

September 4, 2024

Welcome to the Tortoise QuickTake podcast. I'm Brian Kessens, senior portfolio manager and managing director. Thank you for joining us as we provide timely updates on the market.

The weather turned cooler, and the football season kicked off. That means we must be through August. For energy stocks in the month, August brought a mix of hot and cold, and the more defensive sectors won out. On performance, midstream or pipeline stocks, as represented by the Alerian Midstream Energy Index, improved 5% on the heels of a good earnings season. Utilities, per the Dow Jones Utility Index, were higher by 4%, helped by Fed language implying that interest rate cuts are coming. Broader energy though, slipped 1.7%, that's per the S&P Energy Select Sector Index, in part because crude oil finished the month lower by 5% at \$73 per barrel. Though civil conflict in Libya took about 1 million barrels per day of oil supply off-line, Chinese demand concerns ultimately weighed on prices. Given the level of prices below \$90 per barrel, we expect OPEC+ to decide to continue to keep supplies off the market when they meet next month.

I mentioned midstream earnings, and we finished second quarter midstream earnings reporting in August. We liked the results. Half of midstream companies beat estimates and only one company notably missed, that being EnLink. More on that name later. Driving results were continued growth in volumes, particularly higher production from the Permian basin. Further, there were six new Permian projects announced, mostly due to the need for more natural gas liquids (NGL) infrastructure. In fact, Enterprise Products, Targa Resources, Energy Transfer, and Oneok are all constructing at least one fractionation facility or pipeline expansion. Higher energy demand from Artificial Intelligence led data center build out continued as a theme. Kinder Morgan announced a \$3 billion pipeline expansion project coming on-line in 2028 to power data centers, and Williams, DT Midstream, and Energy Transfer, among others, indicated discussions with data centers about providing power.

Why the new Permian projects? Natural gas and natural gas liquids pipeline utilization out of the basin stands at 90%+, and fractionation capacity north of 95%. The effects are natural gas prices in West Texas are a fraction of prices at other price points and are even routinely negative. Fortunately, the 2.5 Bcf/d Matterhorn pipeline is expected to come on-line any day now, providing at least some relief. Capex though remains about half of what it was prior to 2020, with ample cash flow available to be returned to shareholders. In fact, the second quarter saw over \$1 billion again in share buybacks, bringing the year-to-date share repurchase amount to \$2.6 billion, well on pace to meet our \$4 billion estimate for 2024.

Across the rest of the value, producers continue to do more with less. Yes, the rig count is lower, but lateral drilling lengths are longer, time to drill and complete wells is shorter, and the oilfield service supply chain is more efficient. On the last point, there is a 42-mile conveyor belt expected to come on-line buy year-end to more efficiently transport frac sand across the basin. Built by Atlas Energy and known as the Dune Express, it is expected to eliminate millions of miles of truck miles driven across the basin. Refiners saw margins narrow though still generated substantial free cash flow. And among utilities, future demand growth is as strong as it's been in decades due to the impacts of near-shoring, electric vehicle sales, and data center needs.

There was one notable M&A deal in August. At month's end, Oneok announced it is buying GIP's 43% controlling stake in EnLink, and all of Medallion Midstream for a total value just shy of \$6 billion. EnLink's assets fit well with Oneok as they are likely to fill Oneok's west Texas crude and NGL pipelines and processing plants. The all-debt deal is accretive to Oneok and we are inclined to believe management's \$250 million synergy estimate given their good track record integrating Magellan Midstream over the past year. (As a reminder, Oneok purchased Magellan just one year ago.) Leverage does increase in the near-term yet is expected to decline to 3.9x EBITDA by -year-end 2025 and a very manageable 3.5x in 2026. And Oneok still plans to repurchase \$2 billion in shares over the next four years, while growing the dividend 3-4%. In the future, Oneok plans to purchase all of the EnLink units it does not own for equity at a similar price that it paid for the stake from GIP. That price was at a 13% premium to the previous EnLink close.

As we start September, we'll be at the Barclay's Energy Conference where we're aiming to glean more color on how energy companies plan to return more capital to shareholders, do ever more with less, and how volumes are likely to change over the next several years. On volumes, think, continue to grow with demand increasingly pointed toward the Gulf Coast to reach export markets. And then there are data centers with big energy appetites that require always on power in markets where electricity reserve margins are already thin. The conference is always timely as we approach year-end and prepare for the next year and beyond. We look forward to telling you our takeaways soon. Thanks for listening.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@tortoiseecofin.com.

Midstream = The Alerian Midstream Energy Index[®] is a broad-based composite of North American energy infrastructure. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

Broad Energy = The S&P Energy Select Sector[®] Index is a capitalization-weighted index of S&P 500[®] Index companies in the energy sector involved in the development or production of energy products.

The **Dow Jones Utility Average Index** is a price-weighted index composed of stocks of 15 utility companies listed on the New York Stock Exchange.

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