



## Midstream/MLPs: Buybacks Accelerated in 3Q21

November 29, 2021

Author: Mauricio Samaniego

Strong free cash flow generation has made the mainstream adoption of buyback programs possible for energy infrastructure companies. Some companies continue to prioritize deleveraging ahead of or in concert with buybacks, and with many viewing buybacks as opportunistic, activity can be somewhat lumpy from quarter to quarter. That said, there was a notable uptick in buyback activity for midstream broadly in 3Q21 as detailed in today's note. With midstream continuing to offer attractive income, buybacks further enhance shareholder returns and add to the total return potential of the space.

### Buyback activity surges in 3Q21.

In aggregate, buyback activity ramped in 3Q21 as midstream companies purchased more than \$804 million of their equity during the quarter, representing a more than two-fold increase relative to the \$302 million spent in 2Q21. Notably, buyback activity complemented distribution increases from select MLPs and continued leverage improvements for some names as well. Some midstream companies that routinely buy back shares maintained their course in 3Q21, while others ramped up repurchases or resumed buybacks after relatively modest activity in recent quarters. Magellan Midstream Partners (MMP) [exhausted](#) its initial \$750 million buyback authorization by purchasing 8.1 million units for \$391 million in the quarter. In October, MMP [announced](#) an additional \$750 million buyback authorization alongside a 1% increase in its quarterly distribution. MPLX (MPLX) [spent \\$155 million on unit repurchases](#) in the quarter and separately [announced](#) a 2.5% distribution increase and a special dividend of \$0.5750 per common unit. Enterprise Products Partners (EPD) [bought back \\$75 million in units](#) during the quarter after moderate repurchase activity in 1H21. For others, debt reduction remained a priority, but buybacks were not lost. Western Midstream Partners (WES) [ramped up buybacks to \\$88 million from \\$16 million in 1H21](#) and paid down \$500 million in debt, while Plains All American (PAA) spent [\\$64 million buying back equity](#) and \$650 million on debt reduction.

The table below shows the midstream companies with buyback authorizations in place and each company's weighting in the [Alerian Midstream Energy Index \(AMNA\)](#), the [Alerian MLP Infrastructure Index \(AMZI\)](#), the [Alerian Midstream Energy Select Index \(AMEI\)](#), and the [Alerian Midstream Energy Dividend Index \(AEDW\)](#) as applicable.

Company Name	Ticker	AMNA Weight	AMZI Weight	AMEI Weight	AEDW Weight	Total Authorization (\$ millions)	Spent to Date Through 9/30/21 (\$ millions)	Date Announced
Antero Midstream Corporation	AM	1.1%	--	2.8%	1.6%	300	150	8/12/2019
Crestwood Equity Partners LP	CEQP	0.5%	3.9%	0.5%	0.6%	175	--	3/25/2021
Cheniere Energy <sup>1</sup>	LNG	8.0%	--	6.3%	--	1,000	410	6/3/2019
Energy Transfer LP	ET	6.1%	9.2%	5.3%	5.7%	2,000	1,089	2/18/2015
EnLink Midstream LLC	ENLC	0.7%	5.8%	1.8%	0.7%	100	16	11/4/2020
Enterprise Products Partners LP	EPD	9.7%	9.7%	8.5%	9.7%	2,000	356	1/31/2019
Gibson Energy Inc <sup>2</sup>	GEI CN	0.8%	--	2.1%	0.6%	275	19	8/27/2020
Kinder Morgan Inc	KMI	9.4%	--	5.5%	8.9%	2,000	575	7/19/2017
Magellan Midstream Partners LP <sup>3</sup>	MMP	3.1%	9.7%	3.3%	3.6%	1,500	750	1/21/2020
MPLX LP	MPLX	3.4%	10.5%	3.6%	10.7%	1,000	498	11/2/2020
Pembina Pipeline Corp <sup>4</sup>	PPL CN	5.0%	--	5.1%	3.9%	1,065	--	12/14/2020
Plains All American Pipeline LP <sup>5</sup>	PAA	2.0%	10.1%	5.4%	2.4%	500	167	11/2/2020
Rattler Midstream LP <sup>6</sup>	RTL R	0.1%	--	0.3%	--	150	43	11/4/2020
Targa Resources Corp	TRGP	3.6%	--	6.4%	0.4%	500	92	10/5/2020
Williams	WMB	10.2%	--	6.0%	7.8%	1,500	--	9/8/2021
Western Midstream Partners LP	WES	1.2%	10.1%	1.3%	2.0%	250	137	11/9/2020
<b>Total</b>		<b>64.9%</b>	<b>68.9%</b>	<b>64.0%</b>	<b>58.5%</b>			

Index weightings as of 11/26/2021.

<sup>1</sup> LNG's buyback authorization was reset to \$1 billion for another three years as of October 1, 2021.

<sup>2</sup> GEI's authorization is to repurchase and cancel up to 10% of public float as of 8/26/2021. The dollar amount shown reflects the share price as of 11/26/2021.

<sup>3</sup> MMP increased its authorization another \$750M to a total of \$1.5B on 10/20/2021.

<sup>4</sup> 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 11/26/2021.

Purchases were able to begin on March 2, 2021.

<sup>5</sup> 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.

<sup>6</sup> RTL R increased its authorization by \$50M to a total of \$150M on 9/30/2021.

Source: Alerian, Company Reports as of 11/26/2021

**Deleveraging progress and strong cash flows support incremental shareholder-friendly returns.**

Midstream management teams provided largely positive outlooks for shareholder returns across 3Q21 conference calls, supported by broad expectations for strong cash flows in 2022. Select midstream names that have been less active with buybacks—as deleveraging remained top priority in 2021—signaled a shift to returning more capital to shareholders in 2022 amid greater financial flexibility. On its [3Q21 conference call](#), Targa Resources (TRGP) discussed being on pace to meet year-end leverage targets and emphasized shifting from debt repayments to returning capital to investors, including a [proposed](#) 250% increase in its quarterly dividend to \$0.35 per share in 4Q21 and opportunistic equity repurchases. During Energy Transfer's (ET) [3Q21 conference call](#), management reiterated their commitment to paying down debt but indicated that strong performance in 2021 and expectations for significant cash flow in 2022, open the door for potential distribution increases and/or buybacks next year. While these are just a few examples, progress with debt reduction and a constructive outlook for 2022 could lead to more robust buyback activity across midstream in coming quarters.

**Related Research:**[3Q21 Midstream Dividends: No Cuts, Growth Profile Improving](#)

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

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### 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 | 972.957.7700  
267 Fifth Avenue, Suite 508, New York, NY, 10016