1. Introduction

Master limited partnership (MLP) EnLink Midstream Partners LP was formed in 2013 through the combination of Devon Energy’s midstream assets with Crosstex Energy LP. The company’s initial core positions were in the Barnett Shale in North Texas, the Arkoma-Woodford Shale in southeastern Oklahoma, and natural gas and NGL infrastructure in southern Louisiana. Subsequently, the company added a major position in the STACK play in central Oklahoma, expanded infrastructure in the Permian’s Midland Basin and formed a new joint venture in the Permian’s Delaware Basin.

EnLink’s strategic goal has been to generate growth in the expanding Oklahoma and Permian plays to offset continuing declines in the Barnett Shale, which will contribute more than one-third of 2017 profitability. To support this strategy, EnLink has set a growth capital budget of $590-$790 million, which translates to a net $505-$645 million to the company after the contribution from its general partner and others. As shown in the figure below, approximately 60% of total investment is being directed toward Oklahoma, with the rest allocated in order of the company’s strategic priorities.
The level of investment required has left the company struggling to fully fund its distributions to unit holders, which have not increased for nine consecutive quarters. The lack of distribution growth and minimal (1X) distribution coverage has resulted in the share price drifting along at a price about half of its 2014 high. However, recently the company has reported strong volume growth in Oklahoma and the Permian and predicts higher returns and distributions in 2018.

In this Spotlight report, we provide detailed analysis of the company’s strategy and portfolio to provide in depth insights on the likely future performance of this midstream MLP.

This Spotlight Report from RBN Energy and East Daley Capital is available for individual purchase or as part of RBN's Backstage Pass premium content service at rbnenergy.com.

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Spotlight is a joint venture of RBN Energy LLC and East Daley Capital Advisors Inc. We have joined together with the support of Oil & Gas Financial Analytics LLC to provide a comprehensive, detailed insight into the companies we select for our analysis. We use publicly available data, combined with the deep experience of our combined teams to get to the answers that can be overlooked in the more high-level assessments that are in the marketplace today. Instead of such a high-level approach, we get into the micro-level detail,
integrating fundamentals data, market data and company data in a comprehensive model that provides a clear picture of the company and its prospects.

As with all energy fundamental analysis, Spotlight reports rely on estimates and approximations of volumes, throughputs and fees. No non-public data from the subject company or any other source has been used in the preparation of this report.

2.2 How can I get Spotlight?

Spotlight is available to RBN Backstage Pass subscribers. Non-subscribers may purchase individual company Spotlight reports separately. For more information about Spotlight, go to rbnenergy.com/spotlight.