



# Targa Resources (TRGP)

## 4Q21 Earnings Review

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4Q2021	Reported	Estimate	Delta	
Gathering & Processing	\$387	\$363	\$24	
Logistics & Marketing	\$344	\$336	\$8	
Other	-\$60	\$0	-\$60	
Total OpMargin	\$670	\$698	-\$28	
Adj. EBITDA	\$571	\$559	\$12	
Consensus Adj. EBITDA	\$571	\$544	\$27	
DCF	\$421	\$430	-\$9	
Leverage	3.2x	3.1x	0.1x	
TRGP G&P Volumes	4Q21 Rep.	4Q21 Est.	Delta	% Delta
<b>Permian Midland</b>				
Plant NG Inlet	2,057	2,167	(110)	-5%
NGL production	300	316	(16)	-5%
<b>Permian Delaware</b>				
Plant NG Inlet	941	869	71	8%
NGL production	128	125	3	2%
<b>SouthTX</b>				
Plant NG Inlet	159	178	(19)	-11%
NGL production	21	20	1	7%
<b>North Texas</b>				
Plant NG Inlet	178	176	2	1%
NGL production	20	20	(1)	-3%
<b>SouthOK</b>				
Plant NG Inlet	416	421	(5)	-1%
NGL production	52	47	4	9%
<b>WestOK</b>				
Plant NG Inlet	216	218	(2)	-1%
NGL production	17	19	(1)	-7%
<b>Badlands</b>				
Plant NG Inlet	146	140	6	4%
NGL production	17	22	(5)	-23%
<b>Coastal</b>				
Plant NG Inlet	554	594	(40)	-7%
NGL production	32	\$37	(5)	-12%
<b>Total wellhead volumes</b>	<b>4,667</b>	<b>4,764</b>	<b>97</b>	<b>2%</b>
NGL production	587	606	18	3%
TRGP L&M Volumes	4Q21 Rep.	4Q21 Est.	Delta	% Delta
Grand Prix	433	438	(5)	-1%
Fractionation	612	677	(66)	-10%
Exports	350	364	(13)	-4%

**4Q21 Earnings Review:** Targa reported 4Q21 Adj. EBITDA of \$571 million, \$12 million above East Daley and \$27 million above Bloomberg consensus EBITDA.

### Notes by East Daley Segment

**Gathering & Processing:** The G&P segment reported 4Q21 Adj. EBITDA of \$387 million, \$24 million above East Daley.

- Volumes:** Total G&P volumes averaged 2% above our estimates while NGL volumes were ~3% above estimates. The Midland was surprisingly lower, which could be due to accounting changes, offsetting higher-than-expected Delaware throughput. We previously forecasted a need for two additional processing plants (after Heim) as well as constrained volumes on the Versado system. Management previously announced Legacy but has since announced Legacy II and a supplemental plant in between the Delaware/Midland (Midway). All three plants will add 825 Mcf/d in processing capacity.

- Realized Prices:** Average realized price of \$4.43/MMBtu outperformed our modeled average realized price of \$4.36/MMBtu supplemented by higher realized prices for NGLs of \$0.76/gal (vs. our modeled estimates of \$0.69/gal). Average realized prices for condensate also outperformed expectations, coming in at \$70.29/bbl vs. our modeled price of \$60.04/bbl.

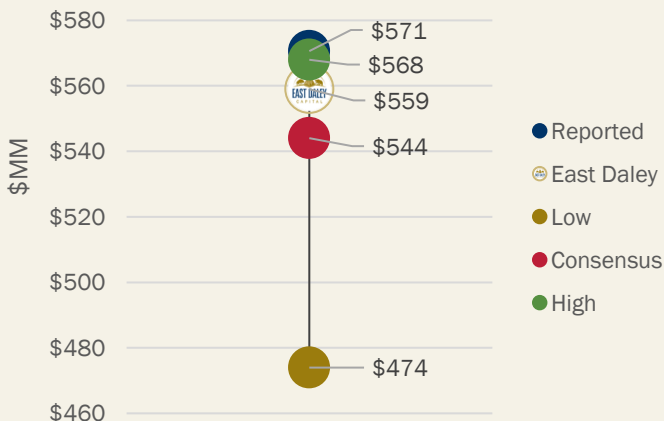
**Logistics & Marketing:** The L&M segment reported 4Q21 Adj. EBITDA of \$344 million, \$8 million above East Daley as a result of increased NGL sales/marketing volumes and lower-than-expected operating expenses.

- Grand Prix volumes of 433 Mb/d were in line with modeled estimates of 438 Mb/d. Exports rebounded as expected but still lagged estimates by 4% for the quarter. In addition, fractionation volumes were as much as 10% below our 4Q21 forecast due to an unplanned maintenance event. TRGP is also planning a low-cost expansion (~32,873 b/d) at its Galena Park export facilities, targeting a mid-2023 start.

### Uses of FCF / Strategy/ Macro Themes:

- EBITDA /FCF Outlook:** TRGP guided to full-year 2022 EBITA guidance of \$2.3 - \$2.5 billion. Permian volumes provided by management are expected to be 12%-15% over 2021 average volumes. TRGP recently repurchased the remainder DevCo interest and subsequently sold off Gulf Coast Express Pipeline (GCX). As a result of the pipeline sale, TRGP said it intends to accelerate the repurchase of its preferred shares. TRGP also stated it anticipates paying a \$0.35 dividend per quarter for 2022. As outlined during the quarterly call, TRGP has about \$369 million left on its \$500 million share repurchase program. Management also discussed the possibility of bolt-on acquisitions near its footprint that fit TRGP's natural gas and NGL "profile".

East Daley vs. Consensus vs. Reported



**Definitions:**

- **FCF: Free Cash Flow and is calculated as:** EBITDA – interest expense – preferred distributions – total capital spend + asset sales.
- **FCFPS: Free Cash Flow Per Share and is calculated as:** FCF / shares outstanding
- **FCF Yield:** Free Cash Flow Yield and is calculated as: FCFPS / share price
- **FCF/Dist:** Free Cash Flow divided by distributions paid to equity holders
- **DPS:** Distributions per share
- **Leverage:** Calculated as: net debt / LTM EBITDA

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