

07-Aug-2019

EnLink Midstream LLC (ENLC)

Q2 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to EnLink Midstream's Second Quarter Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions]

After today's presentation, there will be an opportunity to ask questions. Please note, this event is being recorded today, Wednesday August 7, 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.

Kate Walsh

Vice President-Investor Relations & Tax, EnLink Midstream LLC

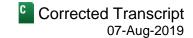
Thank you and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's second quarter of 2019 earnings. Participating on the call today are Barry Davis, Chairman and CEO; Eric Batchelder, Executive Vice President and Chief Financial Officer; and Ben Lamb, Executive Vice President and Chief Operating Officer.

To accompany today's call, we have posted our earnings 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.



Q2 2019 Earnings Call



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 herein are available in the earnings press release and the operations report located at 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. We encourage you to review the cautionary statements and other disclosures made in our earnings press release and in our SEC filings including those under the heading Risk Factors.

As a quick reminder, we modified our segment reporting earlier this year to better align with how we're running our business. Any comparisons between 2019 and 2018 at a segment level are done using 2018 segment results recast into the 2019 segment reporting methodology.

We'll start the call today with prepared remarks by Barry, Ben and Eric, and then leave the remainder of the call open for questions and answers. With that, I would now like to turn the call over to Barry Davis.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

Thank you, Kate. Good morning, everyone. As you all know, we announced yesterday that I am returning to serve as CEO of EnLink while maintaining the role of Chairman. Over the last 18 months as the Executive Chairman, I've worked closely with the board and management team to help guide the company. The Board of Directors and I have decided that given how the world of energy has changed, now is the right time for me to return full time as CEO to advance EnLink's growth strategy and take advantage of the significant opportunities we see in the sector.

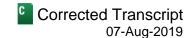
First, I would like to thank Mike Garberding for his leadership of EnLink. He has been my close partner in growing this company for the past 11 years and has played a critical role in helping build EnLink into the diversified company that it is today. I know that Mike will continue to be successful in his future endeavors.

Going forward, I am very excited to lead EnLink through what we see as a defining time for our industry and for our company. The playbook for producers continues to evolve with producers prioritizing capital discipline, focusing on strengthening their balance sheets with debt repurchases, returning capital to shareholders through dividend increases and share buybacks, and moderating production growth in response to commodity price volatility and limited access to attractive capital.

Lower production means less infrastructure needed, and less infrastructure needed means more competition and more capabilities required to win. Midstream companies that will win in today's environment are those that have deep customer relationships and are able to deliver the best solutions that are integrated across the value chain, are proactive and opportunistic in identifying new growth opportunities, and have the financial resources to move quickly and capitalize on opportunities.

With a diversified portfolio of high-quality differentiated assets, deep customer relationships, a strong financial profile, and a strategic partner, GIP, that is committed to investing in our long-term growth, we see compelling opportunities to invest in this environment and believe the EnLink team is uniquely well-positioned to win. This is

Q2 2019 Earnings Call



not the first time our industry has experienced significant change and it won't be the last. We've been here before and we know how to adapt to turn this environment into opportunities to create value.

Going forward, we will take decisive action to unlock the potential of our business, drive growth and create value for all of our stakeholders. To achieve this, I have set out our near-term priorities along three key areas: first, connecting more deeply with our customers; second, creating a sense of urgency to activate the energy of our organization to drive the next leg of growth; and third, leveraging the strategic value of our partnership with GIP to grow our market share. I look forward to sharing progress on these initiatives with you in the coming weeks and months, as well as additional details on EnLink's strategic plan for 2020 and beyond.

Now, turning to the results. Our performance in the second quarter demonstrated the financial resilience of our business, the strength of our differentiated platform, and the flexibility and diversity of our operations as all four segments generated substantial cash flows in an evolving environment. On a year-to-date basis, outperformance in our Louisiana and North Texas segments drove solid results, driven by high return projects such as CajunSibon III and the North Texas bolt-on acquisition. These segments offset weaker than expected performance in Oklahoma and the Permian.

In Oklahoma, we are continuing to see moderated growth as a result of flowing producer activity. While we continue to see Oklahoma as a stable strong area of growth, we now expect that growth will be slower than we anticipated. And in the Permian, some producer activity was deferred and we now expect to realize the benefit of that activity in the second half of this year.

During the quarter, Oklahoma producer White Star Petroleum defaulted on a payment to EnLink, which negatively impacted the adjusted EBITDA by approximately \$10 million. Excluding the impact of this missed payment, second quarter adjusted EBITDA, distributable cash flow and distribution coverage were roughly in line with our expectations.

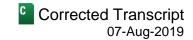
Going forward and in light of this evolving operating environment, we are adjusting our outlook for the full year. We are updating our full-year adjusted EBITDA guidance to a range of \$1.07 billion to \$1.1 billion, primarily as a result of the White Star default and moderating producer activity in Oklahoma as well as North Texas, and the deferred timing of producer activity in the Permian Basin.

Our estimate for overall growth capital expenditures net to ENLC is updated within the original range to a narrowed range of \$630 million to \$710 million. This estimate takes into account new project announcements in the Permian during the first quarter of 2019 and sequencing of capital to align with our revised outlook for well completions in Oklahoma.

Finally, our target distribution growth rate going forward is updated to a range of up to 5%. This reflects a more disciplined approach to capital allocation and strengthens our ability to decisively capitalize on higher return opportunities that will arise in this dynamic environment. It also reflects investor feedback we have received and a focus on taking actions that will drive shareholder value.

As we look to the future, we are pleased with our competitive position and potential for our business to outperform over the long-term. We have a large integrated asset platform spanning premier supply basins and key demand centers. As producers continue to evolve with their development strategies, we're confident our business can generate strong and growing cash flows as we seek to capture market share, execute incremental highly accretive bolt-on projects, and to identify larger-scale growth opportunities, and we will be acting with urgency to do so. We are confident in our ability to deliver a revised outlook for the year.

Q2 2019 Earnings Call



The bolt-on acquisition in North Texas is expected to drive segment profit contribution greater than our initial expectations. CajunSibon III in Louisiana is expected to increase its contribution due to two sequential quarters of full operations and seasonally higher expected volumes in the second half of the year.

Oklahoma's second half expectations reflect our updated volume outlook. And the Midland natural gas assets remain on track for strong utilization ramp by year-end as the Riptide expansion comes on line. Longer term, we continue to see a bright future for the Gulf Coast region fueled by strong and growing demand for exports of all commodities. We intend to play a sizeable role in that region's growth and are well-placed to do so given our existing, flexible, high quality asset base in Louisiana, which includes a significant network of gas pipelines with available capacity for incremental LNG transport opportunities.

We recently signed a new long-term precedent agreement with Venture Global to provide natural gas transportation services for its planned Calcasieu Pass export facility in Louisiana. This agreement, which is expected to generate a highly attractive adjusted EBITDA multiple of between 1 time to 2 times, is reflective of our ability to identify and execute on incremental opportunities to strengthen our platform.

We intend to capitalize on additional similarly high return opportunities going forward, enabled by our financial strength and flexibility which is further enhanced by our partnership with GIP, which we will be focused on leveraging in a more proactive manner.

With that, I'll turn the call over to Ben Lamb to discuss each segment's performance in more detail.

Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

Thanks, Barry, and good morning, everyone. Turning first to Oklahoma. We saw higher volumes in the second quarter as we experienced an uptick in well completion activity. Gas gathering and transportation volumes increased 6%. Gas processing volumes increased 5%, and crude volumes increased 86% sequentially compared to the first quarter. Although producers have moderated their activity levels in the near term and we are tempering our growth outlook accordingly, the STACK will continue to be an important stable source of cash flow for us over the long-term.

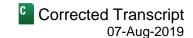
For 2019, we are now forecasting 10% year-over-year segment profit growth compared to 2018 segment profit. We continue to view the STACK as a top-tier play, and we serve a diverse set of well-capitalized producers with the best acreage in the region. We expect capital expenditures in Oklahoma to scale up and down with producer drilling activity going forward as the majority of our capital spending is now on gathering infrastructure.

In the Permian Basin, gas gathering and transportation volumes increased 2%, gas processing volumes increased 3%, and crude volumes decreased 1% sequentially compared to the first quarter. Our gas gathering and processing assets now support close to 1 Bcf per day of gas processing capacity. And our crude gathering platforms provide tremendous opportunities for future high-return expansions. We continue to see the strongest drilling economics in the U.S. in the Permian Basin, supporting high levels of expected producer activity.

In the second half of the year, we expect segment profit from the Permian to grow 15% to 25%, compared to the first half of the year, driven in part by the projects we announced in the first quarter.

In North Texas, we continue to generate significant cash flows with minimal capital expenditures. The bolt-on acquisition we made during the first quarter is helping to contribute to better-than-expected performance. Looking

Q2 2019 Earnings Call



forward, we are assuming a conservative scenario for North Texas given Devon's ongoing divestiture process for their Barnett Shale acreage. We are assuming that Devon will suspend its drilling and refrac activity later this year in preparation for the sale of the asset. Likewise, we assume very limited activity levels for other producers for the remainder of 2019 and into 2020.

Our Louisiana segment delivered solid segment profit during the quarter, slightly exceeding our expectations due to the strong ramp in volumes through our newly expanded CajunSibon NGL pipeline. We brought the CajunSibon Phase III expansion on line in April and are now able to transport approximately 185,000 barrels a day of NGL to our fractionation complex in Louisiana.

In the second half of the year, the segment profit contribution from CajunSibon III is expected to increase as a result of having two sequential quarters of full operations in the third and fourth quarters. As Barry mentioned, our large Louisiana NGL footprint will be a growth driver for us in the future as it provides access to key Gulf Coast markets, including growing LPG exports. In fact, while our current LPG export footprint is modest in size, in the first half of 2019, we saw our LPG export volumes increase more than 50% compared to the first half of last year.

Our significant network of gas transportation pipelines provides available capacity for incremental LNG transport opportunities. In the near term, we expect stable significant cash flows from this region with low capital requirements and we are actively exploring potential for larger scale projects.

With that, I'll turn the call over to Eric to provide more information on the financial performance.

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

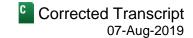
Thank you, Ben, and good morning, everyone. EnLink delivered strong cash flow results for the second quarter of 2019 despite the impact of the loan default of one of our Oklahoma customers. During the quarter, White Star Petroleum Holdings, LLC filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. And as a result of that financial situation, White Star defaulted on an approximate \$10 million loan payment owed to us. We are also owed approximately \$11 million in the fourth quarter of 2019 and have conservatively assumed that we will not be receiving that payment either.

We achieved adjusted EBITDA of \$259 million for the quarter, which excluding the impact of the White Star default would have been \$269 million, roughly in line with expectations for the quarter. We achieved distributable cash flow of \$168 million for the quarter, which would have been \$178 million excluding the impact of the White Star default. Distribution coverage was 1.2 times for the quarter. And again, excluding the White Star default would have been 1.27 times.

Oklahoma segment profit increased over 7% versus the prior year period and 3% versus the first quarter of 2019. Our Permian business achieved 7% segment profit growth versus the prior-year period. When compared to the first quarter of 2019, our Permian business declined 13%, primarily due to a decrease in margin and our physical crude business and lower commodity prices. We hedge our exposure in the physical crude business, but the timing of the realization of those hedges can cross quarters and will be reflected in our Corporate segment.

Louisiana segment profit was relatively unchanged versus the prior-year period and was down 15% compared to the first quarter of 2019. The second quarter of the year is typically the slowest for Louisiana due to regular seasonality in the business. Segment profit for North Texas decreased by approximately 21% year-over-year, driven primarily by the expiration of our minimum volume commitments with Devon Energy in the Barnett Shale at

Q2 2019 Earnings Call



the end of 2018. Segment profit for North Texas declined modestly by 3% for the second quarter of 2019 as compared to the first quarter of 2019.

Reflecting the strength and diversification of our cash flows from the business, EnLink increased its quarterly distribution in the second quarter of 2019 with an increase of approximately 6% as compared to the second quarter of 2018 declared distribution. As Barry mentioned, we expect our distribution to continue to grow, albeit at a more moderate rate of up to 5% going forward.

During the second quarter of 2019, we spent approximately \$142 million on growth capital expenditures, and we have spent approximately \$362 million on growth capital expenditures in the first half of 2019. We expect to spend less in the second half of the year, and in the absence of any new project announcements, we are forecasting spending approximately half of what we expect to spend in 2019 in 2020.

From a leverage perspective, we achieved a solid debt-to-adjusted EBITDA ratio of 3.97 times as calculated under our credit facility, which is consistent with our long-term financial goals. We continue to maintain a flexible liquidity position and exited the quarter with a revolver availability of around \$1.6 billion, and are not planning to issue any equity under our at the market program this year.

From a long-term outlook perspective, we continue to target a range of 3.5 times to 4 times for debt-to-adjusted EBITDA as calculated under our credit facility, and a distribution coverage ratio of 1.3 times to 1.5 times. Our strong financial outlook supports our commitment to sustainably creating and returning value to stakeholders over the long-term despite the volatility in the near term.

With that, we are now ready to take questions. Operator, please open the line.

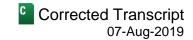
QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] At this time, we will pause momentarily to assemble our roster. The first question comes from Shneur Gershuni of UBS. Please go ahead.

Shneur Z. Gershuni Analyst, UBS Securities LLC	Q
Hi. Good morning, everyone.	
Barry E. Davis Chairman and Chief Executive Officer, EnLink Midstream LLC	A
Good morning, Shneur.	
Shneur Z. Gershuni Analyst, UBS Securities LLC	Q

I was wondering if you can walk me through what's changing strategically. Definitely understand Mike is out and so forth, but the board is largely the same. GIP was the large investor previously. Are you going to be taking a new shift in your kind of approach? Do you signal being more integrated in partnering with GIP? Well, I guess why wasn't that happening previously? Are you thinking about selling assets to shrink to grow? Or are you going to

Q2 2019 Earnings Call



continue down the path of more diversification and adding asset and so forth? I'm kind of confused as to what you're signaling and where you would like to be on a go-forward basis.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

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Yeah. Good morning, Shneur. This is Barry. Thank you for the question, and first let me just acknowledge what a great partner Mike Garberding has been for the last 11 years. We're thankful for everything that we were able to do together. And as I said earlier, we really expect Mike to do great things going forward and we wish him the best.

Our focus is now on the future. Our focus is to unlock the potential of our organization. We said that we believe things have changed dramatically over the last several years and months, and so our focus is on taking advantage of all that we have to work with to be successful in this business. And when we talk about strategy shift, it's more about the way that we approach each day.

Our focus is going to be primarily in three areas. Number one, we are going to connect more deeply with our customers. We think the more that we can do there will create opportunities to not only provide more services across the assets that we have today but across different areas, different basins, and just to provide the services that we've always done.

Secondly, we believe there is an opportunity to unlock the potential of our team, to inspire this organization, to be entrepreneurial, to have a winning mindset, and to really unlock the entrepreneurial DNA that has gotten us to where we are and created the opportunities that we've been able to take advantage of in the past.

You asked about what's going to be different with GIP. It's been an evolving relationship and I think it's only now that we really recognize the potential that there is to work with GIP to take advantage of what we think are going to be terrific opportunities that evolve in this different environment that we're in today. GIP not only brings financial capability to our organization but the ability to evaluate large scale projects, M&A opportunities, and then once we see something that makes sense.

And let me assure you, we're going to be disciplined about that. We're not going to do things for the sake of doing things. We're going to do things that make sense, but we're going to be extremely active and energetic with a sense of urgency creating opportunities for us to look at, and GIP can be extremely helpful in that.

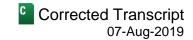
In reference to the board, GIP has had a significant presence on our board for the last year. So, we don't expect change there. I will comment that we're really excited to bring Tom Horton on the board. Tom brings a depth of experience that is second to none in both his executive experience and his board experience. We highlighted the fact that he's on the GE Board and the Walmart Board today. In fact, he's the lead director on both of those boards. So, what an opportunity it is for us to bring somebody like Tom on the board and we're excited to work with him.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

And just to sort of expand on kind of what you just laid out there because it was very 30,000 foot level, but -1 mean are we going to try and get out of being in so many different business lines? Are you going to try and retrench to being number one or two in a basin that you're in as opposed to just sort of finding more projects to add on? And they may have great returns and so forth but to have something that cohesively makes sense as to how it's laid out. Not just getting the employees to work better with your customers, which obviously make sense,

Q2 2019 Earnings Call



but something where we could sort of see a cohesive strategy and something where you have a dominant position rather than a follow on position and you're just chasing returns.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

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Yes. So, Shneur, I think I would differ really in your thoughts about us being in a lot of different places but not having the size and scale. In fact, we're in four places. You know we have a leading position in the STACK. The best acreage, the best system build-out with 1.2 Bcf of capacity there. We have a strategic position in the Permian both in the Midland and the Delaware Basins. Our intent is to continue to grow that to scale and we're on path to do that today. We think there's going to be opportunities in the coming days to continue to step out there and to create really a great position across the Permian, and that's a place that we want to be.

Thirdly, the Louisiana position is only second to one. So, we have the second largest position in Louisiana overall. And we think tremendous opportunities to continue to grow that business. So, those three areas all are large, stable places that you want to be. The fourth area for us is North Texas. And as you know, it's a mature cash flowing asset that we believe supplies the cash that we need in order to continue to invest.

So, we like where we are from an asset standpoint and the things that we're going to do are going to be what we've always done. We're going to exploit those assets, as well as look more aggressively at expanding beyond those areas with step-out opportunities.

So, lastly, I'll just say that I think to be successful in this business, you have to have capabilities across the value chain. And so four basins doing everything across the value chain is where we need to be. And when you look at our assets, I think you see that the franchise position that we have in Louisiana – I'm sorry, in Oklahoma, the franchise position we have in Louisiana, and the strategic position with great opportunity to grow in the Permian. The Exxon project is a great example of what we've been able to do there. We started four years ago with no assets in the Delaware Basin. Today, we're well on our way to creating a leading position in the Delaware, and we're committed to doing that going forward.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Okay. Just shifting gears a little bit here. Your growth guidance for the distribution now is up to 5%. With yield approaching 15%, your coverage is kind of 1.2%. You're covering a quarter of your CapEx budget this year with excess cash flow. Does it not make more sense to just keep it flat, pay down debt, build cash levels, build coverage levels, or possibly buy back units at this point right now versus putting through any increase at all? I mean, how do we manage the desires of the various unitholders that you have?

Eric D. Batchelder

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Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Yeah, Shneur. It's Eric. Thanks for the question and good to speak with you. First, I'd like to – let me just say, we believe the business clearly supports up to a 5% growth rate. That being said, your comments are well made. And we certainly see and hear the market and what it is signaling about growth, which is why we lowered the range. And I think if you think about what – up to 5% and what that range means, it gives us the flexibility on a goforward basis to think about reallocating cash either back into the business or to return to shareholders or pay down debt, which I think you'll see us continue to actively evaluate. But I think that your comments are exactly partial to part of what we were thinking through as we decided to adjust the range to up to 5%.

Q2 2019 Earnings Call

Corrected Transcript
07-Aug-2019

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Great. And one final question. Your guidance that has been adjusted for today, is your fourth quarter exit rate going to be lower than where you are today as you think across the business? Or do you think it's the level?

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Yeah. Shneur, it's Eric. I think – look, we are – we generally don't give quarterly guidance, but what I will say is we've done a bottoms-up approach to come up with our – as we always do to come up with our guidance and this is as up-to-date as it gets in our view of what the future holds. And we feel great about the momentum going into the second half and carrying that forward – going forward.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

All right. Perfect. Thank you. I will jump back in the queue.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

Thanks, Shneur.

Operator: The next question comes from T.J. Schultz of RBC Capital Markets. Please go ahead.

T.J. Schultz

Analyst, RBC Capital Markets LLC

Hey. Good morning. I think just first you mentioned the priority from a financial perspective to find more bolt-on type projects. If you could just kind of discuss across your footprint where you see the best opportunities to increase some of the smaller-scale projects?

And then just to follow-up on the dialogue about GIP. As you talked about the potential for their support on some of the larger projects, is this something that's just opportunistic and will be evaluated as projects arise? Or is anything more structured in place at this point with GIP to commit on financing for some larger scale projects?

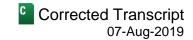
Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

Yeah. Hey, T.J., it's Ben Lamb. Let me take the first part of your question, and then I'll let Barry address the part about GIP. When you look at the opportunity set, it really is in every one of the four areas. And in particular, I'd guide you to look in the operations report. There's a bit of a project roster in there that shows a series of projects that aggregate \$350 million to \$400 million of capital at 4 times to 5 times kinds of EBITDA multiples. And it really is across the entire business.

And so some recent examples of that in the Permian are the Riptide expansion, which is an extremely efficient way to create some capacity to capture a medium-term processing opportunity. In North Texas, last quarter we announce a small acquisition of a competitor's system that we've been able to fully integrate, shut down many of the assets that we bought, reduced cost and, therefore, earn a return very quickly.

Q2 2019 Earnings Call



In Louisiana, it's the rich opportunity set around our existing pipeline network, no better example than the precedent agreement that we just signed with Venture Global. And I could go on and on. But in the interest of time, I'll stop with those three examples.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

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Yeah, T.J., and thank you for your question around GIP. It just gives me a great opportunity to highlight the fact that GIP made over \$3 billion of investment in this business just a year ago. They did that with the intent to use this platform for growth, and we think that that is something that will be extremely valuable to us. They're active in the market. They've got a great history of not only helping midstream companies grow, as you know, with their history with Access and others.

But they've also done that across different industries. And the way that they approach that is with a very economic, value-creating approach to not only look at what they're acquiring but look at ways it can be enhanced. And that's consistent with what we've always done and we'll do even more working with them.

So, we're really just getting integrated. As you know, we've done a lot of internal work over the last year. The things that we've done going through the ownership change, going through the simplification process and organizational restructuring that really had us inward focused.

Now we're looking externally. Now we're working with GIP and other strategic partners. And we're going to take advantage of the relationships that we have to unlock the opportunities to create value across this asset base. So, we're excited about that. And I think GIP is all-in.

T.J. Schultz

Analyst, RBC Capital Markets LLC

Okay. Thanks. In Oklahoma, I understand that you've kind of fine-tuned expectations for 2019 at this point. Just as we think about the trajectory into 2020, when would you expect to kind of get better line of sight there? Understanding from Devon's report that they're going through an evaluation to bring in potentially a partner in the STACK. Just any kind of color on the medium term view there. Thanks.

Beniamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

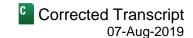


Yeah. T.J., this is Ben. Happy to talk about momentum in the STACK. If you look across the diverse producer base that we have there, including Devon, including Encana, including Marathon and 10 or more others, I think a theme that you see is they are very pleased with the operational momentum that they have. They're happy with the results. They're happy with the efficiency that they're getting. That's what you hear from Encana is they're proud that they've shaved about \$1.5 million off of the average well cost since the Newfield acquisition.

The headwind is the commodity price environment because the Anadarko is a combination play and so it's not just a crude price but also the natural gas and the NGL price that play into the producers' economics. And so the answer to your question is as 2019 goes on and our producer community goes through their budgeting process, they and we together will have greater line of sight on what the growth rate in Oklahoma in 2020 is going to look like.

And I think what you're seeing in Devon's materials that you referenced is an interest in maintaining that operational momentum and being able to continue to see better well results but to do so in a way that competes

Q2 2019 Earnings Call



with some of the oilier plays in their portfolio, and that's something that we know they are very focused on doing in the near term.

T.J. Schultz

Analyst, RBC Capital Markets LLC

Okay. Perfect. Thank you.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

Thanks, T.J.

Operator: The next question comes from Jeremy Tonet from JPMorgan. Please go ahead.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

Hi. Good morning. Just want to start off with the CapEx side of the equation here. In looking at the P.R., it seems like, as you've noted, there's moderate activity driving the EBITDA change. But just wondering what you see that drove the 2019 CapEx higher. And I think as you look forward to 2020, you noted that CapEx would be expected to be half of what it is in 2019 unless new projects come together. Just wondering if that represents kind of a good proxy run rate for the opportunity set that you see your platform developing in the year-in, year-out basis? Or how should we think about that?

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Yeah. Hey, Jeremy. Thanks for the question. I'd like to first address your comment about 2019. We've seen a strong reduction in the Oklahoma well connects and gathering that reflects the moderated activity. The reason why the overall guidance hasn't changed is that we announced our plant coming that we're building in the Permian to service the Exxon relationship that Barry referenced earlier, which we're very excited about. So we feel like we've done a good job of managing moderation in producer activity in one region while continuing to reinvest in the growth in another region, which nets out to about the same numbers.

In terms of going forward, we generally aren't in the habit of publishing shadow backlog. We put out our CapEx guidance with respect to projects that we have line of sight to or that we're currently executing on, and that's what's represented by our current 2020 number.

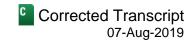
I would say that certainly we have an active organization and, as Barry referenced in his remarks, an energized organization that is out looking for new opportunities. But consistent with what we've done over the last couple of years, we'll certainly be bringing those to the market and keeping you informed of those as they change so you have an idea of what it is that we're spending our capital on. So, what's in that number today is again line of sight, but I would expect that our team is out working on new projects all the time.

Jeremy Tonet

Analyst, JPMorgan Securities LLC

That's helpful. Thanks. And just want to turn to the term loan facility with White Star there. I guess I'm a bit unfamiliar with this type of relationship. Is this common? Do you have this type of structure with other producer customers?

Q2 2019 Earnings Call



Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

A

Hey, Jeremy. This is Ben. Let me talk about the business side of it and then if we need to go on the financials, I'll pass to Eric. The answer is no. It's a very unusual relationship. And the history was this was a customer who had a minimum volume commitment that we inherited in an acquisition, and we realized months ago that they were in a position where they may be in some financial distress.

And so rather than just sitting by idly, we approached them and agreed to convert the MVC into a secured second lien term loan. So, that if they got to the point where bankruptcy was the only option, we would have a security interest in the assets and we would have a seat at the table in court. And that's exactly what happened, not what we wanted to happen but that's what's happened. And so, I view it as a case in which we were very proactive to get in front of a problem and put ourselves in the best position that we could be in.

Now, at this point, we've completely written off that term loan receivable. And, in the fullness of time, perhaps we'll see a recovery to the bankruptcy process, perhaps we won't. But at this point, it's fully written off and any recovery we see would be upside from here.

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Α

And mechanically, it would have been, again, about \$20 million to \$21 million of adjusted EBITDA this year, and about \$10 million in each of the next two years. But other than that, as Ben said, this is a very unique arrangement.

Jeremy Tonet

Analyst, JPMorgan Securities LLC



Okay. That's it for me. Thanks for taking my questions.

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC



Thanks, Jeremy.

Operator: The next question comes from Dennis Coleman of Bank of America. Please go ahead.

Dennis P. Coleman

Analyst, Bank of America Merrill Lynch

Yes. Good morning, and thanks for taking my questions. Maybe just one little detail on the – just prior topic that Jeremy asked about. So, the White Star transaction was secured by producing asset, is that?

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC



Yeah. I mean it's a second-lien term loan. So, we're behind the banks but, otherwise, secured by the business.

Dennis P. Coleman

Analyst, Bank of America Merrill Lynch

And they're Oklahoma-producing asset?

Q2 2019 Earnings Call

Corrected Transcript
07-Aug-2019

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Α

Correct.

Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

Α

That's right. It's in the Battle Ridge system in Oklahoma in the Mississippian play.

Dennis P. Coleman

Analyst, Bank of America Merrill Lynch



Okay. Okay. Thanks for that. I guess, if I could just pick up on the GIP relationship a little bit. You have a slide, slide 8 I guess in your ops report where you show a growth ledge that is pretty large relative to the bars. And so, I guess I want to explore a little bit how you're thinking about these larger projects.

When you first announced the GIP relationship there were lots of questions about whether existing GIP assets might be combined with EnLink. I guess more broadly, where are the large scale projects that you're looking at? Is it primarily M&A? Is it new-build? Is it assets that exist within GIP already?

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC



Yeah. Dennis, this is Barry and let me – first of all say that we won't comment on any specifics in terms of what those growth opportunities might be. What I will say is that the assets that we have and the asset of a team that understands what it means to go find opportunities to vet those opportunities, we fully expect to result in opportunities for significant growth beyond what we would say is that lower bar of organic bolt-on type growth.

And so, again, GIP invested into this platform with an intent to use it to grow the business not in a small way but to be a big player in this business. We have the same mindset and that's what we intend to do. We're going to be more active, we're going to be more external, and we're going to be very focused on how we can continue to push this business forward.

Dennis P. Coleman

Analyst, Bank of America Merrill Lynch



Okay. Thanks for that. I guess just one more from me if I can. On the Venture Global announcement, it sounds very attractive returns but relatively small dollars and it seems the project has an FID. So I'm having a little – I guess, I'm wondering what exactly is the project that it would be \$20 million next year for a project that is years in the future?

Benjamin D. Lamb

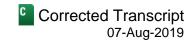
Executive Vice President & Chief Operating Officer, EnLink Midstream LLC



Yeah. Hey, Dennis. It's Ben. Let me clarify a couple of things. First, service – well, what is the project? The answer is the project would be a firm transportation agreement where we would transport gas with Venture Global as the shipper on an EnLink pipeline.

In terms of the FID, if you follow the LNG world, the Venture Global guys are further along than anyone else in this next wave of projects. They've secured all of their equity financing. They announced, I think, about two weeks ago that the lead arrangers on their project loan hit all May commitments and that they're in the process of doing

Q2 2019 Earnings Call

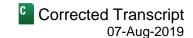


the full syndication. And so while the FID has not been reached yet, it's our expectation that that is weeks away, not months or quarters away. And then service could start next year. Partial service could start next year. But we really see it as being a 2021 event when we would be in full service and realizing that 1 time to 2 times EBITDA multiple against the capital investment.

Dennis P. Coleman Analyst, Bank of America Merrill Lynch	Q
Okay. That's helpful. Thank you, and that's it for me.	
Eric D. Batchelder Executive Vice President & Chief Financial Officer, EnLink Midstream LLC	A
Thanks, Dennis.	
Operator: The next question comes from the Praneeth Satish of Wells Fargo.	Please go ahead.
Praneeth Satish Analyst, Wells Fargo Securities LLC	Q
Hi. Good morning. I just – first, just wanted to clarify or confirm for the Venture \$20 million of capital before they achieve FID or first wait for them to achieve F	
Benjamin D. Lamb Executive Vice President & Chief Operating Officer, EnLink Midstream LLC	A
We will wait for them to achieve FID.	
Praneeth Satish Analyst, Wells Fargo Securities LLC	Q
Okay. And then just broadly on the credit quality of your STACK customers. I m customers that I guess are closer or near financial duress at this point?	nean, are there any other
Benjamin D. Lamb Executive Vice President & Chief Operating Officer, EnLink Midstream LLC	A
No. There's really nothing else and I'll brought it and say beyond just the STAC portfolio that is similar to the White Star situation. So when you kind of go arour producers are Devon, Encana, Marathon. In the Permian, the big producers are ExxonMobil, Cimarex. In Louisiana, some of our big product purchasers are Do very high-quality customer base. Unfortunately, in the case of White Star, we have through and we put ourselves in the best position that we could to do that, and	nd the horn in Oklahoma, the big e Concho, Diamondback, ow Chemical, Williams. We have a ad an issue we had to work
Praneeth Satish Analyst, Wells Fargo Securities LLC	Q
Thank you.	
Barry E. Davis Chairman and Chief Executive Officer, EnLink Midstream LLC	A

Thanks, Praneeth.

Q2 2019 Earnings Call



Operator: The next question comes from Spiro Dounis of Credit Suisse. Please go ahead.

Spiro Dounis

Analyst, Credit Suisse Securities (USA) LLC

Q

Hey. Good morning, guys. So I have – I'm going to follow-up on Venture Global if we could. I imagine that the Calcasieu is probably going to considerably more gas than maybe what this project seems to intimate. But just curious if there's more opportunities to expand on this deal. And then also I believe they're commercializing another site in Plaquemines, any opportunities for you there as well?

Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC



Yes, Spiro. Great question. And the answer is yes, yes and yes. Yes to is there an opportunity to do more with them at Calcasieu Pass. That answer is yes. Now, they have a portfolio of firm transportation that includes not only us but two other pipelines as well. But we think there may be an opportunity to provide more gas at Calcasieu as their needs evolve.

Secondly, you're right. They are working hard on a project at Plaquemines and there is an opportunity to do business with them there. That will, of course, be a competitive opportunity but one that we will be certainly be pursuing.

But let me step back and say, I view this as a down payment on all the things we are going to do in Louisiana in the coming years. This is a first step to have firm service for an LNG export customer. I don't think it's the last one that you will see us do whether the next one is with Venture Global or with others, and then certainly not the last thing you're going to see us do with the extensive pipeline system that we have in Louisiana. And of course, we've talked with you before about all the opportunities around our NGL business and in other places.

Spiro Dounis

Analyst, Credit Suisse Securities (USA) LLC



Got it. That's very helpful. Second one, just going back to GIP and participation going forward and maybe if I can just get you to fine-tune it a little bit. I know you're not giving specific guidance on what kind of projects you could pursue together, but you did at least define it as a large scale specifically. And I guess just help us maybe interpret what that means. Is large scale a processing plant or are we talking about something larger than that?

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

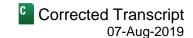


Yeah. So, I think the things you've seen us do in the past, which is really across the whole value chain, from a gathering and processing standpoint steps out from what we're currently doing even in the basins that we're in. Also, we certainly will look in other basins, although I will say that there aren't many other places you'd want to be than where we are in our three primary supply areas.

Secondly, we will look downstream. We believe that there are opportunities off of our Louisiana position to go further downstream and some of the experiences that we have as a company as well as the experience that GIP brings to the table with the financial capability that they would bring to the table gives us the opportunity to look at those with a realistic opportunity of completing and successfully executing on those projects.

Q2 2019 Earnings Call

Cniro Dounio



So, full value chain primarily focused on our existing basins, but we certainly will look outside those basins as well. Most of what I just described is from an organic standpoint. We do believe that we're in an evolving environment in terms of M&A opportunities, and we will see some opportunities that will make sense in time.

Spiro Dounis Analyst, Credit Suisse Securities (USA) LLC

Understood. Appreciate that color. Last one for me. Just for the board change and the addition of Tom Horton, agree that it's a great addition, but can't help but notice just with his pedigree seems to have a lot of experience in transforming companies, and that's gone generally pretty well. Just curious how much of that was a factor beyond his addition, or am I reading into that too much?

Barry E. Davis
Chairman and Chief Executive Officer, EnLink Midstream LLC

Yeah, I do think it's reading too much into it. He's a new addition to the GIP partnership and a great addition. And so, we're very fortunate that they feel like that this is the best place to put him today when they look across their portfolio at the companies that will benefit from having his expertise. But I wouldn't read anything into that other than he's a great resource, we're excited to have him, and he'll fit in really well.

Α
A
Q

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Hey, Chris.

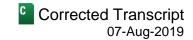
Christopher Paul Sighinolfi

Analyst, Jefferies LLC

Barry, I was hoping I could circle back on Shneur's question just regarding changes that we could expect to see

Barry, I was hoping I could circle back on Shneur's question just regarding changes that we could expect to see following Mike's departure. I think asking or maybe framing Shneur's question a bit differently and focusing on outputs as opposed to inputs. I guess, what are the value metrics that you and the board would want us to focus most closely on to gauge the success of the new strategy? Is it better EPS growth? Is it sustainably lower leverage? Is it an improvement in your ROIC averages?

Q2 2019 Earnings Call



I guess, like in the review you and the board did of Mike's 18-month performance as CEO, what value metrics were viewed to be most problematic? And what should we pay attention to to gauge the success going forward of the new strategy?

Barry E. Davis

А

Chairman and Chief Executive Officer, EnLink Midstream LLC

Yeah, Chris. It's a great question. And let me tell you that I'll just really start with the endpoint that you said, this is not about what we didn't do. It's about the opportunity of what we have to do in the environment that has evolved and exist today. So we think there's going to be terrific opportunities to be more externally focused, to have more energy focused on the opportunities that will evolve.

And anybody that's in the business would tell you that in the last just recent days, weeks, months we've seen a shift in the thoughts around what it takes to grow. And clearly in a more competitive environment you've got to have all of the things that are required, all of the capabilities, the right assets. You got to have the team that is energized and focused. You got to have the financial capability that we believe GIP brings to it. And then I'd say most importantly, you got to have the relationships that we have that will lead to the opportunities.

So there's really nothing magic about what we're going to do different except that we're going to do it with an intent to create value and with an intensity that I believe will result in realization of unlocking those opportunities and the value that can be created from that.

So yeah. I mean I think it's all of the above. We are very focused on value creation and which really gets to the returns that we've got to see across our project. And how you get that done in this environment is really more about what you do once you complete a project or an acquisition than really the terms of the transaction itself.

And so, hey, a long time ago I learned that the last 20% of effort creates all the results. And what we've got to do is get back to getting the last 20% of effort from all of our people and the last 20% of the benefit from all of the partners that we have across the business including GIP.

Christopher Paul Sighinolfi

Analyst, Jefferies LLC

Okay. I guess maybe dovetailing on that then and I don't know if this is for you Barry or for Eric. But I also want to fall back up on distribution growth. I guess to ask – you have clearly a stakeholder in GIP and then you have a very large public group. And I'm just curious, does GIP's distribution growth is the best path to drive equity value?

And I ask because you guys moderated the growth rate but some of your peers have moderated more than you have or just ceased growth altogether and are prioritizing lower leverage or other metrics that I think they've identified to be more important to answering that equity value story. So I'm just curious, any conversation you guys have had on that front and anything you can share about the strategy with regard to that?

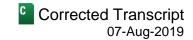
Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC



Yeah. Hi, Chris. This is Barry. Let me start and I'll hand it off to Eric. What I want to emphasize is that GIP looks at our world from a shareholder's perspective. First, because they are the largest shareholder but also because of the responsibility they have on the board, and all of our board members are independent directors and we, as a management team, we're all shareholders.

Q2 2019 Earnings Call



And so, when we think about the decisions we make as far as how we allocate capital, what we do with the distribution, there is no singular focus. We have a terrific balance of thought across that. And Eric, I'll let you add anything specific around.

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Yeah. I think the only thing I would add, specifically, Chris, is that you'll note up to 5% what that range includes. But also that as we think about some of the comments you made about others in the industry and I think Barry alluded to this, this industry has evolved and is evolving rapidly. And so we are doing our part in trying to understand where the right place is to be, and you'll see us continue to develop that as we go forward. But some

understand where the right place is to be, and you'll see us continue to develop that as we go forward. But some of this, we want to make sure that we're being thoughtful about the business and the long-term strategy as opposed to necessarily overreacting one way or the other to anything that might be temporal. But I would say it's something we're very focused on at the board level broadly, not just the GIP members of the board and that we think about and which is why we made the adjustment that we did.

Christopher Paul Sighinolfi

Analyst, Jefferies LLC

Okay. And I guess on that growth in the future on that point, Eric, would you still you think look to do a cadence of quarterly increases or we've also seen some that used to do it that way and migrate to an annual payment? It's just a curiosity question as to – at this point what you guys are thinking.

Eric D. Batchelder

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Yeah, I know. It's interesting, right, because I think we saw this week somebody come out with a onetime growth pop and that's one of those new items, right, in the industry. And I think we haven't frankly really dug into that concept as part of it. But I'm sure that will be in the mix.

Christopher Paul Sighinolfi

Analyst, Jefferies LLC

Okay. And one operational question for Ben. Thunderbird volumes, I think you noted in July about 100 million cubic feet a day, about half of that plant being utilized. I know when you bring up capacity, sometimes it's more efficient to pivot existing volumes to that as well as accommodate growth. And so I'm just curious, can you characterize what's flowing through there? How much of that sort of spurred new development versus was an efficiency shift from other plants?

Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC

Yeah. Yeah. Chris, you're exactly right. There's two pieces there. I mean, I think the easiest way to think about it was in the first quarter from a processing perspective in Central Oklahoma, we were pretty much full. And so, if you look at the 1.232 billion Btus a day, I have my units off there, 12,32,000 MMBtus (sic) [1,232 MMBtus] a day in Q1 increased by 60,000 MMBtus to 70,000 MMBtus a day in Q2.

That is the new gas, and then the rest of it is, as you say, is a system optimization that we do every day in looking at the residue in the NGL markets to ensure that all of the MMBtus are flowing to the most profitable plays on the system.

Q2 2019 Earnings Call

Corrected Transcript
07-Aug-2019

Christopher Paul Sighinolfi

Analyst, Jefferies LLC

Okay. All right. That's what I suspected. Thanks a lot, guys. Appreciate the time.

Barry E. Davis

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Chairman and Chief Executive Officer, EnLink Midstream LLC

Thanks, Chris.

Operator: We are coming up to the end, and we'll take one more call. And we apologize to those questions in the queue we can't get to today. So, that question will come from Ethan Bellamy of Baird. Please go ahead.

Ethan H. Bellamy

Analyst, Robert W. Baird & Co., Inc.

Thanks, guys. Barry, if commodity prices stay where they are or deteriorated over the next year, would you anticipate any other customer solvency issues like White Star? And are there any other customers on, let's call it, credit watch negative right now?

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

А

Yeah. Ethan, first of all, let me comment on all of the projections that we've given you. As you can imagine, with everything that we're communicating to you today, we started from a bottoms-up standpoint, and this is our most realistic and with a conservative event view as to what we're looking at going forward. So, let me just say that from a broad standpoint, as it relates to the credit risks that we may have in the business, I think Ben responded to that earlier. But, Ben, if you want to summarize again.

Benjamin D. Lamb

Executive Vice President & Chief Operating Officer, EnLink Midstream LLC



Yeah. As you look across where our big customers are, it's very much a blue chip group of customers, mostly investment-grade and the ones who aren't are generally close to investment-grade. The White Star situation was unique in the portfolio and we don't have anything today to suggest that we have anything like another one of those situations on the horizon.

Ethan H. Bellamy

Analyst, Robert W. Baird & Co., Inc.

Okay. That's helpful. Thanks. And then kind of one bigger picture question, Barry. The 10-K says you're 57, which I'm told is the new 40. How long would you expect your tenure to last here?

Barry E. Davis

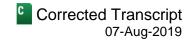
Chairman and Chief Executive Officer, EnLink Midstream LLC



Yeah, Ethan. Great. I'm glad you pointed that out. 57 is young. I've had a lot of energy. I've got a little more energy than I might have had two years ago because of the little bit of a step back that I had.

Look, I'm all in. There's never been a time limit discussed as it relates to the opportunity that I'm stepping into. It's all about a job to be done and an opportunity to go take advantage of. There's no one who is more invested as a percentage of their portfolio or as a percentage of their heart than I am in the business of EnLink. So, I'm excited

Q2 2019 Earnings Call



about the opportunity and thankful for the days of working with Mike and, again, just really looking forward and excited about what we're going to do together.

So, thank you, Ethan. I appreciate that.

Ethan H. Bellamy

Analyst, Robert W. Baird & Co., Inc.

That's helpful, Barry. Thanks and good luck.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Barry Davis for any closing remarks.

Barry E. Davis

Chairman and Chief Executive Officer, EnLink Midstream LLC

Thank you. In closing, we delivered solid results in the first half of this year. For the remainder of the year and going forward, we'll be focused on unlocking value across our business and investing in future growth enabled by our deep customer relationships, strong financial profile, and strategic partner with GIP.

I'm very proud of the entire EnLink team who has remained focused on providing solutions for our customers every day, enhancing our business, maintaining safety and reliability, limiting our impact on the environment, and creating value for our investors. As always, we appreciate your continued interest and investment in EnLink, and we look forward to updating you with our third quarter results in November. Have a great day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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