

01-Nov-2023

EnLink Midstream LLC (ENLC)

Q3 2023 Earnings Call

CORPORATE PARTICIPANTS

Brian Joseph Brungardt

Director-Investor Relations, EnLink Midstream LLC

Jesse Arenivas

Chief Executive Officer & Director, EnLink Midstream LLC

Dilanka Seimon

Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Walter Pinto

Chief Operating Officer & Executive Vice President, EnLink Midstream LLC

OTHER PARTICIPANTS

Brian Reynolds

Analyst, UBS Securities LLC

Charles Bryant

Analyst, Citigroup Global Markets, Inc.

Gabriel Moreen

Analyst, Mizuho Securities USA LLC

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Zack Van Everen

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

Sunil Sibal

Analyst, Seaport Global Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the EnLink Midstream Q3 2023 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Brian Brungardt, Director of Investor Relations. Thank you, Mr. Brungardt. You may begin.

Brian Joseph Brungardt

Director-Investor Relations, EnLink Midstream LLC

Thank you, and good morning, everyone. Welcome to EnLink's third quarter of 2023 earnings call. Participating on the call today are Jesse Arenivas, Chief Executive Officer; Dilanka Seimon, Executive Vice President and Chief Commercial Officer; and Ben Lamb, Executive Vice President and Chief Financial Officer. Walter Pinto, Executive Vice President and Chief Operating Officer, is also in the room to answer any questions during the Q&A session.

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 investors.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 headings Risk Factors.

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

Jesse Arenivas

Chief Executive Officer & Director, EnLink Midstream LLC

Thanks, Brian, and good morning, everyone. Thank you for joining us today to discuss our third quarter 2023 results. As I sit here today, I'm impressed at the solid execution driving another record year of adjusted EBITDA. Despite the volatility we've seen in the commodity markets, our assets have been very resilient, benefiting from a diverse set of customers.

We enter the year forecasting the midpoint of \$1.355 billion for adjusted EBITDA and we remain on pace to achieve this midpoint. For the quarter, we generated \$342 million of adjusted EBITDA, driven by robust activity behind our Permian system, which saw another record quarter of gathered volume.

EnLink's strong execution and disciplined approach are driving returns for our investors. During the quarter, we continue to execute on our unit buyback program and have executed approximately \$160 million of our board authorized \$200 million for the year. Since early 2022, we've repurchased over 7% of the units outstanding through our consistent buyback activity.

We discussed on our last call our unique position to benefit from the energy transformation, a world in which the energy mix will continue to include hydrocarbons complemented with CCS, while adding newer, cleaner sources of energy, like hydrogen and other renewable fuels.

Since our last update, we continue to see signs that suggests a growing need for traditional energy and, in particular, natural gas. Last month, the EIA announced that the US exports of natural gas, both pipeline and export LNG, set a record high in the first half of 2023, with an average of 20.4 Bcf a day or an increase of 4% compared to the first half of 2022.

Then Sabine Pass LNG came online in 2016. The US became a net natural gas exporter in 2017. Said another way, we have witnessed a growth of over three-fold in the past seven years. According to data by the International Group of LNG Importers, global import capacity is set to expand by 16% or 23 Bcf a day by the end of 2024, as an increasing number of countries are relying on imported LNG to help meet their growing energy demands. In the first seven months of 2023, three countries Germany, the Philippines and Vietnam began importing LNG for the first time. Antigua, Australia, Cyprus and Nicaragua are expected to start importing LNG by the end of 2024. In total, it's expected that 55 countries will have LNG regasification terminals online by the end of 2024.

In addition, the United States recently took over the spot for the largest LNG exporter, with an average of 11.6 Bcf a day in the first half of 2023. The US now exports approximately 1 Bcf a day more than Australia or Qatar.

According to the EIA's recent International Energy Outlook 2023, as global energy demand increases, global energy-related CO2 emissions are expected to increase through 2050. In most cases, the EIA examined the growth in non-fossil fuel backed resources like nuclear and renewables is not sufficient to reduce global energy-related CO2 emissions under current laws and regulations. Said shortly, the world cannot rely solely on adoption of renewable energy, but will require an all of the above approach, including CCS, to meet their emissions reduction goals.

To sum it up, we are excited at how we can be an active participant through the energy transformation. Our assets are uniquely positioned to provide both the supply of natural gas and natural gas liquids to local demand centers, as well as export markets, while also aiding industrial emitters efforts to reduce their own carbon emissions through our CO2 transportation business.

With that, I'll turn it over to Dilanka to provide an overview of our – of an update of our commercial opportunities.

Dilanka Seimon

Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

Thanks, Jesse, and good morning, everyone. Over the past several months since I joined EnLink, I'm excited to see that the opportunity set ahead is even greater than I originally anticipated. I think the market is well aware of the significant growth we're seeing in the Permian. This includes our equity investment in the Matterhorn pipeline, which continues to progress as anticipated and will represent an attractive demand-driven investment.

Beyond our G&P systems, I'm most excited for the opportunities within the Louisiana system. EnLink owns over 4,000 miles of natural gas and NGL pipelines, providing a critical connection between suppliers and end users. Within the natural gas business, EnLink owns the Bridgeline system, the Louisiana Intrastate Gas system, the Henry Hub, and nearby storage at Jefferson Island Storage Hub or JISH, as well as Napoleonville and Sorento storage facilities.

Across our system we have approximately 15 Bcf of storage capacity with significant expansion capability, which we are currently evaluating. We are also considering attractive projects to leverage our existing assets in the ground. These projects will not only service the growing LNG market but also ensure industrial users have access to the critical supply needed for their operations. While we see this as an opportunity rich environment, we will remain disciplined. And any project will have to clear a high bar in terms of project economics.

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

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

Thanks, Dilanka, and good morning, everyone. Let's start with the Permian, where segment profit for the third quarter of 2023 came in at \$102.7 million. Segment profit in the quarter included approximately \$2.5 million of gross operating expenses tied to plant relocations and \$7.4 million of unrealized derivative losses. Excluding plant relocation, OpEx and unrealized derivative activity, segment profit in the third quarter of 2023 grew 11% sequentially, but decreased 4% from the prior-year quarter. Producer activity behind our systems remained robust, driving a record quarter for gathered volumes with average natural gas gathering volumes approximately 6% higher sequentially and 15% higher than the prior-year quarter.

Turning now to Louisiana, we experienced another quarter of solid performance in the gas segment along with strong results in the NGL segment despite normal seasonal effects. Segment profit for the third quarter of 2023 came in at \$87.1 million. Segment profit included \$6 million of unrealized derivative losses. Excluding the impact of unrealized derivative activity, segment profit in the third quarter of 2023 grew approximately 8% sequentially and was approximately unchanged compared to the prior-year quarter. Subsequent to the end of the quarter, EnLink agreed to sell most of our non-core Ohio River Valley assets for gross proceeds of approximately \$59 million, which represents a valuation of approximately six times run rate EBITDA.

Moving up to Oklahoma, we delivered segment profit of \$104.6 million for the third quarter of 2023. Segment profit in the quarter included approximately \$0.4 million of operating expenses tied to plant relocations and \$4.1 million of unrealized derivative losses. Excluding plant relocation OpEx and unrealized derivative activity, segment profit in the third quarter of 2023 was flat sequentially, but grew approximately 14% from the prior-year quarter. During the third quarter, we saw operators remain active with rigs on our acreage. However, as we discussed in our last call, we saw operators defer completion activity for a few months, driving average natural gas gathering volumes 2% lower sequentially, but still 18% higher compared to the prior-year quarter.

As anticipated, we have seen completion activity resume and expect to see production from the first of these new wells during the fourth quarter.

Wrapping up with North Texas, segment profit for the quarter was \$63.8 million. Segment profit included \$5.4 million of unrealized derivative losses. Excluding unrealized derivative activity, segment profit in the third quarter of 2023 decreased 7% sequentially and decreased 14% from the prior-year quarter. Natural gas gathering volumes were 2% lower sequentially and 7% lower compared to the prior-year quarter. Separately, we continue to make progress to reduce our CO2 emissions intensity. We previously announced a project with our largest customer in North Texas, BKV to capture and permanently store CO2 from our Bridgeport facility. This project is progressing well with an in-service date in the fourth quarter of this year.

These solid results were in line with our expectations and drove another robust quarter with \$342 million of adjusted EBITDA. We are reiterating our adjusted EBITDA guidance for 2023 and we remain on pace to achieve the midpoint of the range of approximately \$1.355 billion. Capital expenditures, plant relocation expenses net to EnLink and investment contributions were \$126 million in the third quarter of 2023.

Free cash flow after distributions for the third quarter came in at approximately \$66 million. Total CapEx spending, including growth CapEx net to EnLink, plant relocation costs, investment contributions and maintenance CapEx continues to track within our 2023 guidance of \$485 million to \$535 million.

On the balance sheet side, we continue to be in a very strong position with a leverage ratio of 3.4 times at the end of the third quarter. And we retain ample liquidity. We remain investment-grade rated at Fitch and one notch below investment grade at S&P and Moody's, with a positive outlook at S&P.

Consistent with our capital allocation plan to return capital to investors, we maintained our common unit distribution of \$0.125 per unit in the third quarter, which represents an 11% increase over the third quarter of 2022. Additionally, we remain active with our common unit repurchase program with approximately \$50 million spent in the third quarter. This puts us ahead of pace to complete our \$200 million unit repurchase program for 2023.

Since the end of 2021, we have now repurchased nearly 35 million common units. While it's too early to provide 2024 guidance, based on preliminary discussions with our customers, we expect 2024 to be a year of modest growth. Similar to this year, we anticipate 2024 growth will be driven by our largest segment, the Permian. We currently anticipate relatively stable volumes in Oklahoma and a modest decline in volumes in North Texas next year. Longer term, we're bullish on our natural gas demand and therefore activity at Oklahoma and North Texas in late 2024 and beyond.

In summary, the EnLink team delivered solid results in the third quarter of 2023 and we expect the momentum to continue for the rest of the year. With that, I'll turn it back over to Jesse.

Jesse Arenivas

Chief Executive Officer & Director, EnLink Midstream LLC

Thank you, Ben. The EnLink team delivered another quarter with solid execution in the third quarter of 2023, placing us well on our way to achieve the midpoint of our 2023 adjusted EBITDA guidance. We're excited for the future as we expect the momentum we built to carry into 2024 and beyond. With that, you may now open the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of Brian Reynolds with UBS. Please proceed with your question.

Brian Reynolds

Analyst, UBS Securities LLC

Q

Hi. Good morning, everyone. Appreciate the prepared remarks around some moderate growth expectations for 2024. So, maybe just to dive into that a little bit further, Permian, clearly the strongest percentage of earnings going into next year with a strong exit this year. But, as we think about and sensitize Oklahoma, North Texas a little bit more, how many rigs do you need to keep on the Oklahoma system to effectively keep volumes flat outside of the Dow Devon JV that three rigs, assuming that continues next year? Thanks.

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Hey, good morning, Brian. This is Ben. Yeah, in the Oklahoma system, in fact, the Devon Dow JV by itself is very close to what we need to keep volumes flat. That's a — that activity is in a fairly gassy part of the field and they're fairly dense efficient developments. So, really, it's — it's the degree of other activity beyond the Devon Dow JV that we see that will determine, whether we're at a very slight decline or slight growth next year. But Devon Dow by itself keeps the business fairly flat.

Brian Reynolds

Analyst, UBS Securities LLC

Q

Great. Super helpful. Maybe to pivot to capital allocation for a minute. Leverage is in the right spot with some positive rating agency action over the past few months. Just looking ahead to 2024 for return of capital opportunities, your buyback authorization has \$40 million left. And just given the \$50 million quarterly cadence, one, could we see a reauthorization or potentially upsizing before year end? And how should we think about potentially a return to distribution growth for EnLink going forward? Thanks.

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Yeah, I'll take those in the order you asked them. On the buyback, you're right. We are a little bit ahead of the pace that we need to be on to complete the \$200 million authorization that we currently have. And so both that fact and also the proceeds from the sale of the non-core ORV assets that we announced this morning give us some — potentially some need to increase the buyback authorization before the end of the year. Now, we haven't gone to talk to the board about that yet, but it is a possibility or we may roll it into next year's capital return plan. We're just still working through that as a team.

In terms of the distribution, of course, we did an 11% increase this year. Expect the board will relook at the distribution for next year. But at this point, we don't have any news to share on that front.

Brian Reynolds

Analyst, UBS Securities LLC

Q

Great. Thanks. I'll leave it there. Enjoy the rest of your morning.

Operator: Thank you. Our next question comes from the line of Spiro Dounis with Citi. Please proceed with your question.

Charles Bryant

Analyst, Citigroup Global Markets, Inc.

Q

Hi. This is Chad on for Spiro. Starting off, could you provide an update on CCS commercialization progress and just any details on the timeline when could can expect to see more deals signed there?

Dilanka Seimon

Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

A

Hi, Chad. It's Dilanka here. Let me start by saying that we value our relationship with Exxon and we continue to work under our CO2 transition agreement with them providing CCS solution to the Mississippi River corridor emitters. On our side, we've completed most of the dual runs on the natural gas pipelines. We intend to convert into CO2 service. It will be part of course to use permit and progressing landowner agreements for most of the pipelines, as well as acquired land rights for new pipelines in the state of Louisiana. So, things are progressing well and our teams are gaining significant experience in the CO2 pipeline design building process.

Now beyond that, I would say that our teams are highly engaged with customers. We are in active discussions with many other parties that are developing CCS projects in the US Gulf Coast. There's nothing we can share publicly on the status of those projects in just a second.

Charles Bryant

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Understood. And just following up, you highlighted some commercial opportunities in Louisiana tied to LNG demand, and I believe that included storage. Just how meaningful could this opportunity set be in regards to CapEx? And how are you thinking about timing of these opportunities?

Dilanka Seimon

Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

A

Look, I think our assets in Louisiana, the footprint we cover is quite attractive. We are connected not only to existing industrial demand, but also to expanding industrial and LNG demand. There are many opportunities there to have bolt-on projects to expand our delivery capability on the gas pipeline side. But as you alluded to, storage is kind of percolating to the top. If you look at natural gas volatility and the demand pull from LNG that is coming, that has resulted in storage valuations touching kind of levels of value that we haven't seen probably in a decade or so. So, that we think is an attractive near-term opportunity. We have about 15 Bcf of storage in our portfolio today and we think we can expand and now we're doing the engineering studies and thinking through how quickly and at what scale we can bring that to market. But we expect that to be one of the first things out of the gate.

Charles Bryant
Analyst, Citigroup Global Markets, Inc.

Q

Okay. That's helpful. Thanks for the time today.

Operator: Thank you. Our next question comes from the line of Gabriel Moreen with Mizuho Securities. Please proceed with your question.

Gabriel Moreen
Analyst, Mizuho Securities USA LLC

Q

Hi. Good morning. I had a two-parter on the Permian. One is, were you at all impacted by the extreme weather during the quarter in the Permian, whether higher OpEx, lower efficiencies? I don't think I heard much commentary on that, some were in fact costs here or anything? And then just bigger picture question, on the next plant relocation, what's your latest thoughts are on that and as far as timing and when do you think that might be?

Walter Pinto
Chief Operating Officer & Executive Vice President, EnLink Midstream LLC

A

Hi, Gabriel. This is Walter. I'll take the question on heat and then maybe Ben can expand on the additional capacity. Of course, we saw significantly higher ambient temperature compared to last, I would say, three years in all of our basins, especially Permian and North Texas. But I would say we benefited from a strong operational excellence program and ran our asset really well. And also a lot of our technology programs that we implemented really helped us run the assets. And it's a reflection of our leadership team out there in the field and the people out there. So, we didn't see any impact from the high ambient temperature, but ran pretty well.

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

A

Yeah. Gabe, on the timing of another plant expansion. I'll start by just reminding you that we've been on a pace for the last several years of adding about a plant a year. This year, the Phantom plant, next year will be the Tiger II plant in the Delaware Basin. And so we are watching carefully as our customer plans to develop to understand when the right time to take the next step will be. I do think there will be an additional plant expansion premise in the Permian, but at this point, I don't think it's in 2024. I think it's – think it's beyond. And so no announcement today. When the time does come though, the good news is we've got great options, including more options to move existing plants because it has worked extremely well for us the first three times we've done it.

Gabriel Moreen
Analyst, Mizuho Securities USA LLC

Q

Thanks, Ben. Thanks, Walter. And then maybe if I could just a quick follow-up, I realize that you're not down directly commodity sensitive, but the presentation did note aggressively hedging your 2024 exposure. Can you

just speak to what percentages you are, maybe higher ahead of schedule, so to speak, and where you're hedged relative to this year as far as price levels?

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Yeah, Gabe, happy to expand on that a little bit. So, you'll recall that in 2022 we got ahead of what we feared might be a weak gas market in 2023 by hedging substantially all of our natural gas exposure before we ever got to New Year's Day. And we're in much the same position this year. We're very bullish on gas prices in late 2024 and beyond. But we're maybe a bit less certain for the first three quarters of next year. And so, once again we have hedged almost all of our natural gas exposure for next year. Now, as you point out, we are about 90% fee-based anyway. So, it's not a huge driver of our business, but we've been proactive for the second year in a row and in trying to take one risk off the table.

Gabriel Moreen

Analyst, Mizuho Securities USA LLC

Q

Understood. Thanks, Ben.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Praneeth Satish with Wells Fargo. Please proceed with your question.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Thanks. Good morning. Maybe just to follow up on that last question. So as I understand it, you were hedged at probably higher prices in 2023 versus what you've hedged for the first three quarters of 2024. Is there any way to quantify how much of a potential I guess step-down in EBITDA would occur from 2023 to 2024 just based on the hedging profile?

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Yeah, Praneeth. I don't have the number at my fingertips. What I can say though is in giving the preview into 2024 that I mentioned in the prepared remarks that we see 2024 being a year of modest growth compared to 2023. We incorporate in that look the hedging that we've done both years. So, you're right, we are hedged now for 2024 at somewhat lower prices than we were hedged at for 2023, but not in a way that changes the growth trajectory of the company.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Got it. Okay. And then other question here on 2024 in your comments there, maybe kind of a two-part here. The first is, unless I missed it, I guess how many rigs are currently running on your acreage in Oklahoma? And you mentioned that the Devon Dow JV is enough to keep volumes flat. So, I guess I'm just wondering you know why Oklahoma volumes wouldn't grow in 2024. You mentioned that you expect kind of stable volumes in Oklahoma in 2024. So, are you kind of effectively assuming in your guidance only that the Devon Dow rigs run your acreage in 2024?

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Well, a few — few things to take a part there. First, I want to be clear, we're not giving guidance at this point. We're just trying to give you a sneak-peak as we begin to work through the budget process for what 2024 may look like. Now, specifically on Oklahoma, I think right as of this morning, the rig count on the Oklahoma system is four rigs, three from Devon Dow JV and one from another customer. That's actually a bit of a low point. We have averaged pretty much all year anywhere from 5 to 8 rigs with Devon Dow generally being at three.

But remember, in Oklahoma, not every rig is equal to every other rig. It depends on where in the play they're drilling and it depends on whether they're drilling a sustained program of multi-well pads or something maybe less depth. It takes a little bit more time to drill. So, because of the nature of the Devon Dow activity, that by itself is very close to keeping us flat in 2024. The rest of the activity will really determine whether we're in a slight decline, very slight decline or in a slight growth position. So, to your question, why won't Oklahoma volumes grow? They may, but at this point in November of 2023, we don't have perfect clarity yet on what all the customers are going to do next year.

Praneeth Satish
Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

Operator: Thank you. Our next question comes from the line of Zack Van Everen with Tudor, Pickering & Holt. Please proceed with your question.

Zack Van Everen
Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Perfect. Thank you. Thanks for taking my question. Just circling back to the Louisiana storage opportunities. We've heard a lot of conversation where storage rates are actually getting close to incentivizing greenfield projects. Are you guys looking just at a brownfield expansion or are you also looking at potential greenfield projects there?

Dilanka Seimon
Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

A

Hi, Zack, this is Dilanka here. You know, naturally, we'll start with in our backyard with assets we already have. So, for the moment, we are focused on expanding our existing assets. But as we evaluate those and bring those to market first in parallel, we will look at third party opportunities as well. But we'd like to focus here in the near-term on our assets, particularly not only because of the expansion capacity there, but also the locations are very advantageous in its connectedness, etcetera. So, there are some advantage to expanding those assets because we are already pretty well connected.

Zack Van Everen
Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Got it. That makes sense. And pivoting to the Permian, you mentioned Matterhorn is on track. I think the last update I remember seeing is in-service by call it mid-2024, maybe July. Is that — is there anything you can update there on a timeline of what quarter is expected to come into service?

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

A

Well, I think that the – the WhiteWater team would tell you second half of 2024. I think it's a bit early to say exactly in what month, but very much on schedule and on budget at this point.

Zack Van Everen

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

Q

Okay. Perfect. That's all I had. Thanks.

Operator: Thank you. Our next question comes from the line of Sunil Sibal with Seaport Global. Please proceed with your question.

Sunil Sibal

Analyst, Seaport Global Securities LLC

Q

Yes. Hi. Good morning, everybody. So, first off, I think you mentioned on the call a non-core asset sale. I was curious if you could provide some clarity around that in terms of the magnitude and use of proceeds? And then a little bit broader question, with regard to your goals of returning capital to equity holders as well as credit ratings, how should we kind of thinking about capital allocation going forward?

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Well, to start on the asset sale, we sold most of our Ohio River Valley assets this morning for gross proceeds of about \$59 million. And that's obviously a modest sized asset. That's a valuation of about 6 times run rate EBITDA. While it's a great business, it's just not core to EnLink in 2023 and 2024. And so, it was time to find a buyer for whom it fit better than it fit for us.

In terms of the use of proceeds, the first thing that we will do is to maintain the leverage ratio. And so the first \$35 million or \$40 million will just go to debt reduction, but that does leave \$20 million or \$25 million additional. And that goes back to Brian's question at the beginning here. There may be an opportunity to revisit the size of this year's unit repurchase authorization and perhaps go beyond the \$200 million the board has authorized previously, both to handle the proceeds of that asset sale, but also the fact that our free cash flow after distributions is in excess of the \$200 million program.

And remind me the second part of your question.

Sunil Sibal

Analyst, Seaport Global Securities

Q

Capital allocation.

Benjamin D. Lamb

Executive Vice President & Chief Financial Officer, EnLink Midstream LLC

A

Capital allocation. Yeah. Well, I'll kind of revisit again what we talked about with Brian. We really like the unit repurchase as an option in capital allocation as opposed to a higher distribution. So, while the board may look at the distribution for 2024, just like it did in 2023 and make an adjustment, you should expect to see the share repurchase remain a significant part of our capital allocation plan. As we pointed out in the prepared remarks, if you go back to a couple of years ago, we've eliminated about 7% of the shares outstanding just through this consistent buyback opportunity. And we think that that is a good way to reward our equity investors.

Sunil Sibal

Analyst, Seaport Global Securities LLC

Q

Understood. And then on the CO2 pipeline business, we have seen some CO2 pipeline projects get into regulatory issues in some other states. So, I was curious you know if you could update us on your regulatory process, if you've seen any impact of that or what we're seeing in other states with regard to your discussions with your regulators?

Dilanka Seimon

Chief Commercial Officer & Executive Vice President, EnLink Midstream LLC

A

Yeah. It's Dilanka here. I'm happy to take that question. I think it's important to recognize what sets our CCS business apart. You know Louisiana has one of the largest concentrations of emissions in North America. This combined with our existing market presence, nearby geologic sequestration sites and the supportive political regulatory environment, we don't see at this moment any implications to our business and our growth plan based of the challenges that some of the Midwest projects have seen. And in Louisiana, we found that the regulatory environment to be supportive of this activities, we've been doing this – we've been at it now for about a year so far. We think things are progressing pretty well. So, we don't see any major headwinds there.

Sunil Sibal

Analyst, Seaport Global Securities LLC

Q

Okay. Thanks for that. Thank you.

Operator: Thank you. There are no further questions at this time. And I'd like to turn the floor back over to CEO, Jesse Arenivas for closing comments.

Jesse Arenivas

Chief Executive Officer & Director, EnLink Midstream LLC

Emilia, thank you for facilitating the call this morning. And thank you everyone for being on the call today and for your continued support. As always, we appreciate your interest and investment in EnLink, and we look forward to updating you with our fourth quarter and full year 2023 results in February. In the meantime, we wish you well. Stay healthy and have a great day.

Operator: This concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.