

This filing relates to a proposed business combination involving Targa Resources Corp. and Targa Resources Partners LP.



**TARGA**

# **Targa Resources**

**All Employee Meeting**

**Year End Review**

**December 3, 2015**

# Today's Discussion

- **Accomplishments for 2015**
  - ◆ **Current Environment and Outlook for 2016**
  - ◆ **Implications for Targa**
  - ◆ **Q & A**

# 2015 Accomplishments – A Good Year in a Tough Environment

## A Brief Summary . . .

- ◆ **Excellent execution across our businesses, substantially offsetting impacts of commodity prices well below beginning of year expectations**
  - ❖ Field G&P and export volumes exceeding initial 2015 expectations
  - ❖ Significant operating cost and G&A savings relative to budgets
  - ❖ Hitting early 2015 public guidance for 2015 distribution and dividend growth
  - ❖ Disciplined and proactive management of our financial position—balance sheet, liquidity, capital formation
- ◆ **Successful closing of the Atlas Mergers early in the year, and excellent coordination and execution with talented employees joining the Targa team**
- ◆ **Investing in our business growth**
  - ❖ Capital efficiency with over \$700 million of 2015 growth capex—CBF Train 5 in progress; Little Missouri plant start-up; interconnection of Sand Hills, WestTX and SAOU; Raptor (SouthTX) and Buffalo Plant (WestTX) in progress
  - ❖ Development project backlog of over \$4 billion across our businesses
- ◆ **Continued strong record and industry leadership on safety and in environmental and regulatory compliance**



# 2015 Accomplishments – Transactions Supporting Targa Progress

## A Brief Summary . . .

- ◆ **January** Issued \$1.1 billion of 5% Senior Notes due 2018
- ◆ **February** Completed a tender for over \$1.1 billion of Atlas Pipeline Partners, L.P. notes  
Completed acquisitions of Atlas Pipeline Partners, L.P. and Atlas Energy, L.P.
- ◆ **March** Raised \$336 million at TRC via an equity offering
- ◆ **May** Completed exchange of \$342 million of Atlas Pipeline Partners, L.P.  
6 5/8% Notes, issuing TRP Notes
- ◆ **September** Issued \$600 million of 6.75% Senior Notes due 2024
- ◆ **October** Announced joint venture with Sanchez Energy to build 200 MMcf/d plant and high pressure gathering lines (\$125 million of Targa capex expected)  
Raised \$124 million at TRP through issuance of 9% Series A Preferred Units
- ◆ **November** Announced TRC is acquiring TRP in a transaction expected to close in Q1 2016



# Early Holiday Bonus\*

## Early Holiday Bonus

- ◆ **Cash award paid or deposited to your account about December 4<sup>th</sup>**
- ◆ **Generally lower levels than recent years**
- ◆ **\$1000 before tax for almost all employees**
  - ❖ Lesser amounts if not employed for full year
  - ❖ Excludes all officers
- ◆ **If a bonus is paid, this amount will be a portion of your total awarded bonus**

*\* Letter should arrive at your home address about December 4, describing bonus and related messages*



## Related Messages

- ◆ **We have done well against the 2015 business priorities – Thank You**
- ◆ **As you are aware, the current industry environment presents challenges to our customers, to Targa and to our investors**
- ◆ **The outlook for 2016 continues to be one of low prices and weak industry fundamentals**
- ◆ **In this difficult environment, we are reviewing with the Board whether we will pay bonuses ... if so, they will be at levels lower than recent years**
- ◆ **Nonetheless, management, with Board support, has approved a cash award to be paid before the holidays**

# Today's Discussion

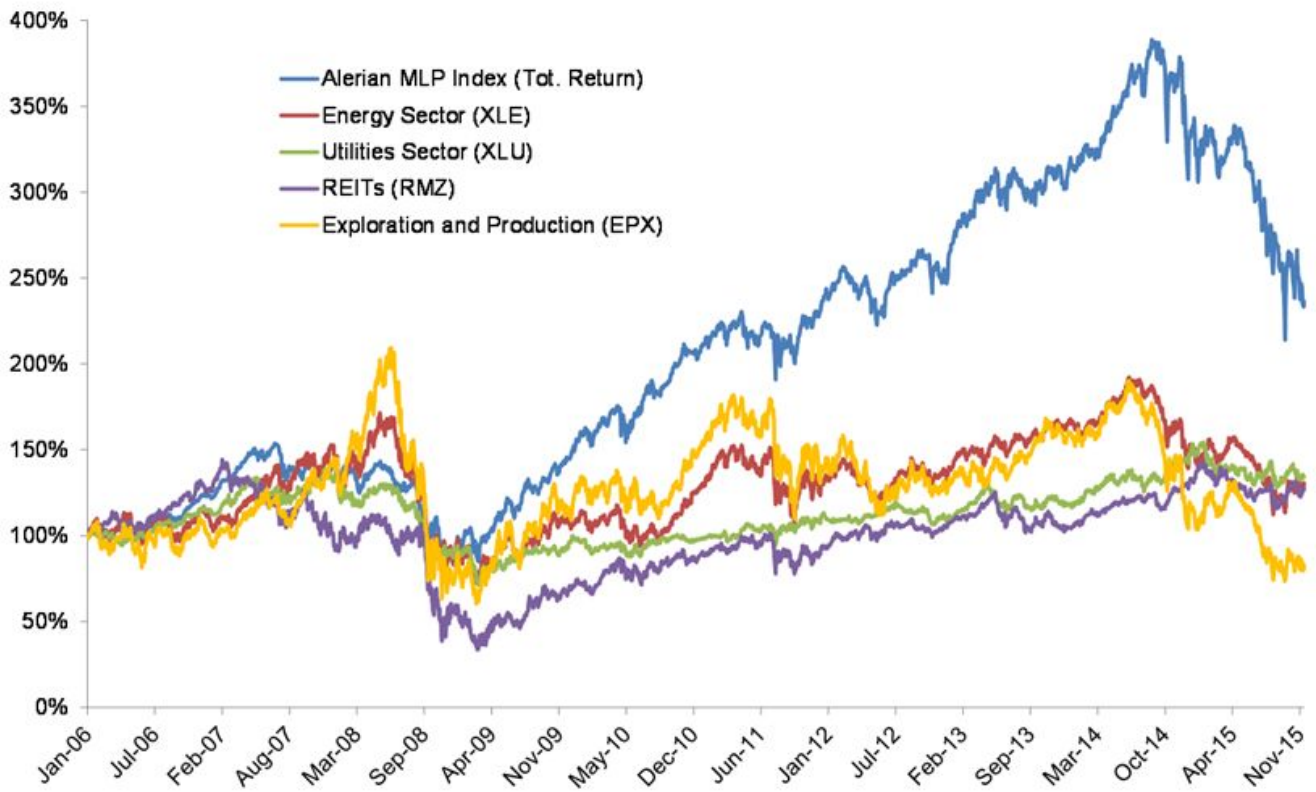
- ◆ Accomplishments for 2015

- ◆ Current Environment and Outlook for 2016

- ◆ Implications for Targa

- ◆ Q & A

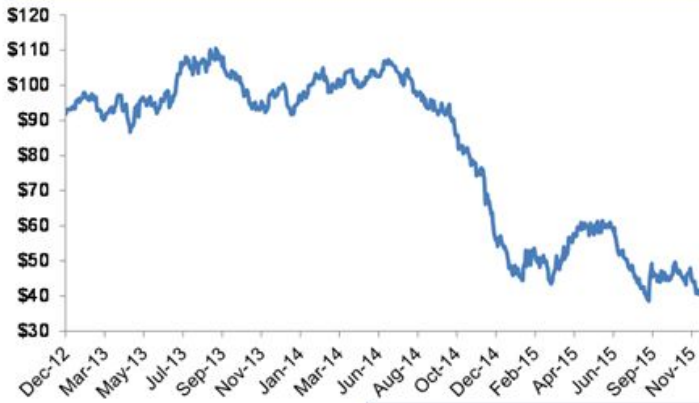
# Energy Markets – Performance (2006 to Present)



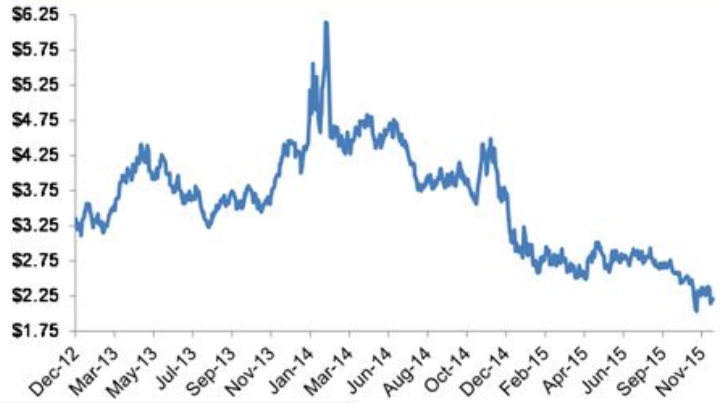


# Commodity Price Performance

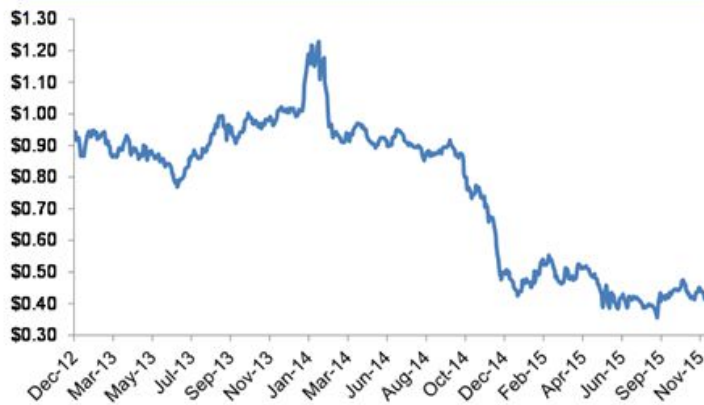
## Crude Oil, \$/Bbl



## Natural Gas, \$/MMBtu



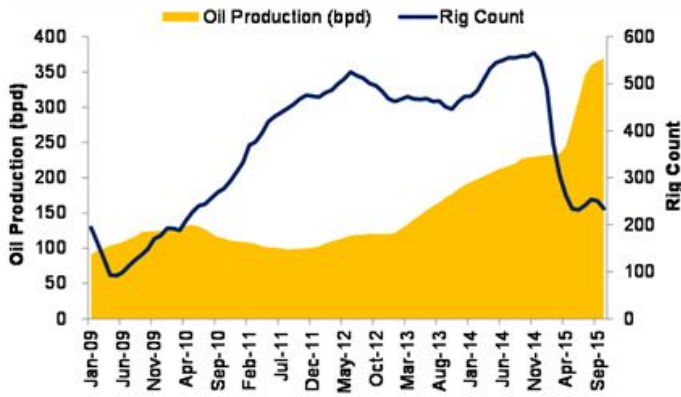
## Average Targa Field G&P NGL Bbl, \$/gal



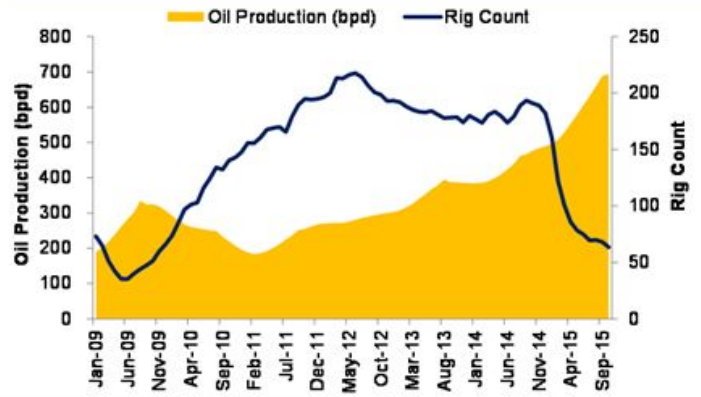
Note: Targa's composite NGL barrel above comprised of 37% ethane, 35% propane, 6% iso-butane, 12% normal butane, and 10% natural gasoline

# Activity Levels – Oil Drilling and Productivity by Well

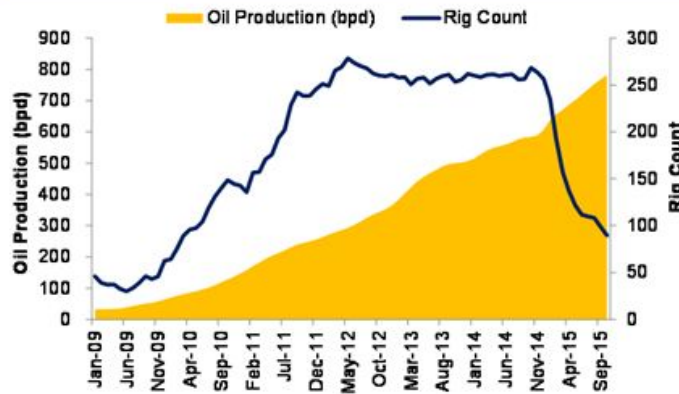
## Permian



## Bakken



## Eagle Ford



# Today's Discussion

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# Strategic Focus

## Capital Investment Efficiency

- ◆ Capital spending focused on efficiently meeting customer needs
- ◆ Spending may be delayed/deferred to reflect lower activity levels, especially in Field G&P
- ◆ Projects with greater cash flow certainty likely to proceed

## Increased Cost Management

- ◆ Apply lessons learned in prior commodity price cycles to reduce costs
- ◆ Capture identified and not yet identified savings opportunities associated with recent mergers
- ◆ Use additional workforce supply to hire selected permanent positions, improve skills and reduce overtime/contractor costs

## Continue to Identify and Capture Opportunities

- ◆ Strong positioning in leading G&P basins and Downstream markets creates opportunities
- ◆ U.S. position as a long-term low cost producer of hydrocarbons creates continued export services opportunities
- ◆ Larger asset base post merger will create additional opportunities

## Preserve and Improve Balance Sheet

- ◆ Fee-based margin provides cash flow stability
- ◆ 4.0x Debt/EBITDA at end of Q3 2015
- ◆ Continue to fund growth capital with mix of debt and equity

# Illustrative Price Scenarios

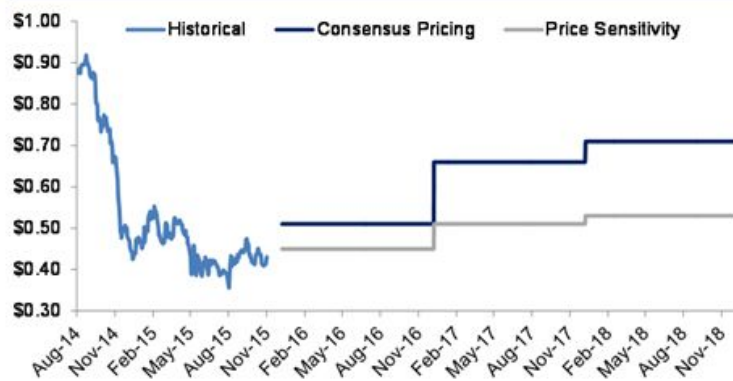
## Crude Oil, \$/Bbl



## Natural Gas, \$/MMBtu



## Average Targa Field G&P NGL Bbl, \$/gal



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(1) Note: Targa's composite NGL barrel comprises 37% ethane, 35% propane, 6% iso-butane, 12% normal butane, and 10% natural gasoline

## Transaction Overview

- ◆ Targa Resources Corp. (NYSE: TRGP; “TRC” or the “Company”) has executed a definitive agreement to acquire all of the outstanding common units of Targa Resources Partners LP (NYSE: NGLS; “TRP” or the “Partnership”) not already owned by TRC
- ◆ TRP common unitholders will receive 0.62 of a TRC share for each TRP common unit
- ◆ All existing debt remains at TRP and Series A preferred units at TRP remain outstanding
- ◆ Transaction is expected to close in Q1 2016, subject to customary closing conditions
- ◆ HSR early termination already received

*Transaction expected to provide both immediate and long-term benefits to Targa's investors*



(1) Taxes paid will vary depending on individual common unitholder attributes

# Positioning Targa for Continued Long-Term Success

## Improved Coverage and Credit Profile

- ◆ Expected cumulative incremental coverage of over \$400 million through 2018<sup>(1)</sup>
- ◆ Increased coverage supports dividend growth outlook, while reducing external financing needs
- ◆ Expected dividend coverage greater than 1.05x through 2018<sup>(1)</sup>
- ◆ Reduces leverage and expected to improve metrics over time

## Simplified Structure

- ◆ C-Corp structure with \$9 billion pro forma market capitalization should attract broader universe of investors
- ◆ Deeper pool of capital available to finance growth
- ◆ One public entity structure with simplified governance

## Improved Cost of Capital

- ◆ Elimination of IDRs provides immediate cost of capital improvement
- ◆ Lower cost of equity improves competitive position for expansion and acquisition opportunities
- ◆ Tax attributes of combination lowers TRC's cash taxes

## Stronger Long-Term Growth Outlook

- ◆ Immediately accretive to TRC shareholders
- ◆ Transaction allows Targa to continue to invest in high-return growth projects
- ◆ Better positioned for "lower for longer" environment in downside cases
- ◆ Enhanced upside potential in price recovery cases



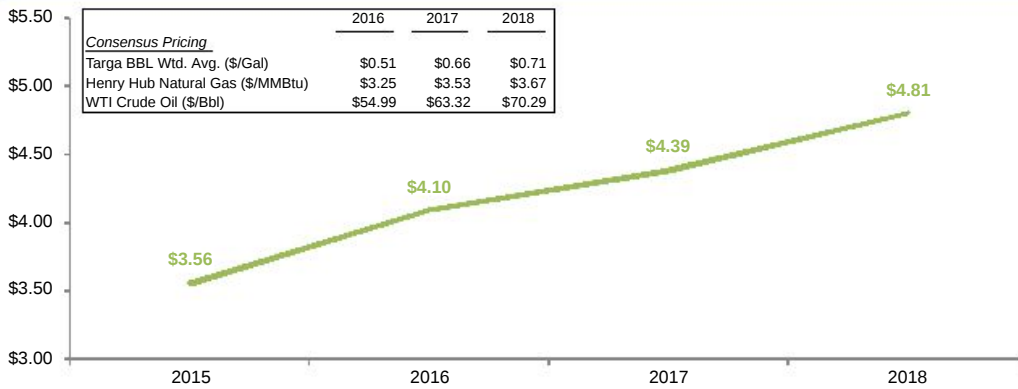
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(1) Based on Consensus Pricing case, consistent with scenario shown to Targa's respective Boards to be provided in proxy materials.

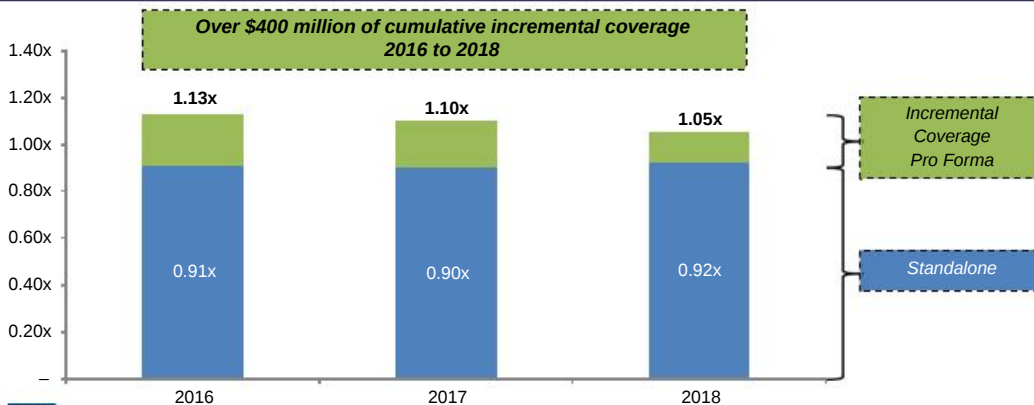


# Improved Dividend Growth and Coverage

## TRC Pro Forma Dividends per Share – Consensus Pricing<sup>(1)</sup>



## Coverage – Consensus Pricing<sup>(1)</sup>



### Pro Forma:

- ◆ Strong pro forma dividend growth compared to current flat TRP distribution outlook
  - ◆ 15% expected dividend growth in 2016
  - ◆ Over 10% estimated dividend CAGR from 2015 to 2018
- ◆ ~0.2x average improvement in pro forma coverage
- ◆ Stronger coverage improves capital access and supports dividend growth outlook

### TRP Standalone:

- ◆ EBITDA growth offset by lower hedge settlements, IDR giveback roll-off and growing interest expense from coverage shortfall
- ◆ Results in relatively flat coverage at \$3.30 distribution per unit

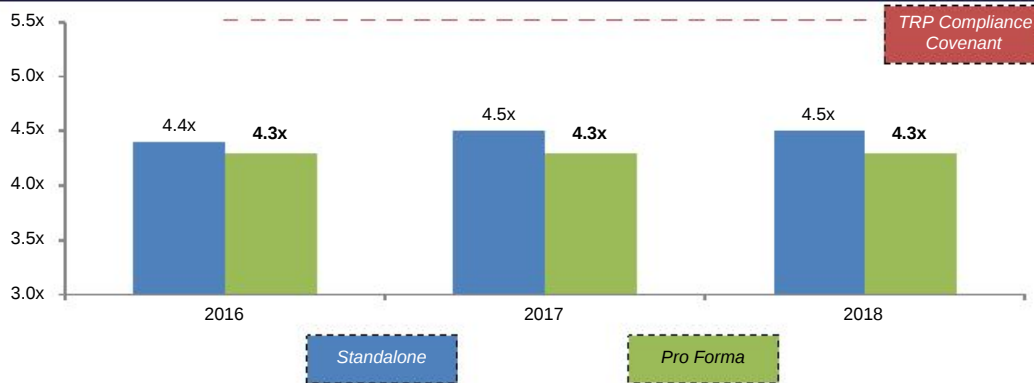


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<sup>(1)</sup> Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials  
 Note: In this scenario, Targa expects \$554.5 million of growth capex in 2016, \$600 million in 2017 and \$600 million in 2018

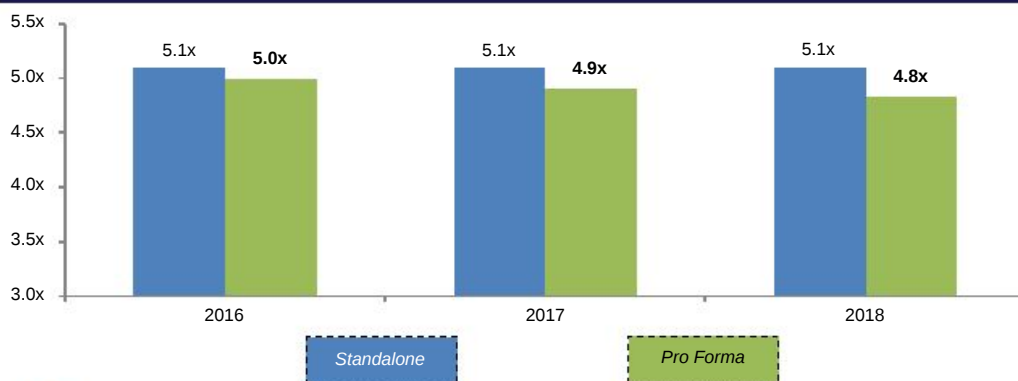
# Improved Credit Profile

TRP Compliance Leverage – Consensus Pricing<sup>(1)</sup>



- ◆ TRP's existing debt remains outstanding
- ◆ TRP will continue as a reporting entity
- ◆ TRP will continue to have flexibility under its leverage compliance covenant (remains 5.5x)
- ◆ TRP leverage profile improves over time through increased retained cash flow

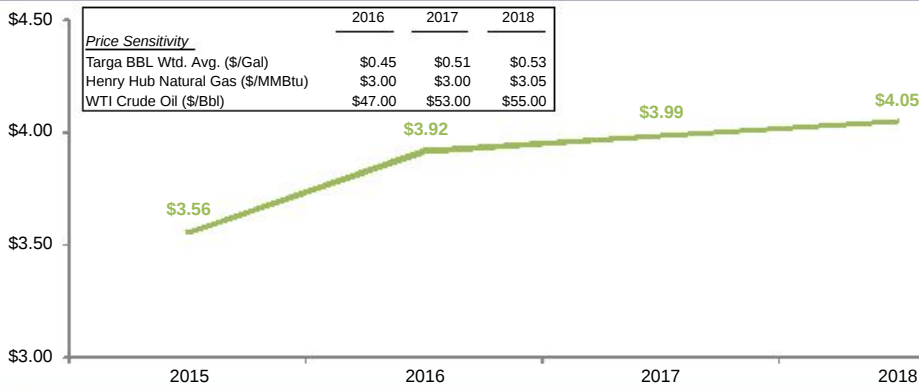
Consolidated Leverage – Consensus Pricing<sup>(1)</sup>



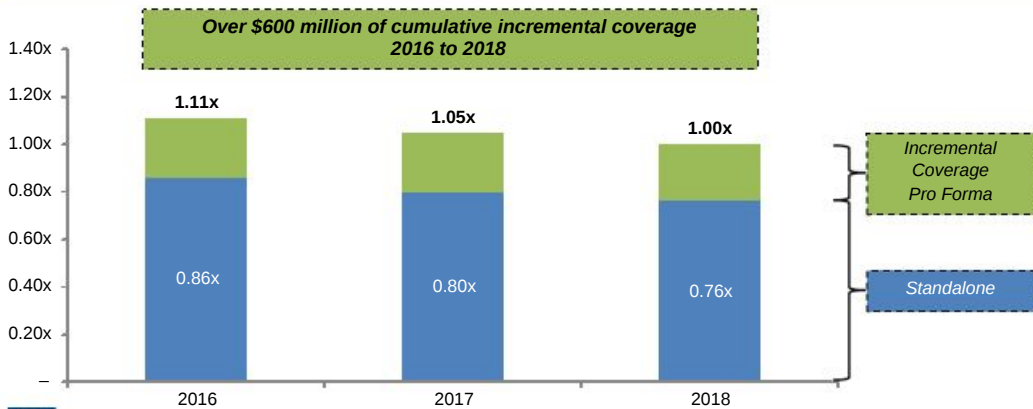
- ◆ Targa is not subject to a compliance covenant for consolidated leverage
- ◆ Targa enterprise leverage improves as well

# Better Positioned in Lower Commodity Price Environments

## TRC Pro Forma Dividends per Share – Price Sensitivity<sup>(1)</sup>



## Coverage – Price Sensitivity<sup>(1)</sup>



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<sup>(1)</sup> Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials  
 Note: In this scenario, Targa expects \$554.5 million of growth capex in 2016, \$399.6 million in 2017 and \$224.5 million in 2018

### Pro Forma:

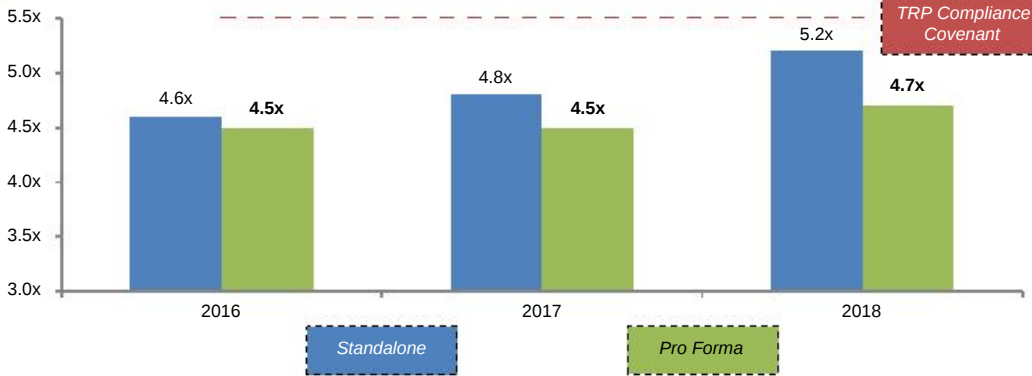
- ◆ Dividend growth with positive coverage even in lower price scenario
  - ◆ ~10% expected dividend growth in 2016
  - ◆ Modest growth thereafter
- ◆ Pro forma coverage improves ~0.2x on average
- ◆ Increased retained cash flow improves leverage

### TRP Standalone:

- ◆ Flat EBITDA profile offset by IDR giveback roll-off and growing interest expense from coverage shortfall
- ◆ Results in declining coverage at \$3.30 distribution per unit

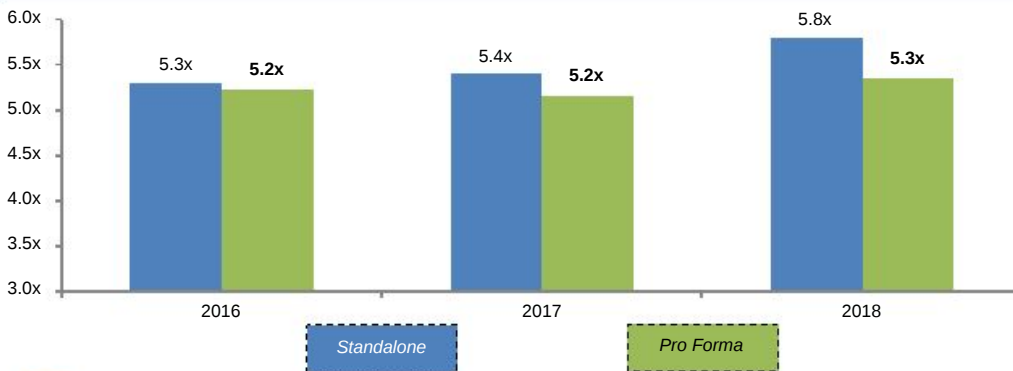
# Better Positioned in Lower Commodity Price Environments

TRP Compliance Leverage – Price Sensitivity<sup>(1)</sup>



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Consolidated Leverage – Price Sensitivity<sup>(1)</sup>



- ◆ Targa is not subject to a compliance covenant for consolidated leverage
- ◆ Targa enterprise leverage improves as well

**TARGA** (1) Consistent with scenarios shown to Targa's respective Boards to be provided in proxy materials

# Future Growth – Projects in Progress and Under Development

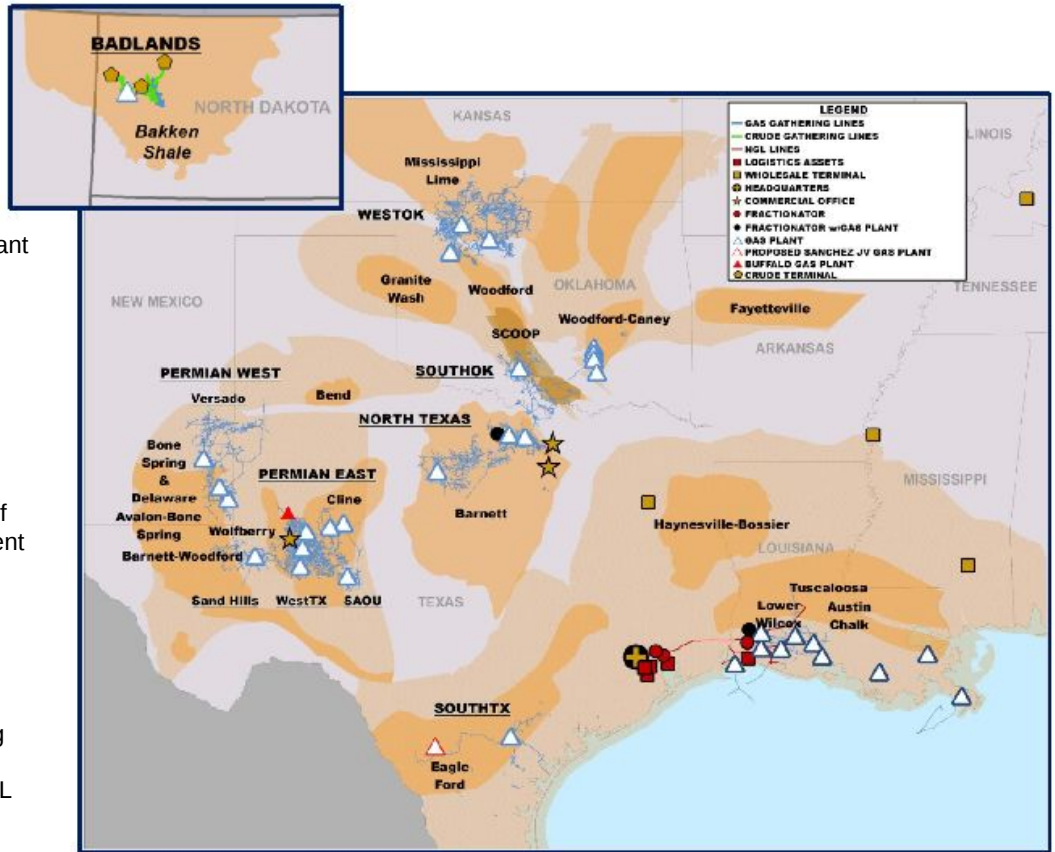
## Pro Forma Targa Well Positioned to Capitalize on Opportunity-Rich Environment

### ◆ 2016 growth capex of approximately \$600 million, including the following:

- ◆ CBF Train 5
- ◆ 200 MMcf/d Buffalo Plant in WestTX
- ◆ 200 MMcf/d La Salle County Plant in SouthTX
- ◆ Additional G&P expansions in Versado and Badlands

### ◆ Targa has over \$4 billion of projects under development

- ◆ Demand for additional infrastructure across all areas of operations continues, with current environment resulting in acceleration of need for some projects and delay for others
- ◆ Representative projects include natural gas processing plants, natural gas and crude gathering lines and associated infrastructure, fractionation, NGL storage and export projects



## What can you do?

- ◆ Flexibility
- ◆ Cost control
- ◆ Capital expenditure efficiency
- ◆ Teamwork
  
- ◆ What are your other ideas?

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