



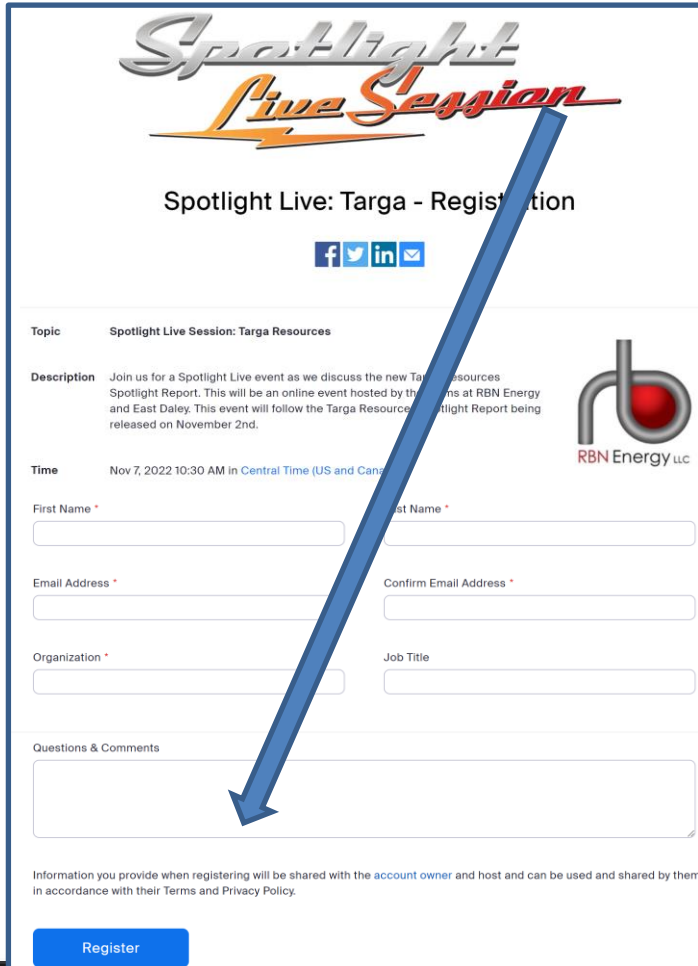
A joint venture of **RBN Energy** and **East Daley**

Targa Built a Leading Midstream Platform in the Permian. What's Next?

» **Find out more at:**
[**https://rbnenergy.com/spotlight**](https://rbnenergy.com/spotlight)

Questions and Answers

If you have questions, you can submit them at registration.



Spotlight Live Session

Spotlight Live: Targa - Registration

f t in e

Topic Spotlight Live Session: Targa Resources

Description Join us for a Spotlight Live event as we discuss the new Targa resources Spotlight Report. This will be an online event hosted by the teams at RBN Energy and East Daley. This event will follow the Targa Resource Spotlight Report being released on November 2nd.

Time Nov 7, 2022 10:30 AM in Central Time (US and Canada)

RBN Energy LLC

First Name *

Last Name *

Email Address *

Confirm Email Address *

Organization *

Job Title

Questions & Comments

Information you provide when registering will be shared with the account owner and host and can be used and shared by them in accordance with their Terms and Privacy Policy.

Register

Ask via the Q&A box at the bottom of the Zoom window.





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Spotlight: Targa Resources

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- The insights in this Spotlight report are based on unique in-depth analysis and projections from [East Daley](#).

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Attachment	Size
Spotlight: Targa Resources	723.25 KB

Targa Resources: History and Milestones



» Origin and early days

- 2003 Formation
- 2014 Atlas purchase and transition to C-Corp

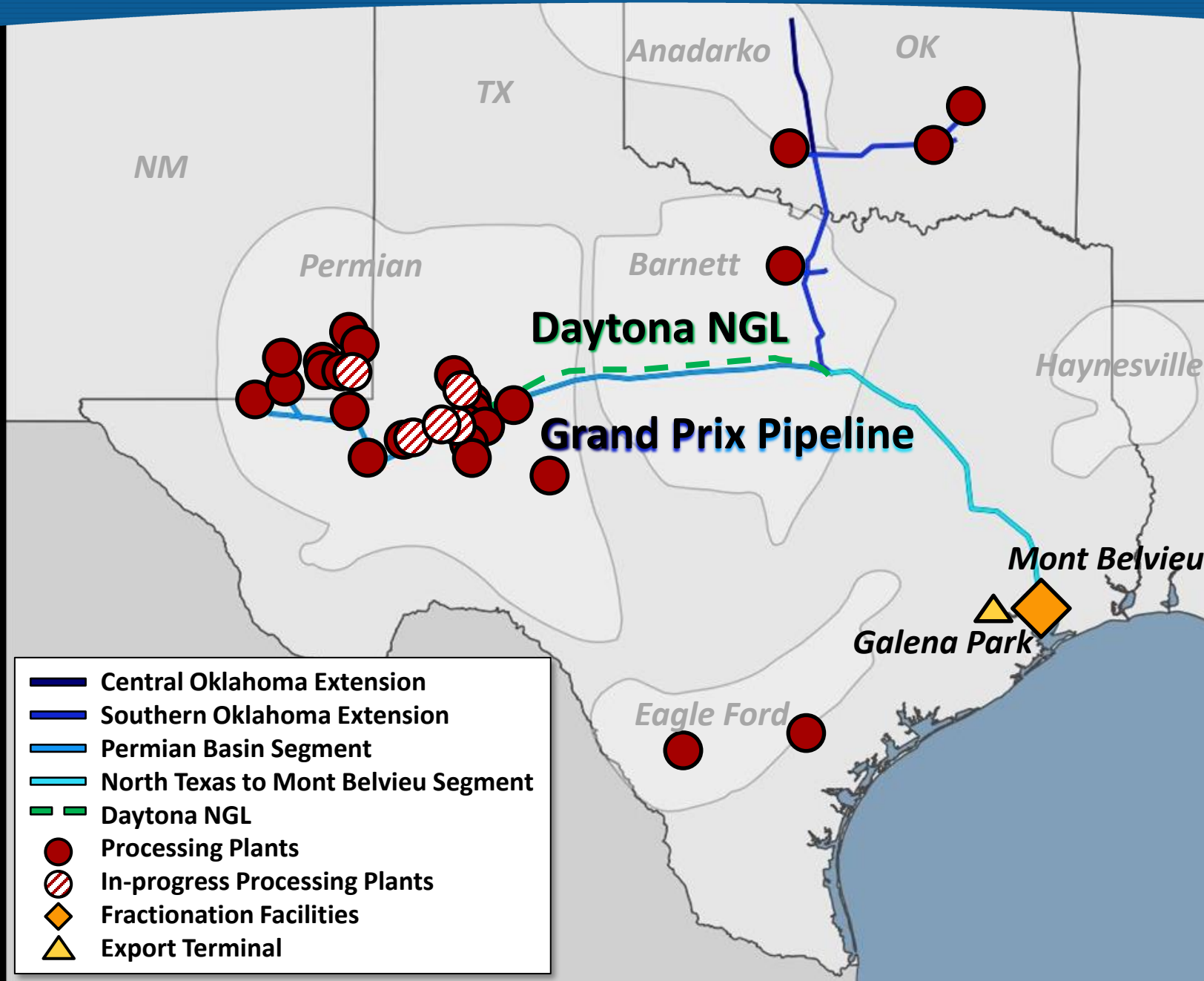
» 2017-2019

- Strategic integration

» Post-COVID: Poised for growth

- Lucid acquisition

Texas Assets



Targa Resources Business Segments

» Gathering & Processing

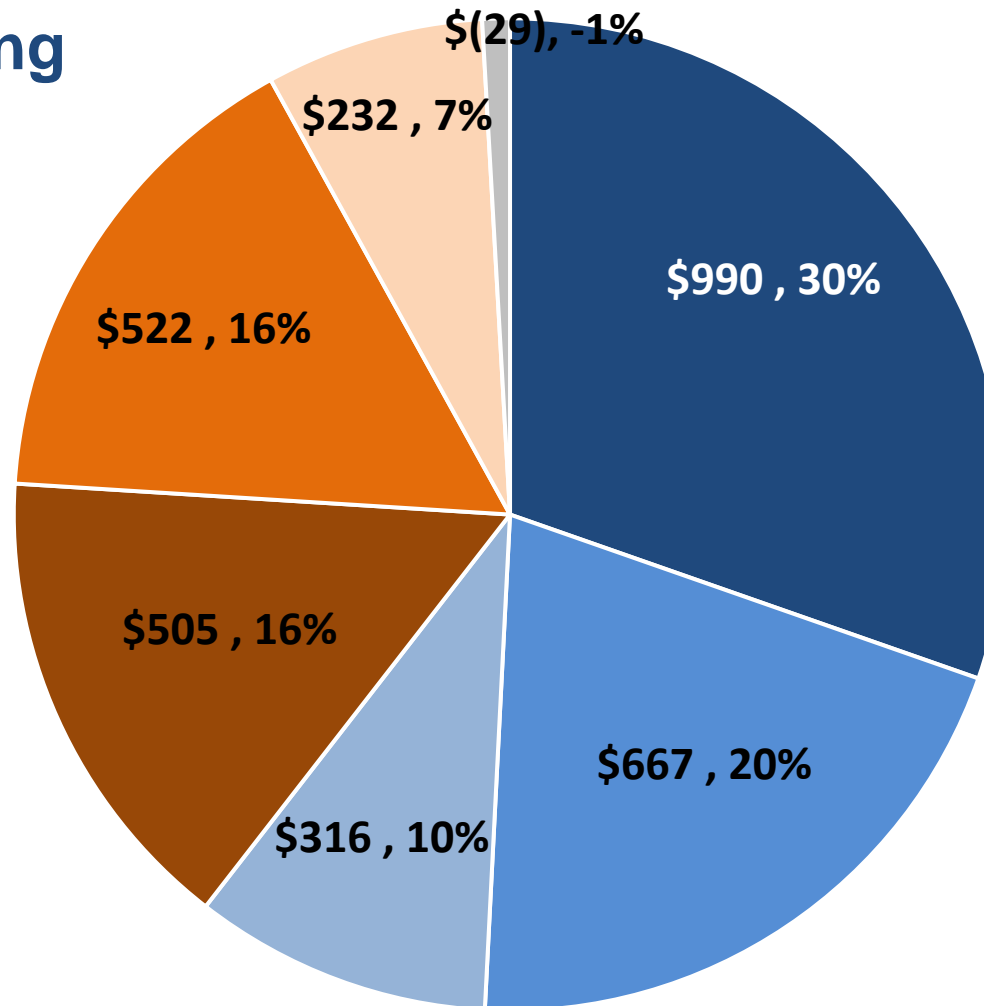
- **Permian G&P**
 - Midland
 - Delaware
- **Other**
 - Bakken
 - North Texas
 - Anadarko
 - South Texas

» Logistics & Marketing

- **Pipelines**
 - Grand Prix
- **Fractionation**
- **Exports**

» Other

2022E Operating Margin (MM \$)



- Midland G&P
- Delaware G&P
- Other G&P
- Grand Prix
- Fractionation
- Exports
- Other

G&P– 62%

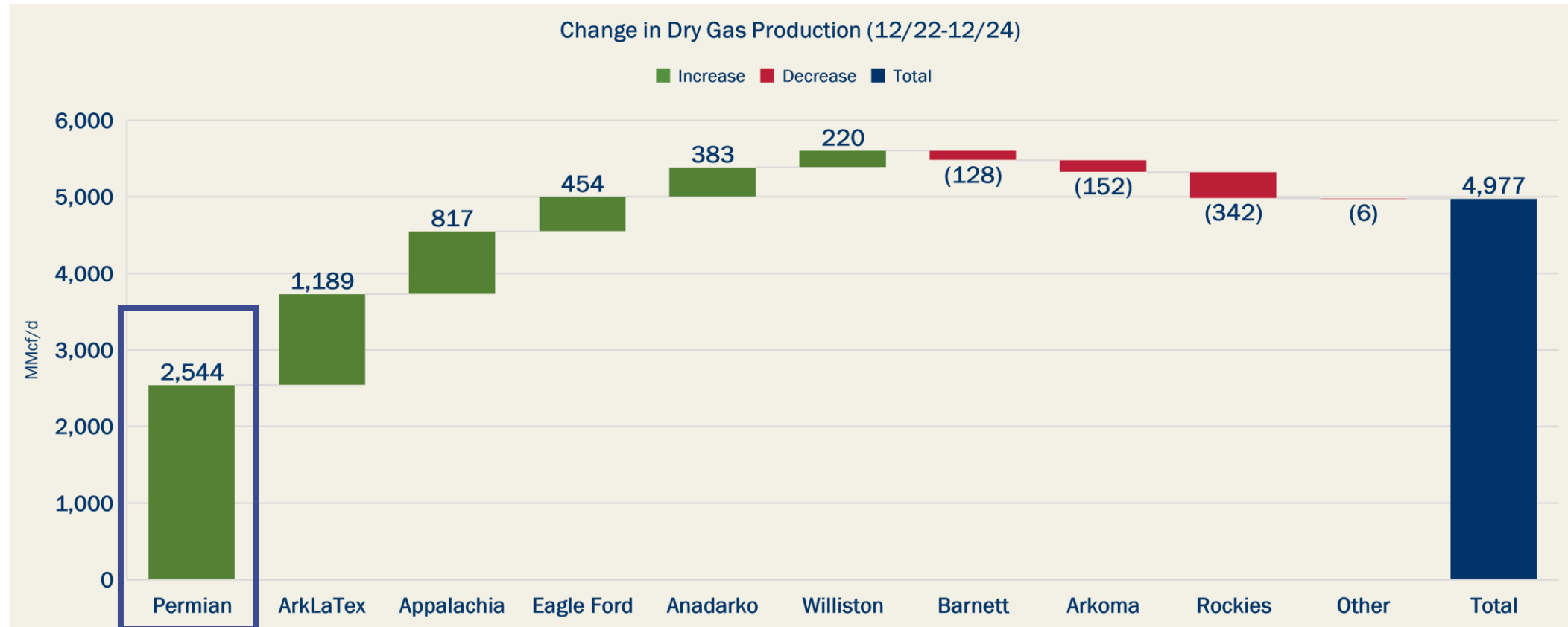
Total 2022E Op.Margin
\$3.2 billion

Key Takeaways

1. Permian in the driver seat of U.S. supply boon into 2023
2. As the Permian goes, so too does Targa
3. So what? \$900,000,000 in the next 2 years – provides return on capital to investors & R&D for ESG



Permian in Driver Seat of U.S. Gas Growth



As the Permian Goes, so Too Does Targa

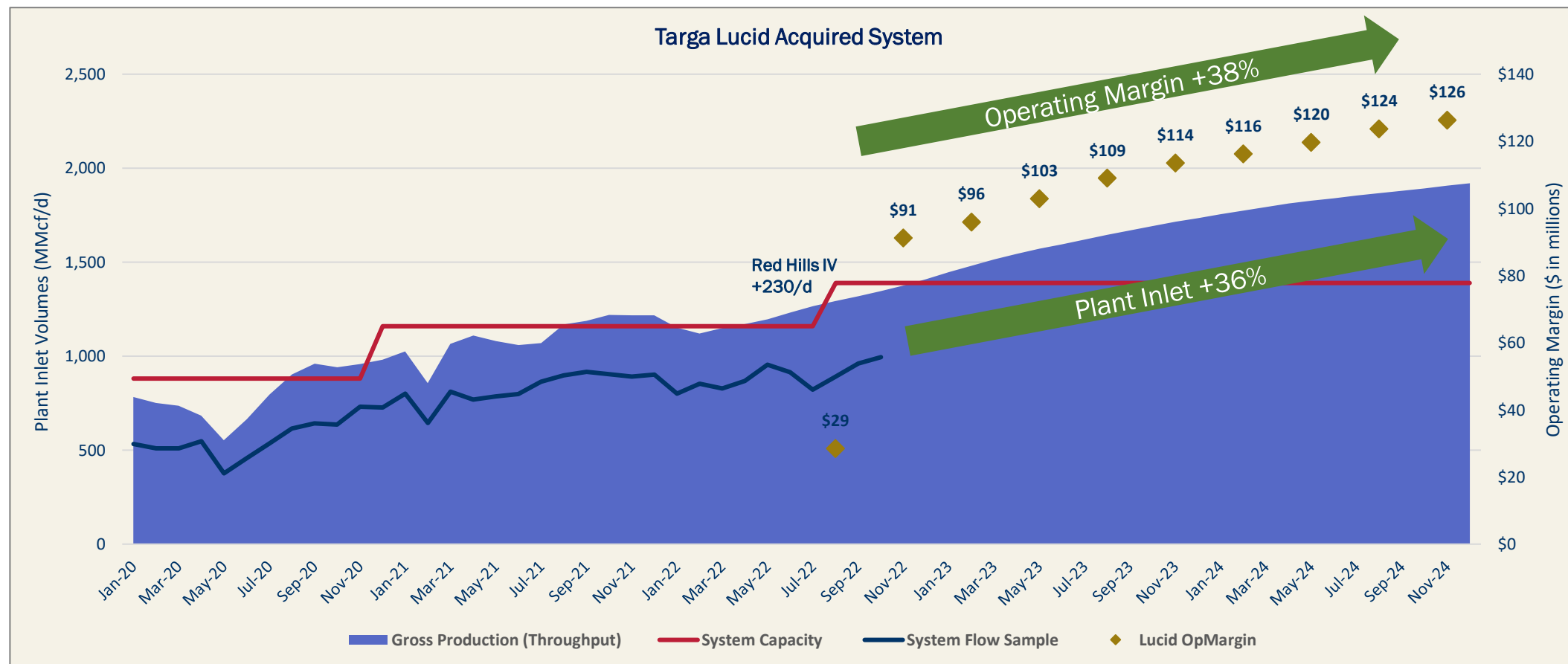
Permian Summary (Bcf/d)	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Dec-24	Y-o-Y Δ
FIA Gross Gas Production	20.4	20.6	20.7				
EDA Gross Gas	21.5	21.9	22.1	22.3	22.6	26.3	3.7
EDA Dry Gas	14.9	15.1	15.3	15.5	15.6	18.2	2.5
Total Rigs	343	349	343	340	338	301	(37)
Rich Gas (Bcf/d)	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Dec-24	Y-o-Y Δ
TRGP - West Texas	2.4	2.4	2.4	2.5	2.5	2.7	0.2
EPD - Delaware	1.5	1.6	1.6	1.6	1.6	1.9	0.2
ET - Delaware	1.3	1.4	1.4	1.4	1.4	1.7	0.2
Private - Lucid S Carlsbad	1.3	1.3	1.3	1.3	1.4	1.8	0.4
WES - DBM	1.4	1.5	1.5	1.5	1.5	1.7	0.2
Private - Eagle Claw	1.0	1.1	1.1	1.1	1.1	1.5	0.4
EPD - Navitas	0.9	0.9	0.9	1.0	1.0	1.1	0.2
ET - Midland	0.8	0.8	0.8	0.8	0.8	1.1	0.2
TRGP - Delaware	0.8	0.8	0.9	0.9	0.9	1.0	0.1
MPLX - Delaware	0.7	0.7	0.7	0.7	0.8	1.0	0.3
ENLC - Midland	0.6	0.6	0.6	0.6	0.7	0.8	0.2
DCP - Delaware	0.7	0.8	0.8	0.9	0.9	1.0	0.2
Private - WTG North Midland	0.7	0.7	0.8	0.8	0.8	1.1	0.3
Private - Cogent Midland	0.4	0.4	0.4	0.4	0.4	0.4	(0.0)
ALTM - Alpine High	0.3	0.3	0.3	0.3	0.3	0.3	(0.0)
Other	6.6	6.7	6.8	6.8	6.7	6.4	(0.3)
Total Gross Gas	21.5	21.9	22.1	22.3	22.6	26.3	3.7

~25% of Permian Growth Goes Through Targa

Targa Adds Almost a Billion \$ in 2 Years

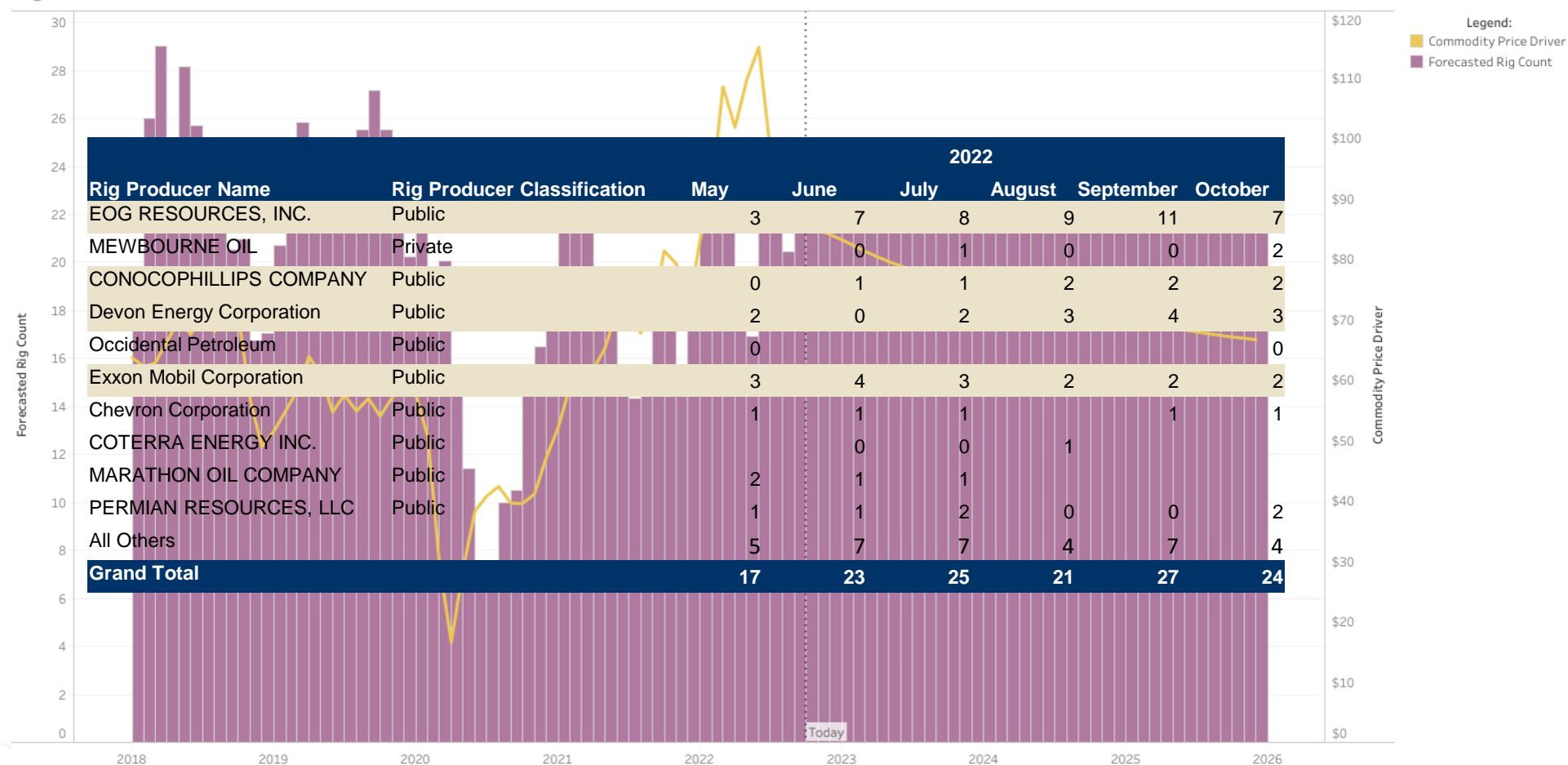


Lucid – Aggressive Growth, Fee-Based Earnings



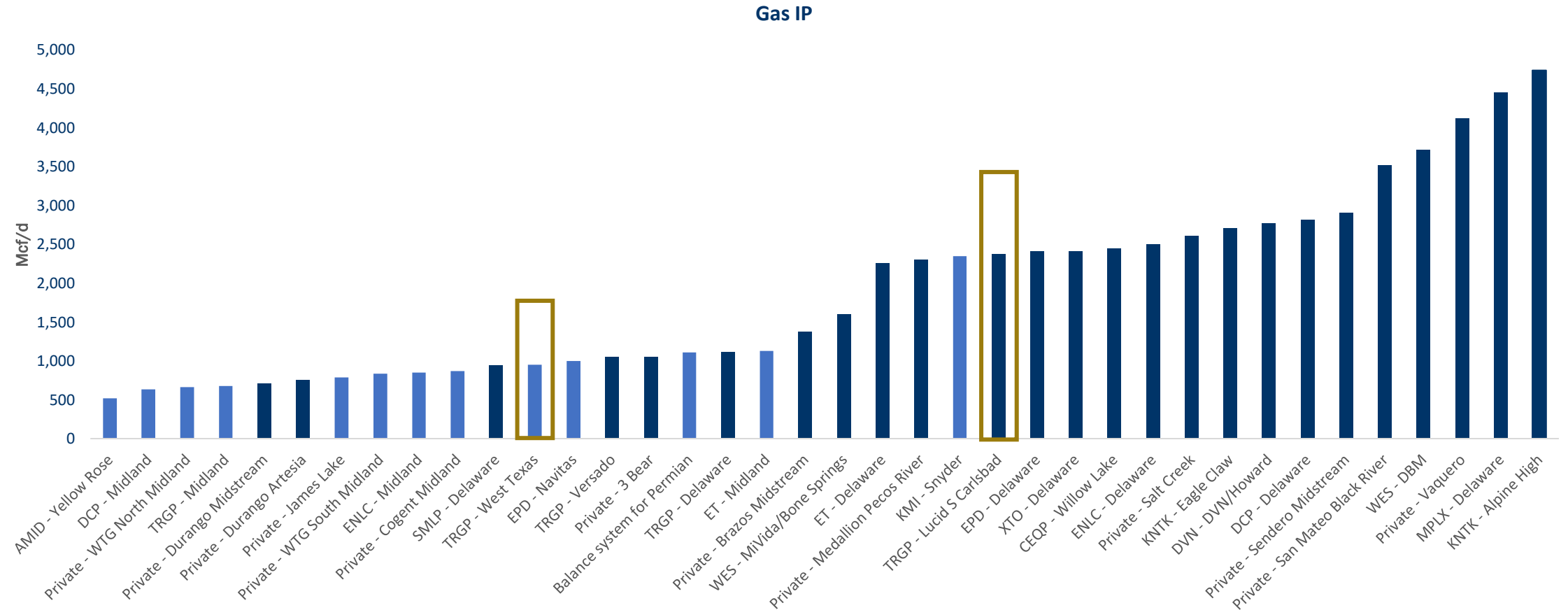
Lucid & the Blue-Chip Producers Behind the Growth

Rig Overview



Source: East Daley Energy Data Studio

Not All G&P Systems Benefit Equally



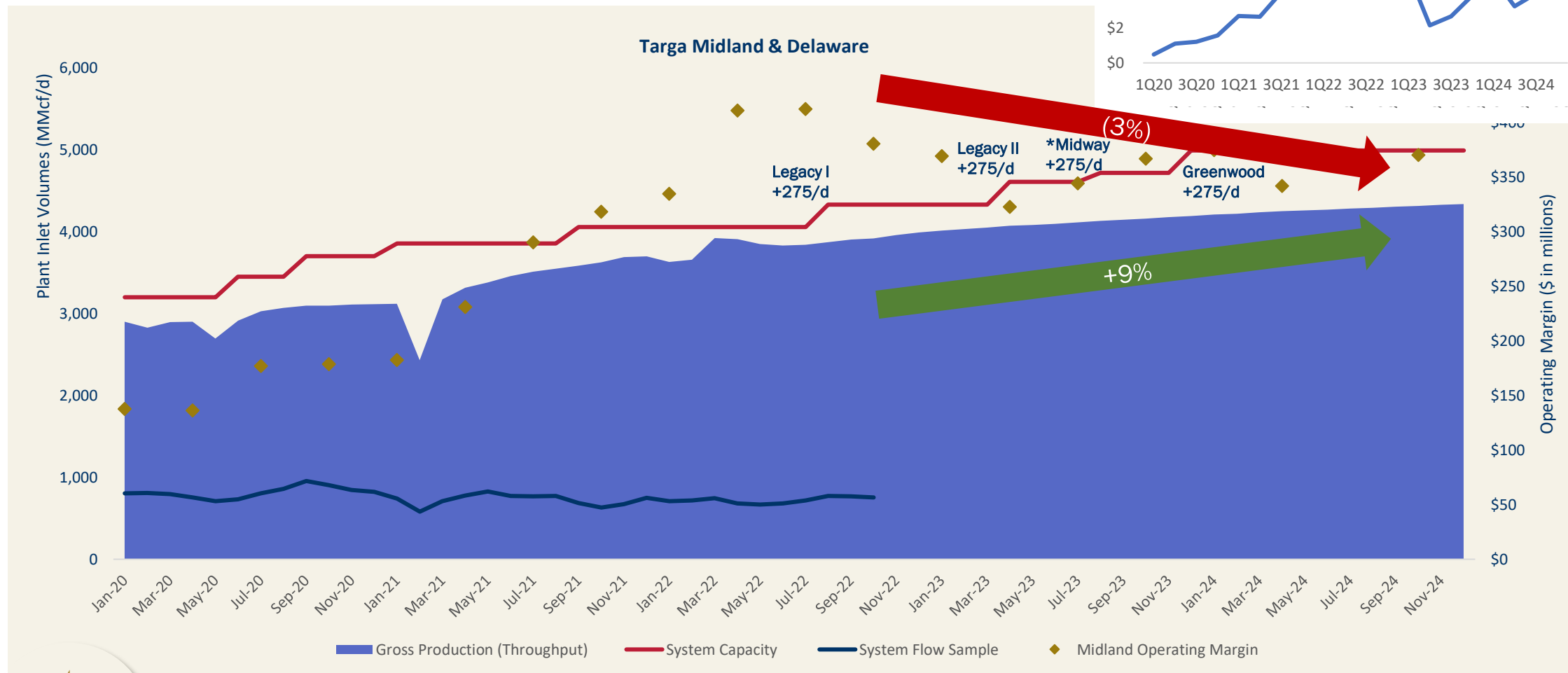
Source: East Daley Patented Production Allocation Model

Targa Adds Almost a Billion \$ in 2 Years



Source: East Daley Targa Blueprint Model

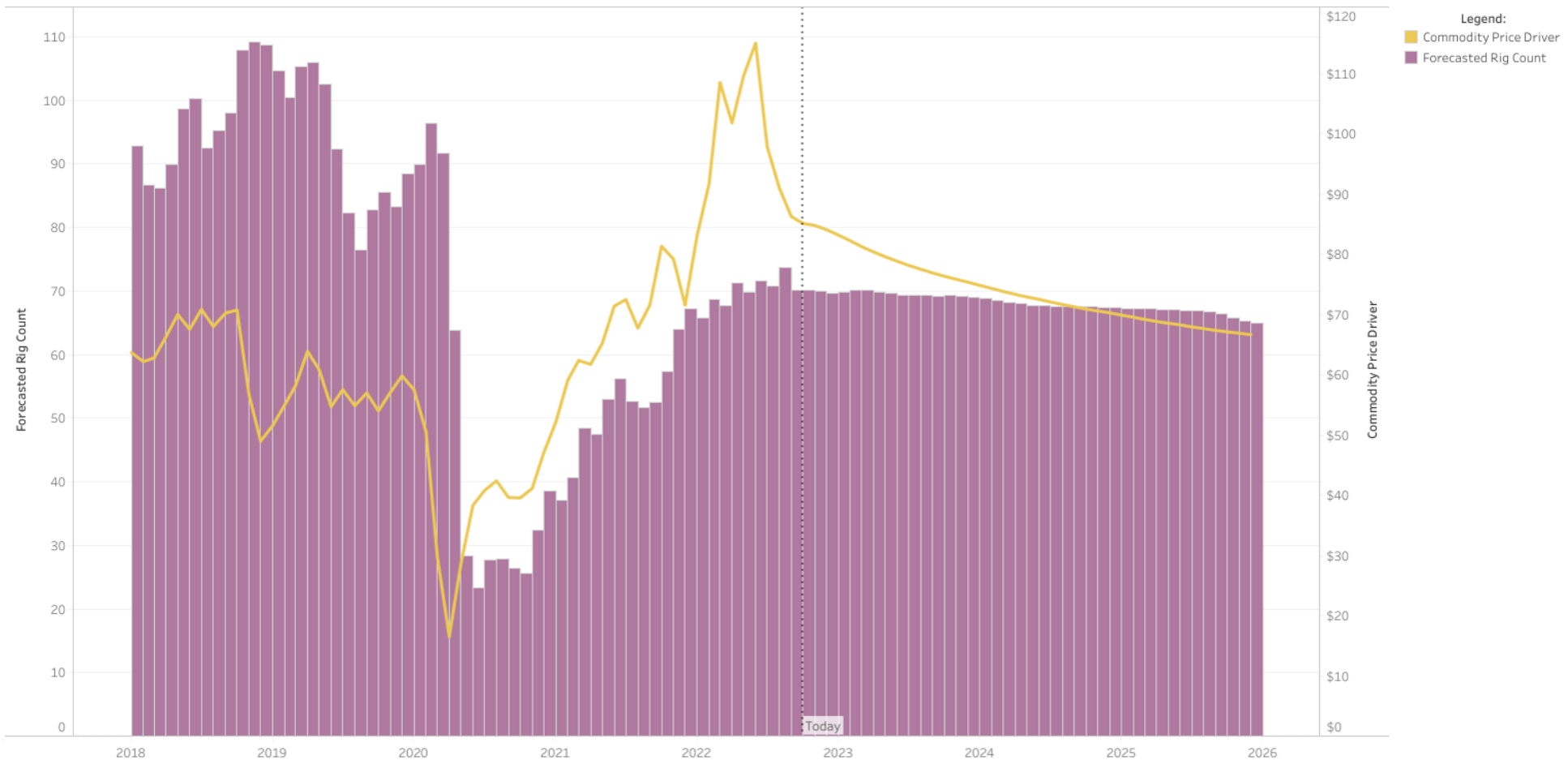
Other Permian G&P – Modest Growth, Commodity Exposure



Source: East Daley Energy Data Studio & Targa Blueprint Model, Bloomberg Prices

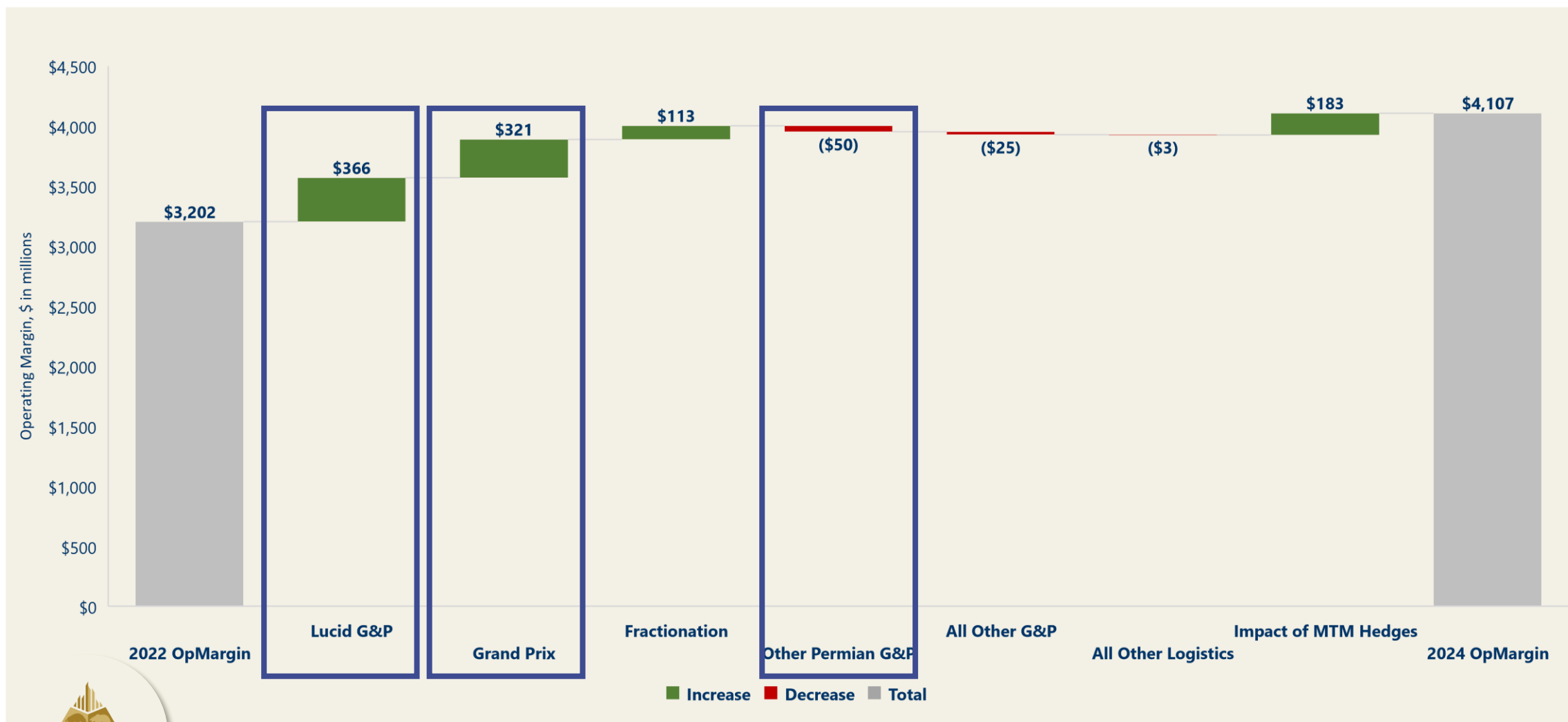
Other Permian G&P Producers Driving Growth

Rig Overview

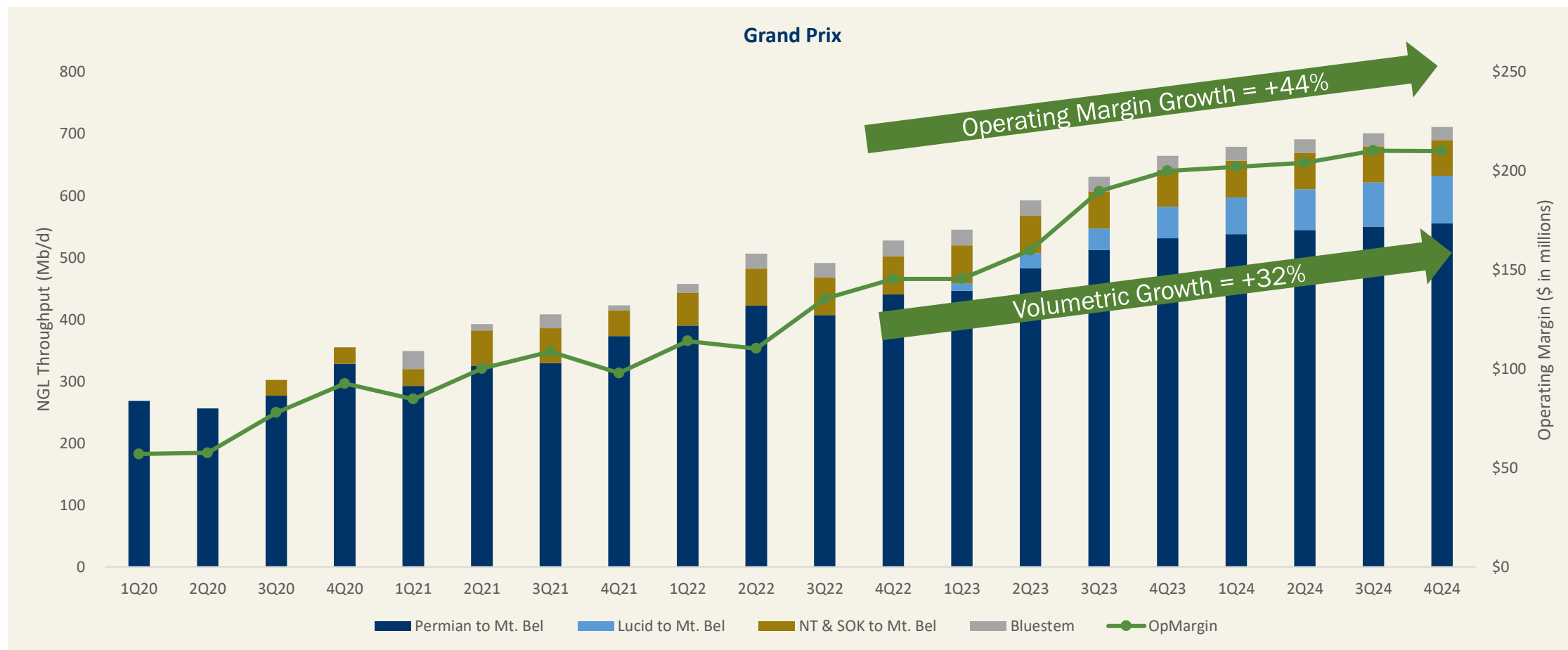


Source: East Daley Energy Data Studio

Targa Adds Almost a Billion \$ in 2 Years

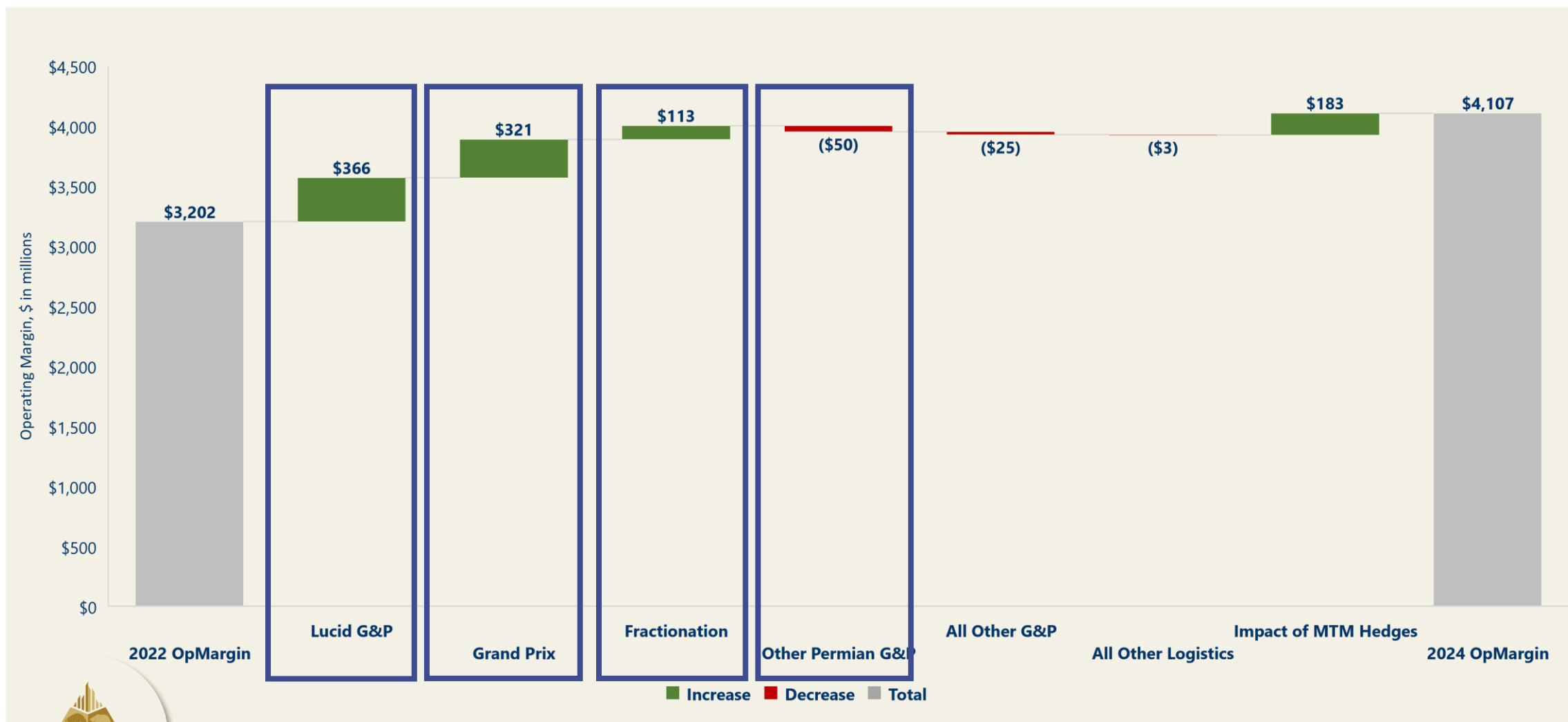


Trickle Down Economics – Grand Prix

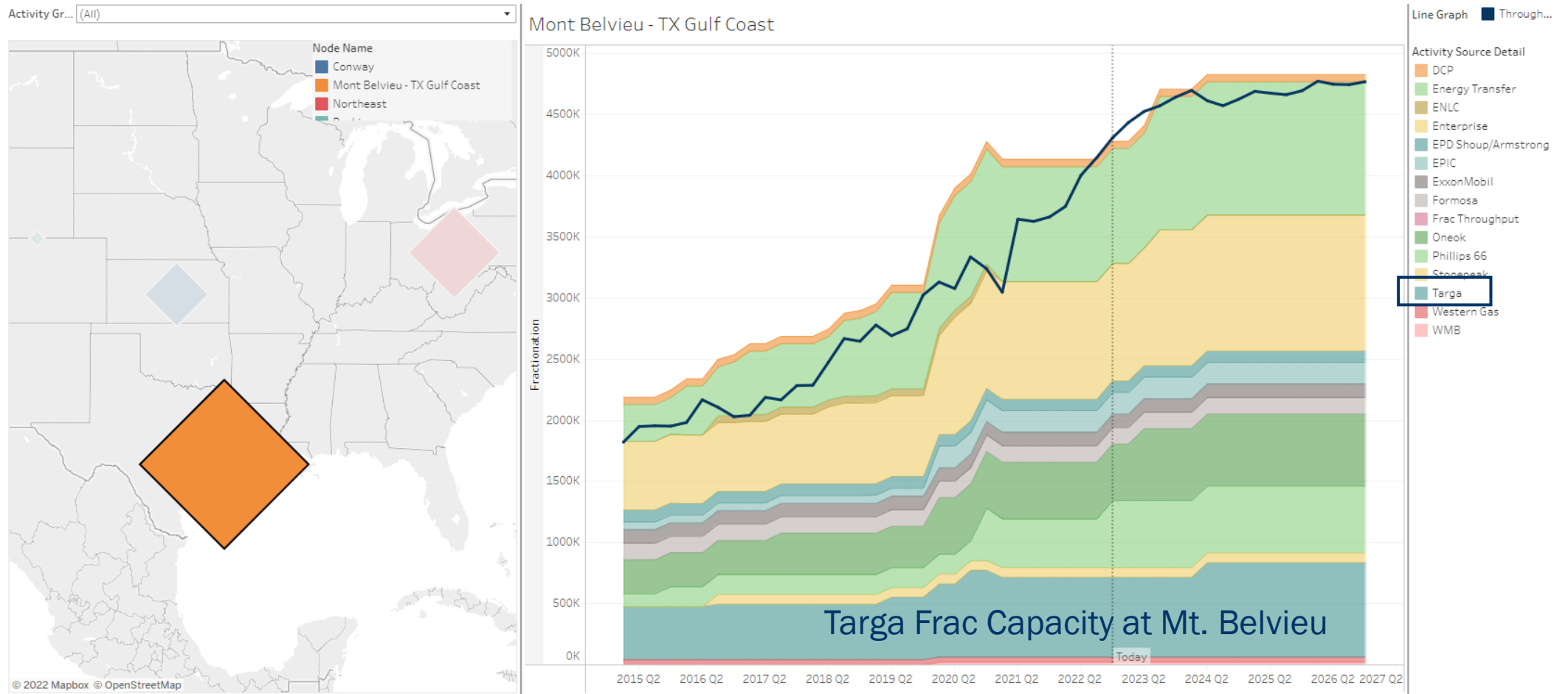


Source: East Daley Energy Data Studio, Targa Blueprint Model

Targa Adds Almost a Billion \$ in 2 Years



Trickle Down Economics – Fractionation



Catalysts –Downside Risks / Upside Potential



Targa Resources Corp

Prices	Q1'22A	Q2'22A	Q3'22E	Q4'22E	FY2022E	FY2023E	FY2024E
WTI Crude	\$94.45	\$108.80	\$90.78	\$80.89	\$93.73	\$73.06	\$67.08
Wt. Avg. NGL	\$1.09	\$1.14	\$0.95	\$0.79	\$0.99	\$0.73	\$0.65
HH NG	\$4.60	\$7.46	\$7.88	\$6.90	\$6.71	\$5.44	\$4.74

OpMargin By Segment (\$ millions)	Q1'22A	Q2'22A	Q3'22E	Q4'22E	FY2022E	FY2023E	FY2024E
Gathering & Processing	\$398	\$475	\$528	\$573	\$1,973	\$2,184	\$2,275
Logistics & Marketing	\$352	\$322	\$346	\$391	\$1,412	\$1,670	\$1,843
Other	(\$178)	(\$5)	\$0	\$0	(\$183)	\$0	\$0
Total OpMargin	\$571	\$793	\$875	\$964	\$3,202	\$3,854	\$4,118

Financial Performance	Q1'22A	Q2'22A	Q3'22E	Q4'22E	FY2022E	FY2023E	FY2024E
EDC Adj. EBITDA	\$626	\$666	\$749	\$822	\$2,863	\$3,293	\$3,523
TRGP Adj. EBITDA Guidance					\$2,900		
Consensus Adj. EBITDA			\$760	\$854	\$2,917	\$3,413	\$3,429
East Daley Variance vs. Consensus (\$)			(\$11)	(\$32)	(\$54)	(\$120)	\$94
East Daley Variance vs. Consensus (%)			-1%	-4%	-2%	-4%	3%

Downside Risks

- Waha trading at a steep discount to South Texas – Targa has significantly hedged 2022; 2023 is a big unknown as far as hedged volumes; Waha likely being under pressure until Matterhorn ISD

Upside Potential

- There is upside to LPG exports – some from in place infrastructure, some from ability to expand current export capacity.

Over the next 2 years, Targa's growth in cash flows should enable it to:

- Reduce Leverage
- Raise its Distribution Meaningfully
- Accrue Cash for Reinvestment



The Daley Note

Driving Transparency in the Energy Market

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EMAIL: insight@eastdaley.com

Natural Gas Watch

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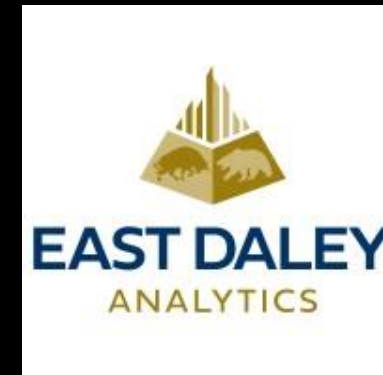




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LEVERAGE THE DATA TO:

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Spotlight: Targa Resources

Spotlight

A joint venture of RBN Energy and East Daley

Targa Resources

After the unprecedented plunge in demand and commodity prices at the onset of the pandemic, the upstream and midstream sectors appeared to face a lengthy disruption in markets and prolonged financial instability. That's why it's hard to believe that just 20 months later the industry is basking in record earnings and cash flows. One notable example is Targa Resources, which has become the largest gatherer and processor of associated natural gas in the Permian Basin. Targa's bold decision to build an integrated gas and NGL business, its timely infrastructure expansions through and after the pandemic, and a recent accretive acquisition have resulted in a massive footprint where a stunning 25% of forecast Permian gas production growth is expected to take place.

The dominant post-pandemic theme for the midstream sector has been the scramble to develop the gathering systems, processing plants, and other infrastructure needed to support continued growth in Permian production. As RBN discussed in a recent blog series, crude oil production there has climbed by more than 700 Mbd since 2020 to a new record, driving gas volumes to about 22 Bcf/d. RBN's Mid-Cape scenario projects gross gas volumes in West Texas and southeastern New Mexico will grow by another 6 Bcf/d, or 27%, to over 28 Bcf/d by the end of 2025.

Targa Resources ascended to the top of Permian gas processors with 5.4 Bcf/d of capacity stems from a critical strategic decision the midstreamer made in the spring of 2017. Formed in 2003, Targa Resources acquired natural gas midstream assets in North Texas, the Permian Basin and Louisiana as well as NGL's fractionation and storage facilities in Mont Belvieu. A major obstacle to Targa's ability to generate maximum earnings from its growing Permian gathering and processing volumes was its dependence on pricing decisions and capacity restraints by third parties to transport mixed NGL's from its major gathering systems to its downstream assets. In May 2017, the company announced the strategic decision to become an integrated natural gas and NGL company by building the \$1.3 billion Grand Prix NGL pipeline, which allows the company to maximize the value of hydrocarbons from wellhead to sale or export and coordinate the expansion of its gathering and processing systems with the build-out of fractionation plants and other downstream infrastructure serving growing petrochemical and export markets.

Like other midstreamers, Targa was forced to slash dividends and growth capex after the plunge in commodity prices at the onset of the pandemic. But the completion of Grand Prix and its surprisingly resilient Permian volumes allowed on-time completion of key Permian system infrastructure through the balance of 2020, including two processing plants, two fractionation plants at Mont Belvieu, the phased expansion of LPS export capabilities, and the extension of the Grand Prix NGL pipeline into Central Oklahoma. By June 2022, soaring profits from Grand Prix, the system expansions, and rapid Permian output growth allowed the company to fund the third strategic move that solidified its position as the top Permian gas processor: the \$3.55 billion acquisition of Lucid Energy, the largest private gas gathering and processing system in the Delaware Basin. The Lucid deal allows Targa to leverage its Permian midstream footprint while steering more 1-grade (mixed NGL) to its Grand Prix NGL pipeline and on to its fractionators and export facility. With the closing of the Lucid deal on August 1, 2022, the company also raised its 2022 adjusted EBITDA target to near \$3 billion.

Targa has made several critical — and, as it turned out, uniformly successful — strategic decisions over the past 5-plus years, but it needs to make one more soon, namely, how to allocate the substantially higher cash flow being collected from volume growth. The company's dividend is notably low at a time when most upstream and midstream companies are prioritizing shareholder returns. Despite an increase in quarterly dividend from \$0.10/share to \$0.35/share in Q1 2022, Targa is currently yielding a little over 2%.

<https://rbnenergy.com/spotlight>



NATGAS Permian

NATGAS Permian

Permian Basin Natural Gas Fundamentals

January 11, 2023

Figure 1: Permian Dry Gas Reserves, Bcf/d

Figure 2: Permian Dry Gas Reserves, Bcf/d

Figure 3: Permian Dry Gas Reserves, Bcf/d

Figure 4: Permian Dry Gas Reserves, Bcf/d

<https://rbnenergy.com/products/permian-natgas>





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Spotlight: Targa Resources

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