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# EnLink Midstream LLC (ENLC)

Q4 2018 Earnings Call

## CORPORATE PARTICIPANTS

Kate Walsh

*Vice President-Investor Relations & Tax, EnLink Midstream LLC*

Barry E. Davis

*Executive Chairman, EnLink Midstream LLC*

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

Eric D. Batchelder

*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

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## OTHER PARTICIPANTS

Shneur Z. Gershuni

*Analyst, UBS Securities LLC*

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Spiro Dounis

*Analyst, Credit Suisse Securities (USA) LLC*

T.J. Schultz

*Analyst, RBC Capital Markets LLC*

Colton Bean

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Dennis P. Coleman

*Analyst, Bank of America Merrill Lynch*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. Welcome to the EnLink Midstream Fourth Quarter and Full Year 2018 Earnings Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note that this event is being recorded today, Wednesday, February 20, 2019, at 9 AM Eastern Time.

I would now like to turn the meeting over to Kate Walsh, Vice-President of Investor Relations. Please go ahead, ma'am.

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Kate Walsh

*Vice President-Investor Relations & Tax, EnLink Midstream LLC*

Thank you, and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's fourth quarter and full year 2018 earnings, as well as our future outlook. Participating on the call today are Barry Davis, Executive Chairman; Mike Garberding, President and Chief Executive Officer; Eric Batchelder, Executive Vice President and Chief Financial Officer; and Ben Lamb, Executive Vice President and Chief Operating Officer.

To accompany today's call, we have posted our earnings press release and operations report to the Investor Relations portion of our website. Shortly after today's call, we will also make available a webcast replay on our website.

I will remind you that statements made during this conference call about the future, including our expectations or predictions, should be considered forward-looking statements within the meaning of the Federal Securities Laws.

Actual results may differ materially from what is described in these forward-looking statements. Forward-looking statements speak only as of the date of this call, and we undertake no obligation to update or revise any forward-looking statements. Additional information on factors that could cause actual results to differ from what is described in these forward-looking statements and sources for certain statements we make in here are available in the earnings press release and the operations report accompanying this call located at [enlink.com](http://enlink.com) and in our SEC filings.

This call also includes certain non-GAAP financial measures. Definitions of these measures as well as reconciliations of comparable GAAP measures are available in our earnings press release and our operations report on [enlink.com](http://enlink.com). We encourage you to review the cautionary statements and other disclosures made in our earnings press release and our SEC filings, including those under the heading Risk Factors. The structure of the call will be to start with prepared remarks by Barry, Mike and Eric and then leave the remainder of the call open for a question-and-answer period.

With that, I would now like to turn the call over to Barry Davis.

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## Barry E. Davis

*Executive Chairman, EnLink Midstream LLC*

Thank you, Kate, and good morning, everyone. Thank you all for joining us to discuss our strong fourth quarter results, our exceptional fiscal 2018 performance, and the exciting 2019 and beyond outlook we have for our newly simplified EnLink. Before I turn the call over to Mike and the team, I'll make a few quick remarks. In March of 2019, we will celebrate our fifth year as EnLink. Looking back at the past five years, I can proudly say that we have created a differentiated midstream platform built for long-term, sustainable value creation.

As you can see from our excellent 2018 results and our future outlook, EnLink's assets are generating strong and growing cash flow. We have been disciplined, intentional and proactive in building our large integrated asset platform. We are located in premier production basins and we are connected to key growing demand centers like the Gulf Coast. We're incredibly well positioned in a market that we believe is poised to improve. Although EnLink is only five-years old, EnLink's management team and board are seasoned energy professionals. What we've seen recently is that investors across the energy value chain are heightening their focus on value creation. Value creation is exactly what EnLink has always been focused on. Financial markets continue to push for corporate simplification, effective capital allocation and ultimately value creation.

In my opinion, midstream companies are undervalued by the market and have considerable upside and tremendous opportunities in front of them. There will be opportunities both at the asset level and at the corporate level, and those with efficient economic access to capital and the ability to execute will thrive. Our team has done a tremendous job executing on EnLink's growth to-date and I know they will capitalize on upcoming opportunities for midstream. When I look at the bright future ahead for EnLink, I see the deep strong relationships we've developed with our customers driving our next phase of growth.

I characterize this next phase of growth as the type of growth unitholders want us to focus on. It's the low-risk, high-return, bolt-on project growth that is right in our backyard and right in our wheelhouse. And I see our strategic partner, Global Infrastructure Partners, supporting us every step of the way. We have a strong track record of expanding relationships with our high-quality customers and partners across all commodities to execute mutually beneficial growth, and we'll continue to make that happen with a low-risk, high-return projects I just mentioned.

To bring that all back together, I'll leave you with this. We have a very strong team operating a purposely built asset platform with discipline and intention. This coupled with our impressive roster of customers and deep industry relationships sets us up to create value over the long term. There is tremendous upside in midstream valuations for well-positioned companies, and today, EnLink could not be better positioned to deliver growth and to deliver attractive total returns for our unitholders.

Mike, over to you.

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## Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

Thanks, Barry, and good morning, everyone. If there is one thing I want everyone to take away, it is our belief in how well-positioned we are for long-term, sustainable value creation. That is our focus as a business. You'll see that in our 2018 execution, in our team's near-term focus on low-risk, high-return projects around our platform and in our deep customer relationships. We feel great about the strategic position of our business.

Focusing on 2018 results, the fourth quarter capped off a tremendous year for EnLink. We significantly grew our asset base. We continue to find very attractive multi-commodity opportunities to expand our purposely built asset platform and further integrate the value chain. We strengthened our balance sheet. We increased our distribution to the ENLC. We simplified our corporate structure and ultimately, we execute on the high end of previously increased adjusted EBITDA guidance for the year. EnLink also delivered record volumes during 2018, which drove the outstanding adjusted EBITDA results.

We had great performance in our Oklahoma segment, which is now our largest segment. Average natural gas processing volumes increased 50% during 2018. We own and operate one of the largest fully integrated midstream businesses in the STACK. We continue to enhance value chain integration. We take title to a significant amount of growing natural gas liquids produced from our Oklahoma operations and link those liquids to our growing Louisiana NGL platform.

As a result, our Louisiana segment experienced strong NGL volume growth in 2018 of around 15%. We are increasing our crude gathering operations in Central Oklahoma and have the Black Coyote system and the Redbud system in full service serving two of the largest producers, Devon and Marathon. Our Permian Basin operations also had a very strong 2018 with crude gathering and gas processing volumes growing around 40% year-over-year. Executing in our base business growth and bolt-on opportunities this past year drove close to 20% growth year-over-year in adjusted EBITDA at EnLink. And it's the strength of our business that gives us confidence in our guidance outlook for 2019 and our growth drivers for the next three years.

One, projected 2019 adjusted EBITDA of \$1.13 billion, 10% to 20% growth from 2018 after the roll off of around \$100 million in related party deficiency payments; two, projected Oklahoma segment profit three-year cumulative annual growth of approximately 10%; and three, projected Permian segment profit three-year cumulative annual growth of approximately 20%, solid growth that is supported by the strong fundamentals we are seeing in the business today.

In Oklahoma, our expansive operations have a core position in three of the best producing counties in the state. From a basin standpoint, Anadarko Basin liquids growth is expected to exceed 100% growth from 2018 through to 2022. And we are very well positioned to benefit from these liquids and associated gas production. In the Permian, dynamics are strong and growing with the Permian expected to account for 33% of U.S. domestic oil production in 2019 and growing to 41% in 2020. Again, our Permian platform is ideally positioned to capitalize on this production growth.

Much of this upcoming supply growth will be transported to Gulf Coast where demand and growth is expected to remain strong. Our infrastructure network in Louisiana is optimally positioned to connect gas, NGL and crude to this high demand region, and we are actively working on a number of exciting opportunities across all commodities. With improving fundamentals as a backdrop for our next phase of growth, we're working closely with our strong roster of customers to provide innovative growth solutions and best in basin services.

We take a look back at some of our most significant successes, many of them are essentially repeat business with customers with whom we have been working closely for years. These customer relationships will continue to drive repeat opportunities, repeat business, and repeat growth. One of my favorite projects that we have announced recently is our Cajun-Sibon III expansion. This is a perfect example of an innovative solution where we took existing assets and we're able to expand them quickly, efficiently with very little capital.

This project is expected to provide a tremendous return with an adjusted EBITDA multiple of 2 to 3 times and an in-service timeframe of nine months, and our existing customers are there and ready to take the increased product from us. This expansion has also positioned us for further growth in the Louisiana market with excess fractionation. We have contracted with an existing third-party facility for additional fractionation starting in 2020. If you pair this with the excess capacity we will have with our Mont Belvieu GCF facility starting in 2020, we are in a great position for near-term fractionation, while preserving optionality for the next leg of growth.

Our purposely built strategic asset platform sets us up so well for near-term capital-efficient growth and longer term multi-commodity opportunities. The projects that are driving growth over the next three years are things such as well connects and compression around our existing platforms. They're incredibly capital efficient and lower risk with adjusted EBITDA multiples of 5 to 6 times on projected total capital spend of \$1.2 billion to \$1.5 billion over the next three years. These are projects that are straight down the fairway of what we do every day.

Our platform also sets us up well for the next leg of growth. I mentioned Louisiana as an incredible opportunity given its growing demand market, supported by the strong fundamentals of domestic production growth. Our assets could not be better positioned, and we have deep relationships with the market participants.

Opportunities can come in many forms across all commodities – expansion of our purity product transportation, expansion of our exports, expansion of our fractionation position and expansion of our end-use gas demand delivery. We have the right team executing on these longer term opportunities. And this all leads us back to our focus on long-term value creation. Our strategic asset platform clearly provides us near-term capital-efficient growth through focusing on projects with 5 to 6 times adjusted EBITDA multiples. Our deep customer relationships have provided and will continue to provide multi-commodity opportunities, and our strong team and culture will continue to drive execution excellence.

I'll now turn the call over to Eric to give an overview of our financial performance and our philosophy around capital allocation.

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## Eric D. Batchelder

*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

Thank you, Mike, and good morning, everyone. Before I start on the numbers, I will remind everyone that we successfully closed our simplification transaction on January 25, 2019, and going forward, we'll report our results for ENLC on a consolidated basis. We have also updated our segment reporting into four operational segments – Oklahoma, Permian, North Texas, and Louisiana. We feel that these primarily geographically based segments better align with how we are managing the business.

As Barry and Mike have highlighted, EnLink delivered strong financial results for both the fourth quarter and full year 2018. I'll start with ENLC, which reported annual results of \$231 million of cash available for distribution, representing 7% growth from full year 2017. ENLC continued to increase its quarterly distributions throughout 2018 with annual declared distributions for 2018 increasing by 5% over 2017 annual declared distributions.

From an ENLK perspective, we achieved adjusted EBITDA net to ENLK of approximately \$274 million for the fourth quarter and approximately \$1.042 billion for full year 2018, which represents 15% and 19% growth respectively from the comparable 2017 periods. Our financial success is a direct result of the outstanding job the entire EnLink team has done executing on our plan. Our double-digit growth was largely driven by our gathering and processing operations in Oklahoma and the Permian and our crude and condensate segment.

Oklahoma segment profit net of the one-time contract restructuring was up by 28% as compared to the fourth quarter of 2017 and up 46% as compared to full year of 2017. Permian results were up over 50% as compared to the fourth quarter of 2017 and up over 40% as compared to full year of 2017. Crude and condensate results were up by 63% as compared to the fourth quarter of 2017 and up over 70% as compared to full year of 2017. From a cash flow perspective, ENLK's distributable cash flow was up 17% from the fourth quarter of 2017 as well as for the full year of 2017. DCF growth exceeded our expectations coming in at the high end of our guidance range that we previously increased in 2018. DCF is a key metric that demonstrates the strong cash flow we are seeing from the business.

ENLK also continued to improve distribution coverage, achieving coverage of 1.24 times for the fourth quarter of 2018 and 1.18 times for full year 2018. Strengthening our distribution coverage ratio has been a key financial priority for us and we are very pleased with the results we achieved this year. A stronger distribution coverage ratio points to a stronger balance sheet, which gives us the flexibility to self-fund an increasing amount of our growth capital expenditures and allows us to effectively navigate the capital markets.

From a leverage perspective, we ended the year in a better position than expected with debt to adjusted EBITDA of 3.78 times as calculated under the terms of our credit facility. Due to the strong cash flows from the business, we also raised very little equity via our at the market program during the year. In total, we issued approximately \$46 million of the ENLK equity in 2018. We continue to maintain a flexible liquidity position and exited the year with the ENLK revolver availability of close to \$1.5 billion.

As we enter 2019, we continue to have significant liquidity and flexibility to finance our growth projects. Upon closing of simplification, we refinanced the ENLK and ENLC credit facilities into a single consolidated \$1.75 billion five-year revolving credit facility. In December of 2018, we closed on an \$850 million three-year term loan. The combination of these two financings sets us up to execute on our growth projects in 2019 and significantly reduces our reliance on capital markets.

Our 2019 capital program will be funded with excess cash flow after payment of distributions, borrowings under our revolving credit facility and limited non-core asset sales as well as limited equity issuances under our at the market program. Our financial tenets remain unchanged and we continue to target distributable cash flow per unit growth of 10-plus percent from 2019 through 2021, long-term distribution coverage of 1.3 times to 1.5 times and debt to adjusted EBITDA of 3.5 times to 4 times.

By growing distributable cash flow per unit by 10% or more each year from 2019 through 2021, we are significantly strengthening our balance sheet and increasing our power to enhance long-term distribution growth.

We will continue to allocate capital prudently and are targeting 5% to 10% distribution growth per year through 2021.

Before I turn it back to Mike, I'll touch on one other point that I think is worth reinforcing in the wake of our simplification. EnLink continues to be a very tax efficient investment strategy for a lot of investors. We currently expect the quarterly distributions that EnLink anticipates paying out to be characterized as a non-taxable return of capital for tax purposes over the next three years, which provides an attractive tax deferral vehicle for many investors. Our strong financial outlook gives clarity around and visibility into our commitment to sustainably creating and returning value over the long term.

With that, I'll now turn it back over to Mike.

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## Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

Thanks, Eric. Sum it all up, value creation is what we are focused on. EnLink has purposely built asset platforms and a team dedicated to executing our plan with excellence each and every day. We have deep industry and customer relationships that are provided and will continue to provide robust opportunities. And our assets plus our people, plus our relationships will drive strong results in the future, just like we delivered in 2018.

With that, we may open the call up for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you, sir. [Operator Instructions] And your first question will be from Shneur Gershuni of UBS. Please go ahead.

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### Shneur Z. Gershuni

*Analyst, UBS Securities LLC*

Q

Hey, good morning, guys. I guess I just wanted to start off on the guidance for 2019. I was wondering if you can give us some sensitivities on how we should think about changes in rig count and how that would impact growth rates? And if you can also put it in context to the most recent update from Devon and was that appealing when you originally put everything out when you were going through the simplification transaction?

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### Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

Hey, Shneur. This is Mike. Let me start now and I'll let the Ben walk through the details. But I think when you think about the 2019 guidance, we have great confidence in the platform we've built to drive this growth, and to give context to that, think about 2018 and 2019, 2018 was tremendous execution across all commodities and then ultimately results across all the platforms, so we could not be better positioned. It also set us up from a project standpoint to where you have Thunderbird, Lobo III, Oklahoma Crude, oil systems, Delaware Crude, Avenger and Cajun-Sibon III, all coming into service over the first half of 2019, again the continuation of building on those platforms. So, we believe we've set ourselves up incredibly well going into 2019 really for that capital efficient growth because the majority of the large scale projects will be in place over the first half of the year. And I'll let Ben walk through the volume piece, which we're equally as confident on.



Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Yeah. Hey, Shneur. So I think what you're referring to on Devon is they have a statement in their ops report that they expect flat production in the STACK and you're saying us guide to 25% increase in gathered volume and you're trying to figure out how those can be simultaneously true. So the critical thing to start with is Devon's guiding to 85 to 95 wells turn to sales in a STACK. Our guidance is premised on about 90 wells turn to sales for Devon in the STACK. The reason that they can guide the flat and we guide to growth is because there are two different numbers.

For Devon, it's net production. And so you have to consider what their net revenue interest is in the well they're drilling this year versus last year, it's lower this year. You have to consider what they're doing on their non-op position, which impacts them that doesn't impact us, and you have to consider what they're doing in terms of asset sales. So last year, they sold a package in the very far northwest part of the play that looks like less production for them because it's old, but it doesn't change anything for us because we continue to serve the new owner.

So, what we focus on is what's their gross operated production, and we're in line with their expectation at about 90 wells. Something else I'll say too, Shneur, on your question about rig count sensitivity, this is going to get harder for you guys to track because as everybody goes into development mode, you're going to be less focused on rig count and more focused on well count. So, again, if you just stay with Devon for a minute, they're looking at a 4 to 5 rig program in the STACK, turning 85 to 95 wells to sales. And there's a few DUCs in there but just remember that number.

Go over in the Delaware and they're running twice the capital program, 11 rigs running but they're guiding to 100 to 110 wells. So there is a difference in the rig efficiency in the play just given their focus in a small area in the STACK and the efficiency that that creates versus besides the Delaware and all those factors.

Shneur Z. Gershuni

*Analyst, UBS Securities LLC*

Q

Okay. Appreciate all the color. But maybe just to sort of extend the question a little bit. I mean, does the Devon updates and understand that they're moving on and off acreage and so forth and all the answers that you gave, but does any of their statements or the new Devon, however, you want to position it, does that change your longer term guidance as to how you think about business in 2020 and 2021?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

No. It doesn't. But let me talk about what I think big picture, what I think the new Devon means for us. I think that their proposed exit from the Barnett is a positive for us and I think that for two reasons. First, I think they've done a wonderful job of laying out the roadmap for the next owner of the Barnett assets and how to maximize the value of that asset, and they've done that through a successful refrac program that they told us anecdotally is so good it competes with the Delaware in their capital STACK.

They've done that by drilling a number of new wells and showing people what a modern completion can do in the Barnett. And then they've done it by showing how a buyer could do it in a very capital-efficient manner with a partnership with a party like DowDuPont. So I think they've actually been quite intentional over the last couple of years in laying out the roadmap piece by piece for the next owner whether that's another operator or whether it



ends up being some kind of a spin-off or split-off and operating as an independent company and all of that is to the positive for us.

But the other side when you think about what's left at new Devon, it's more focused than ever on developing the Delaware and developing the STACK, which are two basins where we have a significant relationship with them. So, I think it's good on both sides of the house.

Shneur Z. Gershuni

*Analyst, UBS Securities LLC*

Q

Okay. Fair enough. And maybe a bigger picture question. EnLink over the last couple of quarters, you've kind of been focused on a bunch of different strategies, if I remember from last year, it was the six or seven different items, and so forth. You have a lot of different basins that you're working in and so forth. When I sort of think about the broader market right now, we saw a transaction yesterday done at a very high multiple. Is there any thought to actually exiting one of your productive basins, where you, let's say, have lower market share, get these crazy high prices and then reinvest the capital in an area where you have stronger market share and could potentially pick up assets as well, too, in terms of trying to refocus the company and to be more nimble and more focused and then kind of the broad strategy approach you have right now?

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

Yeah, Shneur. This is Mike. So, again, you're referencing the seven strategies, but let me step back from that. We've been incredibly purposeful in what we've built, when you think about it, as far as – just look over the last five years in the core multi-commodity positions, we've built in the STACK and the Permian, as well as the demand position that we built out in Louisiana. So – and Ben referenced the Barnett, and we think of the Barnett as an incredibly capital efficient and more stable cash flow or a nice asset to add to that mix.

So, for us what that set up ultimately is building those strong platforms and then continuing to have really high efficient capital on top of that. The numbers we referenced longer term on that is \$1.2 billion to \$1.5 billion of growth capital focused on 5 to 6 times returns around those platforms. And once they run those platforms, it's almost solely focused on the supply platforms and we have a huge optionality of growth really serving that demand mark in Louisiana does not include in that number. And if you look at the Louisiana guidance, you'll see also it's a stable cash flow.

We feel great about the upside we see there among all commodities. I had talked about the different things we can do. We can look at whether it's purity product expansion, whether it's export expansion, fractionation expansion, some sort of all of those, that's what we're doing. So, our focus on ultimately is creating value from those platforms through executing on those high-return, lower risk projects with the optionality of demand growth in Louisiana. And so, we feel really, really well-positioned and very focused on that.

Shneur Z. Gershuni

*Analyst, UBS Securities LLC*

Q

All right. Great. Thank you very much. I'll jump back in the queue.

**Operator:** The next question will be from Jeremy Tonet of JPMorgan. Please go ahead.

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Q

Good morning. Thanks for all the color and your thoughts on the STACK there and just want to build off of that a little bit more. Besides Devon, we're seeing some of the other customers there, Cimarex and Marathon, laying down some rigs. And so, just wondering, when you guys look forward into the STACK, do you see the potential to kind of capture more market share and that's kind of what you see also aiding to the growth, or if you could kind of expand on what you're seeing outside of Devon and STACK?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Yeah. Hey, Jeremy, it's Ben. So outside of Devon and the STACK, remember, overall, we've got about 30 producer customers on these systems. Cimarex really isn't a very big win for us other than their joint operations with Devon in the Cana-Woodford. So their changes in the STACK don't really impact us. And Marathon is far more active on us, on our dedicated acreage for crude than they are for gas. And as you know, our crude system in Oklahoma is just getting up and running. This will be, I guess, the third full quarter of operations will be the quarter we're in right now. But look beyond that and you're thinking about Encana as successor to Newfield, you're thinking about Rhône down in the merge. You're thinking about a portfolio of smaller publics and private companies all over the play.

I mean, we have the largest market share in the STACK today. I don't see that changing. And while there's not a ton of acreage left to be up for grabs in the STACK, I think that over the last couple of years we've won more than our fair share of what is up for grabs and I don't see that changing and that's – Mike likes to talk about our purposely built platforms. That's because we have the biggest system in the play and a very expansive footprint, it sets us up to win more than our fair share of what's left for dedication.

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

But, Jeremy, to answer your question longer term, the plan we laid out is completely focused on executing on what we have today. So, there's not an assumption of greater market share or pulling this customer, it's about executing on the customers we have today and focused execution around that.

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Q

That's helpful. Thanks. And in the PR, you guys have kept the language as far as with your funding plan has been increasingly self-funding there, but just wondering for the portion that's not if that's going to be – how do you think about going for more equity issuance on the ATM versus non-core assets sales kind of balancing those two?

Eric D. Batchelder

*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

A

Hey, Jeremy, it's Eric. That's a great question. I think that one of the things that occurs to me is I hear Mike and Ben talk about purposely built assets and we have a purposely built balance sheet as well, as I'm sure you're aware late last year we put in an \$850 million term loan, which allowed us to provide over \$1.6 billion of liquidity coming into 2019 on a revolving credit facility. And so when we think about the combination of those two pieces as well as excess cash flow from the business, we feel very good about the liquidity and financial flexibility to execute on the plan that we talked about in terms of these quick to return cash growth projects that Mike and Ben have been referencing. And we can do that in a way that isn't dependent on the capital markets as we've talked about in the past. So, we will certainly keep the ATM option open because we want to make sure we have all the available levers to pull on and we'll continue to monitor that. But as you saw in 2018, we issued less than \$50 million of equity on that. So, as it relates to non-core assets sales, again those are very small assets that are off

the run and truly non-core that perhaps most of you may not even be familiar with it, and we'll continue to evaluate those in the context of everything else.

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Q

Great. One last one if I could just come back to the STACK, it looks like Thunderbird move back just one quarter. Just wondering if that's timing being capital efficient and matching timing with producer activity there or anything else that's happened?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

No. It's a minor delay in the construction process is all it is. As you appreciate when you're doing \$100 million plus projects, not everything goes on a day that you'd like it to. So, it was scheduled to be late in the first quarter, now it's going to be a little bit into the second quarter. We're looking at a delay of a few weeks driven by contractor and vendor issues, same thing that a lot of us are dealing with in this industry.

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Q

Great. That's it from me.

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

But to pick up though on where you might go next, I have no concern whatsoever at being able to handle the gas during the few weeks of delay either between our own assets or portfolio of offloads that we have with others in the play. I have no concern at all about being able to handle the volume.

Jeremy Bryan Tonet

*Analyst, JPMorgan Securities LLC*

Q

Great. That's it from me. Thanks for taking my question.

**Operator:** The next question will be from Spiro Dounis of Credit Suisse. Please go ahead.

Spiro Dounis

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hey, good morning, everyone. Maybe just want to go back to some of Devon's comments if you could quickly, I guess some of the other things that came out of the release was just around this renewed focus in the Delaware. And so I know while you're investing heavily in the Permian, Oklahoma is still the largest bucket for CapEx, and so I guess, is there an appetite or an ability to divert more CapEx to the Permian and I guess instead of Oklahoma over time?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Well, I'll start and then Mike may want to add on. Spiro, it's Ben. We love our Permian business and we are investing there and we're investing there to support Devon. And the big area that we are investing in right now is our Avenger system, which is in service. It serves the Todd area of the Delaware Basin, and as of this morning,

we're moving about 20,000 barrels a day of crude for them and we expect to see that grow because Todd is one of their biggest focus items as a company this year.

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

And I'd also say we love the diversity of producers we have out there too. And you see the continued growth we expect in the Delaware not only over 2019, but over the next three years. So, we feel we're in great position with that portfolio of customers and with Devon, go back to their presentation on Todd, 20 wells in a high focus and that's stuff we're moving today and we'll continue to move and grow.

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

If we widen the lens a bit on the Delaware, the second phase of Lobo III plant is just about to come online, what we call Lobo IIIx, that will take separate 375 million cubic feet a day of processing capacity. And I think we have good line of sight to seeing continued growth in that asset for the long term.

Spiro Dounis

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Got it. Appreciate that color. Switching gears a bit here, and sorry if I missed it in any of your prepared remarks, but I think you're still pursuing three options for expanding your fractionation offering, I guess any update you can provide there and are you leaning in any particular direction?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Yeah. Let me start it again, Mike may want to add on. So when you think about our fractionation position, the first piece that comes into play is Cajun-Sibon III that will be online in the first half of this year. And at that point, we'll have access to 193,000 barrels of nameplate capacity depending on composition, everything else, 180,000, 185,000 barrels a day is what we expect. Okay. When you get into 2020 and you have two more things happen. First is, as you know, we own 38.75% of Gulf Coast Fractionators in Mont Belvieu, which is 56,000 barrels a day net. That capacity has been under contract to a third party, that contract expires at the end of this year. And we're working with that third party to decide how much capacity they want and how much capacity we want at GCF, but we certainly expect we're going to have a considerable amount of capacity to use for our equity volumes at GCF and Belvieu.

Then the third piece, and Mike alluded to this in his prepared remarks, is this quarter we signed a medium-term fractionation deal with a third party fractionator in Louisiana that we are able to access that most others are not able to access. And because of that, we were able to do that at very attractive rates. So when you stack those three pieces up, we don't see a need for fractionation capacity for our equity volumes until the second half of 2021. And so that's going to afford us some flexibility to see how the fractionation market develops because with everyone building them two at a time, I think it'd be good to see how the volume curve that that everyone expects actually develops over time before we make a decision about building our own assets.

The second thing I'd say is, don't be too focused on fractionation as our next step on NGLs in Louisiana because again as Mike alluded to in his prepared remarks, fractionation is one piece of the puzzle. Another piece of the puzzle is Purity Pipeline projects like our Ascension JV that we did with Marathon a couple of years ago. Another element can be expansion of our LPG export capability. We had record LPG export volumes this past year, but it's still fairly small relative to others and we are looking at ways that we can make that much bigger.

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

I think the thing to take away there is that I think people in the last quarter heard Cajun-Sibon III and we're looking at it in isolation and were expecting maybe a bigger project. But we've set this up to ensure we make good capital efficient decisions while preserving optionality for that next leg of growth, and I think Ben said that up well, meaning that most people did not think about the excess third party fractionation that already exists today in Louisiana and what we did was allow ourselves to utilize that at effective rates versus the market in Mont Belvieu or new build.

And like Ben mentioned, this position us well for that next leg of decision which is all those opportunities. And so I know we're solely focused on fractionation a lot of times, but I would say is that portfolio has equal options of happening and it's not just one of those.

Spiro Dounis

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Understood. Appreciate the color. Thanks, guys.

**Operator:** [Operator Instructions] The next question will be from T.J. Schultz of RBC. Please go ahead.

T.J. Schultz

*Analyst, RBC Capital Markets LLC*

Q

Hey, guys. Good morning. I think just – you hit on most of the stuff in Oklahoma. Just one follow-up. Your assumption is based on a field development of 6 wells per section. What is the impact if there is any really, if field development is at something less than 6 wells per section? I think Devon was saying 4 to 6 wells. So just want to understand the sensitivity to that for you all if there is any.

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Yeah. Hi, T.J., it's Ben. If that were to be the case, there would not be a near-term impact. What it would mean would be a reduction in long-term inventory, but given that that Devon and others who we do business with have multi-decade, in some cases inventory, I don't think that would be a near-term concern. But I would also say that given the results that we've seen, the near-term results that we've seen from Devon, the Safaris, the Northwoods, the Pony Express wells; Safari and Northwoods were five [ph] infills (00:40:43) with a parent in the section, so that's six. Scott was five wells with a parent in the section, so that's six. Those have all been really good results. And so our expectation is on average across the field we'll see about six wells per section. Some places like as you go farther to the northwest up to where like Chipmunk and Faith Marie are, you're going to have fewer wells in those sections, but they're going to be really big dynamite wells. Some areas, perhaps some operators are going to be able to put eight or even more wells in, but average across the play, it looks like six and we feel good about that number.

T.J. Schultz

*Analyst, RBC Capital Markets LLC*

Q

Okay. Great. And then, I just want to go back to what you were talking about before on the kind of frac solutions and I guess the comment on the evolving dynamics there and kind of waiting to see how the volume curve develops. I just want to square that with the three-year CapEx guidance you all gave previously. Was there a frac

solution in that number before and maybe that's been replaced with some of these other purity projects or export expansions? Just trying to understand what's all in that kind of three-year CapEx number?

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

T.J. – hey, it's Mike. Let me give you an overview just to make sure we're all level set and how to think about this and then I'll let Ben walk through details, but we keep referencing this \$1.2 billion to \$1.5 billion three-year CapEx. 85% of that is well connects and compression. I mean – so, again, blocking and tackling capital around our core positions. So, I mentioned earlier about Louisiana being upside, Louisiana as you saw really from 2018 to 2019 really was flat and we've alluded to that. We're going to see over performance like we did in 2018 based on what we're seeing in the demand market, but we believe that is just a tremendous opportunity for that next leg of growth.

All the different things we've talked about, we talked a lot about NGL, but equaling gas and crude, but none of that is included in there. And so, what we try to do is continue to do capital efficient decisions to continue to preserve that optionality to make the best and most efficient capital decision long term for the business. And that's what this Louisiana frac solution has done so far for us because we're utilizing what we have in underutilized markets is step one of the broader solution.

T.J. Schultz

*Analyst, RBC Capital Markets LLC*

Q

Got it. Helpful. Just lastly, any impact to you all from the Grand Prix pipeline extension into the STACK, whether that's an option for you all to utilize for takeaway or if it's competition, anything you all consider it or have in place?

Benjamin D. Lamb

*Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Hey, T.J. it's not. If you think back to, I guess, in the summer of 2017, we announced our partnership with ONEOK, where we committed to ship large majority of our Oklahoma liquids on their system and in return they agreed to a very attractive transportation rate, but also to construct a physical connection between their system to the front door Cajun-Sibon. So, that's all done. And I don't see that changing and we're seeing the dividends of that pay off today. I think there is a factoid in the operations report that about 50% of Cajun-Sibon volume last year was our equity volumes. I think today we would say that's closer to 60% and the biggest part of that is coming from Oklahoma.

T.J. Schultz

*Analyst, RBC Capital Markets LLC*

Q

Got it. Thank you.

**Operator:** And the next question will come from Colton Bean of Tudor, Pickering, Holt. Please go ahead.

Colton Bean

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Good morning. Just to follow-up in the discussion there around well spacing, if the up space designs that we've seen do contribute to any reduction in core inventory, how does that impact your thinking around capital allocation? I think you've referenced that a lot of this capital is tied to well connects, maybe so less – a little bit less risk of straining capital there, but just wanted to get the philosophical views.



**Benjamin D. Lamb***Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Yeah. Colton, it's Ben. I'll start again and Mike may want to add on it. This six well per section average across the play is something that we've now been expecting for a number of quarters. So, that's not news to us. So, I would say that the way we think about capital allocation, this six well average assumption is baked in, it's not a new factor for us, and I don't see it having any kind of near-term impact. I mean the question that you're – ultimately you are going how much room did the play have to run, even at 6 wells per – I think we're less than 20% of the total potential locations in the play have been drilled. So there is a lot of room left for the play to run. I don't see any negative implication on capital allocation for us

**Michael J. Garberding***President & Chief Executive Officer, EnLink Midstream LLC*

A

No and I think you look at Devon's presentation, they referenced 130,000 net acres ultimately and that doesn't include their Woodford optionality. So I don't think as we sit here today, we have concerns about that. But like you referenced in the beginning your question all the stuff we're doing is 5 to 6 times capital. This is the capital you want to suspend quick to cash highly effective and so we feel very good about that.

**Colton Bean***Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Got it. That's helpful. And then just on the Louisiana, just looking at the guidance there, volumes are effectively flat to up with a little bit of a step down in segment profit, is that primarily ORV or maybe a reduction in the Pelican keep whole margins?

**Benjamin D. Lamb***Executive Vice President & Chief Operating Officer, EnLink Midstream LLC*

A

Well, it's a couple of pieces, Colton. One is that we don't expect the processing economics to be quite as robust this year than last year as you touched on there. It's not really keep whole. It's more – it's a straddle plant, right, so it's not under contract. If there is no margin, we just don't process it, like a keep whole contract. So we expect there to be less gas that is economically processable; and the gas that is economically processable, we expect to have a lower margin associated with it.

Another factor there is – and this is for the guys who covered us a long time is an old story. We have some legacy transportation contracts in the north part of our system that are rolling off over time, those are now almost completely gone. But when you make a 2019 to 2018 comparison, there is an element of volume commitment exploration that hits us in Louisiana.

**Michael J. Garberding***President & Chief Executive Officer, EnLink Midstream LLC*

A

And I think that it's important also to think about this business and performance in 2018 versus guidance, you can see that that the option for value does not go away. We're just being conservative based on what we're seeing today and how we're thinking about it. The last couple of years in Louisiana gas we've had almost over performance both the years and continue to have that option. So, it's just more about how we're thinking the businesses we're going into this year.

**Colton Bean***Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Got it. Thank you.

**Operator:** And the next question will be from Dennis Coleman of Bank of America Merrill Lynch. Please go ahead.

Dennis P. Coleman

*Analyst, Bank of America Merrill Lynch*

Q

Hi. Good morning. Thank you. I want to just hit on distribution growth a little bit here. You've kept 5% to 10% guidance range, but I think elsewhere in the commentary you talked about an example where you used 5%, given sort of just trying to matrix this all given the coverage range target still sort of to the midpoint of your guidance range, should we be thinking 5% for the – I guess for the three-year period and sort of that lets you ramp up and achieve the no equity issuance kind of things that you're talking about?

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

A

Yeah. Hey, Dennis. This is Mike. I'm going to start on something I said to multiple questions, but again, the platform we have sitting here today really allows us to do incredibly effective capital, which drives cash quickly and efficiently at the 5 to 6 times multiple. So, our focus as you can see is really on value creation and that's going to be the core driver. And you saw that in 2018 ultimately with the over performance of the business from a cash flow standpoint, from a volume standpoint, from a distribution coverage standpoint. As we move into 2019 and think about 2019 and also think about that longer term, I think what we want people to hear is that that we feel confident in the value creation in the business, and we're very, very focused on ensuring that we're doing the right thing with that, so what is that right capital allocation. And so, as we sat here today, we've had the 5% distribution growth on ENLC and felt very comfortable with the growing coverage, which got to 1.24 in the fourth quarter for ENLK.

As you look forward, what we want to ensure is how do we return value to stakeholders the right way. And that's what we're working through. So you referenced 5% for the next three years, what we're saying is with the business we have and how we see that business going forward, we've talked about that longer term growth in that business, we have the capability to have distributions 5% or greater, up to 10%, but what we need to do is be very effective on how we think about the capital allocation, is that the right thing to do. We'll look at that and say, is that the best way to return value to stakeholders, is it to invest in projects at 5 to 6 times, is it best to think about share repurchases which is a comment, the market starting to think about, and we need to keep an eye on all those. So what I want you to hear is, A, is we have the capability to grow distributions between 5% to 10%, but, B is, we got to be very smart on capital allocation and returning value to stakeholders, and that's really what's driving us.

Dennis P. Coleman

*Analyst, Bank of America Merrill Lynch*

Q

Okay. That's all I have. Thank you.

**Operator:** Thank you. And ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back over to Michael Garberding for his closing remarks.

Michael J. Garberding

*President & Chief Executive Officer, EnLink Midstream LLC*

Thank you, Denise, for facilitating our call this morning and for everyone on the call today. Thank you for your participation and for your support. We look forward to updating you with our first quarter results on May 1st.

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**Operator:** Thank you, sir. Ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. At this time, you may disconnect your lines.

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