

EnLink Midstream



November 3, 2020

EnLink common shares Symbol: ENLC Current price: \$2.62 Current Yield: 14.3%

Recommendation: Buy Price target: \$4.25

EnLink Midstream (ENLC) common shares are currently yielding 14.3% offering an opportunity for income and price appreciation. The senior notes are rated BB+ by S&P and the company is forecasting \$270 million in "excess" cash generation after dividends and capital expenditure for 2020. Company initiatives regarding efficiency and cost reductions combined with an annual dividend reduction on the common shares (75 to 37.5 cents) have gone far to "right size" EnLink and are an important first step. We view the dividend as stable. The company had a sound 2nd quarter, despite economic upheaval, and current economic recovery forecasts bode well for energy pricing and volumes.

ENLC common share chart below

Company Description: EnLink operates midstream assets in four segments: Oklahoma, the Permian basin, Louisiana, and North Texas.

This includes approximately 12,000 miles of pipelines, 21 natural gas processing plants, seven natural gas liquids fractionators and transportation and storage facilities.

ENLC's gathering and transmission systems deliver natural gas to industrial end-users, utilities, and other pipelines. Fractionators separate NGLs into separate purity products, including ethane, propane, iso-butane, normal butane, and natural gasoline. EnLink's Louisiana assets feed into the high demand LNG terminals.

[Map](#)

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EnLink Securities as of <u>June 30</u>	Amounts \$ Millions	Industry Data per EIA
2024 Credit facility \$1.75 B, LBR +	400 mm	2019 Crude oil production 12.25 mm/day
2021 Term loan \$850 mm LBR +	850 mm	est. 2020 Crude oil production 11.45 mm/day
Senior notes various	3,530 mm	2019 Nat. gas production 93 BCF/day
Debt total	4,780 mm	est. 2020 Nat. gas production 91 BCF/day
Series B & C PFD Shares (6% -7.5%)	1,298 mm	2019 Nat gas consumption 85 BCF/day
Common shares 489.6 mm (\$2.61/ share)	1,278 mm	est. 2020 Nat gas consumption 83 BCF/day
Enterprise Value	7,356 mm	Nat gas Henry Hub 2019 \$2.57 mm BTU
2019 EBITDA	1,079 mm	est. Nat gas Henry Hub 2020 \$2.07 mm BTU
2020 midpoint EBITDA outlook	1,020 mm	est. Nat gas Henry Hub 2021 \$3.13 mm BTU
2020 midpoint capital expenditures outlook	220 mm	Crude WTI 2019 \$ 56.99 brl
2019 interest expense net	216 mm	est. Crude WTI 2020 \$ 38.75 brl
Distributable cash flow est.	547 mm	est. Crude WTI 2019 \$ 44.72 brl
Common & preferred share dividends est.	277 mm	
ENLC est. 2020 free cash flow after dividends	270 mm	

Disclosures

Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020 and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation, projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. 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