Powering Progress: Catalysts in the Energy Sector Amidst AI Expansion Webinar

February 26, 2025

Mark Marifian:

Thanks everyone for joining. We'll just give everyone another minute or so to get signed on before we get started.

All right, we'll go ahead and get kicked off. Good afternoon, everyone. Good morning, depending on where you're at. Welcome to our webinar, Powering Progress: Catalysts in the Energy Sector Amidst AI Expansion. I'm Mark Marifian. I'm helping lead our product efforts here at Tortoise, and it's a pleasure to have Rob Thummel, our senior portfolio manager joining us today.

So while a lot has changed in just one year, I can recall with Rob hosting our big AI webinar in May of last year. And really at that time, AI was still more of a concept than a reality for most investors. Fast forward here nine, 12 months, we really are seeing daily tangible evidence of AI's impact on energy demand, whether it's data centers consuming massive amounts of power, utilities and energy companies beginning to make investments in new infrastructure or natural gas really emerging as a key enabler for AI's electricity needs. So these are all things that are happening daily.

If I could put a plug in, I would say we discuss a lot of this in more depth on our website. If you go to the home page, can see our 2025 energy outlook white paper, which discusses a lot of these in more details. But I think for you all on the line, given those headlines, the question really is for investors, why should you care? And to me this is reinforcing energy as a critical portfolio allocation. You can be offered inflation protection, income and, really more importantly, long-term demand stability. So today's discussion, we'll focus on how advisors can position energy investments to capitalize on one or several of those attributes. Q&A reminder, we definitely want this to be interactive, so we'll plan to tackle questions at the end. Feel free to submit them. You can type them through our Q&A box at any time.

If you're new to Tortoise, welcome. We've been specializing in energy investing for 20 years. At the end of January, we managed $9.6 billion in AUM. And what sets us apart? Well, we cover the full energy value chain from whether it be natural gas, crude oil, all the way to pipelines, to electricity and emerging energy technologies.

If you go to the next page, you can see how our investment solutions are broken out. The $7 billion is in energy infrastructure investments. That is how the firm was started almost 20 plus years ago. We have $1.3 billion in electrification focused investments, and that's really tapping into the AI and power expansion theme. We have about almost $800 in broader energy, so looking at really the full energy value chain and then we also have a more thematic focus in water infrastructure for those interested in that investment.

Just a couple more quick announcements. As far as a firm, flows have started off the year strong and we also are continuing to grow our ETF lineup. Our ETF platform now encompasses three ETFs

So what are we going to cover today? Three primary topics, expected performance, fundamentals, that will be second, and then valuations will be third. Now those of you who have tuned in before know we'd like to use our poll questions, a little twist this time. We're going to sprinkle them in throughout the webinar. So let's move to the next page and the first section is going to be expected performance. And if we can go ahead and queue the poll question to get us started.

What is your primary motivation for investing in, or considering, the energy sector as an attractive dividends? Is it exposure to key themes such as real assets or AI? Is it total return potential? Is it a hedge against inflation or is it a yield?

Rob, this is quite interesting here. Total return really jumps out here as the leader, more than half of the respondents said that. And then also with less of a focus on key themes and distributions. So Rob, I think that's a good start. I'll pass it over to you, looking forward to hearing your comments.

Rob Thummel:

Okay, thank you Mark and thank you all for listening, so we'll start on slide five. So at Tortoise, as Mark mentioned, we focus on energy. We are your energy specialists and why energy? Well, energy plays such a crucial role in our daily lives. When you hear about energy, you often probably think gasoline prices and oil. That's probably what immediately comes to mind. But we see energy through a much larger lens. The positive impacts of energy really extend beyond just transportation and heating, natural gas, oil, natural gas liquids, they're really essential components for over 6,000 consumer products including life-saving devices, medical devices like MRI machines and pacemakers. But if you simply think about it, your life really runs on energy, so by investing in the energy sector, you're really investing in the companies that form the foundation of modern civilization and drive economic growth. So these companies are generating high quality, free cash flow and are providing you with some current income.

So is the energy sector a good investment right now? Well, we think so because the catalysts are in place for the sector to deliver returns that exceed the S&P 500's annual or long-term annual average. So let's deconstruct really our expected total returns that are 12% plus, across the energy sector. So the broad energy sector, that includes oil and gas producers and refiners, and that expected return is shown on the left. So these companies really provide investors with 3% dividend yields roughly, the potential to grow those dividends by up to 5% and they generate free cash flow in excess of dividends. So these companies are executing a lot of buybacks as well.

Many of these stocks are trading at discounts to their historical valuation multiples, meaning that there's a potential for the EBITDA multiples to return to historical levels. And if they do, that will drive some total return going forward. Now the energy infrastructure sector in the middle, that's been our favorite for a long time, and currently this sector offers investors a high dividend yield 5%, with dividend growth of 5 to 7%. You might've noticed that dividend growth is actually, we've raised it toward our 2025 dividend growth estimates from previous years.

Additionally, these companies have excess cashflow that's available for stock buybacks and like the broader energy sector, energy infrastructure stocks are trading at discounts to their historical valuation levels. So these stocks could generate excess returns beyond just the traditional dividend yield plus growth. Then lastly, if you look at our return expectations for stocks participating in the electrification theme, that's presented on the far right. Now, the electrification theme really has gained significant momentum. And most of the companies are obviously generating electricity. Many of these companies still offer 3% dividend yields and some are delivering, in fact, a lot are delivering, above average dividend growth.

But given the potential for increased electricity demand from AI and expanded manufacturing activity and other broader shifts in increased use of electricity, many of these stocks really could also trade at even higher valuation multiples in the future. So if we summarize all this up, we expect stocks across the energy sector to deliver total returns of 12% plus in 2025, through a combination of dividend yields, dividend growth, stock buybacks, and the potential for multiple expansion.

Mark Marifian:

Great, Rob, that's helpful framing to start the discussion today. Let's move to our next section, and this is really going to be the meat of the presentation, which is fundamentals. And we do have a couple poll questions here to get us kicked off. Okay, so first one is by 2030, how much more electricity demand will the US see compare to today? Are we going to be adding a California, a Texas equivalent, a Florida equivalent, a New York equivalent, or are we going to be adding a combined equivalent of California, Texas, Florida and New York of electricity demand?

Okay, interesting. California. Couple responses for California and Texas, but the majority of the respondents say combined of those four large states. I'm not going to give the answer yet. Rob's actually going to talk through it. We got one more question.

Okay. This is related. What percent of new electricity demand will come from AI driven data centers? 10%, 40%, 60% or 100%? All right, Rob, we didn't give away the answers, but I think the audience is heading down the right direction, so I'll pass them to you to dive the details.

Rob Thummel:

All right, thank you Mark. So let's start on slide seven. Let's talk about the fundamentals really supporting the growth in the energy sector. So let's start. So Tortoise, we actually concluded that the US shale technology really became fully commercialized in 2005. So we are celebrating the 20th year birthday really of shale technology being operational, virtually operational. And if you think about shale technology, it's really grown up, it's become more responsive, but it's really transformed the global energy markets. It's established the US as the dominant energy producer really in the world. So today, as many of you know, the US is the largest energy producer in the world, accounting for nearly 20% of the global natural gas supply and 20% of global oil output.

The shale technology also has had far reaching effects including reducing US carbon emissions, expanding access to cleaner cooking fuels, but and ultimately really positioning the US as being energy independent and as the world's largest energy exporter today, the energy sector also aids in reducing the US trade deficit, but it also has a really positive impact on the global energy security and that impact is really profound. So rising US production and rising energy exports to support domestic and global economic growth will remain the primary catalyst for the sector going forward. More recently though, there's been a new emerging sector catalyst and that is a rising electricity demand and we'll talk a little bit more about that in a second.

So before we dive into that, let's turn to slide eight and I want to spend a minute talking about US energy exports and the outlook for what I think is really an underappreciated catalyst. So on this slide you can see what's illustrated is the US exports a lot of energy and it exports several different types of energy products. So US refiners have long been the lowest cost suppliers of gasoline and diesel and exports have been fairly steady for a while, but the emergence of US shale really has significantly expanded the US's energy export profile. So since 2010, natural gas liquids or NGL exports have actually grown by about a compound annual growth rate of about 11%. Crude oil exports have surged by 27% per year since President Obama lifted the crude oil export ban in 2015.

Then of course, liquefied natural gas or LNG exports have risen at a rate of 18% on an annual basis and has effectively created a whole new brand new industry really in such a short period of time. And as many of you know today the US is the world's largest LNG exports or exporter. So we look ahead. We expect US energy exports to continue growing at an estimated rate of about 5% annually, and that's driven by LNG exports, which we think could double by 2030. But also exports of NGL, ethane, propane as well as crude oil are also going and we expect them to gradually rise over time.

This sustained export growth really supports cash flow expansion for many of the companies that are operating across the entire energy sector. So then if we switch to slight nine, so let's shift to the catalyst that a lot of you're already familiar with at this point, and that's Ai. So Bill Gates and others have called AI the fourth industrial revolution, but at the core of AI are data centers, but you also need energy and technology because both of those, both energy and technology, play critical roles in making AI possible. And for the first time in my career, the energy sector is intersecting with the technology sector. This creates investment opportunities across the entire energy sector from electricity generation and pipeline infrastructure to energy production and next generation energy technologies. And as we like to say, there is no AI without EI or energy infrastructure.

So if we move to slide 10, similar to how the US has achieved and values energy independence, the US will also want to maintain data independence, ensuring that critical AI data remains within the US. So AI focused data centers are expected to be highly concentrated in the US, due to their strategic importance, much like the strategic petroleum reserve for energy security. So the US is really leading the way in terms of data center development. Northern Virginia has become known as Data Center Alley due to the high concentration of facilities in that area. And the amount of data center capacity in Data Center Alley as shown on this illustration, the amount of data center capacity in Data Center Alley surpasses that of the next four largest data center markets in the world combined. So this is a huge competitive advantage for the US relative to the rest of the world. One of the key reasons that data centers have developed so quickly in the US is that the US has relatively inexpensive and reliable energy supplies and a stable power grid in most regions.

So if you go to slide 11. Most of you are familiar with the deep seat news that created some concern about the pace of development of AI earlier this month. Many of the AI developers are countered by referencing 160-year-old economic paradox called Jevons Paradox that really suggests that AI could grow even more. But to best assess AI development and its impact on the energy sector, we track big tech investment. And when I say big tech, I mean capital investment by

Amazon, Google, Microsoft, and Meta, also known as the hyperscalers. And so far investment theme really follows what our chief revenue officer Brett Wright calls, Build Baby Build.

So look on slide 11, it illustrates... Sorry, go back one more slide. Look on slide 11. It illustrates big tech capital spending over the past five years. In the fourth quarter alone, these companies invested over $70 billion in capital expenditures. For 2025, capital investment in AI related projects is projected to exceed $300 billion. That's a 31% increase from last year and really double that of the 2022 level capital spend.

Okay, so let's go to slide 12 then. So all indications are from our perspective, AI development is continuing at a record pace. AI computing is far more energy intensive and the rapid adoption of generative AI and large language models is really driving demand for more powerful chips and significantly increasing energy consumption. So this is going to be a positive catalyst for the technology sector, but it's also going to be a positive long-term catalyst for the energy sector. So look at this illustration.

For the first time in 20 years, US electricity consumption is forecasted to grow. So during the fourth quarter, a lot of the earnings and the earnings calls nearly almost all US electric utilities will highlight this electricity demand growth and growth rates that are probably going to be between 3 to 5% in their respective service areas going forward. That's significantly higher than historical averages.

So for example, Dominion. Dominion Energy, which serves Data Center Alley in Northern Virginia, it expects annual electricity demand growth of over 6% in its Virginia service territory for the next decade. The chart here really illustrates how US electricity is going to grow from 4,000 terawatt hours where it's been for 20 years to over 5,000 terawatt hours by 2030. And this is dynamic really as, Mark, what many are calling the age of electricity. So this is where the poll question came in, and many of you are obviously highly educated and know the answer already. And you're right. The amount of electricity demand growth by 2030 in the US is really equivalent to the same amount of retail electricity consumed in the states of California, Florida, New York and Texas combined. So the answer of all the above was absolutely correct. Congratulations, you know your stuff.

Data center demand. Second question, data center demand. How much of it's going to be data center demand? It'll represent 60% of consumption growth as these AI data centers really consume, and AI applications really consume about 4% today of US electricity demand today. But by 2030, data centers are projected to account for more than 11% of US electricity consumption. So once again, good job to everybody who submitted. You were spot on them with your answer.

So let's go to slide 13. So while electricity generation will be the direct beneficiary of AI development, many other sectors actually will benefit as well. And Tortoise, we believe that natural gas related sectors will benefit and we have seen several recent announcements that really highlight and support our premise and these are listed on this slide. So first, natural gas pipeline operator energy transfer announced an agreement with a data center to supply up to four 50,000 MBTUs of natural gas. This would be the first natural gas supply agreement tied directly to a data center.

Chevron, GE Vernova and Engine 1, they're forming a partnership to develop power solutions for US-based data centers and they plan to use natural gas as the primary fuel to generate electricity. Then of course, the largest renewable producer in the world. NextEra Energy is partnering with GE Vernova to build gigawatts of you guessed it, natural gas generation. And then lastly, finally, Entergy. Entergy, which is an electricity provider in Northern Louisiana is building three natural gas power plants to provide electricity for Meta's proposed 10 billion data center in Northeast Louisiana. So based on everything that's happening and the actions taken so far, it seems pretty clear to us that natural gas will play a really important role in development of AI, which takes us to one of our last slides. Slide 14.

So this highlights the role US natural gas will play by 2030. So natural gas is already the largest supply source of US electricity generation representing 43% of the fuel mix. But at Tortoise, we believe that the energy sector is really being redefined with natural gas emerging as the dominant fuel of the future. In fact, we view the next decade as the age of natural gas. So even before the emergence of AIs of potential catalysts for growth, the US natural gas sector was already poised for expansion, largely driven by projected increases in LNG exports through 2030, which as we mentioned, we expect LNG exports to double from current level, so that's about another 12 to 13 BCF per day of growth by 2030.

But now, the surge in natural gas demand to support electricity consumption, driven in part by the growth of AI related infrastructure, presents another avenue for potential growth for natural gas. This could potentially result in an increase,

ranging somewhere between 7 to 16 billion cubic feet per day of additional demand. So when considering both sources of growth, US natural gas production could witness a substantial uptick potentially rising by nearly 30% by 2030.

Mark Marifian:

It's great content. The breadth, the broader move across the different energy subsectors is really powerful as well. So thank you for that. We're going to move to our last section and we're going to do one more poll question. This is going to be on valuation and valuation of course is important, right? We laid out the fundamental backdrop, but how are the securities trading within the energy sector today? And it's a simple question, how do we perceive the current valuations? Are we trading at a discount, trading at a premium or are we in line with historical levels?

74% trading at a discount. A few are about 10% trading at a premium and about 20%, just under 20%, are at in line with historical levels. So Rob, I know you got a couple slides here, I'll pass it over to you.

Rob Thummel:

Okay, real quick, we'll talk about valuations thankfully. Thank you and I'm glad to see everybody agrees with us that the sector's trading at a discount across energy. So look at slide 16, so you're an investor, you're looking for yield, the strong dividend yields, the energy sector really stands out for these strong dividend yields. So you can see on the chart, dividend yields across the energy sector are three to four times higher than those of the S&P 500. Companies in the sector though are consistently growing these dividends, so I mentioned earlier, recently for energy infrastructure, we raised our forecast to really 5 to 7% and that really supports the sustainability of the cash flows and the growth profile of the companies going forward.

You can see from an electrification perspective; electrification trend is resulting in increasing dividends as well. That's utilities, basically. Utilities we think you could see 6 to 8% and a lot of the companies of growth rates for these companies. So all of these sectors, or this sector in general, energy sector in general, the dividends are backed by high quality cash flows generated by essential businesses that really reinforce the sustainability of these dividends going forward. But if you look at slide 17, I want to wrap up with highlighting really the current EV/EBITDA multiples for the energy sector and really make the case for potential multiple expansion.

So if you look on this slide, the broad energy sector is trading at just under nine times EBITDA, while the energy infrastructure sector is trading around 10 times. Both are one to two terms below historical averages, so undervalued and as many of you have highlighted. So this really suggests some upside in the stock prices beyond just yield and growth, if these sectors simply revert to their historical norms in terms of valuation multiples. Now utilities, they're trading a little closer to their historical norms. However, with the recent surge in US electricity demand that we see going forward, this could then result in multiple expansion for that sector as well.

Lastly, we include the industrial sector on this page for comparison. So industrials currently trade at 17 times EBITDA, which is in line with their historical loans. So while the industrial sector is critical, we believe that there's a strong case for the energy sector multiples to expand as well and approach industrial at some point because after all, if you think about it, energy is even more essential providing the foundation really that enables industrial activity to function. So let me just conclude real quick.

So Tortoise, we're your energy specialist. We've been navigating the energy sector for two decades. We understand the role that the energy sector plays, and the critical role it plays, in our daily lives and in really supporting economic growth. The sector continues to offer investors attractive dividend yields and growing cash flows backed by high quality assets that generate high quality cash flows. The world needs more energy and the world needs more US energy. So rising US energy production, expanding exports will remain the key catalyst for this sector. But in addition, AI has introduced a new transformative driver for energy demand, and so for the first time, in my 30-year career in energy, the energy sector and the technology sector are converging in a meaningful way. This long-term, structural shift has the potential to unlock sustained growth for the energy sector in the years ahead. And don't forget and always remember that there is no AI without energy infrastructure. So with that, thank you for listening. Appreciate your time and we're happy to address any questions you might have.

Mark Marifian:

Rob, great conclusion. Again, I saw a couple of hands raised in the chat. Feel free to type in the question into the Q&A and then we'll get those read off. We already have several that have come through. Rob, I think let's start with I think one that with all these headlines of AI, you're going to see a lot of positive, you're also going to see some that may be negative. We have deep seek news come out a few weeks back. Earlier this week there was news around Microsoft and potentially canceling some of their AI leases and the thought was that that potentially impacted those power providers. I guess can you talk generally, how concerned are you and what the impact would be if AI were to slow and how would that impact the overall story?

Rob Thummel:

Sure. No, so I guess the short answer is I think AI is here to stay. If you listen to any of these tech visionaries, they are all extremely excited about AI. I'm not just talking about the ones that are participating, it's the original tech visionaries, Bill Gates and others. So I think it's coming in, just a matter of how much and when. And so I guess the long story or the short story is you're going to have to build a lot of infrastructure to prepare to have this AI demand really be foundational for, not just a decade, but for multi-decades. And so I think the next 10 years is going to be really the decade of building that foundation and it's going to take a while, but you're going to build a lot of AI infrastructure and ultimately that's going to require significant power, significant electricity. How much? That's a little hard to gauge at the present time and we have our forecasts. Those will change over time. Positive, negative, I hope probably more positive than negative, but we do know that's going to be pretty strong.

The other question then is, and we're following all of this, the other question then is what will be the fuel supply source? If many of you recall it was just a few short months ago when the fuel supply source that a lot were thinking we're going to fuel this sector was renewables. I just showed you real announcements of real projects and renewables really have been replaced by natural gas. Natural gas become the preferred supply source because it provides reliable power. So what do we think? Yeah, there's probably going to be a lot of zigs and zags as we move up and generate more electricity and build more infrastructure. But ultimately we think it's coming and we ultimately think that natural gas is going to play a really, really important role, so a lot of the energy companies in the US are going to benefit from that.

Mark Marifian:

That's great Rob. Again, several questions coming in, but let's stick to natural gas. And this is also, I'd say one that we definitely want to address. Is there concern about a slowdown in the US supply of natural gas?

Rob Thummel:

As far as drilling is concerned, I think that's the question. Is there a slowdown in the amount of drilling? Well, if many of you have seen, we've experienced... Let me answer that actually from two angles. So drilling capital expenditures for the big oils, and I'm going to talk about this a little bit more in more detail on our monthly podcast in a week or so, but I'll talk about it here as well. If you look at the drilling at capital expenditures for 2025 for the big oils, Exxon, Chevron and those type of companies, Shells, BP's, Totals, our capital expenditures are actually lower this year than they are last year. But that's a little bit more oil-related.

If you look at specifically to the natural gas producers, the largest natural gas producers in US, EQT, Cotera, the old Chesapeake Energy, gas expenditures are up a little bit. Capital expenditures are up a little bit. So we think that you're going to see higher natural gas production in 2025 than what you saw in 2024. It's obviously, part of it is because we see much better natural gas prices, the market's not as oversupplied. We've had a significant demand in US natural gas volumes because of the winter, not only here domestically but also globally. So no, I think you're going to see actually an increase in natural gas volumes in 2025 from a production perspective. Whoever asked the question, it's a good one though because last year in 2024, natural gas production actually did decline last year, but it'll rise this year and we feel pretty confident in that.

Mark Marifian:

This is part of our scope. Can we talk about CapEx? We're starting to see CapEx creep up a little bit related to some of these projects that are coming. How are we viewing CapEx? Is that a positive, neutral, negative?

Rob Thummel:

Yeah, so I think in general across the energy sector, I still think the sector broadly has remained disciplined and as I mentioned, there's the great thing about these businesses is they generate a lot of cash flow, they generate a lot of free cash flow. And so capital allocation or allocation of that cash flow is really important and being disciplined and generally speaking, the companies have continued to be. So on the oil and gas producer side, we're seeing a little bit of capital increases, but I think what this question is referring to a little bit is as we've seen on the energy infrastructure side, we've seen a little bit more capital expenditure increases in the energy infrastructure side. That's the support growth. So where's the growth coming from? It's coming from the Fermion basin and it's coming from natural gas, really production growth in general.

So you're seeing a lot, some capital, and I don't want to say a lot, there's some capital being spent to expand Permian basin production or to support a rising Permian basin production that then ultimately is being exported. So you're seeing some export facilities being built, not just the liquefied natural gas export facilities, but natural gas liquids export facilities. So giving the US the ability to export even more ethane and propane and expand its really energy supply across even more countries. So that's why I tried to emphasize I think it's important to understand is I think this energy export story for the US is really underappreciated and people haven't paid as close attention to it, but it's a pretty significant deal and it's become really critical and really important and will be an export or the largest exporter of energy in the world for a long time.

Mark Marifian:

Yeah, a follow-on question to that, another one in the queue is are the LNG exports, can you talk about what's baked into to Southside estimates models at this point? Obviously there's a lot of growth that's expected to come on the back end of the decade.

Rob Thummel:

Well, okay, so there's two ways to answer that question. So what's baked into the stocks as far as future exports? I guess I would argue there's not much. I mean one of the largest LNG exporters in your energy that trades, like I said, like I mentioned in the evaluation, it's right in line with that long-term multiple, the 10 times multiple, for energy infrastructure. And you're talking about a company that's got multi-decades of high-quality cash flows that are consistent, steady, and growing, and that's really without much export growth embedded in those cash flows. So I would say there's not much embedded in the stock prices of these energy companies as far as LNG export potential.

I would also highlight that a lot of these LNG exporters, and there's only a couple of them to choose from, but Cheniere in particular, once again, being the largest, have stated they could actually... Not only are we going to double exports from here in the US in general, but Cheniere in particular can double their capacity potentially beyond that. So we're talking about 2030 and beyond, and we'll start talking a little bit more about that in the future.

But the short story is this LNG export potential is significant and a lot of the companies are really well positioned to grow but from our perspective, they should be even valued even higher because of the high-quality nature of the recurring... Tech companies call this recurring cash flow. We call it fee-based cash flow in energy infrastructure, it's the same thing. But in Cheniere's case, they have significant fee-based recurring cash flow. It's annual every single year for decades and we think that that stream of cash flow is just not appropriately being valued in the market right now.

Mark Marifian:

Rob, another question. We know the US, I guess the rest of Ukraine war, potentially maybe shifting, maybe ending here and later. Can you talk about implications there and as it relates to LNG pricing, would you expect a convergence then of European pricing, Asian pricing and any others today?

Rob Thummel:

Yeah, so I think most of you know that are on this call, but just for perspective, Asia and European prices right now are at least, well, they're probably three times, maybe four times higher, three to four times higher than what US prices are at $4 in MCF and natural gas. And so obviously in Europe and Asia, the cost of natural gas is significantly higher. Part of that is the risk premium that's being paid because of the fact that Russia as one of the world's largest suppliers of natural gas no longer is that big of large of a supplier. So will they return to the market and will customers buy their natural gas? There are customers buying the Russian natural gas today. China in particular is buying a lot of Russian gas today, but will Europe and India and other countries by Russian natural gas if the war has ended?

Probably. But I think what has been proven is having a diverse supply of natural gas is really important and being able to rely on the US as a reliable supply source is important as well. If you recall, Europe got into this situation because they entirely relied only on Russia as their primary supplier of natural gas. Now the US is an option and has really filled the void that this has been left by Russia. We don't see that changing dramatically. Frankly, I think as owners of infrastructure assets, we would rather see a price environment that really supports lower prices as far as LNG prices are globally because that is going to be then the trigger that will just expand the market share for global LNG even more. And so yes, I think that you will see lower international gas prices in general and especially if there's some type of resolution in Russia and Ukraine, but I think that will could be a net positive longer term because that will just encourage more demand for liquefied natural gas, and the US will still play a really important role. In the US, by the way, US, no matter what happens in Russia and Ukraine, the US LNG capacity is going double between now and 2030.

Mark Marifian:

Helpful. Let's go back to the valuations and another question, and who's buying. Rob, can you maybe give the audience some color? You've been doing a lot of calls with our existing clients and prospects. Who are you talking to? And then one question that we do get a fair amount, and I think it's a fair one given that there has been several years of positive performance, but do we feel like valuations are getting ahead of themselves short term?

Rob Thummel:

Okay. Yeah. So who are we talking to? Who's buying? Well, I think the outside field for the sector and the growth of the dividend yield is always attractive to investors. I think what has happened is, and that type of investor and some of those investors are probably your clients and yourself, they're buying for that reason. There was a whole handful of investors that didn't like the correlation to crude oil prices and didn't like the high volatility that the sector has experienced maybe in the last, oh, five years or so. Well, in the last three or four years that volatility as many of has come down dramatically. The energy infrastructure in particular is the volatility of the stock prices is basically equivalent to the volatility of the S&P. The correlation to crude prices for energy infrastructure stocks is way down, it's 0.2, 0.25. It's on annual basis well, but it's been historically at 0.5 or higher. So that's brought back I think a lot of investors in interest.

So I think we're seeing that. I think we are seeing institutional investors take a second look at this asset class and revisit it and recognize that oil and gas is going to be here for a long time and that energy and energy infrastructure is really the starting point for the rest of the world. Basically everybody needs energy and so oil and gas is going to be a big piece of that going forward, and then obviously with the new catalyst of AI, that's something that has brought in another set of investors as well.

As far as valuations, yeah, we've had a great run, we've had a great several years of performance, but I just highlight the sector is still trading at a discount to its historical enterprise value EBITDA. So big picture energy infrastructure, I'll talk about specifically because that's our bread and butter, it's trading at 10 times EVIEBITDA had the historical EVIEBITDA multiple has been probably 12 times, so we're still trading one to two terms lower than where the sector's traded at historically.

Mark Marifian:

And we always like to wrap up with a couple... Be able to show off our expertise. We do follow the companies. Rob, a few questions came in on various companies, hopefully maybe you can just give a couple high level talking points. Can you talk about Venture global since its IPO? What's happened there? The other one that came up was Sempra. Obviously, they had disappointing earnings there yesterday, so I think that we can answer those too and that'll likely bring us to 1:45 and a wrap or so.

Rob Thummel:

Sure. So real quick on Venture Global. Venture Global is a second really pure play LNG exporter. It's been around much shorter period than Cheniere. They take a little bit of... Not a little bit, they take a different approach to Cheniere in terms of how they manage their business in Venture Global, and it's been clear that they are willing to take a little more commodity price exposure and not necessarily have as much of their cash flow locked in those long-term high quality cash flows. So simply put, the cash flows of Venture Global are not as high quality as those of Cheniere. And I mean clearly the IPO was priced and it fell from the beginning and it has continued to fall in terms of value, in terms of the stock price. So that's where we are with Venture Global.

Fundamentally, it's in a great sector. We're significant. Obviously we're big fans of the long-term outlook for liquefied natural gas and US liquefied natural gas exports, and so it's in a great sector. But I'll just make sure that anybody who's looking at that stock understands that you cannot consider that stock in the same type of quality and nor do we as a company like Cheniere who has multi-decade long-term contracts. Venture Global just takes a different approach and that approach will result in more volatile cash flows. So that's Venture Global and what's happened there.

Sempra simply had a really big surprise in lowering their guidance yesterday based off a series of rate cases and the results of some rate cases in California and Texas. So as a result of... They operate in a utility business, they're a utility for the most part, a natural gas utility, electric utility, have some great assets in California as well as in Texas, but they operate in a sector that doesn't have surprises very often and Sempra delivered a negative surprise and created some uncertainty and created and lost the management, lost the confidence of a lot of investors. So as a result you've seen us sell the stock trade-off at an abnormally high amount. I think for a company like Sempra yesterday to reflect that new guidance, but also now a discount to reflect the uncertainty and the management's where they go from here. So still a really high quality set of assets, but obviously a little bit.... Or not a little bit, a lot more uncertainty created by what happened yesterday and the surprise announcements.

Mark Marifian:

Great. Helpful comments. So we can go to the last slide. This one is just our sales coverage. We've had several questions come in, of can we get the slides? Yes, we will be getting those approved. Additionally, there's going to be a replay as well, so you'll be able to go through and hear any of Rob's specific comments that you may want to listen to for a second time. So feel free to reach out to your Tortoise sales representative on the page territory coverage, you can see that there. You can also find that on our website. Again, thank you for the time today. We appreciate you all staying on and we look forward to catching up with you soon. Rob, thank you.

Rob Thummel:

Thanks everybody.

Disclaimers: