04-May-2022

# EnLink Midstream LLC (ENLC)

## Q1 2022 Earnings Call

# CORPORATE PARTICIPANTS

**Brian Joseph Brungardt**
*Director-Investor Relations, EnLink Midstream LLC*

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

**Robert S. Purgason**
*Managing Director-Carbon Solutions, EnLink Midstream LLC*

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

**Pablo G. Mercado**
*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

# OTHER PARTICIPANTS

**T.J. Schultz**
*Analyst, RBC Capital Markets LLC*

**Gabriel Moreen**
*Analyst, Mizuho Securities USA LLC*

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

**Michael Cusimano**
*Analyst, Pickering Energy Partners*

**Spiro Dounis**
*Analyst, Credit Suisse Securities (USA) LLC*

**Sunil Sibal**
*Analyst, Seaport Global Securities LLC*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the EnLink Midstream First Quarter 2022 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. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Brian Brungardt, Director of Investor Relations. Please go ahead.

## Brian Joseph Brungardt

*Director-Investor Relations, EnLink Midstream LLC*

Thank you, and good morning, everyone. Welcome to EnLink's first quarter of 2022 earnings call. Participating on the call today are Barry Davis, Chairman and Chief Executive Officer; Ben Lamb, Executive Vice President and Chief Operating Officer; Pablo Mercado, Executive Vice President and Chief Financial Officer; and Bob Purgason, Managing Director of Carbon Solutions. We issued our earnings release and presentation after the markets closed yesterday, and those materials are on our website. A replay of today's call will also be made available on our website at www.enlink.com.

Today's discussion will include forward-looking statements, including expectations and predictions within the meaning of the Federal Securities Laws. The forward-looking statements speak only as of the date of this call and we undertake no obligation to update or revise. Actual results may differ materially from our projections and a discussion of factors that could cause actual results to differ can be found in our press release, presentation, and SEC files. This call also includes discussions pertaining to certain non-GAAP financial measures. Definitions of these measures, as well as reconciliation of comparable GAAP measures, are available in our press release and the appendix of our presentation. We encourage you to review the cautionary statements and other disclosures made in our press release and our SEC filings, including those under the heading Risk Factors.

We'll start today's call with a set of brief prepared remarks by Barry, Bob, Ben and Pablo 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, Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Brian, and good morning, everyone. Thank you for joining us today to discuss our strong first quarter 2022 results which included record quarterly adjusted EBITDA. The results of the first quarter are a great example of the step change in the momentum that we are seeing in our business. The progress we have made over the past several quarters is impressive and the outlook for 2022 and beyond continues to strengthen. Our business is clearly benefiting from the supportive commodity price environment. However, the strong execution by our team has amplified the benefit from higher commodity prices. Our continued focus on executing the EnLink way, our disciplined and capital-light approach and deep customer relationships are what has enabled us to report this record quarter.

A few items I want to specifically highlight as we begin today, they are; in the first quarter EnLink achieved adjusted EBITDA of approximately $304 million which marks an impressive 22% increase over the prior year. Our strong cash flow generating platform delivered an impressive $105 million of free cash flow after distributions. Importantly, these robust results were driven by strength across all of our segments, each of which is firing on all cylinders. Turning to the outlook for the rest of this year, last night we announced increased 2022 guidance which implies 16% growth at the midpoint in adjusted EBITDA over 2021. The turnaround we are seeing in Oklahoma is perhaps the most impressive where we now expect meaningful volume growth to return in 2023. I am equally impressed by the execution of our Carbon Solutions Group since its formation less than a year ago. Last night we announced our first customer Oxy Low Carbon Ventures, with the execution of a letter of intent to enter into a Transportation Services Agreement which enables EnLink to serve as the provider of $CO_2$ transportation services for Oxy along the Mississippi River corridor from Waggaman to Baton Rouge.

In addition, a little over a month ago, we made a big addition to the leadership of our Carbon Solutions Group when Bob Purgason joined us. As we thought about the size of the opportunity and the work needed to fulfill its potential, we saw the need for an executive level leader who could bring strategic vision and deep experience building new businesses. Bob is not entirely new to the EnLink team as he served as COO of our predecessor Crosstex and was critical to our success in building and setting the stage for where the Louisiana segment is today. So having worked closely with Bob, I am confident in his extensive industry knowledge, deep connections within the market and business development experience combined with his innate leadership abilities which will be extremely complementary to our team. And lastly, with respect to our own ESG efforts, we recently issued our fourth sustainability report. As we have said before, sustainability is part of our DNA and I am proud to report significant progress. Through the first quarter of 2022, we have accomplished approximately 40% of our goal to reduce methane emissions intensity by 30% by 2024.

Before I turn the call over to Bob to hear more about our growing CCS business, I'd like to take a minute to thank our team for their relentless efforts as we advance our vision of becoming the future of midstream by leading in innovation and creating sustainable value for our stakeholders. Bob?

---

## Robert S. Purgason

*Managing Director-Carbon Solutions, EnLink Midstream LLC*

Well, thanks, Barry, and good morning, everyone. First, I want to say how great it is to be back at EnLink. It's been a real pleasure reconnecting with my colleagues, especially in Louisiana and working with this exciting team. Our Carbon Solutions team has been busy with both existing and potential industrial customers along the Mississippi River corridor, all of whom are looking to improve their CO2 emissions profiles through CCS. I'm pleased to discuss with you our first commercial success with the signing of Oxy Low Carbon Ventures. Last night, we announced the execution of an LOI to enter into a Transportation Services Agreement, which would enable EnLink to serve as the provider of CO2 transportation services for Oxy along the Mississippi River corridor from Waggaman to Baton Rouge. Unlike the relationship that we announced with Talos last quarter, this would be very similar to a standard Transportation Service Agreement, one that you would see in a traditional midstream operation. Consistent with our strategy of utilizing assets already in the ground, we would use both existing and some new build pipelines and related infrastructure to transport CO2 from industrial emitters along the Mississippi River corridor to Oxy's planned sequestration site. Earlier this year, Oxy secured a pore space lease of over 30,000 acres in Livingston Parish, Louisiana. This announcement with Oxy, coupled with our alliance with Talos, speak to the very real opportunity we see in Louisiana to build a large scale business providing solutions to industrial emitters along the Mississippi River. We continue to make solid progress on commercial discussions and we look forward to providing more color on these efforts in the near future.

With that, I'll turn it to you Ben for our operational update.

## Benjamin D. Lamb

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

Thanks, Bob, and good morning, everyone. Let me start off by saying how excited I am about the performance across each of our segments. The execution of our team to support the needs of our customers and to grow alongside them has been impressive. Just as important, though, our team has done this safely building on a record safety performance in 2021.

Now, let's walk through our assets starting with the Permian, where we continued the momentum from last year by generating segment profit of $73 million during the first quarter of 2022. Segment profit in the quarter included approximately $8.9 million of operating expenses tied to the relocation of the Phantom plant and $5.9 million of unrealized derivative losses. Excluding plant relocation OpEx and unrealized derivative activity, segment profit in the first quarter of 2022 grew an impressive 12% sequentially and over 62% from the prior year quarter. The first quarter of 2022 also marked the seventh consecutive quarter of positive segment cash flow. Average natural gas gathering volumes for the first quarter were approximately 12% higher compared to the fourth quarter of 2021 and approximately 46% higher compared to the first quarter of 2021. Average natural gas processing volumes for the first quarter were approximately 10% higher sequentially and approximately 43% higher compared to the first quarter of 2021. Producer momentum across our footprint has remained strong setting the stage for solid growth in 2022 and into 2023. Importantly, our systems are well established to handle this growth with the additions of the War Horse and Tiger plants, both of which came online in the fourth quarter of 2021.

Additionally, we continue to make solid progress with Project Phantom, our second plant relocation, which remains on schedule to be placed into service in the fourth quarter of 2022. At the midpoint of our increased guidance range, we are forecasting Permian segment profit will increase by nearly 50% to $340 million, which includes $40 million of operating expenses related to the plant relocation. We continue to expect the Permian will exit 2022 as our largest segment after adjusting for the Phantom relocation expenses.

Turning now to Louisiana. Segment profit for the first quarter of 2022 came in at $90.5 million. Segment profit included unrealized derivative losses of $5.6 million, excluding the impact of unrealized derivative activity, segment profit in the first quarter of 2022 increased approximately 4% sequentially and 16% from the prior year quarter. Louisiana experienced strong volumes on both the gas and NGL sides of the business with near record NGL fractionation volumes and robust industrial demand. The solid first quarter results drove segment cash flow of $84.8 million. At the midpoint of our increased guidance range, we are forecasting Louisiana segment profit will increase over 15% to $375 million, with the second and third quarters being seasonally weaker.

Moving up to Oklahoma, we delivered segment profit of $85.8 million for the first quarter of 2022. Segment profit in the quarter included approximately $2.4 million of operating expenses tied to plant relocations and unrealized derivative losses of approximately $7.1 million. Excluding plant relocation OpEx and unrealized derivative activity, segment profit in the first quarter of 2022 increased 4% sequentially. Segment profit grew nearly 29% from the prior year quarter which excludes the approximate $15 million adverse impact from Winter Storm Uri in the prior year quarter. The volume story out of Oklahoma continues to brighten as producers have responded to the improved pricing environment. Oklahoma continues to deliver solid and stable cash flow for us. During the first quarter of 2022, we generated $70.4 million in segment cash flow. At the midpoint of our increased guidance range, we are forecasting Oklahoma segment profit will increase in the low-single digits relative to 2021. Now due to the timing of wells coming online, we expect a modest decrease in volumes in 2Q. That said, producer activity within our footprint has consistently remained at a high level this year and producer plans call for increasing activity. As a result, we now expect Oklahoma to return to meaningful volume growth in 2023. Our assets are well-positioned for this and can accommodate approximately 25% more processing volume even after the Project Phantom plant relocation for the Permian.

Wrapping up with North Texas, segment profit for the quarter was $63 million, which included unrealized derivative gains of $3.5 million. Excluding unrealized derivative activity, segment profit in the first quarter of 2022 was flat sequentially. Segment profit decreased less than 4% from the prior year quarter excluding the approximate $15 million positive impact from Winter Storm Uri in the prior year quarter. Natural gas gathering volumes decreased 2% sequentially, but were slightly higher compared to the prior year quarter. Like Oklahoma, it has been refreshing to see producers start to be more active in the basin with new drilling activity. BKV, our largest customer in the basin, led the basin with more than 200 refracts last year and recently spud their first new well in mid-March. At the midpoint of our increased guidance, we are forecasting North Texas segment profit will increase in the low-single digits after adjusting for the Winter Storm Uri impact a year ago. Finally, I want to give an update on the EnLink Way and driving value for our stakeholders. An example is the deployment of our mobile operator app, improving the way we inspect our compressors and gather data on their performance. This mobile app was developed in-house and is a great example of our strategy to reduce errors, eliminate manual work and gather data to make better decisions.

With that, I'll pass it over to Pablo to discuss our financial update.

## Pablo G. Mercado

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

Thank you, Ben, and good morning, everyone. I'll start with the first quarter highlights. As Barry mentioned, EnLink delivered a record first quarter achieving $304 million of adjusted EBITDA, representing an increase of 22% from the first quarter of 2021. This result reflects continued robust growth out of the Permian, solid growth in Louisiana, and a significant improvement in the trajectory of our Oklahoma and North Texas segments. EnLink also achieved $105 million of free cash flow after distributions for the first quarter of 2022, driven by strong operational results and timing of CapEx. Continuing the trend from prior quarters, all four of our asset segments delivered positive and significant cash contributions. Capital expenditures, net to EnLink and plant relocation expenses, were only $66 million in the first quarter as our significant projects were in their early stages.

On the balance sheet side, we find ourselves in a strong position with a leverage ratio of 3.8 times at the end of the first quarter and a forecast that has both significant EBITDA growth and robust free cash flow. This has been recognized recently by two of our credit rating agencies. Fitch raised our ratings outlook to positive and Moody's upgraded our corporate family rating to Ba1. So, EnLink is now rated just one notch below investment grade across all three agencies and we have positive credit profile momentum. Consistent with the capital allocation plans that we laid out last quarter, we continue to be active with our common unit repurchase program. In the first quarter, we effectively repurchased $23 million of common units, including $6 million for the pro rata units that were subject to our repurchase agreement with GIP and which settled after the end of the quarter. We plan to continue to return capital to common unit holders and as of the end of the first quarter, we have more than $75 million remaining under our common unit repurchase authorization.

Now, let me turn to our increased 2022 guidance. Taking into account the record first quarter results, the improving volume outlook and the supportive commodity price environment, we increased our full year 2022 guidance. We are now forecasting a range of $1.19 billion to $1.25 billion of adjusted EBITDA, which places the low end of our updated guidance above the high end of our previous guidance. The midpoint of the range also implies a 16% growth rate over 2021 adjusted EBITDA. Now, while we don't give quarterly guidance, please keep in mind that the second and third quarters are seasonally weaker due to purity sales from storage in our NGL business during the winter months.

Now, as Ben mentioned, we are seeing strong and increasing producer activity, particularly in our Permian and Oklahoma segments. As a result, we expect a significant increase in volumes in 2023 and in order to accommodate these visible volumes, we now expect to spend $325 million to $365 million on capital expenditures and our Phantom plant relocation this year. These projects leverage existing infrastructure and have high expected returns and quick paybacks. With our cash flow growth expected to exceed our increased investment levels, we now forecast free cash flow after distributions in the range of $320 million to $370 million. This would mark the third consecutive year of cash flow of over $300 million, even at the low end of our guidance range.

As a result of the improved financial outlook, we plan to increase our planned return of capital common unitholders from the free cash flow after distributions this year by at least 25% through continued common unit repurchases and potential distribution increases. We are also seeing opportunities and have ample cash flow to put capital to work on projects that would enhance our downstream exposure and carry strong returns. In summary, EnLink achieved a record first quarter and the outlook for our operations in 2022 and beyond continues to improve. We remain disciplined in our investment approach and have the ability to both grow our business and continue to increase the return of capital to our common unitholders.

With that, I'll turn it back to Barry.

## Barry E. Davis

*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Pablo. As I close, I want to thank our employees for the relentless efforts and continued focus on safety. I'm proud to report that we not only had no recordable injuries in the first quarter, but we also broke another company record by achieving excellent [ph] goal zero (00:21:06) safety performance, which means we had zero high risk line strikes, no high severity fires and no environmental reportable quantity releases or spills for the first quarter of 2022. This is a tremendous effort by the team and I'm proud of their pursuit for excellence.

With that, you may now open the call for questions.

# QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question and answer session. [Operator Instructions] The first question comes from T.J. Schultz with RBC. Please go ahead.

---

**T.J. Schultz**
*Analyst, RBC Capital Markets LLC*
Q

Thanks. Good morning. First, just on the guidance increase, if you can provide a little color on how much is directly linked to the higher commodity price assumptions versus the higher volumes, and then as we think about volumes ramping and particularly in the Permian, just any updated view on new processing needs once we get [indiscernible] (00:22:31)? Thanks.

---

**Pablo G. Mercado**
*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*
A

Yeah. Hey, T.J., look on guidance, there're a couple of things going on there. First of all, you saw great performance in the first quarter, really hitting on all cylinders, as Barry said, both the [ph] D&P (00:22:48) business and our Louisiana business just shined as it does in this kind of commodity price environment and also just taking advantage of opportunities, and so that's a portion of the increase in guidance that beaten the first quarter. Beyond that, you know what the commodity price environment does for us is really impact activity much more than it does impact us on direct commodity price exposure since we're about 90% fixed fee, and so we're seeing great activity across all of our basins. No doubt that we do benefit on that remaining 10% from strong commodity prices, but you see that we've updated our price deck and have outlined that to more in the $650 gas range.

---

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*
A

Yeah. Just to build on that and touch on your second question, T.J., what Pablo said there is absolutely right. What the price environment this year does is it sets the stage for volumetric growth next year. And that's going to be not just in the Permian, we're also going to see it show up in a meaningful way in Oklahoma. In terms of the Permian specifically, we are on schedule to bring the Phantom plant online in the fourth quarter. We're just now beginning to think about what the step will be after the Phantom plant. Nothing we can get into specifically here today, besides to say that we'll look at all the same options that we looked at when we decided that Phantom was the right step for this tranche of volume. All those same options will be on the table for the next step.

---

**T.J. Schultz**
*Analyst, RBC Capital Markets LLC*
Q

Okay. And then I guess kind of similarly in Oklahoma, maybe if you can talk a little bit more about producer activity levels there outside of the Devon-Dow JV that's driving kind of the outlook for more growth in 2023. And I guess post-Phantom, there's room for you guys to handle more volumes, I think you said 25%, but maybe a little bit more detail on how you're handling that volume growth that you expect there and when or if you think the basin may need more capacity? Thanks.

---

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

Yeah. Well, so to start with the producers and the levels of activity, what you have seen over the past year or so has been a level of activity that has arrested the decline on our assets in the basin. So you've seen several quarters now of essentially flat gathering volumes. What we expect to see next year – later this year and next year is a return to meaningful growth as some of our customers ramp up and I don't want to get ahead of any of them in talking about their plans, but just suffice to say that this price environment is one that works really well for Oklahoma because it is a combo play. And so the move that we've seen in gas and NGLs really incentivizes producers to bring activity and we know of plans that our producers have to add activity later in the year. In terms of how we'll handle that, you're right. We have capacity even after we move the former Thunderbird plant to the Permian. We have capacity in the basin to handle 25%, maybe even 30% more processing volume than we have on the ground today. So that's a substantial increment. Beyond that, our perspective is there is excess capacity still in the basin beyond our excess capacity. And so, at this point we don't see adding incremental processing capacity on the horizon. Now, if we have multiple years of this price environment and we see a further increase in activity, perhaps that changes but it's not on the cards today.

**T.J. Schultz**
*Analyst, RBC Capital Markets LLC*

Q

Great. Thank you.

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Thank you, T.J.

**Operator**: The next question is from Gabe Marine with Mizuho. Please go ahead.

**Gabriel Moreen**
*Analyst, Mizuho Securities USA LLC*

Q

Hey, good morning, everyone. Maybe if I could start out on the CO2 announcements. Can you just talk about maybe sort of timing for some of these projects, whether with Oxy or Talos? I don't know if you've framed up any CapEx around some of these projects potentially and then I'm also just curious as far as permitting goes, kind of how that process may go for some of the sequestration wells that may be intended here?

**Robert S. Purgason**
*Managing Director-Carbon Solutions, EnLink Midstream LLC*

A

Yeah, Gabe. Good to talk to you again, and thanks for the question. Oxy and Talos are pretty much on the same timeframe. We're all working to file our Class VI EPA permits, and that is a process that will play out here over the rest of this year as we prepare for those filings. And we're in the phase where we're doing permitting and customer engagement so that we can get the commercial contracts in place to be then in a position to start putting steel on the ground or converting the lines as the case may be. So, we're looking fundamentally to see kind of 2025 injection and movement of CO2 through the system and we're in the preparation phase now.

**Gabriel Moreen**
*Analyst, Mizuho Securities USA LLC*

Q

Got it. Thanks, Bob. Should have started off by saying good to have you on board again. Let me also pivot, I think, Barry EnLink have been active a little while there in sort of these M&A – smallish M&A transactions. I assume the environment's gone from people not wanting to take too depressed prices to maybe now prices for

M&A getting very high. I'm just curious, whether that's still kind of on the radar screen at all and what you're seeing out there for sort of bolt-on opportunities?

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Yeah. You bet. Gabe, thank you. We are seeing a step up in activity and I would say both organically and from an acquisition standpoint. The good news is we have terrific positions in our four core basins. And so anything we look at, we believe, we have an advantage because of the consolidation effect, if you will. So yeah there's more activity, but the bar is high for us. We will continue to be very disciplined about this because the base business is so good. We can be disciplined. And when we look at something, we're looking for all of the synergies that can really make it an attractive investment and we think there'll be some opportunities to do that. You mentioned valuations. I wouldn't say that we've seen a significant change in valuations at this point. We still see things that could make sense and we'll work really hard on the consolidation synergies to make them even better for us as a consolidator in the bolt-on transactions.

**Gabriel Moreen**
*Analyst, Mizuho Securities USA LLC*

Q

Great. Thanks, Barry.

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Thank you, Gabe.

**Operator**: The next question is from Michael Endsley, Tudor, Pickering, Holt & Company. Please go ahead.

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

Q

Yeah. Hey guys. First one for me is just on the incremental $25 million of capital returns that you're expecting given the higher free cash flow outlook. Can you just walk us through a little bit more detail, just kind of how you're thinking about delivering that, kind of trying to see how you weigh a potential increase to the base distribution versus potentially just re-upping the buyback or even looking at doing a special distribution?

**Pablo G. Mercado**
*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

A

Yeah. Hey, Michael. It's Pablo here. So just to kind of take it up a level on capital allocation, as you heard in the prepared remarks, we feel like the balance sheet's in great shape now and there's good momentum to continued improvement given that we're growing both EBITDA and free cash flow and so that puts us in a really nice position where we can continue to invest in the business, but also increase the return of capital to the common unitholders. We came into the year with $100 million repurchase authorization and you saw our activity in the first quarter was about $23 million. So, on track to spend that $100 million; given that we increased the free cash flow guide pretty significantly, we feel it's appropriate to also increase the return to the common unitholders. And so you'll likely see us continue to focus more weight towards the repurchases. But we're also going to be considering distribution increases with our board. Whatever we do on the distribution, we want to make sure that we are continuing to generate significant free cash flow after distributions. We like that flexibility and the good news is that with high results and outlook, we can do a little bit of both.

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

Q

Got it. Thanks for that, Pablo. And I guess just second one for me, kind of piggybacking off of Gabe's earlier question. I realize it's early days on the LOI with Oxy, but could you just help us frame kind of preliminary expectations around what percentage of the transportation system we could see be through utilization of existing pipes versus how much greenfield you could look to add?

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Yeah. Michael, this is Barry. Let me just say that you started your question with the statement that I'll start with, which is we are in early days. We are scoping. We're fighting the battle in the marketplace for the customers, and as we have said many times and will continue to say, we are the best positioned in terms of being able to offer the services that we're doing there, and that's the reason you're seeing an Oxy or a Talos partner with us and we have other conversations that are similar to this. They could lead to partnerships or relationships for us to capture the market in a big way. So, I still think it's early but the pipe that we have today will be very advantageous, and I would say will be – represent the majority of the pipe that will be utilized to move the CO2 into the sequestration. So, just stay tuned. We've got a lot of work left to do and we'll give you information as we can on that.

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

Q

Awesome. Appreciate the time.

**Operator**: The next question is from Michael Cusimano with Pickering Energy Partners. Please go ahead.

**Michael Cusimano**
*Analyst, Pickering Energy Partners*

Q

Hi. Good morning. Congrats on the quarter. I was hoping to get your thoughts on Louisiana on the frac opportunity. And I was seeing if you all saw or have seen any increase in the rates or interest in your capacity as we've seen Mont Belvieu start to fill or at least push up against potential capacity concerns?

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

A

Hey, Michael. It's Ben. You're right about that. Your assessment of the market is what we are seeing as well. After a couple of years of a fairly loose market and relatively low frac fees, the market is beginning to expect to see a tightening in the next few years. From our perspective, we have a bit of a strategic advantage because we serve the Louisiana market. That is a different market than the market in Belvieu, and a market that in general has premium prices for purity products, and that is something that allowed us to navigate this past period of low prices very well and it's something that positions us to continue to take advantage of the market as it firms. And you saw a bit of that in the first quarter we were very close to our record fractionation volumes in Louisiana in the first quarter. So we do agree with you there's a very bright outlook in the frac market.

**Michael Cusimano**
*Analyst, Pickering Energy Partners*

Q

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

**Operator**: The next question is from Spiro Dounis with Credit Suisse. Please go ahead.

**Spiro Dounis**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

Thanks, operator. Good morning team. I wanted to start on, on LNG actually, if we could involve obviously your relationship with Venture Global there, but clearly, given the events in Europe, a lot of renewed interest in US LNG projects going forward since that last update. So, curious if there's really been any progress on your part, if you're getting any strong, any interest in working down there in Louisiana with some of these new or expanding terminals?

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

A

Hey, Spiro, it's Ben. Yeah. You know look, we agree with you. There is going to be a call on North American natural gas that has been driven by the geopolitical events of the first quarter. And it's going to take a number of years for our industry to meet that call and it's going to create opportunities. And that's the great thing about our Louisiana platform, is it puts us right in the middle of where those opportunities are going to happen on the Louisiana Gulf Coast. So, no specifics to talk about today, but as you can imagine, there is a great amount of interest in the market around it and we have every intention of participating. To broaden that a bit, we're always looking for ways to make efficient capital investments in our Louisiana downstream facing businesses, and you've seen us do that over history whether you go back to the Ascension Pipeline several years ago, the expansion of capacity on Cajun-Sibon two or three years ago, and then most recently as you point out, the relationship with Venture Global, there's nothing we love more than doing projects like those. And so we're very keen to find our next steps in Louisiana.

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Spiro, it's Barry here.

**Spiro Dounis**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

It's a helpful color. Sorry, go ahead Barry.

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

A

Yeah, Spiro. I'd just like to add. We're deep into the call here and that comes up as a question. And it really is the headline in the industry and globally in the energy markets. And so what I would like to highlight is that we're involved in all things that matter today when you look at it, whether it's the coal and natural gas from basins like Oklahoma, North Texas and we are seeing that we're right in the middle of it and have a leading position there. The Louisiana LNG market, the Permian crude oil and natural gas markets, significant positions everywhere that matters. And then on top of that, the energy transition that's happening with the carbon capture business and the leading position that we have there. So, really excited about the position that we have and the work that's being done by our team to execute on those positions. So, thank you for the opportunity to address the LNG as well.

**Spiro Dounis**
*Analyst, Credit Suisse Securities (USA) LLC*

Q

Of course, and that's helpful color as well. Perfect. And so, second question maybe for you again, Ben, but it sounds like 2023 is shaping up to be a pretty strong year again; Oklahoma a contributing factor this time around again. And so I'm curious, you've got a lot of conviction in that it sounds like and I don't want to get ahead of your producers' tier, 2023 still kind of a long ways away, but just maybe help us understand that level of conviction here given that, to your point, this is somewhat price driven. And so curious if producers have sort of de-risked next year through hedging or sort of what's playing into that high level conviction?

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

Yeah. Well, Spiro, you're right. I don't want to get too far ahead of the producers, but suffice to say, the plans are as firm as they can be at this point in the year. And by that, I mean folks who are signing rig contracts. They have locations, they have permits. It's something that, from my perspective, is going to happen and we're going to see that activity commence later this year or maybe I should say ramp up later this year and we'll see the fruit of it really happen in 2023. I think I mentioned in the prepared remarks it's going to be a little bit lumpy. So, in 2Q, my current expectation is we'll see a little dip in volume in Oklahoma just because of timing, but that will not be indicative of the strength that we expect to see late in 2022 and especially going into 2023. And by the time we get to the next call, my suspicion is our customers will be in a position to talk a little bit more firmly about their own plans and then we'll be able to share a little bit more detail with all of you.

**Spiro Dounis**
*Analyst, Credit Suisse Securities (USA) LLC*
Q

Helpful color. Thanks for the time, guys.

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*
A

Thanks, Spiro.

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

Thanks, Spiro.

**Operator**: [Operator Instructions] The next question is from Sunil Sibal with Seaport Global Securities. Please go ahead.

**Sunil Sibal**
*Analyst, Seaport Global Securities LLC*
Q

Yes, hi. Good morning, folks and thanks for taking my question. I just wanted to revisit the balance sheet question a little bit. I know you have had pretty good ratings momentum. I was just kind of curious if you had any kind of updated thoughts on investment grade, especially as we see the credit market environment changing for the next few years?

**Pablo G. Mercado**
*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*
A

Yeah. Great question, Sunil. Thank you for that. We have seen really good momentum in our credit profile and certainly that's been recognized by the rating agencies. You saw Moody's give us an upgrade and Fitch has us with a positive outlook, indicating a trend towards investment grade. So good momentum there. I think you – as I mentioned before, you're going to continue to see some natural deleveraging that happens when the business is growing EBITDA and throwing off so much cash flow. So, that's a positive trend and we expect that to continue.

**Sunil Sibal**
*Analyst, Seaport Global Securities LLC*

Q

Just a follow-up on that; so in terms of your discussions with rating agencies, are there kind of certain markers in place in terms of leverage metrics, et cetera that could help you get to IT or that's still further out there?

**Robert S. Purgason**
*Managing Director-Carbon Solutions, EnLink Midstream LLC*

A

No, I think, as you know, as I indicated and if you look particularly at the Fitch report, you can see that we're already hitting those metrics or expected to be at those metrics later this year.

**Sunil Sibal**
*Analyst, Seaport Global Securities LLC*

Q

Okay. Got it. And then on a different theme, I was kind of curious with your CCS initiatives kind of coming more into focus. Could you remind us the investment opportunity there and what kind of financing structure, if you would, look at putting in place for those opportunities?

**Pablo G. Mercado**
*Executive Vice President & Chief Financial Officer, EnLink Midstream LLC*

A

Yeah. Sunil, it's Pablo again. Look, I think initially the capital is going to be pretty modest. As Bob described here for the next year, we're doing a lot of permitting work, a lot of hopefully contracting work with customers. And so that's going to require just a few million dollars of capital and certainly it's already kind of within our CapEx guide. It may increase next year a bit, but all within what we can do with our own balance sheet. I think, though, if you think about what's going on more broadly, there is a lot of interest in investing in the energy transition, in facilitating things like CCS and so there're a lot of capital dollars flowing that we could benefit from over the long-term, say, a green bond or something like that to lower our cost of capital as we grow in this area.

**Sunil Sibal**
*Analyst, Seaport Global Securities LLC*

Q

Okay. Got it. Thanks for all the color.

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

**Barry E. Davis**
*Chairman, Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Debbie, for facilitating our call this morning and thank you, everyone, for being on the call today and for your support. As always, we appreciate your continued interest and investment in EnLink. We look forward to updating you with our second quarter results in August. In the meantime, we wish you all well. Stay healthy and have a great day.

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