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# EnLink Midstream LLC (ENLC)

Q2 2022 Earnings Call

## CORPORATE PARTICIPANTS

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*Director-Investor Relations, EnLink Midstream LLC*

**Jesse Arenivas**

*Chief Executive Officer & Director, EnLink Midstream LLC*

**Benjamin D. Lamb**

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

**Pablo G. Mercado**

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## OTHER PARTICIPANTS

**Gabriel Moreen**

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**Michael Endsley**

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

**Michael Cusimano**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and welcome to the EnLink Midstream Second Quarter 2022 Earnings Conference Call. All participants will be in a 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.

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**Brian Joseph Brungardt**

*Director-Investor Relations, EnLink Midstream LLC*

Thank you, and good morning, everyone. Welcome to EnLink's second quarter of 2022 earnings call. Participating on the call today are Jesse Arenivas, Chief Executive Officer; Ben Lamb, Executive Vice President and Chief Operating Officer; and Pablo Mercado, Executive Vice President and Chief Financial Officer. We issued our earnings release and presentation after market's close 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](http://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 in 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 heading Risk Factors.

We'll start today's call with a set of brief prepared remarks by Jesse, 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 Jesse Arenivas.

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## Jesse Arenivas

*Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Brian, and good morning, everyone. Thank you for joining us today to discuss our second quarter results, which include the highest second quarter adjusted EBITDA in company history, as well as our increased 2022 guidance and plans to further increase returns to investors. First, however, I'd like to provide some perspective on the state of our business and how EnLink is well-positioned, not only to weather the current volatility in the markets but to continue to thrive. The last several months, there has been a renewed call on domestic natural gas production to help meet the needs of our friends in Europe and NGLs also remain a critical feedstock for products that we use in our everyday lives.

Our current focus is on the recent European demand for US LNG cargoes. The trend has simply accelerated with the recent geopolitical events. The United States became the largest LNG supplier to the EU and the United Kingdom last year. And during the first five months of 2022, the United States exported 71% of its LNG to Europe, compared with an average of 34% last year. Additionally, we were seeing greater acceptance for the use of natural gas to power the global economy. The EU Parliament recently added natural gas to the block's list of environmentally sustainable economic activities as they look to secure reliable sources of electric generation and heat for their homes.

Notwithstanding recessionary risk, we see this trend accelerating given the unfortunate wakeup call about energy security that Europeans are living through. Now while our country may indeed be going through a recession, it's important to realize that the economic slowdown will not change the bigger geopolitical and structural trends. Said simply, the supply and demand for natural gas, both over the near-term and the long-term, continue to improve as is reflected in the more supportive forward curve.

As we look to the future, EnLink's platform is well-positioned to grow and to be an active participant in the energy transition with natural gas, NGLs accounting for approximately 90% of our business. We have three geographically diverse gathering and processing regions and exposure to the growing natural gas and NGL demand markets along the Gulf Coast. Each of EnLink's four segments generates robust free cash flow which allowed us to reinvest in our business, while capitalizing on our first mover advantage to build a CO2 transportation business in Southeastern Louisiana.

More specifically, we continue to see robust activity in our Permian footprint. We are making solid progress with our second plant relocation Project Phantom to grow alongside our customers in a capital efficient manner. We also recently announced plans to participate both as a shipper and as an investor in the Matterhorn Express Pipeline, providing up to 2.5 Bcf a day of takeaway capacity from the Permian.

We are in the early stages of a renaissance in Oklahoma and North Texas. While the oilfield service sector remains tight, we are seeing producer plans pick up and we expect meaningful growth in Oklahoma and an improving outlook in North Texas next year. We are well-positioned to meet incremental supply with our existing asset footprints in each of these basins. Our recent acquisition in North Texas has an attractive economics of 4 times 2023 EBITDA, generated in part by the redeployment of assets to meet growing supply in the Permian and Oklahoma.

This strong operational outlook is matched by our strength of our financial position. We continue to generate robust free cash flow. And based on the midpoint of our updated guidance, we expect 2022 to mark the third consecutive year, generating at least \$300 million in free cash flow after distributions. We remain committed to prudently investing in our business while increasing the return of capital to unitholders. At the same time, while we are in the early innings of building out a scalable CCS business, we are executing on our first mover advantage. The area of Southeastern Louisiana along the Gulf Coast is very well-positioned to meet the goals of the country to reduce carbon emissions.

Unlike other parts of the country, there is a high concentration of industrial CO2 emissions coupled with substantial prime geologic formations with ample sequestration capacity located within miles of the emission sources. We believe we can play an important role as a midstream conduit in this region, given our extensive network of pipe that is already in the ground. We continue to have very active discussions with both emitters and sequestration providers, and we look forward to providing additional updates in the near future.

Lastly, we remain committed to improving our own emissions profile. To that end, we announced during the quarter a project with BKV, our largest customer in North Texas, to capture and sequester CO2 from gas that is processed at our Bridgeport facility. This project marks tangible progress towards our near-term reduction goals while earning attractive returns. When combined with our other work on methane emissions, we estimate that our carbon capture projects at Bridgeport result in a combined emissions reduction of 250,000 metric tons per year.

In summary, the outlook for EnLink continues to strengthen. We are seeing robust activity across all our segments. The strong underlying business fundamentals, coupled with a robust cash flow generation, continue to drive a strengthening in our financial position, allowing us to invest in the business, while returning capital to our investors. We remain committed to driving sustainable value through operational excellence and strategic growth, while maintaining financial discipline and flexibility.

With that, I'll turn it over to Ben to provide an overview of our operations.

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## Benjamin D. Lamb

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

Thanks, Jesse, and good morning, everyone. Let me start off by saying how excited I am about the performance across each of our segments. I'm proud of the execution of our team to support the needs of our customers and to grow alongside them.

Now let's walk through our assets, starting in the Permian, where we continued the momentum from last quarter by generating segment profit of \$112.1 million during the second quarter of 2022. Segment profit in the quarter included approximately \$9.4 million of operating expenses tied to the relocation of the Phantom plant and \$12.5 million of unrealized derivative gains. Excluding plant relocation, OpEx, and unrealized derivative activity, segment profit in the second quarter of 2022 grew an impressive 24% sequentially and over 76% from the prior year quarter.

The second quarter of 2022 also marked the eighth consecutive quarter of positive segment cash flow. Average natural gas gathering volumes for the second quarter were approximately 11% higher compared to the first quarter of 2022 and approximately 46% higher compared to the second quarter of 2021. Average natural gas processing volumes for the second quarter were approximately 14% higher sequentially and approximately 49% higher compared to the second quarter of 2021. Producer activity remains robust on both sides of the basin. And while we expect growth to moderate in the third quarter as we work toward commissioning Phantom in the fourth quarter, we will be well-positioned to handle robust volume growth that we expect in 2023.

Turning now to Louisiana. Segment profit for the second quarter of 2022 came in at \$89 million, including unrealized derivative gains of \$11.8 million. Excluding the impact of unrealized derivative activity, segment profit in the second quarter of 2022 decreased by approximately \$18.9 million sequentially, mainly driven by normal seasonal activity in the NGL segment and was relatively flat compared to the prior year period. The solid second quarter results drove segment cash flow of \$82.7 million.

Louisiana continues to benefit from strong industrial demand and we continue to expect solid growth from 2021 with normal seasonality driving higher performance in the winter months. We are also seeing growth opportunities to leverage our existing infrastructure to support LNG growth and growing industrial demand with the potential to generate strong returns.

Moving up to Oklahoma. We delivered segment profit of \$98.6 million for the second quarter of 2022. Segment profit in the quarter included approximately \$1.7 million of operating expenses tied to the relocation of the Phantom plant and approximately \$8.2 million of unrealized derivative gains. Excluding plant relocation OpEx and unrealized derivative activity, segment profit in the second quarter of 2022 decreased 3% sequentially but grew about 1% from the prior year quarter. Average natural gas gathering volumes for the second quarter were approximately 2% higher sequentially and approximately flat compared to the second quarter of 2021.

Oklahoma continues to deliver solid and stable cash flow for us. During the second quarter of 2022, we generated \$87.1 million in segment cash flow. Our Oklahoma business is now at an inflection point. Since 2021, we have seen volumes stabilize and now we expect to see meaningful volume growth in 2023. Next year's volume profile will be driven by the high level of activity that's happening on the ground today as we have a busy well connect schedule in the second half of this year that will give us great momentum into 2023.

Wrapping up with North Texas. Segment profit for the quarter was \$66.9 million, including unrealized derivative gains of \$2.8 million. Excluding unrealized derivative activity, segment profit in the second quarter of 2022 increased 8% sequentially and also increased 8% from the prior year quarter. Natural gas gathering volumes increased 5% sequentially and increased 4% compared to the prior year quarter.

It has been refreshing to see producers bring modest new drilling plans back to North Texas. Our largest customer, BKV, initiated a drilling program earlier this year and the first new wells came online shortly after the end of the second quarter. BKV is also maintaining their very successful refrac program that commenced last year. Together with activity from smaller producers, the outlook for North Texas volumes is brighter today than it has been in many years.

On July 1st, we closed our acquisition of gathering and processing assets in North Texas from Crestwood. The integration continues to progress and we are executing on our plans to achieve significant operational synergies. As part of those plans, we will idle the Cowtown facility and route volumes through our Silver Creek plant.

Finally, I want to give an update on operational excellence and driving value for our stakeholders. As one example during the quarter, we successfully implemented the remote operation of our Silver Creek facility from our Bridgeport plant, reducing costs without compromising on the quality of our operations. As another example, we implemented robotic process automation to perform some routine tasks in our G&A functions, giving valuable time back to our employees to do more important work. We have a continuous process to work on similar projects across our business to drive efficiency while continuing to operate with excellence.

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 second quarter highlights. As Jesse mentioned, EnLink delivered the best second quarter results in company history during what is traditionally one of our seasonally weakest quarters. EnLink achieved \$300 million of adjusted EBITDA, representing an increase of 16% from the second quarter of 2021. This result reflects continued robust growth out of the Permian, solid growth in Louisiana, and continued positive momentum in our Oklahoma and North Texas segments.

EnLink also achieved \$68 million of free cash flow after distributions for the second quarter of 2022, driven by strong operational results. 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 \$72 million. We also contributed approximately \$27 million to our recently established Matterhorn joint venture.

On the balance sheet side, we find ourselves in a very strong position with a leverage ratio of 3.5 times at the end of the quarter and ample liquidity. During the quarter, we amended our revolving credit facility, extending the maturity to 2027. Subsequent to quarter end, we also increased the size of our AR facility to \$500 million and extended its maturity to 2025. As a result of these actions and including the impact of our North Texas acquisition, which closed in July, we retain ample liquidity of approximately \$1.3 billion.

Consistent with our capital allocation plans to increase returns to investors, we continue to be active with our common unit repurchase program. In the second quarter, we repurchased \$52 million of common units, including \$24 million for the pro rata units from GIP, which settled after the end of the quarter. The increased buyback activity during the second quarter takes our execution in the first half of the year to approximately \$75 million.

Next let me turn to our increased 2022 guidance. Taking into account the robust second quarter results, the closing of the North Texas acquisition and a supportive commodity price environment, we increased our full year 2022 guidance. We are now forecasting a range of \$1.25 billion to \$1.29 billion of adjusted EBITDA. The midpoint of the range implies a 21% growth rate over 2021 adjusted EBITDA and is 10% higher than that of our initial guidance range coming into the year. Now while we don't provide quarterly guidance, please keep in mind that the winter months are our seasonally strongest months, due to purity sales from storage in our NGL business.

Turning to capital investments. As Ben mentioned, we are seeing strong and increasing producer activity, particularly in our Permian and Oklahoma segments. As a result, we expect significant increase in volumes in 2023. And in order to accommodate this visible growth, we increased our growth CapEx and plant relocation plans for this year modestly to \$300 million to \$330 million. These projects are an excellent use of capital as they leverage existing infrastructure and have high expected returns and quick paybacks.

Additionally, we announced during the quarter our participation in the Matterhorn Express Project, which will provide needed natural gas takeaway capacity from the Permian Basin to the Katy area near Houston. We expect to make total equity contributions to this attractive fee-based project of approximately \$100 million with a total of \$70 million this year and the balance in 2023. Driven by the improved performance and outlook across our segments and the incremental investments we are making, we now see free cash flow after distributions in the range of \$285 million to \$315 million, which at the midpoint represents our third consecutive year of generating at least \$300 million of free cash flow after distributions.

As the fundamentals of our business continue to improve in contrast with the recent pullback in our stock price, we are increasing our buyback activity and expect to spend a total of \$150 million to \$200 million in common unit repurchases in 2022. At the midpoint, this represents a 75% increase from our initial 2022 plans. In summary,

EnLink achieved record second quarter results and the outlook for our operations this year and in 2023 continue to improve. We remain disciplined in our investment approach that can both grow our business and continue to increase the return of capital to common unitholders.

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

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## Jesse Arenivas

*Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Pablo. I'm excited to be part of this talented team. And it's a great time to be here. EnLink is delivering excellent results and is focused on driving sustainable value for investors.

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

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## 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. And our first question will come from Gabriel Moreen with Mizuho. Please go ahead.

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### Pablo G. Mercado

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

Hey, Gabe.

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### Gabriel Moreen

*Analyst, Mizuho Securities USA LLC*

Hey. Good morning, guys, and welcome, Jesse. Congrats on the new position.

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### Jesse Arenivas

*Chief Executive Officer & Director, EnLink Midstream LLC*

Thanks, Gabe.

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### Gabriel Moreen

*Analyst, Mizuho Securities USA LLC*

I just wanted to ask maybe starting off there, Jesse, if you can just talk kind of broader picture. I know it's early days, but your initial impressions of kind of capital allocation in EnLink and I'm specifically thinking about your CO2 background and your prior position how you think that may influence kind of your approach to that business? And also just as a related question to that with some of the developments in Washington, if you can kind of talk about, or Bob, the extent to which you're seeing discussions maybe pick up or percolate and how if the credits get enhanced, how that could potentially impact the business?

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### Jesse Arenivas

*Chief Executive Officer & Director, EnLink Midstream LLC*

Yeah. Thanks for the question, Gabe. I think first, I'll start with EnLink and our attractive growth platform that connects the producer to the downstream market. I think we're very well-positioned given the macro backdrop for

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growth in all of our segments as you've seen year-over-year. EnLink is extremely well-positioned with pipe in the ground in Southeast Louisiana. So it's a very exciting time. We are well-positioned to be a first mover in that space. With regards to 45Q, definitely a positive for the space. We are in multiple discussions or multiple parties. I think it's well-recognized that our in-ground high position will facilitate the growth in this space, 45Q, the expansion of the 45Q with direct pay certainly opens the window to more attractive economics for the emitters.

That coupled with the increase in the 45Q will bring marginal projects forward. So we have seen activity, very robust activity in the space. We anticipate that will only grow post the regulation changes, so very positive. My background with CO2 obviously I've been around the space a very, very long time. One of the attractions to EnLink was the first mover position in Southeast Louisiana. We also see adjacencies in energy transition along the Mississippi River corridor with the industrial emitters, the potential for hydrogen. So I think it's a very exciting time to be here, to be in this space, very supportive movement out of Washington, which was anticipated. We look forward to seeing the details coming out of that bill. And I think it will accelerate the activity in the area.

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**Gabriel Moreen**

*Analyst, Mizuho Securities USA LLC*

Q

Thanks, Jesse. And maybe if I can follow up with a question on Matterhorn, I'm sure the project kind of stands on its own merits and returns in of its own right. But maybe if you can just talk about how you view that project integrating commercially with, I guess, the rest of the business, particularly in the Permian, do you see helping it grow, facilitate customer volume? So I'm just curious kind of the connection to the bigger picture here.

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**Jesse Arenivas**

*Chief Executive Officer & Director, EnLink Midstream LLC*

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I think Ben will take that question.

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**Benjamin D. Lamb**

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

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Yeah, Gabe, you're right there. What it does is it gives us some additional diversity in our residue outlets. So historically, we've taken care of most of the gas marketing there locally in West Texas. But as the business has grown and our customer base has broadened, there's been interest in diversifying the portfolio of gas prices that they receive for their product. And so now while we'll continue to market quite a bit of gas there locally in West Texas, we'll also have exposure off of Whistler to the Auga Dulce market. And then now we'll have exposure to Katy as part of the Matterhorn Project. And so it gives our producers some additional diversity in the price they received for the product and most importantly gives them flow assurance as we all still continue to expect the basin to be tight on residue over time.

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**Pablo G. Mercado**

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

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Let me just add there that from a broader picture perspective, what it does for EnLink beyond the Permian is it does add to our downstream exposure, which as you know, is an important part of the business and has been an objective of ours to continue to grow that.

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**Gabriel Moreen**

*Analyst, Mizuho Securities USA LLC*

Q

Thanks, Ben. Thanks, Pablo. And then maybe if I can just conclude with the last question just on some of the CapEx modifications. I'm just curious if commodity prices stay where they are in order to anticipate some of this growth in 2023, I guess do you see kind of this base CapEx creeping a little bit higher? Then also, I just wanted to



get your commentary on kind of cost pressures and to the extent any cost pressures on materials is maybe motivating some of the CapEx changes.

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**Pablo G. Mercado**

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

**A**

Yeah. Thanks, Gabe. So let me start with the back end of your question first on the CapEx changes for this year. They're all due to scope. And so they're incremental projects to handle incremental volumes, and then of course, the Matterhorn investment. We're fortunate that from an inflation perspective, the biggest project that we have in the CapEx budget this year is a plant relocation. So we have the materials and we also locked in the cost of that project with the EPC contractor early on. And so there is some inflation in the system, but our team has done a great job.

I will answer your other question, then I'll ask Ben to comment a little bit broader on inflation and what we're seeing in the business. But with respect to 2023 CapEx, of course, it's early days. We will give you guidance at the right time as we develop our budget late in the year and we get with our producers to do that. But what I can tell you now is we see a similar level of activity in the business. And so I'd say to the base CapEx that you referred to, which is well connects, pipeline infrastructure, that kind of thing. I think it will be similar to this year. But beyond that, we've got some chunky projects like the big plant relocation this year. So absent projects like that next year, CapEx should come down and therefore free cash flow should go up. But as you know, we're always working on additional projects to add. And so I can't give you a very specific answer, but that's how we're thinking about it.

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**Benjamin D. Lamb**

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

**A**

And on inflation, Gabe, I know that's very topical. On the one hand, we're not immune to the inflation pressures that our industry and frankly all of us in the country see in our lives every day. But we've got a great supply chain team here at EnLink, and they've done a really nice job of taking care of procurement in advance and putting in place some strategic sourcing partnerships with major suppliers that cushion the impact of that inflation on us. So where we're seeing it is in some of the consumables, lubricants, chemicals, utilities. And on the capital side, we're seeing it a bit in raw materials. Steel prices are obviously an issue. But more broadly, we don't see it as a big issue for EnLink because even as we may realize, some of those cost pressures may be less this year but more into 2023. We also have inflation escalators on the revenue side of our business that help us offset a little bit of that cost creep. And so we don't see it as a major issue for us.

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**Gabriel Moreen**

*Analyst, Mizuho Securities USA LLC*

**Q**

Great. Thanks, guys.

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**Operator:** Next question will come from Michael Endsley with Tudor, Pickering, Holt. Please go ahead.

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**Michael Endsley**

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

**Q**

Yeah, good morning. I guess just starting on the EBITDA guidance, the range increased by somewhere around \$50 million at the midpoint. And based on your disclosure, could assume that, call it, somewhere around half of that is from the CEQP contributions. I guess just looking at the remaining \$25 million or so, can you break down the puts and takes for that, whether it's just a better volume outlook going forward, kind of flow through of sustained commodity pricing or just year-to-date outperformance thus far?

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

A

Yeah. Thanks, Michael. This is Pablo. We're pleased to be able to increase guidance for the second time this year. And we've certainly had a nice commodity price backdrop that's resulted in more activity. But our team has done a great job of executing in the first half of the year. So obviously that's the first piece, good performance in the first half. You're right that there's about \$28 million from the Crestwood acquisition in the back half of the year. And then the balance really is just from incremental volumes, from producer activity firming up, really producers firming up their plans, doing what they said they were going to do and executing on that.

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

Q

Got it. Thanks, Pablo. And then I guess just pivoting over to capital allocation. Looking longer-term, can you just elaborate on how you're thinking about unit repurchases versus a potential increase to the distribution? And then kind of as you evaluate an appropriate distribution level, can you speak to kind of what metrics you all look at to determine that level whether it's just your own yield, yield relative to peers, or if there's a broader index that you guys kind of comp to?

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

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Yeah. So, look, we're in a great position with respect to capital allocation. We're generating a lot of free cash flow in excess of \$900 million of distributable cash flow, the midpoint of that guidance, which just gives us a lot of flexibility and a lot of optionality. With that cash flow, we've been able to do a lot of things. One, de-lever the balance sheet; two, grow the business with really good projects; and three, increase the return on capital to common unitholders. So I think you'll note that with the \$300 million of free cash flow after distributions, more than half of that is going to the common unitholders.

At this time, we think that buybacks are the preferred way to do that, particularly with the pullback in the stock price that we've seen over the last couple of months. And so we see that as attractive. We think that we're trading at a low multiple on our 2023 EBITDA and therefore that's the preferred method today. Now that doesn't take off the table a potential modest distribution increase and we look at those each quarter. I would say that from a yield perspective, these vehicles have become less about the yield. We do look at our relative yield relative to the peers and we'll make sure that we're staying in the ballpark. But on the stock repurchases, we certainly look at our valuation in the multiple where it's the most attractive today.

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

Q

Awesome. Thanks for all the color.

**Operator:** [Operator Instructions] Our next question will come from Michael Cusimano of Pickering Energy Partners. Please go ahead.

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

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Hey, good morning, everyone.

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

Hey, Michael, looks like you're at a new firm.

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

How has the frac business been affected since we had that unfortunate fire earlier this summer? Are you all seeing any change in rates? We've gotten quite a few FIDs of new Mont Belvieu capacity coming, but that's 12 to 18 months out, so curious if you all can comment on that.

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

Yeah. Michael, it's Ben. The frac market was already beginning to tighten up in Mont Belvieu before the frac in the Midcontinent went out of service. And so, in the spot market, we certainly have seen a tightening of frac capacity. We ourselves are in a fortunate position because we have a portfolio of fractionation that includes our own fracs in Louisiana, but also some term commercial arrangements with others in Mont Belvieu that have been in place for some time. And so we don't have material exposure to the frac market tightening up from a cost perspective. I'd say it may give us a little bit of an opportunity to slip a few more barrels into Louisiana when we have the operational capacity to do so and to do that at attractive economics, but not a material impact on us, frankly, either way.

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

Got it. Okay. That's helpful. And then if I can shift a little bit. I remember last year, majority of your Oklahoma completions were in the fourth quarter. Should we expect a similar like back half weighted activity? Or are you kind of seeing a steady state cadence throughout this year?

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

Yeah. Michael, yeah, I think I said in the prepared remarks that the Oklahoma business is at an inflection point and it really is. What we've seen over the last four or five quarters has been a stabilization of volume. And what we reported today was essentially flat volume compared to last quarter, frankly, flat volume compared to a year ago. But we do have a second half weighted cadence on the well connects in Oklahoma this year. In fact, we've got about twice as many in the second half as we had in the first half. And even within the second half, it's disproportionately weighted to the fourth quarter than it is to the third. And so the activity that's happening on the ground today, the rigs we have running at least seven rigs right at the moment in Oklahoma, that is the activity that's going to drive the meaningful volume growth in 2023. So I think we'll see a little bit of it here in the second half, but you're going to see it in earnest in 2023.

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

Got it. Okay. Yeah, that's helpful. If I could be a little petty and ask about the meaningful term. You've grown Permian volumes 45% to 50% year-over-year, is meaningful relative to the whole business or is it relative to Oklahoma because I think, I guess I'm asking like 5% to 10% growth in Oklahoma probably would have been considered meaningful a year ago. But relative to your Permian business that wouldn't be meaningful, so can you help give us a little more color on what that actually looks like?

Q

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

A

Yeah, I can. So Oklahoma is a great business. It's not likely to match this year's Permian growth, which has been frankly extraordinary instead of meaningful. But when I think about meaningful in Oklahoma next year, I think I would describe it as high single-digits at a minimum with the potential to be considerably better than that. What we know today, we feel confident in saying high single-digit. And I think that there's upside to that as the producers work through their plans for 2023, which is something that happens in the second half of 2022.

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

Q

Okay. No, I think that's very helpful. And I think that's incremental to what people were expecting. So appreciate the details, guys. Thank you.

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

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Thanks, Michael.

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

**Jesse Arenivas***Chief Executive Officer & Director, EnLink Midstream LLC*

Thank you, Matt, for facilitating the 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 third quarter results in November. In the meantime, we wish you 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.

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