Mercado, EVP and CFO, EnLink Midstream LLC (ENLC, \$7.30), 11/3/21
- (5) W. Randall (Randy) Fowler, Co-CEO, Enterprise Products Partners, LP (EPD, \$23.31), 11/2/21
- (6) Marshall (Mackie) McCrea, Co-CEO, Energy Transfer, LP (ET, \$9.13), 11/3/21
- (7) Michael Mears, Chairman, President and CEO, Magellan Midstream Partners, LP (MMP, \$49.22), 11/2/21
- (8) Kevin Burdick, EVP & COO, ONEOK Inc (OKE, \$63.09), 11/3/21
- (9) Steven Ledbetter, CEO & President, Shell Midstream Partners LP (SHLX, \$12.69), 10/29/21
- (10) Jennifer Kneale, CFO, Targa Resources Corp (TRGP, \$54.22), 11/4/21
- (11) Alan Armstrong, President & CEO, Williams Companies Inc (WMB, \$28.64), 11/2/21

Geoffrey Mavar

Matt Mead

Robert Walker

Bryan Bulawa

Growth CapEx or Growth Capital Expenditures refers to the aggregate of all capital expenditures undertaken to further growth prospects and/or expand operations and excludes any maintenance and regulatory capital expenditures.

Leverage is net debt divided by EBITDA.

PPI (Producer Price Index) is a measure of the change in the price of goods as they leave their place of production.

This material is provided for informational and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell any security, product or service.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.