



Midstream/MLP Buyback Update

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Summary

- Given significant free cash flow generation, several midstream companies have announced buyback authorizations to complement generous dividends in returning cash to shareholders.
- Companies with buyback authorizations represent a significant portion of Alerian's energy infrastructure indexes by weighting.

As energy companies try to attract investors with strong free cash flow generation and shareholder-friendly returns, capital allocation remains a focus across the sector, including midstream. Midstream's fee-based business model provides steady cash flows, and the significant step-down in growth capital spending for most names is allowing for meaningful free cash flow generation. With this excess cash flow, several midstream companies have announced buyback authorizations to complement generous dividends in returning cash to shareholders.

For midstream investors, buybacks represent a tangible proof point of positive changes for the space in recent years. Leading up to peak capital spending in 2018/19, companies frequently issued equity to fund growth projects. Now, midstream companies are reaping the cash flows from those projects, spending less on growth opportunities, and generating excess cash flow that can be used for buybacks, or in some cases, dividend increases. Prior to C-Corp [Williams'](#) (WMB) \$1.5 billion buyback authorization [announcement](#) earlier this month, WMB's management emphasized on their [2Q earnings call](#) that they are forecasting significant excess free cash flow even with continued dividend growth, ongoing improvements in credit metrics, and investments in their base business and new energy ventures. After checking those boxes, they see significant dry powder for buybacks. Other midstream companies likely have a similar outlook, which has led to a proliferation of midstream buyback programs.

The table below shows the midstream companies with buyback authorizations in place and each company's weighting in the [Alerian Midstream Energy Index](#) (AMNA), [Alerian MLP Infrastructure Index](#) (AMZI), the [Alerian Midstream Energy Select Index](#) (AMEI), and the [Alerian Midstream Energy Dividend Index](#) (AEDW) as applicable. Some companies have arguably been more active with buybacks than others, but it bears mentioning that many of these authorizations were established in 4Q20. For multi-year buyback programs, it is still early innings, and some companies have prioritized debt reduction over buybacks or in parallel. [Cheniere](#) (LNG) has one of the longer-tenured buyback programs, with its authorization dating back to 2019. In unveiling its capital allocation plan earlier this month, which included initiating a dividend, Cheniere [announced](#) that it would reset its buyback authorization to \$1 billion for three years beginning in 4Q21. As companies continue to generate excess cash flow and achieve leverage targets, buybacks are expected to remain an important component of shareholder returns for midstream MLPs and corporations beyond dividends.

Company Name	Ticker	AMNA Weight	AMZI Weight	AMEI Weight	AEDW Weight	Total Authorization (\$ millions)	Spent to Date Through 06/30/21 (\$ millions)	Date Announced
Antero Midstream Corporation	AM	1.1%	--	5.6%	1.6%	300	150	8/12/2019
Crestwood Equity Partners LP	CEQP	0.5%	4.1%	0.5%	0.6%	175	--	3/25/2021
Cheniere Energy	LNG	6.6%	--	4.9%	--	1,000	404	6/3/2019
Energy Transfer LP	ET	6.3%	9.9%	5.3%	5.6%	2,000	1,089	2/18/2015
EnLink Midstream LLC	ENLC	0.7%	5.7%	1.6%	0.8%	100	11	11/4/2020
Enterprise Products Partners LP	EPD	9.8%	10.0%	8.2%	9.8%	2,000	312	1/31/2019
Gibson Energy Inc ¹	GEI CN	0.8%	--	2.0%	0.7%	278	19	8/27/2020
International Seaways Inc	INSW	--	--	--	0.0%	50	--	8/4/2020
Kinder Morgan Inc	KMI	9.3%	--	5.2%	8.3%	2,000	575	7/19/2017
Magellan Midstream Partners LP	MMP	3.2%	10.0%	3.2%	3.6%	750	359	1/21/2020
MPLX LP	MPLX	3.2%	10.1%	3.2%	10.4%	1,000	343	11/2/2020
NGL Energy Partners LP	NGL	0.1%	--	0.1%	--	150	--	8/30/2019
Pembina Pipeline Corp ²	PPL CN	5.2%	--	5.1%	4.4%	1,102	--	12/14/2020
Plains All American Pipeline LP ³	PAA	1.3%	9.9%	5.0%	2.2%	500	100	11/2/2020
Rattler Midstream LP	RTLRL	0.1%	--	0.4%	--	100	31	11/4/2020
Targa Resources Corp	TRGP	3.0%	--	5.1%	0.4%	500	92	10/5/2020
Williams	WMB	9.2%	--	5.2%	7.5%	1,500	--	9/8/2021
Western Midstream Partners LP	WES	1.2%	9.9%	1.1%	1.8%	250	49	11/9/2020
	Total	61.6%	69.5%	61.5%	57.5%			

Index weightings as of 9/17/2021.

¹ GEI's authorization is to repurchase and cancel up to 10% of public float as of 8/24/2020. The dollar amount shown reflects the share price as of 9/17/2021.

² PPL's authorization is to repurchase up to 5% of outstanding common shares as of 2/16/2021. The dollar amount shown reflects the share price as of 9/17/2021.

Purchases were able to begin on March 2, 2021.

³ PAA's weighting in AMNA and AEDW represents the combined weighting of PAA and Plains GP Holdings (PAGP). Weighting in AMEI represents the weighting of PAGP.

Source: Alerian, Company Reports as of 9/17/2021

AMNA is the underlying index for the ETRACS Alerian Midstream Energy Index ETN (AMNA). AMZI is the underlying index for the Alerian MLP ETF (AMLPL) and the ETRACS Alerian MLP Infrastructure Index ETN Series B (MLPB). AMEI is the underlying index for the Alerian Energy Infrastructure ETF (ENFR). AEDW is the underlying index for the Alerian Midstream Energy Dividend UCITS ETF (MMLP) and the ETRACS Alerian Midstream Energy High Dividend Index ETN (AMND).

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