07-Feb-2018

EnLink Midstream Partners LP (ENLK)

FY 2018 Guidance Call

Copyright © 2001-2018 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Kate Walsh
Vice President-Investor Relations & Tax, EnLink Midstream Partners LP

Barry E. Davis
Executive Chairman, EnLink Midstream Partners LP

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Eric D. Batchelder
Chief Financial Officer & Executive Vice President, EnLink Midstream Partners LP

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

McMillan Hummel
President-Liquids Business Unit & Executive VP, EnLink Midstream Partners LP

OTHER PARTICIPANTS

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.

Christine Cho
Analyst, Barclays Capital, Inc.

Mirek Zak
Analyst, Citigroup Global Markets, Inc. (Broker)

Barrett Blaschke
Analyst, MUFG Securities America, Inc.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the EnLink Midstream 2018 Guidance Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [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
Vice President-Investor Relations & Tax, EnLink Midstream Partners LP

Thank you, and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's 2018 guidance outlook. Participating on the call today are Barry Davis, Executive Chairman; Mike Garberding, President and Chief Executive Officer; Eric Batchelder, Executive Vice President and Chief Financial Officer; Mac Hummel, President of the Natural Gas Liquids, Crude, and Condensate Business; and Ben Lamb, Executive Vice President of Corporate Development.

To accompany today's call, we have posted our 2018 guidance release and presentation to the Investor Relations portion of our website. Shortly after today's call, we will also make available a webcast replay of this call on our website.

Copyright © 2001-2018 FactSet CallStreet, LLC

I will remind you that statements during this conference call made about the future, including our expectations or predictions, should be considered forward-looking statements within the meaning of the federal securities laws. Actual results may differ materially from what is described in these forward-looking statements. Forward-looking statements speak only as of the date of this call, and we undertake no obligation to update or revise any forward-looking statements. Additional information on factors that could cause actual results to differ from what is described in the forward-looking statements is available in the guidance press release and the presentation accompanying this call located at enlink.com and in our SEC filings.

This call also includes certain non-GAAP financial measures. Definitions of these measures, as well as reconciliations of these non-GAAP measures to comparable GAAP measures, are available in our guidance press release and presentation on enlink.com. We encourage you to review the cautionary statements and other disclosures made in our guidance press release and our SEC filings, including those under the heading Risk Factors.

The structure of the call will be to start with brief prepared remarks by Barry Davis, Mike Garberding, and Eric Batchelder, and then leave the majority of the call open for question-and-answer period.

With that, I would now like to turn the call over to Barry Davis.

Barry E. Davis

Executive Chairman, EnLink Midstream Partners LP

Thank you, Kate, and good morning everyone. Thank you all for joining us today. 2018 is off to a solid and active start for EnLink. A few weeks ago, we announced the resumption of distribution growth at ENLC and today we are pleased to share our 2018 outlook with you.

To set the stage for our 2018 guidance discussion, I'll first give an update that we exited 2017 on a very strong note, with ENLK achieving fourth quarter adjusted EBITDA at the high-end and really just over the high-end of our annualized run rate guidance range of $925 million to $950 million, or $238 million on a quarterly basis.

We look forward to providing more details on February 21 with respect to our fourth quarter and full year 2017 results. The key takeaway today is that we were expecting our volume ramp to materialize in the second half of 2017 and that is exactly what happened. And that volume ramp translated directly into strong financial performance as we exited 2017. 2018 is shaping up to continue that trend of momentum and strong growth.

The 2018 guidance outlook we announced yesterday reflects our expectation for adjusted EBITDA to increase around 15% as compared to our 2017 guidance midpoint of $860 million. We are set up well for continued success in 2018. Growing adjusted EBITDA by 15% means we're adding $125 million to our results this year, and are on pace to generate around $1 billion in adjusted EBITDA for full-year 2018.

Reaching the $1 billion adjusted EBITDA milestone will be an exciting accomplishment for EnLink. EnLink's 2018 strategic plan is driven by strong business fundamentals, a clear path forward with our seven growth strategies and the right team in place to continue to execute with excellence each and every day.

With that, I'll turn the call over to Mike.

Copyright © 2001-2018 FactSet CallStreet, LLC

Michael J. Garberding

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thanks, Barry, and good morning, everyone. As Barry highlighted, EnLink delivered a strong finish to 2017, coming in slightly above the high-end of our fourth quarter guidance. This momentum sets the stage for continued growth and value creation this year, primarily driven by executing on our seven growth strategies.

One of our key growth drivers for 2018 centers around our strategy to maximize our strategic position in Oklahoma. We are seeing key producer customers accelerate activity in the STACK, with the first production from Devon's 24 well multi-zone development Showboat expected during the first half of 2018. Producers are moving into full-field development in 2018 and the rig activity during the second half of 2017 is driving our 2018 growth today. Our systems will benefit tremendously from the activity underway.

During 2018, we are expecting an increase of between 30% and 40% in Oklahoma segment profit and volumes when compared to our third quarter 2017 annualized results. And given our increasingly interconnected system focusing on all commodities, growth in Oklahoma translates directly to growth in our NGL Gulf Coast business, as well as growth on our Black Coyote crude oil system.

Today, we are preferentially shipping NGLs from Oklahoma footprint to our Gulf Coast platform, and we're projecting that our NGL pipeline Cajun-Sibon will be operating at full capacity for most of 2018. With capacity nearing full utilization, we are actively evaluating our next stage of expansion related to Gulf Coast NGL infrastructure and expect to communicate an update later this year.

We are also continuing to see solid growth in the Permian, with increasing utilization of our Midland Basin assets and building scale in the Delaware Basin. Proactively participating in the Barnett Shale redevelopment is also something we continue to focus on.

As you all know, our minimum volume commitments with Devon in the Barnett expire at the beginning of 2019. EnLink and our sponsor Devon have been proactive on a number of fronts to reinvigorate volumes in this mature basin. We'll have more specifics around our ongoing Barnett initiatives during our 2017 earnings call on February 21.

And with that, I'll turn it over to Eric.

Eric D. Batchelder

Chief Financial Officer & Executive Vice President, EnLink Midstream Partners LP

Thank you, Mike, and good morning, everyone. As Barry highlighted, we're forecasting solid adjusted EBITDA growth for ENLK this year and are projecting our midpoint to be $985 million. As we continue to grow our business and add $125 million to adjusted EBITDA, we'll also be further building out our asset footprint across our key growth regions, including: Oklahoma, the Permian, and the Gulf Coast.

Stability remains a consistent theme as we look ahead to 2018, as we expect approximately 90% of ENLK's gross operating margin to come from fee-based activities which is consistent with our results over the last few years.

We forecast full-year distribution coverage of between 1 time and 1.1 times at ENLK, assuming an unchanged distribution throughout the year. At ENLC, we expect to further grow cash flows, and our 2018 guidance forecasts cash available for distribution of between $230 million and $240 million.

Copyright © 2001-2018 FactSet CallStreet, LLC

Distribution coverage remains attractive at ENLC, and we expect full-year coverage of between 1.16 times and 1.22 times after giving effect to the previously announced 5% growth in 2018 declared distributions over 2017 declared distributions. We expect our 2018 capital program to be similar to our 2017 capital program, with growth capital expenditures net to ENLK of around $650 million.

We plan to invest virtually all of our anticipated 2018 growth capital in our four key growth areas, with roughly half directed to Central Oklahoma. The capital that we're putting to work this year is highly efficient capital, which we define as having a short cycle time between dollar spend and projects becoming cash generating and driving accretion to our financial performance and value to our unit holders.

Key projects that we plan to place into service this year include: the Black Coyote, crude oil gathering system in the STACK; our Lobo III gas processing plant in Delaware; and a handful of bolt-on projects across our network in Louisiana.

2018 is about continuing to execute on the right plan that was developed throughout 2017. And with this execution comes an unchanged commitment to and focus on our financial tenets, which include: increasing our adjusted EBITDA; enhancing our investment-grade balance sheet; maintaining long-term leverage in the 3.5 times to 4 times range; and building distribution coverage while returning capital to unit holders.

And with that, I'll turn it back to Mike.

Michael J. Garberding

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thanks, Eric. Before we open up the discussion for Q&A, I'll say this. 2018 is the year we've been looking forward to. We've been through three years of a downturn, and the moves that we've made have positioned us for growth. We're in the right places, with the right partners and we're executing the right plan, all of which will drive strong results for 2018.

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

Copyright © 2001-2018 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question will come from Jeremy Tonet of JPMorgan.

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Q

Good morning. For the guidance across the year, I was just curious if you might be able to provide a little bit more color on kind of the cadence of the ramp, if it's linear or if they're slumpy or kind of any more color you could provide with regards to exit rate for 2018, I guess?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Hey, Jeremy. This is Mike. Let me start by giving some thoughts around guidance, and then I'll turn over to Ben to give some further color on that question. But our goal with coming out with guidance today was to get company-level guidance in your hands earlier than our earnings release, which right now is on the 21st. That's a little later than usual, and we do it in conjunction with Devon.

So we put out company-level guidance for ENLK/ENLC, but we don't have all segment level guidance. So we're going to have that out, we're going to have 2017 actuals out on the 21st, so we'll probably push some questions to that, just where we have some numbers we can point toward, but we'll walk through and give you a good color on everything that we can in this call. So I'll turn it over to Ben to walk through your question.

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

A

Hello, Jeremy. Certainly in Oklahoma, we are not going to see a linear ramp by any means. And that just reflects the fact that all of our big producers, you think about the large cap independents that we serve, Devon, Newfield, Marathon, each of them is transitioning into full field development mode. And the way that looks today, each of those three companies have multiple rigs running on a single location that will turn into a fairly lumpy volume increase for us at some point later in the year, and we see that continuing as we go forward.

We're going to have fewer and fewer one and two well pads, and more and more large scale developments, not only by those guys, but even by some of the smaller companies and some of the private companies that we serve. So there certainly will be some lumpiness to the volume growth, and I would say 2018 will be more of a back-end weighted volume story, the same way that 2017 was. The same thing we told you this time last year about 2017 will apply to 2018.

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Q

Okay, great. Thanks for that. And then maybe just Oklahoma, if I could dig in a little bit there, it looks like the volume in segment profit guidance was 30% to 40% above 3Q 2017 annualized. I was wondering if you could walk us through a little bit more on the drivers or maybe confidence level on hitting those numbers.

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

A

Copyright © 2001-2018 FactSet CallStreet, LLC

Yes, sure. I mean in terms of drivers, we've seen a sustained high-level of activity on the assets in Oklahoma over the last three quarters or so, the last three quarters of 2017. And as you know, there's a cycle time from the time that the producer picks the rig up, the well gets drilled, the well gets completed, the well flows, it takes some time for that to happen. And so what we are realizing in early 2018 is the benefit of that activity that we saw in the back half of 2017.

And the good news is we see activity levels in 2018 that are continuing to push that momentum forward. So what we see in the first half of 2018 will drive 2Q, 3Q, 4Q 2018 results. And I feel very good about 30% to 40% growth off of the 3Q 2017 annualized numbers, which is the last numbers that we've reported.

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Q

Got you. So both profit for the full year 2018 will be up over 3Q annualized?

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

A

Yes. So if you look at the 3Q segment profit for Oklahoma, I believe the number was $79.1 million, so multiply that by four and add 30% to 40%, and you get a range of something like $1.15 million – I'm sorry, $410 million to $440 million.

On the gathered volumes, 3Q annualized was something like 890,000 million MMBtus a day. So add 30% to 40% to that, you get 1.15 to 1.25-ish, I guess that'd be billion Btu's a day. And we're going to be in that range when we come out on the 21st and show you segment-level information.

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Q

Very helpful. Thank you very much for that. One last one, if I could. Just with regards to your latest thoughts on simplification, it seems like with EnLink, the IDR burden isn't the same situation as it is for some of others where we've seen simplification recently, but it still seems like the market has just a growing preference for that overall simplifying the story. Just wondering if you had any updated thoughts on that topic that you could share with us at this time?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Yes Jeremy, this is Mike. We get that question a lot and how we think about that is that our goal is to position the business long term in the right structure. So like you mentioned, we don't have any current issue that's forcing our hand in the sense to have to make a decision. Our IDR burden's very small; we don't have any tax issues, et cetera. So we think the right thing to do is continue to evaluate what we think that right long term business structure is, and that's how we need to position it.

It's been a little difficult to look at maybe peers or comparables in the last two years and how they've traded and how investors have thought about that because of a lot of the other influences whether it was commodity market or business influences. So we spend a lot of time on it and study it. But right now we believe we're in the structure we need to and our focus is on our seven growth strategies.

Jeremy Bryan Tonet
Analyst, JPMorgan Securities LLC

Q

Copyright © 2001-2018 FactSet CallStreet, LLC

Great. That's it from me. Thank you.

Operator: And the next question will come from Darren Horowitz of Raymond James.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.
Q

Good morning, guys, couple of quick ones. The first, of the $650 million in growth CapEx net to ENLK. If we dig a little bit deeper, when we look at the $340 million to $420 million just for Oklahoma, can you give us a little bit more color on how much of that as you mentioned is "short cycle" or maybe what the turnaround time difference is on those projects between cash deployed and EBITDA generated versus maybe what's in the rest of the backlog?

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP
A

Yes. Hey, Darren. It's Ben. So of that $340 million to $420 million that's going to be in Oklahoma, the biggest single piece is the Thunderbird processing plant which is going to be $100 million to $120 million of that number. That is relatively long cycle. It takes about a year to build the plant and it takes a little bit of time for the plant to come online. It's short cycle in the grand scheme, but long cycle in the context of the G&P business. Most of the rest of the capital really is for well connects and compression.

And one of the benefits of the producer is going into full field development mode is it takes them sometime between the time they make the decision to develop a given unit and the time that unit comes online. That means, we have the luxury of the time to plan accordingly. So when their plans accelerate, we have some flexibility to accelerate. If their plans were to decelerate, I think we would know that and that we would be able to decelerate as well. So we're able to better match the timing of the capital with the timing of the cash flow.

To sum it up, I would say it's about a six-month lag from the time that you begin spending on a system expansion, capacity expansion from the time that you begin to see volumes. Certainly, that will vary situationally, but I'd say that's a good rule of thumb.

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP
A

Hey, Darren. This is Mike. And the remainder capital, it's pretty consistent because you use Texas, for example, the big driver there is Lobo III and that's very consistent with what Ben said about that. But the rest of, really, the Permian capital is that gathering/compression. And so, I would say that the majority of our capital is really more of a quick cash capital that's building off our core system.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.
Q

Okay. That makes sense. Just shifting a little bit to Tall Oak, I think last time we spoke when we were discussing the conversion of EBITDA to distributions from Tall Oak, it was a few months ago maybe just south of $200 million and everything was tracking according to your plan. I'm wondering with regard to the remaining dropdown of those assets, certainly, the uptick in EBITDA and cash flow and the way that the securities have responded, how are you still thinking about the composition of consideration for that drop?

Copyright © 2001-2018 FactSet CallStreet, LLC

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Yes, Darren. This is Mike. So like we mentioned in the third quarter call, we have the capability to look at and consider dropping because we've crystallized the tax benefits at ENLC. We still believe right now the right thing to do is to have that up there. There is capital that ENLC is paying for to grow the Central Oklahoma system. And so, we don't have any plans today to do anything with regard to the dropdown from ENLC to ENLK of that 16%, but we have the capability to do that.

To your point, you are correct. I would say what you pointed out was that if you look at the guidance for 2018, specifically on the ENLC piece, you'll see that really we're hitting the numbers we laid out three years ago with regard to this acquisition. And that's a big deal because that was during two of the three years of a pretty big downturn. And so, I would say, we're right on track on where we wanted to be from Central Oklahoma.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.

Q

Okay. And then just if I could, Mike, one quick follow up on that. With regard to kind of the balance at ENLC between retained cash, not just from a coverage perspective, but also to self-fund what is necessary on CapEx versus how that distribution growth unfolds, if we think about building off of 2018 to 2019, is it still fair to assume that provided that remaining 16% remains in ENLC that ENLC will still want to fund 75% of its upcoming growth CapEx with excess cash such that any excess beyond that is going to be a balance between how much you grow that distribution year-over-year versus maybe just how much you want to retain for debt service?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

That's fair in general, because I would say that with any developing area, we will see or expect to see capital decreasing over time as that area is built out. As long as the 16% is up at ENLC, we will be prudent with regard to what kind of coverage ratio we have out there just to manage that asset. But we do believe the right thing, ultimately, to do is to have cash to manage the asset, then ultimately distribute to the unit holders any excess cash above that.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.

Q

Sure, okay. That's all I had guys. I appreciate it. Thank you.

Operator: And the next question comes from Christine Cho of Barclays.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Hi, everyone. I was curious to know how you guys came up with the $60 price tag for WTI. I know your exposure to Devon is not as large as it used to be as you've diversified into other areas, but curious as to the rationale for using a price deck that's different from Devon?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

This is Mike. And so, how we think about the price tag is the drivers to the business. And if you think about how the business is modelled and thought about is that we use producer forecasts at each area to drive ultimately

Copyright © 2001-2018 FactSet CallStreet, LLC

volume forecasts. And so that $60 is more in relation to about how we think about opportunities around our business, which are very small, right. We're 90% fee based.

And so I think that when you think of the 60%, it's pretty small implications to the overall business, but we're using each producer's own price deck and their thoughts about development and drilling to drive ultimately the financial results we're seeing.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Okay. Yes I understand that, because it's mostly fee based, the actual price is not going to impact you guys as much, but I guess my question is, to the extent that that number ends up moving, would the volumes really impact 2018 or would it actually be more of a 2019 event?

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

A

Yes, Christine, I would say from the G&P business perspective, my expectation it would be more of a 2019 event. I think that producer plans are fairly well locked in for this year, not to say that they don't have some flexibility around the back half. Certainly they do, but everything that we're seeing right now would tell us that 2018 is fairly well understood in terms of producer plans.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Okay. And then I don't know how much you can say about this, but should we think that the drop of the remaining Tall Oak assets is a little bit on hold until you figure out what you want your structure to be longer term. I guess where I'm going with this is, is there a reason to drop it, if there is a chance that you actually might roll up ENLK later on?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Yes, this is Mike again. It's just one of the considerations you'll be thinking about. But as I mentioned earlier on Darren's question is that, we think the right answer right now is where we're at today, we'll keep evaluating. But you ultimately got to get to what is that right long-term structure. So I would say, today is really business as usual.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Okay. And then last one for me. Maintenance CapEx for the year is higher than it historically has been. Can you walk us through what's driving that?

Eric D. Batchelder
Chief Financial Officer & Executive Vice President, EnLink Midstream Partners LP

A

Sure. Thanks Christine, it's Eric Batchelder. I would say, you look at some of the assets and you have certain of these assets that require overhauls that aren't necessarily on an annual basis. And this happens to be a year where we have a number of those rolling in which is driving the increase in maintenance CapEx. I think on a consistent basis, we think about it as sort of a $40 million to $50 million run rate, and it's a little bit higher than that for 2018 because of the cycle of some of these overhauls.

Copyright © 2001-2018 FactSet CallStreet, LLC

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Which assets are they exactly? And you said it happens once every several years, so is it like once every four or five years sort of thing?

Benjamin D. Lamb
Executive Vice President-Corporate Development, EnLink Midstream Partners LP

A

A lot of it, hey Christine, it's Ben. A lot of it is compression. So you track the hours on the compressors and when you hit a certain number of hours, they need a different level of overhaul, and we have a heavy maintenance year this year. We have more compressors that we think are going to be at the point where they need a significant overhaul.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Okay.

McMillan Hummel
President-Liquids Business Unit & Executive VP, EnLink Midstream Partners LP

A

And then, this is Mac, and I would just add on this, that's consistent with the liquids business too. We've got a number of pumps and number of compressors just dispersed throughout the liquids business unit that really fall into the same timing issue.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

That's very helpful. Thank you.

Operator: And next we have a question from Mirek Zak of Citigroup.

Mirek Zak
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Hi. Good morning, everyone. Can you guys give us a better idea of what all goes into your guidance range, whether it's just simply timing or activity levels, and if there's an implied commodity price range in there?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Yes, Mirek, this is Mike. So when we think about the range, we think more about the question Christine brought up, which is about around price activity on our business, and risks and opportunities, not necessarily base drilling. So when you look at the range up range down that would more be related to price movement up and down related to our price exposure business. From an activity level, it's pretty consistent with what Ben said. We have a pretty good idea of how to think about the activity level and that activity level is driven more by the producer price forecast, not ours.

Mirek Zak
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Copyright © 2001-2018 FactSet CallStreet, LLC

Okay. And regarding leverage range for 2018, at the 4.2 times level, is this something that you'd expect to remain only temporary and to decline fairly quickly, not triggering any actions by the rating agencies or would you need to address this with some form of equity?

Eric D. Batchelder
Chief Financial Officer & Executive Vice President, EnLink Midstream Partners LP

A

Yes. Mirek, it's Eric. Thanks for that question. I think I'd say that the range that we gave, we agree that's a wide range and really it's a function of the math of the guidance assuming no equity is issued that would drive you to that 4.2 times. I think we continue to be very focused on maintaining our investment-grade leverage metrics and balance sheet, and also maintaining that 3.5 times to 4 times range. And I think we've done a great job of that through a really tough cycle in the last few years. So we would be continuing to focus on doing that. So that high end is certainly something that's driven by math, but we expect to live within a 3.5 times to 4 times range and maintaining investment-grade balance sheet.

Mirek Zak
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Okay. And just lastly, can you give us an idea of as to what assets you are now considering for assets sales and what's definitely not on the table, and how that kind of balances with what you're expecting to issue on the ATM in 2018?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Yes, Mirek. This is Mike. I would say it would look consistent as prior years. The example we always give is we did sell the North Texas pipeline about a little over a year ago for $85 million. It was an asset that a lot of people were focused on and it was an asset that made financial sense more to another party. That's the type of things we're talking about or probably things you're not familiar with you're seeing. But we believe we have a balance of that and/or ATM really for that $190 million for the year. The big thing is that we've done a lot of the fundraising for this year with the preferred we did earlier.

Mirek Zak
Analyst, Citigroup Global Markets, Inc. (Broker)

Q

Okay, great. Thank you. Thanks for the time.

Operator: And the next question comes from Barrett Blaschke of MUFG Securities.

Barrett Blaschke
Analyst, MUFG Securities America, Inc.

Q

Hey, guys. With Cajun-Sibon running full for 2018 and sort of probably having a long-term outlook of being full, when do you sort of target a solution to continue to be able to build that business and move more liquids into the Louisiana market? And I guess what do you think the ultimate size of that market is for you guys?

McMillan Hummel
President-Liquids Business Unit & Executive VP, EnLink Midstream Partners LP

A

Yes, this is Mac. And at this point, we probably don't have a lot of color to add beyond what Mike's remarks were earlier. We continue to look at what our options are to handle the increasing NGLs, not only from Oklahoma, but

Copyright © 2001-2018 FactSet CallStreet, LLC

from our Permian business. And the great news is that we've got a lot of options and we continue to give each of those options the amount of due that we think that they are warranted given the level of attractiveness to us.

You mentioned in your question about handling in Louisiana. I just mentioned that that is one of the options, but it's certainly not the only option. And so, we'll continue to work through those, and as Mike mentioned earlier, probably some sort of later year, mid-year 2018 decision timing.

Barrett Blaschke
Analyst, MUFG Securities America, Inc.

Q

Okay, thank you.

Operator: And the next question comes from Craig Shere of Tuohy Brothers.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Good afternoon. On Mirek and Christine's line of questioning, the upper and lower EBITDA ranges, was there a bookmark you could provide at the upper and lower ends for what kind of commodity decks you're thinking about?

Eric D. Batchelder
Chief Financial Officer & Executive Vice President, EnLink Midstream Partners LP

A

Yes. You're in the range of sort of that plus or minus $5 to $10 when you think about it as far as the changes. Gas price has a lot smaller impact on us, it's really crude price and then ultimately the associated NGLs on that. But it's a pretty tight range on that.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Okay, great. And back on the question of potential drop of ENLC's Tall Oak interest, on top of the other considerations already asked on the call, how do you think about that context of trying to return the MLP to distribution growth?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Craig, this is Mike. We've been working at that long and hard and we think we're doing a lot of things that are pointing towards that, namely you see the continued increase year-over-year of EBITDA. I think over the last year, somewhere between 15% to 20% per year.

We restarted distributions at ENLC in the fourth quarter earlier than a lot of people thought, and that was driven mainly by the conviction in the underlying business we're seeing. We're continuing to grow coverage ratio this year, which we think is the right thing to do. And we've said in the past that we can start considering distribution increases when you get that coverage ratio north of 1.1 times. And so, for us, we think we're doing all those things to give us that opportunity to restart those distributions and feel good about that.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Would you see a potential dropdown in terms of funding, potentially slowing that down, or because it could be handled in units maybe not having much effect.

Copyright © 2001-2018 FactSet CallStreet, LLC

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

And so, it's a good question. So we think the right thing to do is to do something that makes economic sense for both entities. And we have used units and cash in the past when we've done dropdowns ultimately from ENLC to ENLK, and we'll evaluate that. But I think that the main thing to take away is we're in a good position today with where we we're at. We'll evaluate the drop to see if it makes sense as part of the longer sort of view of what we want from this business structurally. But otherwise, we're in a good position today with where we we're at. I mean our focus is again growing the business with the seven strategies.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Understood. And last question, do you anticipate a cessation of the need to continue tapping the ATM before you would consider distribution growth?

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

This is Mike again, I think that we'll always be smart in raising capital. It's hard to say that there's a black or a real hard test on that because it depends upon all the projects we're looking and opportunities we're looking at. So I don't think there's a hard line test on that. I think the way we've done it is to truly minimize equity as best we can. So for example, 2017 we'll have issued of a – we had original goal of issuing 200 and the actual equity issued will be much less than that.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Okay. Thank you very much.

Operator: And this concludes our question-and-answer session. I would like to turn the conference back over to Mike Garber – Garberding, I'm so sorry, for any closing remarks.

Michael J. Garberding
President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thank you, Laura, for facilitating our call this morning and for everyone on the call today. Thank you for your participation and for your support. We'll be in touch in two weeks with our fourth quarter 2017 and full year 2017 results.

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

Copyright © 2001-2018 FactSet CallStreet, LLC

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 2018 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.