Energy Infrastructure Review & Outlook

3Q 2021

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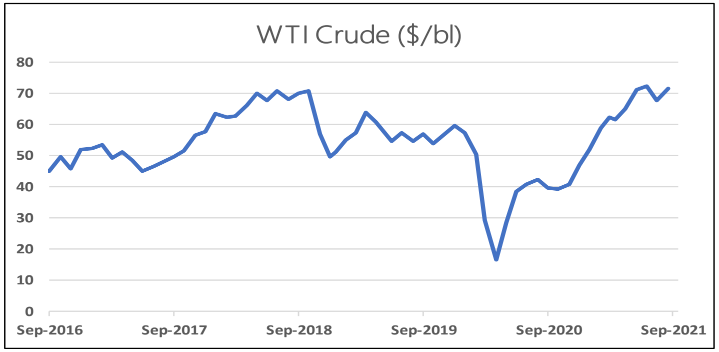
3Q 2021 Highlights

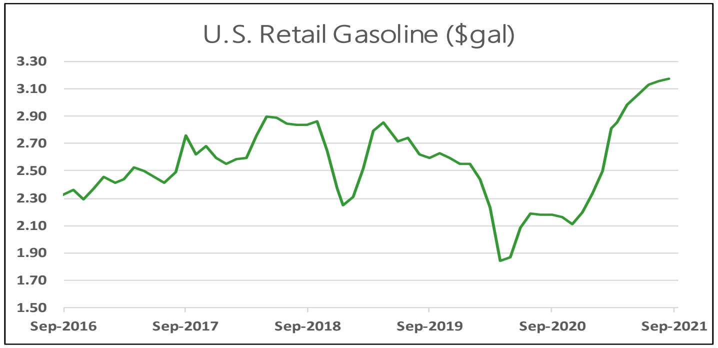
- Sentiment around Midstream (and energy broadly) continues to improve, driven by economic reopening and higher demand for commodities.
- Global energy demand now largely normalized as world gains comfort with ability to withstand Covid-19 delta variant. Supply constraints have emerged from a combination of OPEC+ supply discipline and severe underinvestment in energy.
- The Alerian MLP Index was -5.7% during Q3 versus 0.6% for the S&P 500. YTD the Alerian has risen 39.4% versus 15.9% for the S&P 500.
- Recent tax discussions rattled MLP investors. Expect limited direct impact from any material changes to tax structure. Upside: adding renewable assets to the MLP structure. Downside: possible elimination of tax swap structure for offshore investors.
- In spite of YTD rally, Midstream stocks screen attractive on a variety of metrics.

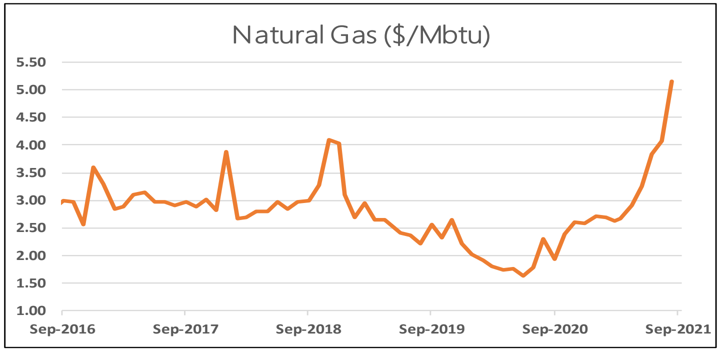
Source: Bloomberg, Alerian. Data as of 09/30/21

Commodity Price Rebound

Crude Oil, Gasoline, Natural Gas All Exceed Pre-Pandemic Price Levels





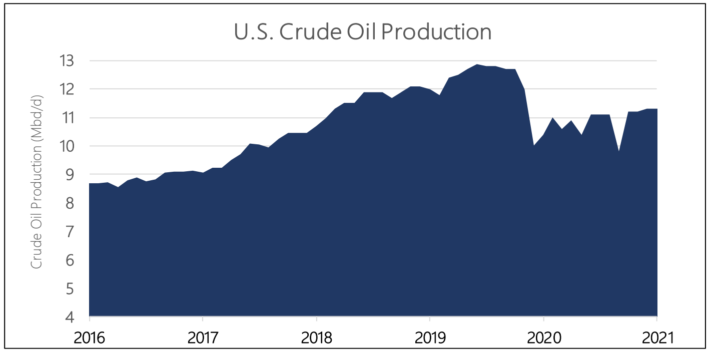


- The price for WTI crude reached $71 in September, exceeding pre-pandemic levels.
- The retail price of gasoline reached $3.17 in September, exceeding pre-pandemic levels.
- Natural Gas prices averaged $5.16/Mbtu during 3Q 21, a 106% increase from pre-pandemic levels.

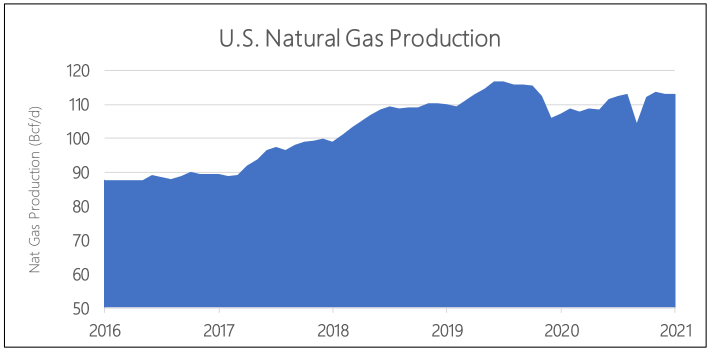
Source: Energy Information Agency. WTI crude is the West Texas Crude. Retail Gasoline is the average price paid by retail customers for regular gasoline. Natural Gas is the Henry Hub spot price. Data as of 09/30/21

Demand Recovery Drives Production

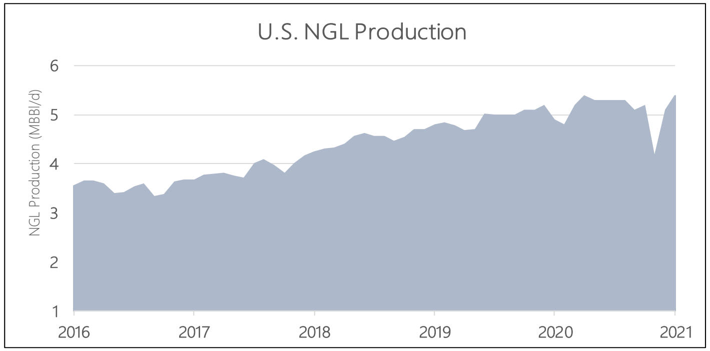
EIA Forecasts A Return To Pre-Pandemic Production In 2022



- 11% increase from summer 2020 trough.
- EIA forecasts 8% growth by H2 ‘22 to 12.2 M/Bbls/d), which is near the pre-pandemic high.



- 5% increase from summer 2020 trough.
- EIA forecasts 3% growth by H2 ‘22 with a return to pre-pandemic volume highs.



- 6% increase from summer 2020 trough.
- EIA forecasts a 15% increase by H2 ’22, reaching pre-pandemic highs.

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Source: Energy Information Agency. Data as of 7/31/21.

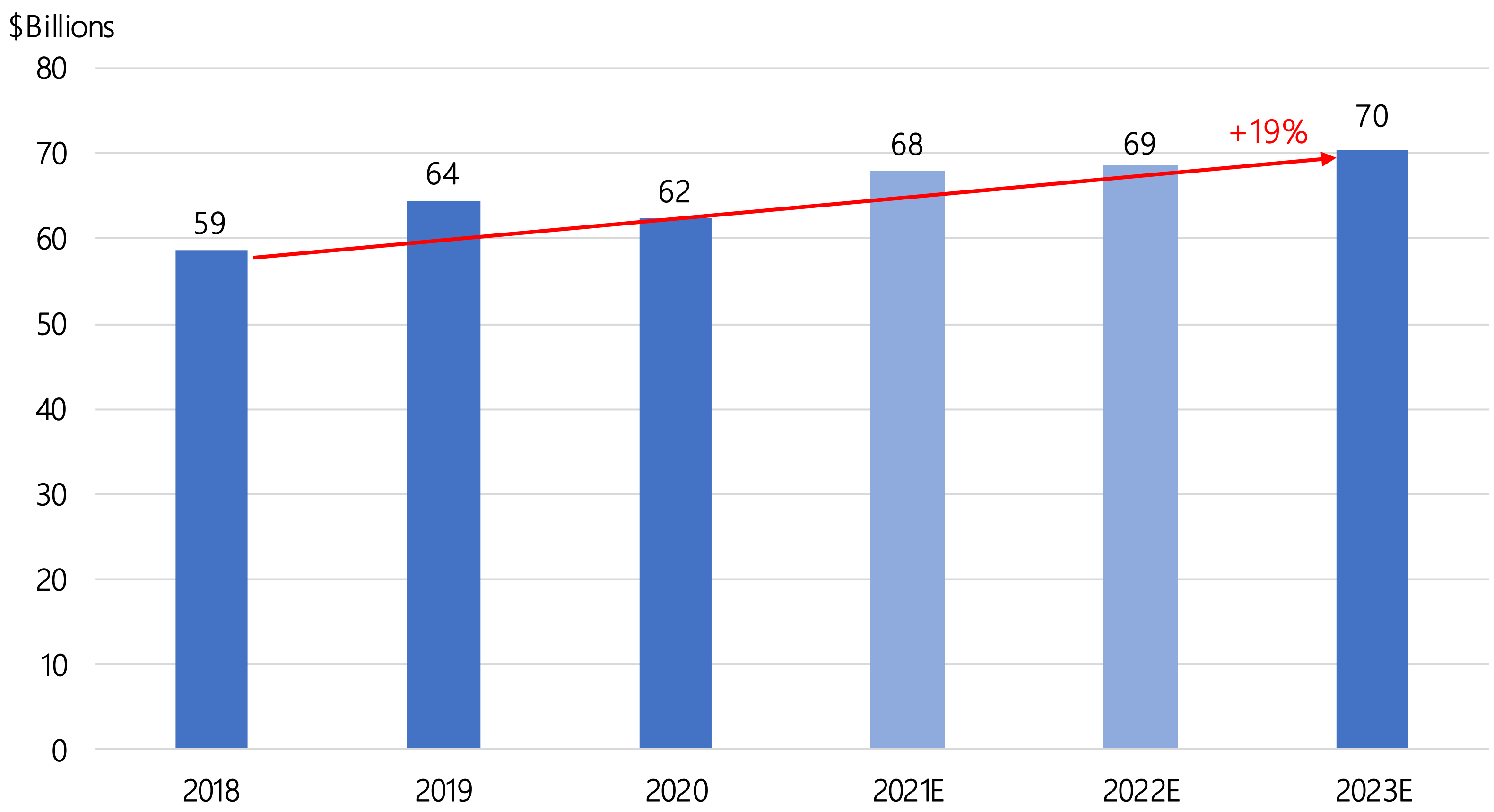
Midstream Outlook

Higher Volumes, Tightening Takeaway Capacity

- EBITDA troughed in 2020. EGA forecasts a <u>6% EBITDA increase</u> in 2021 as the economic recovery gains momentum.
- <u>Capital spending</u> will continue to decline as shale production has matured.
- <u>Double digit free cash flow yields</u> will result in accelerated deleveraging and increased adoption of share buy-back programs to return value to equity holders.
- Increased volumes have resulted in a <u>tightening of takeaway capacity</u> in several key basins, improving operating leverage and mitigating future re-contracting risk.
- In spite of an ongoing price recovery, Midstream <u>valuations remain low</u> relative to history and other yield-oriented asset classes, creating the opportunity for a further re-rating of the sector.

EBITDA Growth Returns

EGA Forecasts a 19% Increase From 2018



Source: Company Data, Eagle Global Advisors Data as of 09/30/2021.
Universe is EGA total return portfolios.

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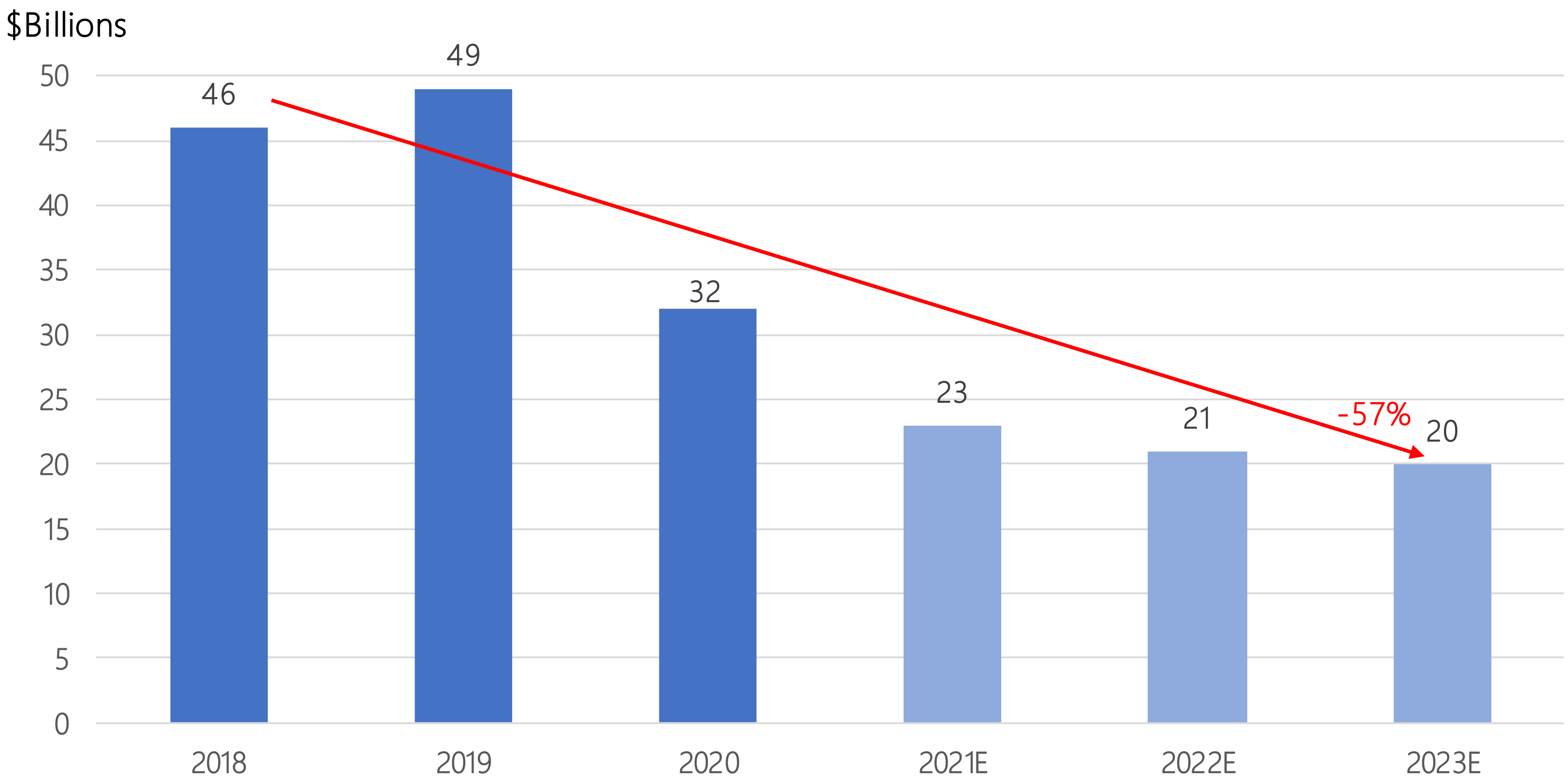
Midstream Organic Capex

As Shale Assets Mature, Spending Requirements Decline



Source: Company Data, Wells Fargo Securities, LLC. Data as of September 2021.

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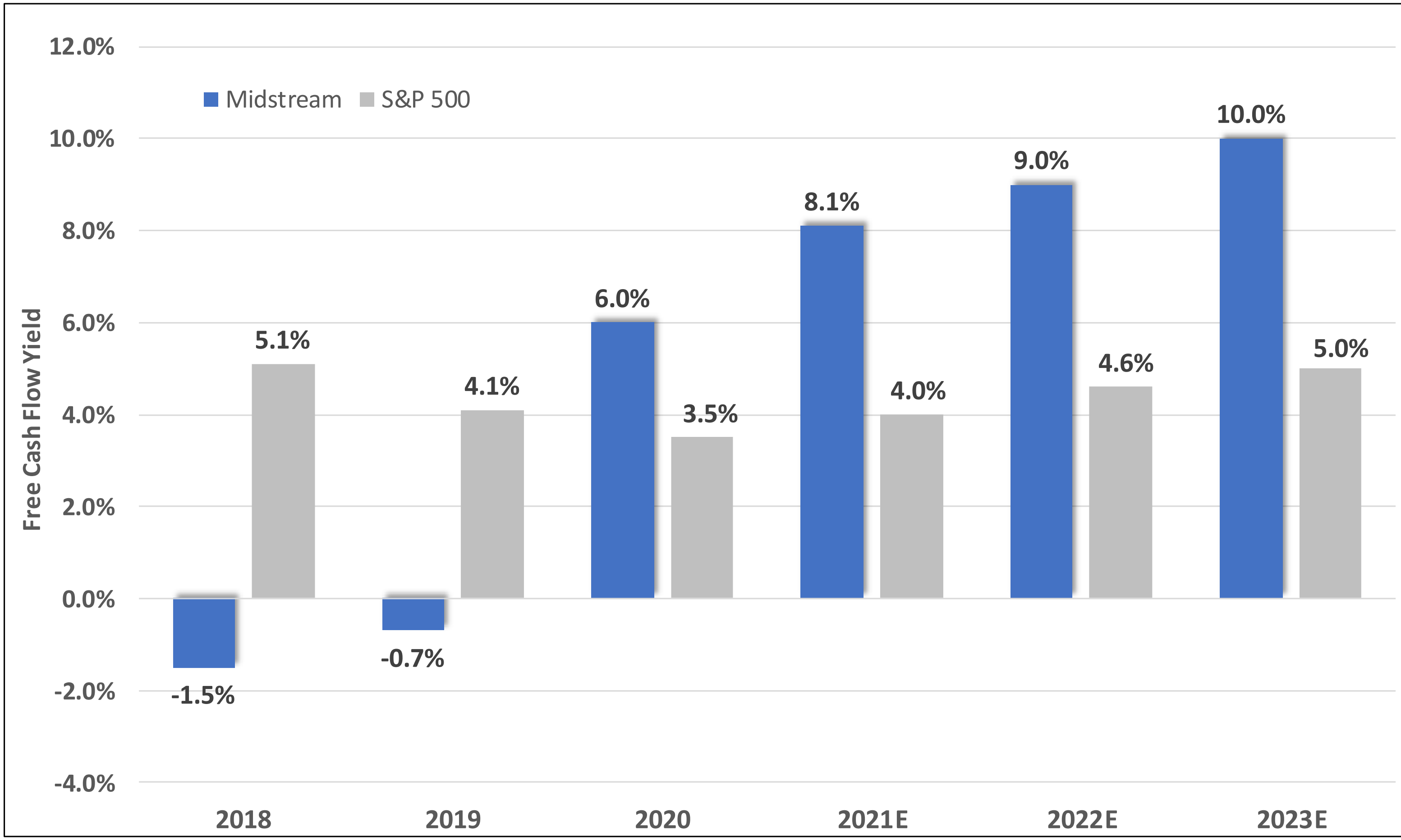
Free Cash Flow

Higher EBITDA + Lower Capex = More Free Cash Flow

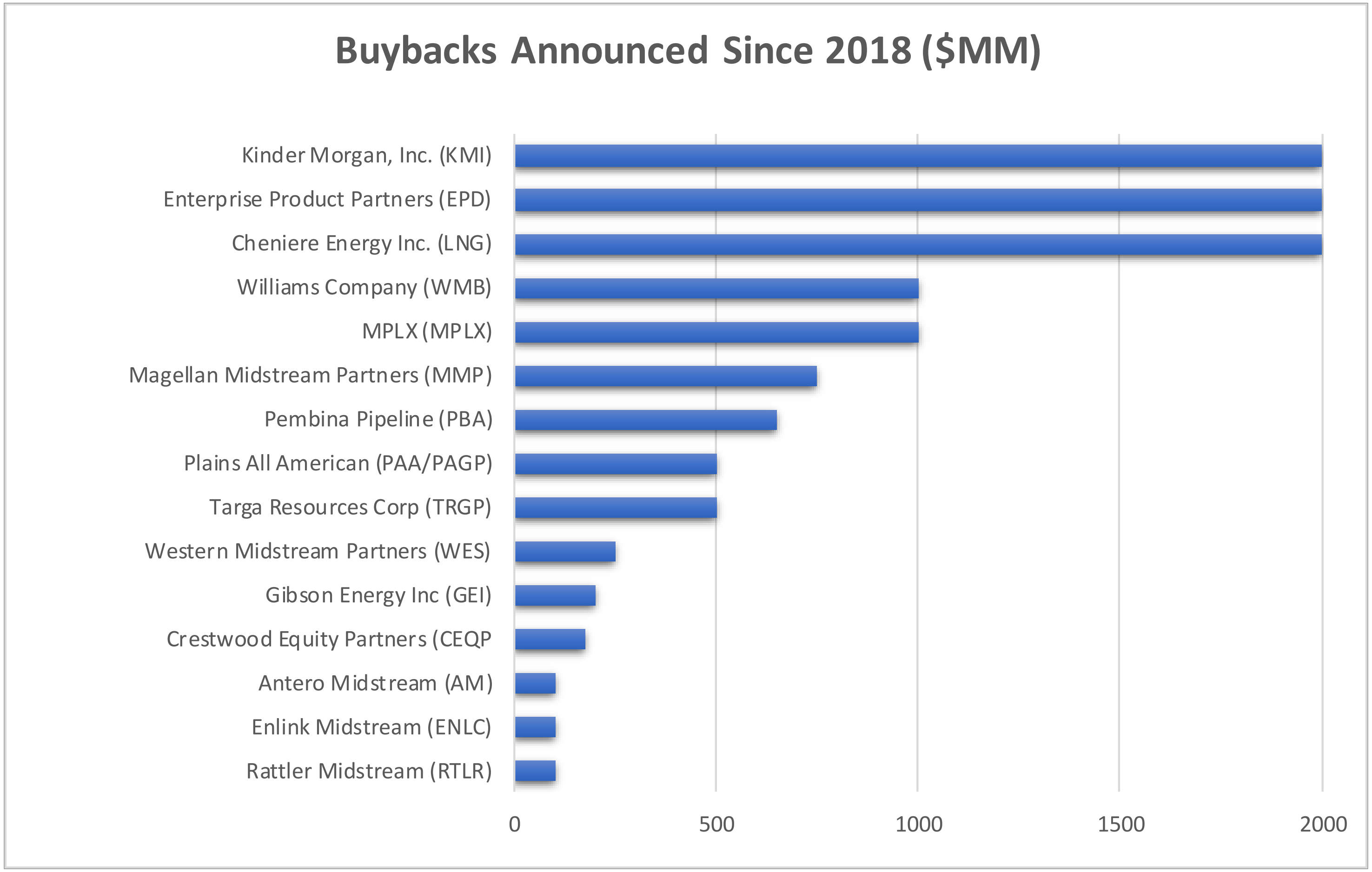


Eagle Global Advisors

Source: Company Reports and Wells Fargo Securities, LLC. Data as of September 2021

Midstream Share Buybacks

Expect Trend To Accelerate As FCF Grows In 2021 And 2022



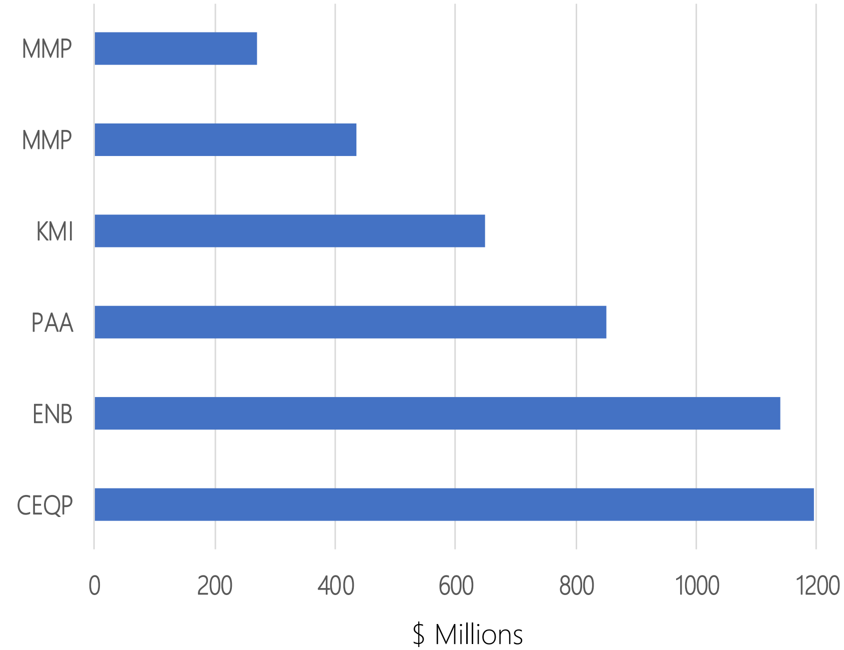
Source: Bloomberg, Eagle Global Advisors

M&A Activity

All Transactions Were Completed Above 11X EBITDA

Select 2021 Midstream Asset Sales

- MMP sells stake in Pasadena Marine Terminal.
- MMP sells refined products network to Buckeye.
- KMI sells 12.5% interest in NGPL to Arclight.
- PAA sells nat gas storage facilities to Hartree Partners.
- ENB sells 39% interest in Noverco Inc for $1.14B.
- CEQP sells Stagecoach Gas Services for $1.2B.

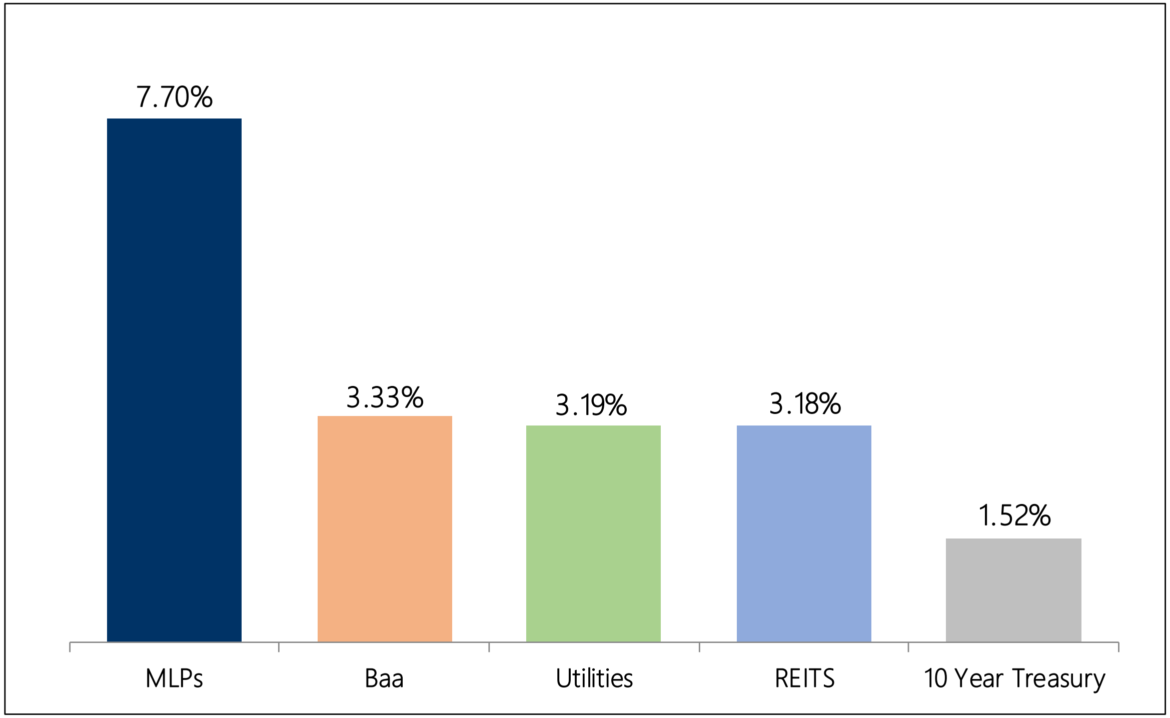


Recent sales highlight value while generating liquidity to further reduce debt, support distributions and enhance share buybacks.

Current Yield

MLP/Midstream Yield Remains Elevated

- MLP yield advantage remains high in a low-income world.
- Prior distribution cuts have eroded investor confidence in payouts.
- Current distribution coverage ratio is 1.9X versus 1.2X in 2015.



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Source: Alerian, NAREIT, Dow Jones, Moody's, US Federal Reserve. MLPs are represented by the Alerian MLP Index (AMZ). Baa is represented by the Moody's seasoned Baa corporate bond index. REITS are represented by the NAREIT Equity REIT total return index. Utilities are represented by the Dow Jones Utility Index. Data as of 9/30/2021.

Valuations Remain Cheap To History

Midstream Is Discounted To Other Energy And Other Yield-Oriented Securities

EV-to-EBITDA Multiples	Current	5-year Average	Premium (Discount)	10-year Average	Premium (Discount)
MLPs	8.5X	10.4X	-18%	12.5X	-31%
Midstream C-Corps	10.2X	12.5X	-18%	13.1X	-22%
Exploration & Production	4.7X	5.4X	-13%	5.3X	-11%
Refiners	6.4X	6.3X	2%	5.6X	14%
Oilfield Services	9.1X	10.5X	-13%	8.8X	3%
Utilities	11.2X	11.1X	1%	9.9X	13%
REITS	18.1X	18.2X	-1%	17.0X	6%
S&P 500	14.1X	10.9X	29%	9.5X	49%

- In spite of recent rally, Midstream remains cheap relative to five-and ten-year historical averages.
- S&P 500 continues to expand a record-setting valuation multiple as investors cheer a vaccine-led recovery.

Source: Factset and Wells Fargo Securities, LLC estimates. Data as of September 2021

Portfolio Positioning

- Focus on free cash flow that supports shareholder returns through:
    - Share buybacks (MPLX, MMP), or
    - Buybacks *and* increased dividends (e.g., TRGP, WES, RTLR, LNG).
- Overweight stable, predictable cash flows capable of benefitting from improving economic activity (e.g., ENB, LNG, WMB).
- Tactically own beta to capture "reopening" trade (e.g., ENLC, PAA, WES).
- Own select renewable infrastructure companies (e.g., NEE, CWEN, ORA).