

02-May-2018

EnLink Midstream Partners LP (ENLK)

Q1 2018 Earnings Call

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 of North Texas & Oklahoma, EnLink Midstream Partners LP

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

OTHER PARTICIPANTS

TJ Schultz

Analyst, RBC Capital Markets LLC

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Matthew Phillips

Analyst, Guggenheim Partners, LLC

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Barrett Blaschke

Analyst, MUFG Securities America, Inc.

Mirek Zak

Analyst, Citigroup Global Markets, Inc.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Ross Payne

Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the EnLink Midstream Partners Q1 2018 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Kate Walsh, VP of Investor Relations. 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 first quarter of 2018 earnings.

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 North Texas, Oklahoma and the Permian Basin.

To accompany today's call, we have posted our first quarter of 2018 earnings press release and operations report in the Investor Relations portion of our website. Shortly after today's call, we will also make available a webcast replay on our website.

I will remind you that statements during the 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 earnings press release and the operations report accompanying the 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 comparable GAAP measures are available in our earnings press release and operations report on enlink.com. We encourage you to review the cautionary statements and other disclosures made in our earnings press release and our SEC filings including those under the heading, Risk Factors.

The structure of this call will be to start with brief prepared remarks by Barry, Mike and Eric; and then, leave the majority of the call open for a 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. The first quarter of 2018 represents a strong start to another exciting year for EnLink. We exited last year with strength and momentum, and we are proud to continue on that path with our first quarter results.

When I step back and think about the three things that best summarize EnLink today, I think of the following. Number one, we've started the year with outstanding results. We delivered another strong quarter of growth, driven primarily by tremendous volume and profit growth out of Oklahoma. Number two, our future outlook is in line with our expectations. We are on track with robust organic growth, and we have conviction in the 2018 guidance we gave in February and have confidence in the 2019 growth outlook we provided.

We continue to be on pace to generate around \$1 billion in adjusted EBITDA at ENLK for the full year 2018, which represents over 10% growth as compared to 2017. Reaching the \$1 billion adjusted EBITDA milestone will be an exciting accomplishment for EnLink. And with the expansions we're executing on today and the strong, consistent rig activity we continue to see across our footprint, we expect another year of attractive growth in 2019. We are projecting ENLK 2019 adjusted EBITDA to increase between 5% to 10% over our 2018 guidance midpoint.

Number three, we have the right plan. We are actively executing on our seven growth strategies, and we are experiencing tangible results today with Oklahoma growth, Barnett redevelopment, NGL increases and crude platform expansions. Our business is growing in scale, diversity and strength. We are focused on building our value chain across commodities in our core growth areas, most recently highlighted by our newly announced crude oil gathering expansion in the STACK called the Redbud crude oil gathering system.

We are now the primary crude oil gathering service provider for two of the largest producers in the STACK and continue to work towards more. Our business continues to perform because we are in the right places with the right partners, and we have the right team executing the right plan.

And with that, I'll turn it over to Mike to provide an update on our seven growth strategies.

Michael J. Garberding

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

Thanks, Barry, and good morning, everyone. As Barry said, we are very pleased with our first quarter results, and we are confident in our growth plan around our core assets. We've been talking about our seven growth strategies for a few quarters now, and nothing has changed and that's a good thing.

These growth strategies are anchored in areas we know well where we are operating today. The projects we're evaluating and executing are projects in which we have a deep experience and a proven track record. That gives us great confidence.

Our first growth strategy is to maximize our strategic position in Oklahoma. We are on track and gaining momentum. Chisholm II and III are both in service, and we'll be adding our next 200 million cubic feet a day plant, Thunderbird, in the first quarter of 2019. All of our facilities are new and efficient, and we are setup to meet the producer needs of large scale developments.

Overall, we are well positioned for growth in the STACK, which is currently focused on the over-pressured oil window where some of the best results have been today. The STACK is in the early innings of development, and our producer customers are seeing great results in the current core development areas.

Barry touched on an exciting announcement we made yesterday that we're now the primary crude oil gathering service provider for two of the most active producers in the STACK. As we build out our Black Coyote crude oil gathering platform, we'll be adding our Redbud system, which is a great example of capital efficient growth.

Our second growth strategy is to increase utilization of our Midland Basin assets. Natural gas volumes and profits remain steady across the Midland system for the fourth quarter of 2017 through the first quarter of 2018. Quarter-over-quarter volumes and profit were generally flat due to completion timing with a bit of weather impact in there. Volume since this quarter's close have continued to increase with a backlog of completions-driven production should possibly impact our results in the second half of 2018 and into 2019.

On the crude gathering side, we continue to project 50% volume growth during 2018 over 2017 average volumes on our Chickadee system. Our crude outlook is bolstered by the team signing two new customers to our system during the quarter. The new projects are expected to be accretive to both volumes and profit during 2018, and they leverage our existing gathering platform. We continue to win new opportunities due to our proven crude gathering capabilities.

Our third growth strategy is to build scale in the Delaware Basin. Very similar to what we saw on the Midland side, natural gas volumes and profit remained steady across the system during the fourth quarter of 2017 through the first quarter of 2018. Quarter-over-quarter volumes and profit were generally flat due to delays and completion timing; however, we experienced strong exit volumes in quarter end.

Overall, in Delaware, we have seen very attractive volume growth year-over-year with over 100% growth in average gathering and processing volumes. Development of our Lobo III facility, a 200-million cubic feet per day processing expansion, is progressing well and is expected to be fully operational during the second half of 2018.

Our fourth growth strategy is to drive growth in our Gulf Coast NGL platform. The fourth quarter of 2017 was an exceptional quarter for NGL business. And during the first quarter of 2018, we saw a slight uptick in volumes. Our NGL system is now running pretty much at capacity, and we expect those levels to continue through the balance of the year. And with our NGL capacity operating in full utilization, we are actively evaluating our next stage of expansion. Because we control an increasingly significant amount of liquids being generated from our positions in the STACK and the Permian Basin, we will be able to take advantage of the right opportunity at the right time.

Our fifth growth strategy is to capture incremental gas opportunities with our franchise position in Louisiana. The first quarter of 2018 was a record-setting quarter for gas volumes in our gathering and transmission system along the Gulf Coast with average activity around 2.2 Bcf per day. Volumes increased 15% over the first quarter of last year, and we expect volumes to remain strong throughout the remainder of the year.

When we're asked about what our next big area of growth is, our answer is Louisiana. We are actively working on commercial opportunities today that could bring significant step-change growth for EnLink in the next three to five years. We are uniquely positioned to serve downstream customers due to our capabilities and footprint and as those capabilities and that footprint tee us up nicely to serve large new industrial customers, as well as large LNG suppliers.

Our sixth growth strategy centers around our opportunity to repurpose redundant gas pipeline infrastructure in Louisiana into higher value of service. This strategy is interesting in a couple of ways. Number one, it's very cost effective; and, number two, it has multiple potential paths. Our existing infrastructure provides a competitive advantage for us in areas where it's difficult and costly for new-build construction projects. We are well underway with evaluating opportunities and see this as an attractive strategy for growth over the next three to five years.

Our seventh growth strategy is to proactively participate in the Barnett Shale redevelopment. First and foremost, activity is coming back. Devon recently announced a joint venture with Dow Chemical Company in a liquids-rich area of the Barnett, where the two companies plan to partner in drilling up to 116 new wells over a five-year period with approximately 20 wells expected to be drilled in 2018. We're encouraged by the activity we're seeing in our footprint and specifically the steps that Devon continues to take to stabilize their long-term volume outlook.

Devon's stated intention is to execute a capital program that stabilizes production [indiscernible] (00:10:56) assets in the area, which in turn helps stabilize EnLink's long-term volume outlook. Devon also recently announced the sale of its Johnson County acreage, and EnLink is encouraged by the potential for the incoming producer customer to bring an increased focus on optimizing existing wells, initiating new re-frac activity and potentially drilling additional wells.

Circling back to where we started, we are very focused on executing the growth opportunities around our core asset positions. Oklahoma, Midland and the Delaware give us great growth opportunities over the next three years, while Louisiana will drive growth in the next three to five years. That's a great position to be in.

With that, I'll turn the call over to Eric to provide an update on our financial highlights.

Eric D. Batchelder

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

Thank you, Mike, and good morning, everyone. As Barry and Mike have both highlighted, EnLink delivered strong operational and financial results for the first quarter of 2018, and we remain committed to maintaining our financial strength and flexibility. We achieved adjusted EBITDA net to ENLK of \$244 million for this quarter, which represents solid growth of 17% from the first quarter of 2017.

The double-digit growth was primarily driven by our Oklahoma segment, where volumes and segment profit were up around 10% from the strong fourth quarter of 2017. Volumes were up around 50% from the first quarter of 2017, and segment profit was up a tremendous 80% from the first quarter of 2017.

We have reaffirmed our 2018 guidance, which includes ENLK adjusted EBITDA growth of over 10% from 2017 when calculated at the midpoint of the 2018 guidance range. And as Barry mentioned earlier, we are projecting 2019 adjusted EBITDA to increase between 5% to 10% over our 2018 guidance midpoint.

From a cash flow perspective, ENLK's distributable cash flow is up approximately 12% from the first quarter of 2017, primarily as a result of our increased EBITDA. This is at the high end of our expectations and results in a strong distribution coverage of 1.12 times for the quarter, which is up from the 1.01 times coverage we had in the first quarter of 2017.

I would note that a portion of this high level of distribution coverage was the result of the timing of maintenance capital expenditures that we still expect to incur over the remainder of 2018 as well as some seasonality in our NGL business. We expect that our second quarter distribution coverage could be lower as we perform maintenance and as the NGL business reflects the shoulder season. However, we still expect strong ENLK distribution coverage for the year.

From a balance sheet perspective, we ended the quarter in a healthy leverage position at ENLK with debt to adjusted EBITDA of 3.85 times as calculated per our bank covenant agreements. We continue to maintain a

flexible liquidity position and exited the quarter with ENLK liquidity of approximately \$1.1 billion. We also continue to evaluate the sale of several small non-core assets.

At ENLC, we achieved cash available for distribution of \$57 million for the first quarter of 2018, which represents an approximate 11% increase over the first quarter of 2017 and results in distribution coverage of 1.18 times for the quarter, which is up from the 1.09 times coverage we had in the first quarter of 2017. We increased the quarterly distribution at ENLC again this quarter and are projecting to increase annual declared distributions for ENLC for 2018 by 5%, while maintaining a distribution coverage ratio of between 1.16 and 1.22 times.

Before I turn the discussion back to Mike, I'll give an update on how we're currently thinking about EnLink's corporate structure. We've had the opportunity to connect with many of our investors over the past two months, and we've been actively evaluating the evolving MLP landscape. Although we don't have the traditional pressures to the degree that have driven others to simplify, we see evidence that the capital markets are discounting those with a GP LP structure.

We're committed to making decisions that are right for EnLink over the long term, and we hear it loudly and clearly that our investors want us to package our decision into one comprehensive compelling solution. Rest assured this is top of mind for our executive team.

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

Michael J. Garberding

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

Thanks, Eric. To summarize, 2018 is all about execution and growth. The fundamentals of our business are strong, and we have a constructive commodity market. We're focused on and dedicated to executing our seven core growth strategies, and we are right on track. We are delivering on expectations. We're in the right places with the right partners, and we are executing the right plan with the right team, all of which are driving the strong results we expect for 2018 and tee us up nicely to achieve what we have forecasted for 2019.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question today will come from TJ Schultz with RBC Capital Markets. Please go ahead.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Hey, everyone. Good morning. I think, just first, I'll touch on something Eric mentioned at the end on the structure, a little bit different tone on addressing this. Is that something that you expect to address regarding the structure this year?

Eric D. Batchelder

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

A

Hey, TJ, it's Eric. Thanks for the question. I think that, as you've seen, we've had a very busy quarter, a very active quarter. We're spending a lot of time executing the business and continue to do so. I think the point is that we've spent a lot of time talking to investors. We hear the investor sentiment, and we see that there is this potential discount of the GP LP structure in some cases. And we're actively evaluating these options. But it all goes into the bucket of making sure we do the right thing for the long-term success, and we're very focused on this on a regular basis as an executive team.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Okay. Understood. If I just go to Oklahoma and the volumes, I'm just trying to think about the cadence of the growth for volumes there, just given some of the staggered tie-ins and development activity, you've guided to, I think, 50% growth in Oklahoma volumes year-over-year. But can you provide any color on 2018 projected exit rate volumes in Oklahoma?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Yeah. Hey, TJ, it's Ben. On Oklahoma volume growth, you're right. Our guidance is for roughly a 50% increase in 2018 over 2017 actuals. And you'll see that, with the first quarter results, we are well on our way to achieving that. So, I feel really good about where we are in terms of achieving that guidance.

Now, on the cadence point, I'll take the opportunity to remind everyone of something that we've been saying for the last few quarters and that is you should not expect to see steady – every quarter is the same percentage increase over the previous quarter. This quarter, we were up about 10%. Last quarter, it was a little bit lower.

If you look into next quarter, you have Devon as just one producer on our system, but the biggest producer on our system, guiding to relatively flat second quarter 2018 over first quarter 2018. And so, while they're certainly not the only producer on our system, they are, again, the biggest. And so, we'll have an element of that in our 2Q. So, when I look forward for the year, I feel very, very good about where we are and about achieving our volume guidance.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Okay. Understood. I guess, lastly, and I'll hop off. On Louisiana, the gas systems and just general repurposing in Louisiana, gas volumes are tracking above your guidance expectations. Can you just expand on what's driving that outperformance, where volumes are relative to your capacity there and how does that volume trajectory, kind of, impacts your view on need to repurpose pipes in that area? Thanks.

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

A

Hey, TJ, this is Mac Hummel. Yeah, I'm glad you noticed that continued strong performance in the Louisiana gas business. We were now at eight quarters in a row of increasing the volumes [indiscernible] (00:20:15) on the gathering and transmission side of the business. It just reflects the very good execution of our combined Louisiana team as we focus on growing that business.

And as demand continues to grow, I expect we'll continue to see us participate in that demand in a meaningful way and continue to grow our business. Because of the way the teams have managed those systems, it's really hard to say what's our capacity in Louisiana. We are literally picking up volumes all over the state and moving them to the Mississippi River corridor. So, there's a lot of very, very efficient moves going on. And so, to peg a single number that says we've got an absolute capacity that I think it's a little bit hard to do and probably truthfully very misleading to do, too, because of all the flexibility the teams have built in there.

That continued growth on the gas side of the business really does not impact what we're thinking with regards to the conversion. We continue to work on that. We continue to put resources on that. We continue to talk to counterparties and potential customers of repurposing for – from the gas side to the liquid side of the business. Many of those discussions are initiated by potential counterparties or potential customers. So, we continue to work that hard as just an overall piece of our ongoing Louisiana business, but no specific results to report on the conversion process at this point.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Okay. Thank you.

Operator: The next question comes from Jeremy Tonet with JPMorgan.

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Q

Good morning, guys. This is Rahul on for Jeremy, and thanks for taking my questions here. Just continuing with the Louisiana segment here, I mean, I'm just curious on how you are seeing the gas volumes shape up for the remainder of the year, given they've been pretty strong. And also, can you elaborate a bit further on the growth plans and the conversations you have been having with your customers here which you highlighted in your opening remarks for the next three to five years?

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

A

Yeah. Rahul, this is Mac Hummel. Again, we had a very good first quarter in our Louisiana gas business, right on expectation with regards to the expectations we had for the business for Q1. We expect that, from a financial

perspective, it should perform at expectations for full year 2018. That's looking very good right now. I do think that we've got an opportunity to exceed our expectations with regards to volumes that we set out at the first of the year. We've seen very strong performance in Q1. And again, I think it really speaks to the execution of that team relative to our Louisiana business.

With regards to the comments about Louisiana growth in three to five years, a number of the projects that we're looking at are quite long dated. So, if we look at the conversion or if we look at some of the big gas opportunities that we're currently putting time to and resources to, they're just simply projects that we think are a bit more long dated in terms of perhaps the decision cycle of the potential customer and/or combined with the execution time necessary to realize that value into our business.

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Q

Got you. That's helpful color. And then, moving on to Texas, the margins seem to have stepped up quite a bit this quarter. Is there any additional color you can provide here and if it has to do anything with the new producer coming in on Devon's acreage on how this could trend going forward?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Hey, Rahul, it's Ben Lamb. No, no real color I can add there. I mean, we always have some mix in our businesses on contracts moving around. There's not a – there's not really a clear driver on – in North Texas on unit margins quarter-over-quarter.

Michael J. Garberding

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

A

Yeah. Rahul, this is Mike. I think the important thing to note there, again, is if you look at Texas, just the momentum that we have this quarter really on the execution of a lot of things that we've talked to you guys about, whether it's the joint venture that Devon has with Dow, whether it's the asset sale in Johnson County, I think I would look to what you see there more as a momentum forward as far as what we see with the volumes. That's the important takeaway.

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Q

Got you, Mike. Thanks for the color there. I'm just curious if the 20 wells planned for 2018 from the Dow and Devon JV, would it be sufficient to stem the declines completely or it's just going to mitigate some financial declines there in the Barnett?

Michael J. Garberding

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

A

Yeah. Hey, Rahul. So, on the DowDuPont joint venture, that is just one element of Devon's capital plan in the Barnett for this year. So, that's 20 wells or so in the Barnett rich. They also have about 50 re-fracs planned primarily in the lean part of the Barnett. When you take all of that together, that gets them to the point where they are guiding toward flat volume for the rest of the year in the Barnett, so really stemming the decline on their retained acreage.

On the acreage that they recently sold, the Johnson County package, we've been in discussions with the buyer of that acreage, and we know enough to know that their near-term plans are going to focus on optimizing what they

bought. So, restoring some wells to production that perhaps had been off production, begin looking at re-fracs. And then, longer term, they may perhaps look at bringing a rig in.

So, when you take all of that together, the DowDuPont JV, the sale of the Johnson County properties to a producer who we believe will be more focused on it than Devon has been and then flat volume guidance from Devon on their retained Barnett properties, that's a big part of what informs our confidence looking into 2019 for the Barnett and the broader picture at EnLink of our 5% to 10% adjusted EBITDA growth for 2019 over our 2018 guidance.

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Q

Got you. That's really helpful. Just one last housekeeping question here. The SG&A seemed to have ticked quite lower this quarter. Is this a one-time thing? Or is it a good run rate going forward, some color you can add there?

Michael J. Garberding

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

A

Yeah. Rahul, this is Mike. It is something we're very focused on on how we think about running the business. And so, from a run rate standpoint, I would say it's in and around that range as far as what you expect to see for 2018. But we continue to push on that.

Rahul Krotthapalli

Analyst, JPMorgan Securities LLC

Q

Got you. Thanks for my questions, guys, and congrats on a good quarter. Thank you.

Operator: The next question will be from Shneur Gershuni with UBS. Please go ahead.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Q

Hi. Good morning, everyone. A lot of my questions have been asked. But I do want to actually reconfirm a couple of things. First off, on the simplification question, is it fair to characterize this as an incremental tone change versus where you were thinking about it, let's say, when you last updated us in the January-February timeframe?

Michael J. Garberding

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

A

Shneur, this is Mike. So, what I would say is that we continually look at our options, we continually listen to investors and we continually look at the market. I think the tone change we've seen is really, as much as, anything driven by the market and how the market is looking at different options people have done and then the valuation of those options. So, if there's one tone change, it is that. It isn't anything with regard to our focus on that or what we're trying to ultimately get to from a long-term solution. But that's really been the change.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Q

And have the rating agencies weighed in at all? Would this be credit enhancing if you were to combine the two entities, given the risk that Devon could potentially sell some ENLK units and that could eliminate the look through to the Devon credit profile?

Eric D. Batchelder

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

A

Hey. Shneur, it's Eric. Thanks for the question. We generally aren't speculating on the rating agency activities, as you can imagine. I would say that we have regular dialogue with them, and we continue to be focused on the metrics that we discussed with them and that you've seen in the report and looking at continuing to maintain our leverage that's consistent with the rating and building our coverage.

I think one of the things that also is important to note is, as Barry mentioned at the top, we're pointing towards \$1 billion of EBITDA this year, which is a significant milestone for the company and we're really focused on getting that as part of the overall financial metrics that the agencies evaluate.

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Q

Okay. And a couple of other follow-ups. With respect to the Devon-Dow JV and some of the other comments that you had made to the last question, when we think about, from a modeling perspective, the MVCs that you have in the Barnett, does – when I put it all together, are you going to be above the MVC level? Is that kind of your expectation in line? I'm just wondering if you can comment on that. And then, as part of that, you sort of talked about momentum into 2019. Does this new development take you to the higher end of your guidance range for growth in 2019 versus midpoint 2018?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Hi, Shneur. It's Ben. Let me start on the MVC question. We expected that Devon and DowDuPont were going to enter into a deal like this at the time that we did guidance. And so, the deal, the 20 or so wells for this year, are baked into the volume guidance that we gave you. And so, there's no change to our expectation on the MVC payment in 2018 of \$70 million to \$80 million. So, no change there.

I think though that, when you think about the 2019 and forward momentum, I think it's worth focusing on the fact that this is a pretty unique arrangement that Devon has entered into and gives us a fair bit of visibility into how the Barnett rich is going to be developed by that particular customer over the next few years. We've also had two other customers drill wells in the Barnett rich year-to-date. One actually is on location right now, so we have two rigs running in the Barnett on us today.

In terms of driving us toward the high end of guidance, I'll let Mike and Eric add on here. But again, we anticipated that the deal was going to happen this year. So, there's really no change in 2018 outlook.

Michael J. Garberding

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

A

Yeah – no, no, I agree with Ben. I think that still the takeaway is the momentum we see on this and that it's a pretty big step-change that people have been looking for in the Barnett, and we're very excited about where this is going so...

Shneur Z. Gershuni

Analyst, UBS Securities LLC

Q

All right. Perfect. Thank you very much. I appreciate the color.

Operator: Next up is Matthew Phillips with Guggenheim. Please go ahead.

Matthew Phillips

Analyst, Guggenheim Partners, LLC

Q

Good morning, everyone. A follow-up on the Barnett. I want to dig in a bit here. A really interesting development. I mean, there hasn't been a ton of activity there in the past few years. 18, 20 wells, stabilizing production. I mean, what is the look through to 2019? It seemed a little vague in terms of 116 wells, but it wasn't quite clear what the cadence was. How are those decisions made? And when do you expect a bit longer term guidance on that?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Yeah. Hey, Matthew. It's Ben. As you think about – well, first, let me clarify one thing. The broad picture here is on Devon's retained acreage, so not the stuff that recently got sold in Johnson County. But the retained acreage, they are guiding toward flat production for the remainder of the year. So, there's a Q1 actual and they're guiding to have roughly flat production over the course of the end of the year. That's not just the 20 wells in the DowDuPont JV. It's also about 50 re-fracs primarily in the Barnett lean. So, those two things together gets you to roughly a flat volume profile just with respect to Devon.

So, then, take another step and say, what are other people doing? As I said a minute ago, we've had two other producers drill wells this year. We know some additional drilling plans by non-Devon producers later this year. Now, how does that translate into 2019 guidance? I can't tell you today where we're going to be for 2019 Barnett guidance, sitting here on May 2. It would be too early to pass judgment on that.

But what I can say is, if you look at what we're talking about today, the Dow joint venture, the sale of Johnson County to – properties to a more focused operator and then combining the Dow joint venture with the 50 re-fracs, flat volume from Devon, we are in a better spot today in the Barnett than we've been in, in years.

Matthew Phillips

Analyst, Guggenheim Partners, LLC

Q

Understood. On the Johnson County acreage, I mean, would we expect a public announcement on that any time in the near term? I mean, we understand it's a private buyer. So, I mean, is this something that we'll be able to get public guidance on at some point?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Yeah. I don't know if there's any intention on the part of Devon or on the private buyer to make a public announcement regarding the buyer's identity. I'm sure that, over the course of time, with public filings and land records and everything, it will be clear to everybody – become clear to everybody who that is. But what I can comment on is we've had a couple of meetings with them already, notwithstanding the fact that they don't close here for a couple more months. And I'm confident they're going to be focused on getting the most out of the investment that they're making in those properties.

Matthew Phillips

Analyst, Guggenheim Partners, LLC

Q

Great. Thank you.

Operator: Our next question comes from Darren Horowitz with Raymond James.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Hey, guys. Good morning. On the crude platform expansions that you guys talked about in the STACK, when you start to think about Redbud growing beyond what's happening with the Black Coyote development and hopefully that ramping as Devon executes on those six additional developments that are under way by exiting this year, what do you think next year's growth CapEx for aggregate crude gathering could look like? And how do you think that could change with a lot of the overlapping G&P acreage development?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Okay. So, Darren, let me start, and then Mac or others may want to add on. But, first, let's just pause for a minute and highlight the news. The news today is the announcement of the Redbud system, which is about \$40 million in expected capital this year and that will be to serve another one of the five biggest producers in the STACK.

So, now, we will be the primary crude gatherer for two of the big five in the STACK, and I believe we are well on our way to developing the premier crude oil gathering footprint in the STACK which, when you combine it with the scale of our G&P operation and our connectivity to Cajun-Sibon, makes us really unique in that basin in having all three of the commodity streams covered, I would argue, better than anybody else in the basin on any of those three commodities.

Now, into 2019, I can't comment specifically on the growth CapEx because I don't know enough about what the producers are going to do and the timing of what they're going to do. But I do know that we are well on our way to having the best platform for crude gathering in that basin.

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

A

Yeah. Darren, this is Mac. I'll just follow on there. I think what you will see over time certainly in our crude business is a greater element that's related to crude oil gathering by pipeline versus what we have today. There are some important and exciting successes that we can demonstrate in our crude business just in what we're talking about today.

The Black Coyote system is [ph] falling (37:02) crude oil. We announced the Redbud gathering system in Oklahoma, so a continued build-out of our Oklahoma position. We added – announced that we've gained customers on our Chickadee system in the Permian Basin. I think that success will only generate more success. I think that we will – it will spawn additional opportunities, and that's clearly what our expectation is in our crude business. As we look through the balance of 2018, our expectations are you'll continue to see volume growth in our crude business, and you'll see increasing segment performance in the crude business also.

Michael J. Garberding

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

A

Hey Darren. This is Mike. So, just real quickly on how to think about capital. I would say this kind of capital is incredibly efficient capital as far as what we're seeing because just if you go to Devon's map on their STACK development and think about what kind of pads are coming in and what kind of volumes we can see on the system versus the capital. This stuff for us is a great addition. So, good opportunity.

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

And I'll add on one more time. You're getting more of an answer probably than you wanted, but I want to make sure that everybody understands as you look at the operations report. When you look at Devon's remaining large-scale developments for the rest of the year, so Showboat, which has just begun production in the last couple of weeks, Horsefly, Bernhardt, Geis, Kraken, looking into next year's production, the Cascade development and the ML Development, all of those are expected to come to the Black Coyote system.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

If I could just – switching gears real quick, and I appreciate all the color on that. But shifting over to the Gulf Coast NGLs comment that you guys have talked about and leveraging the value chain and just kind of expanding the optionality. I know that this has been discussed for a while as to whether or not you'd hook up with a JV partner in Belvieu or continue to push those liquids further east.

But when you think about where Cajun is right now, which is effectively full in terms of capacity utilization in the first quarter, and you think about the composition of the volumes on Cajun with, I don't know, call it 40% or 50% coming from what you're doing in Central Oklahoma and in the Permian, how does that weigh into the thought process with regard to whether it makes sense to expand capacity on Cajun, especially as you guys see more frac volumes coming from Louisiana, Central Oklahoma, and Permian and continuing to move those physical hydrocarbons east versus maybe now even having more visibility to justify capital to backstop something even larger in Mont Belvieu?

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

A

Yeah. Darren, this is Mac. Certainly we're excited about the fact that we're connecting more and more of our upstream businesses to our NGL value chain. You can see that in the stats we put out in our report and I'm glad you mentioned a couple of those. Those growing volumes create the opportunity for us to either expand into Louisiana or to do something in the Belvieu area. I don't think that those volumes necessarily create an impetus for either one of those particular locations. I think the fact that they're growing in general gives us the opportunity to look at a portfolio of opportunities. And we continue to do that.

I know we've talked about it now for a quarter or two with regards to – if the answer is going to be expanding to Louisiana or if it's going to be something in Belvieu, whether it includes a JV or doesn't include a JV. There are still a number of options that we're considering and I think that the great thing about it is we've got the volume growth to support all of the kind of options we're looking at whether they'll be in Belvieu or whether they're going to be outside of Belvieu.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Thank you.

Operator: The next question will be from Craig Shere with Tuohy Brothers. Please go ahead.

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Q

Good morning. On the Gulf of Mexico NGL and Louisiana opportunities it seems like there may be some rather large accretive multi-year CapEx opportunities which is great. But the shares and units have long been kind of held back a little by the issue of having to potentially keep tapping the ATM and concerns about self-funding some of the equity portion of growth CapEx spent. Do you agree with this? And do you think that before you announce major incremental projects that you would probably need to finish your evaluation of the corporate structure?

Michael J. Garberding

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

A

Yeah. Greg, this is Mike. It's a good question. So, when we think about that, I think there's a couple key things. One is I think we've done a very good job prudently manning our balance sheet through this growth cycle. When you look at it, we've had quite a bit of growth over the last three years and has put us in the position we are in today.

Two, is if you look at how the capital spend is, we've talked about really the Oklahoma, Delaware, and Midland being sort of that next three years. And then as Mac said, the Louisiana opportunities being that three to five years.

So, yes, we need to contemplate all those items in as we finance that because cost of capital matters. We're trying to be very smart on that on making sure we're doing high-return accretive projects, and so that is a focus of ours. But there is a timing to that capital and we do think that times nicely with our opportunities.

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Q

That helps, Mike. Do you think the – or are you hearing from people that on the cost of capital issue that really the primary concern or issue is the IDRs, or is it the entire MLP relationship?

Michael J. Garberding

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

A

I think that if you look at the evolution, it started on IDRs last year where there's a lot of the discussion, but I think that has evolved to your second point which is more probably the broader MLP structure question that Eric alluded to in his comments. And so, as Eric said, we are seeing the market look at those differently today, and we do believe that is driving some of the cost of capital difference.

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Q

Okay. Great. Last question, can you elaborate a little about the type of noncore assets and their potential aggregate value range that might help support 2018 CapEx spend?

Eric D. Batchelder

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

A

Hey, Craig, it's Eric. When we put out our guidance earlier this year, the total ATM and noncore assets sales that we alluded to was about \$190 million. We have issued less than \$1 million of ATM thus far to-date. And I would say that to reiterate these noncore assets sales that we're talking about are often times small pieces that are more valuable to someone else than they are to us, and might be stuff that frankly nobody's really heard a lot about. So, it is really truly small and noncore assets around the edges.

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Could it aggregate to the majority of that \$190 million?

Q

Eric D. Batchelder

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

I think broadly – the broader question is about financing CapEx for the year and we feel comfortable with the liquidity position we have. And as Mike has said, we've done a good job managing the balance sheet over the last few years and feel comfortable with our growth capital spend this year and utilizing our balance sheet to fund that.

A

Craig K. Shere

Analyst, Tuohy Brothers Investment Research, Inc.

Understood. Thank you.

Q

Operator: The next question is from Barrett Blaschke with MUFG Securities. Please go ahead.

Barrett Blaschke

Analyst, MUFG Securities America, Inc.

Hey, guys. As you're kind of evaluating structure and where assets are sitting today, any thoughts on what you want to do with the non-controlling interest component of the Oklahoma assets up at ENLC?

Q

Eric D. Batchelder

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

Hey, Barrett, it's Eric. I would say we are always evaluating that piece along with everything else, and there's a lot of different factors that go into the entire structural dynamic, including the piece that sits up in ENLC. There's really nothing that prevents that dropdown, but we're evaluating in the context of all the other options that we look at to make sure that we're managing the business properly for the long term.

A

Barrett Blaschke

Analyst, MUFG Securities America, Inc.

Okay. And then, I guess the other thing is with coverage ticking back up above 1.1 for the quarter, I know you're talking about it may be fading back a little bit in the second quarter with some seasonality here. How much of this was just, hey, it's that time – it's kind of a better time of the year for the NGL market and maintenance for all? It does seem like the coverage is starting to really creep higher and when do we think about kind of other considerations whether it's distribution increases or things along those lines?

Q

Eric D. Batchelder

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

Yeah, Barrett. I think that there's a lot of factors that go into how we manage the balance sheet overall, with prudence and that includes, as you referenced, coverage but it also includes self-funding the CapEx and our overall leverage position, and there's a lot of levers to pull on there.

A

And so, we're continuing to think about how we can utilize that excess coverage to get into more of a self-funding mode and to maintain leverage properly, and we'll evaluate all of those things as it relates to go forward on

whether it's increasing distribution, self-funding CapEx and managing leverage. I think all of that goes into the pot, and we think about that collectively.

Barrett Blaschke

Analyst, MUFG Securities America, Inc.

Q

Okay. Thank you.

Operator: The next question will be from Mirek Zak of Citigroup.

Mirek Zak

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning, everyone. Just a quick one for me. On the weaker well completions in the Delaware and Midland this quarter, did you say that is completely driven by the differentials this quarter, or was there something else to it? And have you adjusted your completion pace and outlook assumptions on that acreage for the rest of 2018?

Benjamin D. Lamb

Executive Vice President of North Texas & Oklahoma, EnLink Midstream Partners LP

A

Yeah. Hey, Mirek, it's Ben. Actually, I don't think it had anything to do with the basis differentials. I think it had to do with two broader issues. One is we've seen a transition in our producer customer base from single wells and maybe 2- to 3-well pads to 4 to 7 or in Concho's case 10-plus well pads.

And so, just as we had this transition in Oklahoma last year, we're seeing more of that transition in the Midland Basin this year, and that creates a bit of a gap in volume growth while we wait on some of those big projects to come on line.

Second thing is general tightness in the oil field services market that's making it harder for our producers to get things done in a timely way, and I think that's far from unique to us and our customer base. I think we're seeing that across the Permian.

In terms of expectations, I think that we are going to see, certainly in the Midland Basin side, much the same story that we saw in Oklahoma last year, which is a very back-end-weighted story, slower growth in the first half, but with a very attractive exit rate that may even exceed what our expectations were at the time we did our budget for this year.

Mirek Zak

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. And actually, just one more quick one. Regarding the \$40 million reduction in Louisiana CapEx around gas opportunities, was that more on the NGL side, or what was that related to?

Michael J. Garberding

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

A

Yeah. Mirek, this is Mike. So, again, we look at it as a portfolio CapEx. You saw that Redbud came in, and then we really look at the timing of Louisiana opportunities, which is a pot of opportunities like Mac talked about. So we still think those are there. It's just really the timing of when we will execute on those. And so, for us, it allowed us really to remain CapEx neutral with new business.

Mirek Zak

Analyst, Citigroup Global Markets, Inc.

Okay. Great. Thank you. That's all for me.

Q

McMillan Hummel

Executive Vice President & President-Liquids Business Unit, EnLink Midstream Partners LP

Mirek, Let me go back to your first question, make one additional point that I think folks may be interested to understand. On the Midland Basin side, we market almost all of the gas, residue gas for the processing that we do there and we have more firm transportation on one of the interstate pipelines than we even are currently utilizing. So, I know there's been a lot of talk takeaway out of the basin. I just want you to know that for us right now on the Midland Basin side, it really is not an issue and I don't expect it to be an issue, in fact if anything, I expect it to be a little bit of a competitive advantage.

A

Delaware Basin, we don't market much of the gas over there because our customer base is primarily the very large cap independents and the majors. And as you can appreciate, those guys plan for their needs very well. So, relative to all the noise you hear around takeaway in the Permian, I think we are as well positioned as anyone is right now.

Mirek Zak

Analyst, Citigroup Global Markets, Inc.

Okay. Great. Thanks for the extra color.

Q

Operator: [Operator Instructions] The next question comes from Praneeth Satish with Wells Fargo. Please go ahead.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Hi. Good morning. I guess just as you look at corporate structure and simplification, do you need to see – wait for more clarity on the Devon asset sale process before contemplating a simplification or are those independent events?

Q

Michael J. Garberding

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

Yeah. Praneeth, this is Mike. I would look at those as independent events. We work hand in hand with Devon thinking through just as Eric mentioned, but one is not reliant upon the other.

A

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Okay. Got it. And then just on the on the Midland side residue takeaway on the gas side is pretty tight. It sounds like you have more firm transport capacity there. Is that an opportunity to – could you sell some of that excess transport capacity? I guess, just trying to figure out how much more you have there than you need.

Q

Michael J. Garberding

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

A

Yeah. We have a gas marketing group that actively manages our position and firm takeaway to make sure that we maximize the value of the asset, first, for our dedicated producers and then to the extent that we're not using it all than we were in a position to help others out and make some money along the way. So it's something we manage actively every day.

I think the message for everyone to take away though is there's not – no near-term concern about gas dedicated to our system in the Midland Basin not being able to move out. And, in fact, we got it at a pretty attractive price.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Okay. Thank you.

Operator: The next question will be from Ross Payne with Wells Fargo Securities.

Ross Payne

Analyst, Wells Fargo Securities LLC

Q

How are you doing, guys? Hey, first of all, congratulations on getting close to and getting ready to exceed the \$1 billion in EBITDA. That's kind of a marker for the rating agencies. And with some uncertainty over the ownership of Devon, do you think regardless of who ultimately owns Devon – I mean, owns EnLink, whether it be Devon or somebody else, that you guys can stand alone from an investment-grade standpoint?

Eric D. Batchelder

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

A

Yeah, Ross, I mean, we'll take this in tag team. Ross. It's Eric and then Mike, I think, will build on a little bit. Again, I think that we're in dialogue and, as you mentioned, the \$1 billion is important and we're striving hard to get to that. And we talk to the rating agencies pretty regularly as you can imagine, but I don't think you know we're in a position to sort of speculate what our standalone basis would be. Mike, I don't know if you want to add something.

Michael J. Garberding

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

A

No. Ross, I mean, I would say exactly – I'll reiterate exactly what Eric said is that we work hard with the agencies, really understanding how they think of us on a standalone rating standpoint and are very focused on what those are. And Eric walked through those, right? It's going to be coverage. It's going to be self-funding. It's going to be leverage. It's going to be size, scale, diversity, all that. And we think we've done a very good job executing on that. So, that is our focus as a business. That's the thing we can control, and that's what we're going to keep pushing on.

Ross Payne

Analyst, Wells Fargo Securities LLC

Q

Okay. Thanks very much.

Operator: Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Mike Garberding for any closing remarks.

Michael J. Garberding

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

Thank you, Chad, for facilitating our call this morning. And for everyone on the call today, thank you for your participation and for your support. We look forward to updating you in our Q2 2018 results in August.

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

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.