



Examining 2021 Midstream Guidance for EBITDA and Dividends

January 12, 2021

Author: Stacey Morris

Summary

- The impact of the pandemic varied by midstream business line, geography, company size, customer base, and other factors, but financial guidance for 2020 generally seemed to hold up reasonably well.
- EBITDA outlooks for 2021 are somewhat mixed relative to 2020 with some forecasting modest (or even robust) growth, and others expecting sequential declines, but outlooks appear stable overall.
- While buybacks have been in focus for midstream, there are still companies providing dividend growth.

As highlighted in the past ([read more](#)), midstream is unique within the energy sector in its ability to provide annual financial guidance, which is underwritten by the fee-based nature of midstream cash flows. Other energy subsectors, such as exploration and production companies or refiners, have more variable cash flows due to direct commodity price exposure, which prevents these companies from providing earnings projections or requires guidance to be based on commodity price assumptions that are difficult to get right. Today's note briefly looks back at how 2020 guidance held up for midstream and looks ahead to financial and dividend guidance for 2021 from select companies.

2020 midstream guidance was mixed but held up reasonably well.

To better appreciate midstream guidance, it is helpful to look back on how forecasts held up in the unprecedented environment of 2020. Undoubtedly, the impact of the pandemic varied by midstream business line, geography, company size, customer base, and other factors. For example, a demand-pull natural gas pipeline serving a power plant likely saw less impact to volumes than a demand-pull refined product pipeline. Companies with extra crude storage may have been able to capitalize when the oil market went into super contango, but many midstream names would not have had that opportunity. Contract protections, such as minimum volume commitments, also vary by asset and company.

Acknowledging these unique circumstances for each entity, financial guidance for 2020 generally seemed to hold up reasonably well. While some midstream names had to permanently lower 2020 guidance given the unforeseen impacts of the pandemic, some maintained their financial projections throughout the year, including [Williams](#) (WMB), [Enbridge](#) (ENB), and [Cheniere Energy](#) (LNG). Others reverted to initial guidance later in the year after operational results proved better than feared. For example, [Plains All American](#) (PAA) guided to 2020 adjusted EBITDA of +/- \$2.575 billion in [February](#), then lowered guidance by \$150 million in [May](#), but raised guidance to +/- \$2.585 billion in [November](#) – slightly above the initial guidance issued before the pandemic took hold. Hess Midstream (HESM) similarly lowered guidance in March, but 2020 EBITDA guidance from November was within the initial range provided in [January](#). To be clear, some midstream companies did permanently lower guidance, but all things considered, guidance seemed to hold up fairly well. Management teams often err on the side of conservatism when providing forecasts, which may have proved particularly helpful in 2020. Of course, upcoming fourth quarter results will provide greater clarity on how midstream performed relative to company forecasts for the year, but outlooks from third quarter earnings season were largely encouraging.

What could be in store for 2021?

Though more updates are likely in conjunction with 4Q20 results, some companies have already provided initial financial guidance for 2021 or unveiled dividend plans. As shown below, EBITDA outlooks for 2021 are somewhat mixed relative to 2020 with some forecasting modest (or even robust) growth, and others expecting sequential declines. Overall, outlooks are generally stable all things considered. For PAA, the contributions from Supply & Logistics lead to greater variability in total earnings, but the fee-based EBITDA expectations shown in the table reflect more stability. PAA's guidance for 2021 is net of planned asset sales of \$600+ million, and management has [guided](#) to approximately \$300 million in free cash flow after distributions in 2021 or \$900 million or more if including asset sales.

Company	Ticker	2019 Actual EBITDA	2020 EBITDA Guidance	Delta	2021 EBITDA Guidance	Delta
Cheniere Energy, Inc.	LNG	2,946	3,950	34.1%	4,050	2.5%
Enbridge, Inc.	ENB CN	13,271	13,700	3.2%	14,100	2.9%
Equitrans Midstream	ETRN	--	1,210	--	1,070	-11.6%
Hess Midstream LP ¹	HESM	551	730	32.5%	876	20.0%
Kinder Morgan, Inc.	KMI	7,618	6,992	-8.2%	6,800	-2.7%
Pembina Pipeline Corporation	PPL CN	2,835	3,275	15.5%	3,300	0.8%
Plains All American Pipeline ²	PAA	3,237	2,585	-20.1%	2,200	-14.9%
Plains Fee-Based EBITDA	PAA	2,427	2,335	-3.8%	2,150	-7.9%

¹ 2021 EBITDA number based on HESM's forecast of 20% y-o-y EBITDA growth.

² 2021 guidance assumes \$50 million from Supply & Logistics (vs. \$250 million in 2020 guidance and \$803 million in 2019). 2021 guidance is net of \$600+ million in targeted asset sales and the LA Basin Terminals sale.

Source: Company reports as of January 7, 2021

When it comes to returning capital to shareholders in midstream, buybacks have certainly been more in focus lately ([read more](#)) given rising free cash flow and elevated yields across the space. That said, there are midstream companies still providing growing dividends. The table below includes companies that have [guided](#) to or already declared growing dividends for 2021. [Enterprise Products Partners](#) (EPD) [announced](#) a 1.1% distribution increase last week. Others have provided 2021 guidance or already declared an increased dividend for their next payout. Two of the companies below – EPD and [Kinder Morgan](#) (KMI) – also have buyback programs in place. [Altus Midstream](#) (ALTM) recently [announced](#) its first quarterly dividend of \$1.50 per share consistent with prior guidance, and [Macquarie Infrastructure Corporation](#) (MIC) [paid](#) a special dividend of \$11 per share last week. While some names are growing, other companies have plans to at least maintain current distributions in 2021, such as [Magellan Midstream Partners](#) (MMP) and [Western Midstream Partners](#) (WES).

Company	Ticker	2021 Dividend Growth (Guidance or Declared)
Cheniere Energy Partners ¹	CQP	3.3%
Enbridge Inc.	ENB CN	3.0%
*Kinder Morgan, Inc.	KMI	2.9%
TC Energy	TRP CN	8 - 10%
Hess Midstream LP	HESM	5%

Announced Increase	Sequential Growth
*Enterprise Products Partners EPD	1.1%

¹ Compares midpoint of 2021 guidance to 2020 distributions paid. Comparing the 2020 and 2021 midpoints implies 1.9% growth.

* Company also has a buyback program in place.

Source: Company reports as of January 7, 2021

What could be in store for 2021?

Midstream company guidance is useful for framing expectations for the year ahead. While more updates are expected with 4Q20 results, the outlooks for 2021 so far tend to be fairly steady. Though buybacks are in the limelight, income remains front and center for midstream with a few names poised to provide dividend growth this year.

// Disclaimers

This Document Is Impersonal and Not a Solicitation. In jurisdictions where Alerian, S-Network Global Indexes, or their affiliates do not have the necessary licenses, this document does not constitute an offering of any security, product, or service. Alerian and S-Network Global Indexes receive compensation in connection with licensing its indices to third parties. All information provided by Alerian and S-Network Global Indexes in this document is impersonal and not customized to the specific needs of any entity, person, or group of persons. Alerian, S-Network Global Indexes, and their affiliates do not endorse, manage, promote, sell, or sponsor any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return linked to or based on the returns of any Alerian or S-Network Global Indexes index.

No Advisory Relationship. Alerian and S-Network Global Indexes are not investment advisors, and Alerian, S-Network Global Indexes, and their affiliates make no representation regarding the advisability of investing in any investment fund or other vehicle. This document should not be construed to provide advice of any kind, including, but not limited to, tax and legal.

You Must Make Your Own Investment Decision. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses. Past performance is not a guarantee of future returns. You should not make a decision to invest in any investment fund or other vehicle based on the statements set forth in this document, and are advised to make an investment in any investment fund or other vehicle only after carefully evaluating the risks associated with investment in the investment fund, as detailed in the offering memorandum or similar document prepared by or on behalf of the issuer. This document does not contain, and does not purport to contain, the level of detail necessary to give sufficient basis to an investment decision. The addition, removal, or inclusion of a security in any Alerian or S-Network Global Indexes index is not a recommendation to buy, sell, or hold that security, nor is it investment advice.

No Warranties. The accuracy and/or completeness of any Alerian or S-Network Global Indexes index, any data included therein, or any data from which it is based is not guaranteed by Alerian or S-Network Global Indexes, and it shall have no liability for any errors, omissions, or interruptions therein. Alerian and S-Network Global Indexes make no warranties, express or implied, as to results to be obtained from use of information provided by Alerian and S-Network Global Indexes and used in this service, and Alerian and S-Network Global Indexes expressly disclaim all warranties of suitability with respect thereto.

Limitation of Liability. While Alerian and S-Network Global Indexes believe that the information provided in this document is reliable, Alerian and S-Network Global Indexes shall not be liable for any claims or losses of any nature in connection with the use of the information in this document, including but not limited to, lost profits or punitive or consequential damages, even if Alerian and S-Network Global Indexes have been advised of the possibility of same.

Research May Not Be Current. This document has been prepared solely for informational purposes based on information generally available to the public from sources believed to be reliable. Alerian and S-Network Global Indexes make no representation as to the accuracy or completeness of this document, the content of which may change without notice. Alerian and S-Network Global Indexes expressly disclaim any obligation to update the contents of this document to reflect developments in the energy Master Limited Partnership sector. The methodology involves rebalancings and maintenance of indices that are made periodically throughout the year and may not, therefore, reflect real-time information.

Linked Products. Alerian and S-Network Global Indexes licenses its indexes to third parties for the creation of investment funds or other vehicles. Alerian and S-Network Global Indexes are not responsible for the information on these websites or for anything that they provide.

Policies and Procedures. Analytic services and products provided by Alerian and S-Network Global Indexes are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Alerian and S-Network Global Indexes have established policies and procedures to maintain the confidentiality of material non-public information received during each analytic process. Alerian, S-Network Global Indexes, and their affiliates provide a wide range of services to, or relating to, many organizations, and may receive fees or other economic benefits from these organizations.

Copyright. No Unauthorized Redistribution. Alerian and S-Network Global Indexes © 2021. All rights reserved. This document, in whole or in part, may not be redistributed, reproduced, and/or photocopied without prior written permission.

Alerian

alerman.com
info@alerman.com // 972.957.7700
3625 N. Hall St., Suite 1200, Dallas, TX 75219

S-Network Global Indexes

snetworkglobalindexes.com
info@snetworkinc.com // 646.467.7928
267 Fifth Avenue, Suite 508, New York, NY, 10016