

Q2 2020 EnLink Midstream LLC Earnings Call

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PRESENTATION

Operator

Good morning. Welcome to EnLink Midstream Second Quarter 2020 Earnings Conference Call. (Operator Instructions). Please note, this event is being recorded.

I would now like to turn the conference over to Kate Walsh, Vice President of Investor Relations and Tax. Please go ahead.

Kate Walsh, EnLink Midstream, LLC - VP of IR & Tax

Thank you, and good morning, everyone. Welcome to Enlink's Second Quarter 2020 Earnings Call. Participating on the call today are Barry Davis, Chairman and 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 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 filings.

This call also includes discussion pertaining to certain non-GAAP financial measures. Definitions of these measures as well as reconciliations of comparable GAAP measures are available in our press release 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 the heading Risk Factors.

We'll start the call today with a set of brief prepared remarks by Barry, 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, EnLink Midstream, LLC - Chairman & CEO

Thank you, Kate, and good morning, everyone. Thank you for joining us today to discuss our second quarter results. We'll also give you an update on our full year 2020 guidance and longer-term outlook. On behalf of EnLink, we hope you, your families and colleagues are staying safe and healthy as we all continue to navigate the challenges resulting from the ongoing COVID pandemic.

I want to personally thank those who remain fighting on the front lines, including all of our EnLink employees who continue to work tirelessly to ensure we deliver essential energy services, safely and reliably. Despite the challenging macro backdrop, EnLink reported outstanding second quarter results. We achieved adjusted EBITDA of \$255 million, which exceeded expectations and was relatively unchanged from our first quarter results. This is a tremendous outcome during one of the most challenging periods in our industry's history.

We generated \$72 million of excess free cash flow in the quarter, marking a substantial increase as compared to the first quarter of this year. Our team has done a great work -- very hard work to positively impact the results across our footprint, and we will continue to do so as we navigate the dynamics of the road ahead.

EnLink is now a lean, scalable organization. We have a large diverse asset platform, and our team wakes up every day with a sense of urgency and a mindset to create meaningful value for our stakeholders. It's well documented how volatile and tough the second quarter of 2020 was for many industries, including our own.

As economies around the world emerge from stay at home recommendations, the path and speed of economic recovery remains uncertain. From what we know today, we are forecasting that we are on track to achieve in the high end of our guidance range for full year 2020 adjusted EBITDA and expect excess free cash flow for full year 2020 will meet or exceed the high end of our guidance range.

When you take a look at our asset segments, we have 3 very strong cash flow generating segments in Louisiana, Oklahoma and North Texas. These segments require very little capital and generate an impressive amount of annual cash flow. We have a growth segment in the Permian where we are investing around 60% of our capital this year, and that is exactly where we want to be investing.

Our Permian segment has remained tremendously resilient throughout the downturn, with natural gas volumes increasing on our system quarter-over-quarter. We achieved 35% growth in Permian segment profit for the second quarter as compared to the first quarter. The strong growth in our Permian segment, coupled with the strong cash flow generation from our other 3 segments, has enabled us to manage our leverage ratio to 4.3x for the second quarter of 2020, and we expect it to remain largely unchanged for the rest of the year.

We entered 2020 with an execution plan centered around 4 priorities. We knew we had a lot of work to do this year, and our plan has proven appropriate for the additional challenges we've seen in the first 6 months.

Our first execution plan priority is to optimize the profitability of our existing business. We are challenging how we run our business in every possible way and are turning over every stone as we pursue a continuous process to reduce costs; as we advance operational excellence initiatives to optimize NGL recoveries, fuel consumption, system reliability and other key operational metrics; and as we capture capital-efficient commercial opportunities in a lower activity environment.

We have a continuous improvement mindset, and we will be relentless about maximizing the cash flow we generate from our business. The second priority of our execution plan is to maintain financial strength. As we talked about last quarter, our team swiftly took a number of decisive steps to preserve over \$600 million of cash in 2020 relative to 2019. This included: first, rightsizing our cost structure. I am particularly proud of our team's success with this difficult task. We are tracking 20% ahead of cost savings expectations, and now forecast that we will sustainably reduce annual costs by \$120 million -- a 20% reduction compared to 2019 on essentially the same business operations. Second, we reduced our capital expenditures program by 66% as compared to last year and will continue to significantly reduce and focus capital spending in 2021. And third, we reduced our common unit distribution to a sustainable level in this environment. Pablo will expand on this, but I want to emphasize that our liquidity position is strong, and we are not only self-funding CapEx and distributions, but also continuing to generate strong excess free cash flow.

Our third execution priority is to drive organizational efficiency. I'm grateful for our employees' focus, dedication and perseverance during these challenging times. Employee safety is our top priority, and we continue our efforts to take the appropriate measures to provide a safe working environment for everyone.

COVID-19 has and continues to alter our everyday lives and business operations, and it is important that we don't let our guard down. Despite the distractions, our safety performance is the best it has ever been. We continue to achieve new company safety records. And notably, we have gone 138 days without a recordable employee injury, which is a top-tier safety achievement in the energy industry.

Our fourth and final priority is to ensure we position EnLink for the future. We have our eyes squarely on what lies ahead for EnLink as global economies recover and the new energy landscape comes into view. We are positioning ourselves for a market of lower growth, but with higher cash flow and returns. We see a number of smaller scale, capital-light, tuck-in type of opportunities around our assets that are very capital-efficient and have the types of compelling return profiles we're searching for. Over the long term, we will leverage our leading positions in key producing basins to improve operational efficiencies, increase profitability and capture higher returns.

On the demand facing side of our business, the Gulf Coast continues to provide compelling long-term opportunities as export markets begin to strengthen again. We will increase our presence downstream, but have a very high bar when it comes to the returns on investment we are seeking. We will continue to evaluate every opportunity through that critical lens and will not execute on anything that isn't highly accretive to the strong platform we operate today.

Before passing things over to Ben, I wanted to take a moment to highlight an important change to our leadership team. In July, Pablo Mercado joined us as Executive Vice President and Chief Financial Officer of Enlink. Pablo has tremendous expertise as an energy executive and a unique background in driving strategic change and generating value. I am excited to welcome Pablo as a new partner and look forward to working closely with him and the rest of our leadership team in executing our plan.

With that, I'll turn it over to Ben to discuss our operational update.

Benjamin D. Lamb, EnLink Midstream, LLC - Executive VP & COO of EnLink Midstream Manager LLC

Thanks, Barry, and good morning, everyone. As Barry mentioned, our operations performed very well throughout the second quarter. All 4 segments showed tremendous resilience in the face of severe demand destruction, commodity volatility and producer pullbacks.

I'll start with the Permian. We achieved strong segment profit in the Permian for the quarter, reporting \$43.5 million, which is approximately 35% higher as compared to the first quarter of 2020 and approximately 30% higher as compared to the second quarter of 2019.

Strong results for the second quarter were driven by a combination of natural gas gathering and processing volume growth, commodity price improvements and opportunistic margin opportunities captured by EnLink's crude storage assets.

Average natural gas gathering and transportation volumes for the second quarter were approximately 5% higher as compared to the first quarter of 2020, and approximately 29% higher as compared to the second quarter of 2019. Average natural gas processing volumes for the second quarter increased approximately 4% and 24% as compared to the first quarter of 2020 and the second quarter of 2019, respectively.

Drilling activity remained relatively strong on our footprint throughout the second quarter despite the challenging environment. Completions activity slowed during the quarter, but we're seeing green shoots on that front with a significant number of new wells scheduled to be brought online in the second half of the year. \$40 crude is enough price support to incentivize well completions for our producers. Segment free cash flow for the Permian was close to zero for the second quarter as we neared the completion of our Tiger plant construction in the Delaware Basin. With the Tiger plant becoming operational during the third quarter, the Permian segment is expected to pivot to generating positive segment free cash flow for the remainder of 2020.

Turning now to Louisiana, segment profit held up well coming in at close to \$70 million for the second quarter. Segment profit for the quarter was approximately 3% lower as compared to the first quarter of 2020, and approximately 7% higher as compared to the second quarter of 2019. The decline in segment profit as compared to the first quarter of 2020 was primarily driven by normal seasonality in the NGL business, though we did also see a dip in volumes on the system.

NGL fractionation volume for the second quarter were approximately 10% lower as compared to the first quarter of 2020 and 2% lower as compared to the second quarter of 2019. Volume declines relative to prior periods were primarily due to upstream curtailments and shut-ins.

Average natural gas gathering and transportation volumes for the second quarter were approximately 8% lower as compared to the first quarter of 2020 and 3% lower as compared to the second quarter of 2019. Demand from our industrial customers remained strong despite the weak economic backdrop of the past quarter.

Average crude volumes handled in EnLink's Ohio River Valley operations for the quarter were approximately 10% and 22% lower as compared to the first quarter of 2020 and the second quarter of 2019, respectively. Crude volumes were negatively impacted during the second quarter of 2020 as a result of the macro demand decline for crude oil, which impacted refinery activity in Ohio.

Segment free cash flow for the second quarter was \$54 million. We spent about \$16 million during the quarter on a few highly accretive projects, including the build-out of our connection to the Venture Global Calcasieu Pass LNG facility. With most of these small projects wrapping up, Louisiana is expected to increasingly generate significant segment free cash flow for the remainder of 2020.

Moving on to Oklahoma next, we delivered \$99.3 million of segment profit for the second quarter of 2020, which was approximately 4% lower as compared to the first quarter of 2020. Cash flow and volumes held up well during the quarter as production curtailments and temporary shut-ins reversed more quickly than we anticipated.

Natural gas gathering volumes were down by approximately 11% sequentially, with processing volumes down 6% sequentially. All in all, we experienced shut-ins and curtailments for about 2 months, and everything for the most part, was back online by the end of June.

Oklahoma continues to be a very strong source of segment free cash flow for us, delivering around \$96 million for the second quarter, and we expect Oklahoma to continue generating significant free cash flow for the remainder of the year.

Wrapping up with North Texas, we experienced sequential natural gas volume declines in the 4% to 6% range, as expected in this mature basin. Segment profit for the quarter was \$69 million, which decreased by approximately 6% as compared to both the first quarter of 2020 and the second quarter of 2019. The decline in segment profit was driven primarily by volume declines.

Segment free cash flow for the quarter was \$66 million as North Texas continues to be a predictable, stable and significant source of free cash flow for us.

As we think about the rest of 2020 for North Texas, we don't expect any drilling activity on our footprint. We continue to expect the Devon acreage sale to BKV to close this year see that as a positive as BKV comes in as a new focused owner with fresh eyes as to what the opportunities may be.

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

Pablo G. Mercado, EnLink Midstream, LLC - Executive VP & CFO of EnLink Midstream GP, LLC

Thank you, Ben. Good morning, everyone. It's great to be here, and I'm excited to be part of the analog team. I'll start with the second quarter highlights. As Barry and Ben mentioned, EnLink delivered a very successful second quarter of 2020, achieving \$255 million of adjusted EBITDA. This is relatively unchanged from both the adjusted EBITDA that EnLink delivered in the first quarter of 2020 and in the second quarter of 2019. This underscores the earnings power and stability of our platform, as well as the decisive and swift actions our team took in response to the unprecedented challenges in the energy industry.

EnLink also achieved \$72 million of excess free cash flow for the second quarter of 2020, with 3 of our 4 segments contributing strong free cash flow, and the Permian segment being basically self-funding in the quarter.

We define excess free cash flow as distributable cash flow less growth capital expenditures net to EnLink and less distributions to our common unitholders. Excess free cash flow increased by 64% compared to the first quarter of 2020, and we expect our excess free cash flow to be higher in the back half of 2020 as our capital expenditures continue to decrease.

Capital expenditures net to Enlink for the quarter were \$58 million, down close to 60% from the first quarter of 2020. With our Tiger project wrapping up, we expect to continue to reduce capital investment, not just this year, but also meaningfully in 2021.

One of our top priorities is to maintain our strong liquidity and financial position. We have a \$1.75 billion revolving credit facility, which does not mature until 2024. At the end of the second quarter, we had \$400 million drawn on that facility.

There are several options available to us for the refinancing of our only near-term maturity, our \$850 million term loan due in December of 2021, including using the undrawn capacity under our revolver without impacting our leverage metrics. As we look forward, we have a favorable senior notes maturity horizon with approximately 37% of our bonds not maturing for 20 years or more. Our next senior notes maturity isn't until 2024.

We ended the second quarter with debt to adjusted EBITDA of 4.3x, as calculated under our credit facility, progressing towards our targeted leverage level of under 4x. We will continue to maintain our strong liquidity position, manage our term loan maturity and reduce debt.

Now let's turn to our 2020 guidance. You will have seen in the materials we released yesterday, an update to the 2020 guidance that we provided in May. From an adjusted EBITDA standpoint, we are now on track to achieve in the high end of our previously guided range of \$950 million to \$1.025 billion. We are pleased with the resiliency that our business showed in the first half of the year, positioning us to end the year on a high note.

With respect to excess free cash flow, we now expect to meet or exceed the high end of our previously guided range of \$260 million to \$280 million. The EnLink team has not only adjusted our business model to self-fund CapEx and distributions, but also to generate strong free cash flow. Our free cash flow yield is in excess of 20%, setting us apart in our industry.

When we look into 2021, we expect to continue to see very strong excess free cash flow generation from our platform. The strong financial position we find ourselves in is, in large part due to the swift company-wide cost reductions EnLink executed and the team's very disciplined approach to deploying capital.

When the team set out to drive costs from the business earlier this year, the expectation was that \$100 million would be sustainably removed from operating expenses and general and administrative expenses. The steps taken were tough, but we are seeing the benefits of those measures in our financial results, and we now expect to exceed previous cost reduction targets by 20%, bringing the total savings to \$120 million for 2020 compared to 2019. Most of these reductions were to fixed costs and are, therefore, largely sustainable in the recovery.

From a capital deployment standpoint, we are seeing CapEx come down quarter-over-quarter as expected. Our one major capital project for this year is the Tiger Plant in the Delaware Basin, which Ben discussed, and the vast majority of that, roughly \$60 million investment is now behind us. We expect the remainder of capital this year to be spent on well connects and gathering infrastructure, with total capital for the year coming in around the midpoint of our guidance range of \$190 million to \$250 million. We expect our capital expenditures to be significantly less in 2021 than the amount we are investing in 2020.

Before I turn the call back to Barry, I'll touch on the key point of the EnLink story. That is the strong roster of customers EnLink has connected to its systems from the first mile of pipe to the last mile pipe and all the miles in between. First, approximately 94% of gross margin earned to date in 2020 comes from fixed fee contracts, which provides much needed visibility and stability of cash flows, especially in this environment.

Second, 85% of our second quarter revenues were generated by counterparties with investment-grade ratings or parties who have provided us security. Our top 10 counterparties represent 63% of our second quarter revenues, and 90% of those customers have investment-grade credit ratings, with the remaining 10% having provided us security. We've seen our customers and counterparties weather the recent storm very well. We're looking forward to moving into the recovery together and growing from here as we emerge stronger from the challenges we have all faced.

Again, I'm excited to be part of the EnLink team, and I'm looking forward to all that we're going to achieve. With that, I'll turn that back over to Barry.

Barry E. Davis, EnLink Midstream, LLC - Chairman & CEO

Thank you, Pablo. We share in your excitement as you join our team. Before we open up the call for Q&A, I will leave you with this. Our execution plan is delivering results. Our cost management efforts are exceeding expectations. We have a number of compelling investment opportunities ahead of us, and the right highly engaged team in place to deliver value. And most importantly, we remain focused on maintaining safe and reliable operations for our employees, customers and the communities we work in.

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

QUESTIONS AND ANSWERS

Answer – Operator: (Operator Instructions) Our first question is from Shneur Gershuni from UBS.

Analyst: Shneur Z. Gershuni, UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst

Question – Shneur Z. Gershuni: Good to hear everyone is well. Maybe to start off, Pablo, you're a new CFO in place, a lot of going on in both the industry and company wise and so forth. Can you walk us through your initial thoughts on how you plan to be dynamic around the balance sheet? And what options are available? Do you see yourself buying your junior sub-notes preferreds and bonds in the open market as kind of a way to accelerate leverage reduction? I was just wondering if you can sort of walk us through your initial thoughts and plans since you've come to the company.

Answer – Pablo G. Mercado: Yes, thanks for that question. It's great to be here. So first, let me talk a little bit about my priorities. I think from the financial perspective, those are very clear. We've outlined them in the presentation that we posted to our website. First and foremost, it's maintaining the strong liquidity. I think you saw the company take very swift action early in the year to ensure that and really prioritize that. Second is addressing the very manageable debt maturity that we have in the term loan. That's not due until the end of next year. And then third is reducing leverage to our target of under 4x.

Within your question, you asked about potential to buy back bonds and continue that. So first, I'd say it is a tool that we have. You saw us do some of that in the second quarter at a pretty attractive price. So it's certainly a lever that can help us decrease our leverage. But we're balancing our priorities, and one of those, of course, is maintaining the strong liquidity. So you'll see us have that as part of the mix, but we'll continue to weigh that against other opportunities and really focus on generating the strongest returns.

Question – Shneur Z. Gershuni: Do you envision yourself being a little bit more dynamic? I mean, if you are generating free cash flow that you could be a little bit more aggressive and weigh the liquidity objective a little -- or put it a little lower on the profile list. Just when you're giving these types of opportunities, pricing and yield wise. It sort of

seems like that you would want to pivot to be a little bit more aggressive in terms of buybacks. Is that the way you're thinking? Or is liquidity still the number one priority?

Answer – Pablo G. Mercado: Liquidity is still a top priority. And as I said, the bond repurchase is one of the tools in the toolkit, and we'll continue to weigh that against other high return opportunities. But what I will tell you is we're going to be very nimble. And so the goal is to be ready to execute. What we know is that this market is constantly changing, and so it's not going to stay status quo. Either things are going to be better or worse, and we'll be ready to take advantage of the different levers that we have available to us.

Answer – Barry E. Davis: This is Barry. Let me say, we've had conversations with you recently where we've really emphasized our focus on the entire capital structure, and that we think there's opportunity on our balance sheet to do some work. And so I think whether you use the word dynamic, aggressive, whatever it is, we are going to be active, and we are going to be ready to take advantage of opportunities that we see, and we're going to create opportunities. And so I think Pablo is the guy to make that happen, but it certainly is a broader effort than that.

Question – Shneur Z. Gershuni: Perfect. And maybe just two follow-up questions with respect to the results. First, on the cost savings side when we (inaudible) \$20 million of expected savings and so forth. So we're looking at a total of \$120 million worth of savings right now. How much of that is variable and it's just going to change with ebbs and flows of the business versus how much is a permanent cost structure reduction? If you have a percentage between the 2, that would be helpful.

Answer – Barry E. Davis: Great question, Shneur, and thanks for a little bit of a softball because we have done tremendous work across our cost structure, and I'm talking about the fundamental cost structure to remove fixed costs, and so it is sustainable. If we were to see a much more active environment, we certainly have the ability to scale up but we are at a foundational level of a cost structure that will be as it is today going forward across the business that we have. So great work, sustainable cost reductions and a continuous process of driving out cost across the business. That's something you're going to see us be relentless about. We'll wake up every day because, I mean, look, it's been reinforced by seeing the impact in the results. And so our team is motivated by seeing how much we've been able to impact the business. As I listen to the \$120 million number, a number of times throughout our prepared remarks. I mean, that's extraordinary. When you look at the same-store business, approximately 20% cost reduction, that's a great work.

Question – Shneur Z. Gershuni: Okay. And one final question, if I may. Can you provide us a little bit more color on the gas volumes in the Permian for the second quarter? I mean, just looking at the news reports and you see how much production is down and so forth, what was the nuance that resulted in your strong gas volumes in the Permian in 2Q?

Answer – Benjamin D. Lamb: Shneur, it's Ben. I'll probably give you even a little bit more answer than you're looking for there. So you saw our gathered volumes were up about 5% quarter over prior quarter, 4% on the process side. But that doesn't really tell the whole story because if you go back to what we talked about in the first quarter call, we talked about seeing significantly lower volumes from our on-load customers. So these are our neighbors for whom we process gas. With their own curtailments, they didn't need us as much as they needed us in the first quarter, and so we saw a significant reduction in those volumes. But we more than made up for that with gas for which we provide a full service, the gathering and compression and treating or processing, I mean to say, which, of course, is a higher-margin business for us. And so the 4% and 5% sequential increase, if anything, understates the strength of the core business, the full-service business that we provide in the Permian.

As to how are we up when others are down, it's a few things. One is we provide the best service in the industry. And I believe that, that matters when people decide where they're going to curtail production. Second thing is we have a great team that stays in constant communication with the customers and is able to respond in ways that support the customers through difficult times. And then the last thing I would say, some of it is luck of the draw. Our customer base on our particular acreage just didn't see a need to curtail as much as some others did.

Answer – Operator: Our next question is from Jeremy Tonet from JPMorgan.

Analyst: James M. Kirby, JPMorgan Chase and Co., Research Division - Equity Research Associate

Question – James M. Kirby: This is James on for Jeremy. Maybe just starting with a more broad question on the assumptions built into the second half of the year that kind of brings you to the higher end of the guide. Just given that volumes have rebounded a lot quicker than, I guess, you expected across the entire portfolio. But just if you could touch on current activity trends through July and what you're seeing across your footprint, with particular emphasis on just the gassier part, especially with recent strength in gas prices as it pertains to kind of your Oklahoma footprint?

Answer – Benjamin D. Lamb: Yes. James, it's Ben. As to how we're in the higher end of the range, obviously, part of it is printing a really strong second quarter, stronger than we anticipated when we were all on the phone together three months ago. But I'd also say, we've seen a really nice level of activity given the environment that we're in across the asset. So

if you think about our Midland gas business, which is the biggest contributor to the Permian segment, we had a good level of drilling activity all throughout the crisis. Now we saw a slowdown in completions. But with \$40, call it \$43 this morning on the crude strip, that is enough of a price incentive to bring the completion crews back, and that is what we're saying. I do expect to see that more 2021 weighted than 2020 weighted because it does take time for those volumes to show up, but it will have an impact -- it will have some impact later in the year.

In Oklahoma, we've seen a modest level of activity throughout. And it varies from month-to-month. At times, we might have been at no rigs; at times we were three or four rigs. Today, we are at two. And I expect that we'll continue to see that level of activity as we go forward through the rest of the year.

Question – James M. Kirby: Got it. And then, I guess, in a similar kind of sentiment, but you guys identified the \$50 million of Flex CapEx last quarter that I assume will be spent just given the updated outlook. Is that -- could you maybe like talk about where that \$50 million spend is going in terms of price? Is that going to the Permian, primarily?

Answer – Benjamin D. Lamb: Yes, James, it's going primarily to the Permian, and you rightly point out that it is tied to producer activity levels. And because we've seen those levels hold up, and in fact, we've seen the completion activity accelerate a bit. We expect to be right in the middle of the range. Right now, we expect to be right in the middle of the range that we've given for CapEx guidance.

Question – James M. Kirby: Got it. And then just one more, if I could. You guys obviously benefited this quarter from the crude oil marketing in the Permian. Can you maybe talk about the opportunity carrying into 3Q at all?

Answer – Benjamin D. Lamb: Yes. Well, first, let me take the opportunity to kind of size for everybody the benefit from the storage assets. It was only about \$4 million. And so while it was a nice contribution, it's quite small in the scale of things. And so if the street number was something like 235, and we printed 255, if we never done anything in storage, we still would have had a really nice performance for the quarter. Of that \$4 million, I would say, roughly \$3 million-or-so was in the Permian, and then there was a small piece in ORV and a small piece in Oklahoma crude. That was a simple -- a fairly straightforward storage trade that took advantage of the very steep contango in the crude market that we saw in the second quarter. In terms of repeatability, it is repeatable. When we see Contango but if you look at the strip right now, there's not a lot of Contango out there. And so I don't expect to see much of that in the third quarter from what we know right now.

Answer – Operator: Our next question is from Colton Bean from TPHC.

Answer – Colton Westbrooke Bean: Just a follow-up on Shneur's first question there around financial policy. As you evaluate the appropriate leverage targets, can you speak to the factors that go in about 4x or better and how you think about the preferred equity in that context?

Answer – Pablo G. Mercado: Yes. Good question. So the factors going into the 4x leverage is, first, that we're generating really strong free cash flow, right? We talked about earlier in the prepared remarks, the company took very swift action to preserve \$600 million of cash flow relative to 2019, and so we're in the fortunate position of not only being self sustaining, but also generating excess. So we're going to continue to work towards that target. But in terms of the timing, it really depends on pace of recovery, I'd just say we were close and have good momentum around it.

Answer – Colton Westbrooke Bean: Got it. In the preferred, they're not -- they don't factor into that 4x, is that correct?

Answer – Pablo E. Mercado: No, they're not in that 4x. They are treated as equity. But I would say, as Barry mentioned earlier, we are looking at opportunities across the capital structure to see what we can do to optimize that.

Answer – Colton Westbrooke Bean: Got it. And then maybe a question for Ben. So with the NGLs recovering over the course of Q2 and increased ethane premium, are you seeing any opportunities in the Louisiana processing footprint at Pelican or Plaquemine?

Answer – Benjamin D. Lamb: Yes, Colton, we are -- you saw that we had a little bit of a sequential increase in the processing volumes up to 197,000 MMBtu a day in 2Q. Today, we're north of that. But just look at the price action on the week, right? We had gas up \$0.30 Monday, Tuesday and ethane didn't move that much. And so it's an extremely dynamic market, but when it's there, our team in operations in pipeline control is very fast, take advantage of it.

Answer – Operator: Our next question is from Spiro Dounis from Crédit Suisse.

Answer – Spiro Michael Dounis: If I could just follow-up on the EBITDA guidance. It seems to imply flat for the rest of the year. And I guess just with Tiger plant coming online and the return to shut in production, it sounds like things are going well. I'm just curious what's offsetting that to give you that implication that it's going to be flat?

Answer – Benjamin D. Lamb: Yes. I hesitate to say too much about a quarter-to-quarter comparison. But you're right, we have some volumes ramping in the Permian with Tiger coming online. At the same time, we'll expect to continue to see a bit of decline in North Texas. And while we've seen the shut-ins of the second quarter come back online in Oklahoma, the asset itself is still going to be in a bit of a decline mode. And so put all that in the mixing bowl, and you end up in the guidance range we're in. And as we said, expect to be in the higher end of it.

Answer – Spiro Michael Dounis: Got it. And then, Barry, you mentioned having a very fine scope for spending on projects going forward. And just -- I guess, a bit of a follow-up to Shneur's question, but how do you think about the return hurdles when you see your stock trading at a 20% free cash flow yield, as you mentioned? And making that decision between -- when you've got that free cash flow, obviously, deleveraging is a priority, liquidity is a priority. But when it comes to growth versus your 20% free cash flow yield, does buying back your own stock become a consideration at some point?

Answer – Barry E. Davis: Yes, Spiro. First of all, I think you point out that we've got a lot of opportunities, and we are very focused on the allocation of capital. So we will look at that. The good news is we believe that we have opportunities that are right around our platform today that do meet those thresholds and that are competitive with buying back our stock, which we think is a better long-term answer. And so I think the emphasis really, though, would be that the filter is that high, the bar is that high, and we will be very disciplined as we look at all the opportunities and how we allocate capital across the balance sheet and the investment opportunities that we see.

Answer – Operator: (Operator Instructions) Our next question is from Gabe Moreen from Mizuho.

Answer – Gabriel Philip Moreen: Barry, you keep using the phrase, I think, scalable in a lot of your prepared remarks. (inaudible) so thinking about operating your assets differently than you had in the past, and that would summarize difference than a lot of other people in the industry. Can you just talk about that platform that you're building and the ability maybe to consolidate some of the sector in a capital constrained environment, if you see that happening, I guess, in the near to medium-term and if EnLink is going to play a role there, given, I guess, the scalability of the platform?

Answer – Barry E. Davis: Yes. So Gabe, thanks for the question. Let me start and Ben will also add something here. But what I would say is we've done a great work around process improvement, operational excellence, focusing on improving the performance of our assets, and all of those things go into our ability to do -- to be a lowest cost provider. And so as we've said, it is a mindset. It is a mindset that will continue. And I think we've seen, again, some tremendous work that kind of begins to feed on itself as we go forward. So as it relates to how does that create opportunities: I think the lowest cost provider does have greater opportunities for consolidation. We will be actively looking at opportunities to consolidate and optimize operations around our assets. In the near term, I think that's where the opportunity is. It's probably not broad consolidation, but close in, tuck-in type opportunities that we will be focused on. Again, you'll see very different structures in terms of how we achieve that. It will be, in some cases, just commercial contracting. In other cases, there may be an outright ownership consolidation of where we're acquiring something or a joint venture. So a lot there, and it is absolutely a focus for us, and our resource allocation today is very much in the direction of those types of opportunities.

Answer – Benjamin D. Lamb: Yes. Only thing I would add to that is that we have the biggest position in Central Oklahoma. We have the biggest position in North Texas. And so that gives us the flexibility to absorb volumes from others, whether that's through a commercial contract, as Barry says, or potentially through tuck-in acquisitions. If we were to pursue those, they would have to be accretive and at worst, would need to be leverage-neutral and ideally would be enhancing to the leverage and liquidity position. But we're well positioned to do those in our core basins where we have big, flexible, scalable platforms.

Answer – Gabriel Philip Moreen: And then one quick follow-up from me. It seems that Devon announced last night that the BKV transaction might be closing a little earlier. Have you spoken to them? And I guess there was also something about the contracts, I think, shifting a little bit. Once that deal closed, can you just speak to that? And is that matter for guidance at all for this year?

Answer – Benjamin D. Lamb: Yes, Gabe. We have spoken both with Devon and several times now with BKV, we're beginning to build a strong relationship with BKV, who will be our new customer, hopefully, in the fourth quarter of this year according to or pursuant to their current plans. In terms of the contract changes, this is a reminder of some news that we shared with the market last year. As part of that transaction, we agreed to provide a modest reduction in the processing fees that BKV pays on the rich gas, in exchange for some value in our NGL segment. And we think that we are a modest net winner in that value trade. And so it was a deal where everybody won. We got some NGL value, BKV gets to pay lower processing fees and Devon presumably realized a little bit better value for the asset than if they hadn't done that deal with us. And that will all take effect at the time the transaction closes, whether that's the fourth quarter or some other time.

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

Answer – Barry E. Davis: Thank you, Kate, 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 third quarter results in November. In the meantime, we wish you all well and stay healthy. Have a great day.

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