



2021 Midstream Guidance Reassures; Upward Revisions Possible

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Summary

- In general, 2021 financial guidance and recent results reflect the overall stability of the midstream business model, particularly through the headwinds experienced in 2020 and ongoing impacts to production and demand.
- Severe winter weather in producing regions could impact full-year expectations for some, while other companies have already raised 2021 guidance from initial projections as the macro environment thus far in 2021 has proven to be better than expected.
- Continued macro improvements could lead to more upward revisions or expectations for results to come in near the top end of guidance ranges.

With 4Q20 reporting season in the rear view, it is timely to revisit 2021 financial guidance for some of the larger midstream corporations and MLPs providing expectations for this year. Severe winter weather in producing regions could impact full-year expectations for some, while other companies have already raised 2021 guidance from initial projections as the macro environment thus far in 2021 has proven to be better than expected. Today's note looks at company-level guidance for 2021 comparing with actual results from 2020 and 2019.

2021 guidance reflects stability overall.

Relative to other energy sectors that are more sensitive to commodity prices, midstream stands out for its ability to provide financial guidance for the year ahead – a function of the fee-based nature of these businesses. While midstream companies typically have better visibility to full-year EBITDA and cash flows than their energy counterparts, guidance is typically provided as a range to account for some variability in outcomes. For smaller companies, the range could be tens of millions of dollars, and for large companies the range could be measured in hundreds of millions of dollars.

Management teams tend to give guidance with a degree of conservatism as well. While sometimes guidance is reduced due to unforeseen circumstances as seen in 2020, it is not uncommon to see guidance increased as the year progresses ([read more](#)). For example, [Cheniere Energy](#) (LNG) raised 2021 adjusted EBITDA guidance by approximately 5% at the midpoint in [February](#) relative to guidance provided in November 2020, reflecting an improved macro environment and solid execution. Last week, [Crestwood Equity Partners](#) (CEQP) [raised](#) its 2021 adjusted EBITDA forecast by 3.4% at the midpoint. Admittedly, much has changed for the positive from a macro standpoint since the end of last year when companies were likely making 2021 forecasts and budgets. The table on the following page includes 2021 adjusted EBITDA guidance and historical adjusted EBITDA for some of the large MLPs and corporations providing projections.

Company Name	Ticker	2019 EBITDA	2020 EBITDA	Y/Y Change	2021 EBITDA Guidance	Y/Y Change
MLPs						
Crestwood Equity Partners LP	CEQP	527	580	10.2%	600	3.4%
DCP Midstream LP	DCP	1,200	1,252	4.3%	1,190	-5.0%
Energy Transfer LP ¹	ET	11,140	10,531	-5.5%	10,800	2.6%
Magellan Midstream Partners LP	MMP	1,581	1,349	-14.7%	1,328	-1.5%
Plains All American Pipeline LP ²	PAA	3,237	2,560	-20.9%	2,150	-16.0%
Plains Fee-Based EBITDA	PAA	2,427	2,347	-3.3%	2,100	-10.5%
Western Midstream Partners LP ³	WES	1,719	2,030	18.1%	1,875	-7.7%
US Corporations						
Cheniere Energy Inc	LNG	2,946	3,961	34.5%	4,250	7.3%
Kinder Morgan Inc	KMI	7,618	6,962	-8.6%	6,829	-1.9%
ONEOK Inc	OKE	2,580	2,724	5.6%	3,050	12.0%
The Williams Companies Inc	WMB	5,015	5,105	1.8%	5,200	1.9%
Canadian Corporations						
Enbridge Inc	ENB CN	13,271	13,273	0.0%	14,100	6.2%
Pembina Pipeline Corp	PPL CN	3,061	3,281	7.2%	3,300	0.6%

Values in \$ Millions. Midpoint of guidance ranges used throughout.

¹ Guidance does not include impact of ENBL acquisition.

² PAA completed \$450 million of asset sales in 2020 and is targeting \$750 million in asset sales in 2021, which is incorporated into 2021 guidance. Supply & Logistics contributed \$803 million in EBITDA in 2019, \$210 million in 2020, and is estimated to contribute \$50 million in 2021. S&L is not included in the fee-based EBITDA numbers shown.

³ 2021 guidance reflects midpoint of \$1.825 and \$1.925 billion range. WES estimated severe winter weather could negatively impact 1Q21 adjusted EBITDA by \$25-30 million, which is not reflected in the guidance number in the table.

Source: Alerian, Company Reports as of 3/26/21

In general, the data in the table reflects the overall stability of the midstream business model, particularly through the headwinds experienced in 2020 and ongoing impacts to production and demand. The table uses the midpoint of guidance ranges when provided, which should be kept in mind when comparing 2021 guidance to 2020 results. For example, the midpoint of [DCP Midstream's](#) (DCP) 2021 guidance range implies a 5.0% year-over-year decline, but the high-end of the guidance range would imply modest growth. Of course, not all companies provide EBITDA guidance. Some focus on other metrics or provide more qualitative guidance. For example, [TC Energy](#) (TRP CN) [expects](#) 2021 comparable earnings per common share to be consistent with the company's 2020 results. For investors, the general stability or expectations for sequential growth shown in the table should be reassuring. Furthermore, continued improvements in the macro environment could lead to more upward revisions or expectations for results to come in near the top end of guidance ranges.

Comparing guidance with actual results requires additional context.

A number of variables can impact comparability of past results and year-ahead guidance. One-time events, acquisitions or divestitures, and even initiatives to reduce costs can impact comparability between years. All this to say, the guidance above should be viewed with more context than what can be provided in a simple table.

Whether it be hurricanes or extreme cold, unusual weather can have one-time impacts to infrastructure assets. With severe winter weather in Texas, Oklahoma, and other parts of the Mid-Continent in February and a March blizzard in Colorado, companies have started to provide some indication of the financial impact from this extreme weather. [Western Midstream](#) (WES) [estimated](#) a negative weather-related EBITDA impact of \$25 to \$30 million for 1Q21. [DCP Midstream](#) (DCP) reiterated full-year 2021 financial guidance in a [presentation](#) last week, noting that some of the negative impacts from the storm are being offset by pricing upside thus far in 2021 and cost management. [Plains All American](#) (PAA) indicated in a March [presentation](#) that the storm in February is not expected to have a material impact on 2021 guidance. Other companies are likely to provide updates ahead of or in conjunction with 1Q21 results.

In comparing EBITDA guidance with historical numbers, asset sales or acquisitions are another variable to keep in mind. For example, PAA [completed](#) \$450 million in asset sales last year and is targeting \$750 million in asset sales for 2021, with the expected sales incorporated in the 2021 guidance provided. [NuStar Energy](#) (NS) [expects](#) 2021 EBITDA to be in line with 2020, excluding the EBITDA from terminals [sold](#) in December 2020. Asset sales provide important context to anticipated EBITDA declines.

Bottom line

While it is important to view financial guidance in context for specific companies, 2021 expectations for some of the large midstream MLPs and corporations should be broadly reassuring to investors. Although severe winter weather in 1Q21 could have a negative impact for some companies, it may ultimately be offset by a stronger macro environment thus far in 2021 relative to expectations entering this year. While it is still early in the year, it is encouraging to see some companies already raising 2021 guidance.

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