



TARGA

**Targa Resources Corp.
Expands Premier Permian Footprint
with Acquisition of Delaware and
Midland Basin Assets**

January 23, 2017

Forward Looking Statements

Certain statements in this presentation are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that Targa Resources Corp. (NYSE: TRGP; "Targa", "TRC" or the "Company") expects, believes or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside the Company's control, which could cause results to differ materially from those expected by management of Targa Resources Corp. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including declines in the production of natural gas or in the price and market demand for natural gas and natural gas liquids, the timing and success of business development efforts, the credit risk of customers and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and other reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Transaction Overview

- ◆ **Targa Resources Corp. (NYSE: TRGP) (“Targa” or the “Company”) has executed definitive agreements for its subsidiary, Targa Resources Partners LP, to acquire 100% of the membership interests of Outrigger Delaware Operating, LLC, Outrigger Southern Delaware Operating, LLC (together “Outrigger Delaware”) and Outrigger Midland Operating, LLC (“Outrigger Midland” and together with “Outrigger Delaware”, “Outrigger Permian”)**
 - ◆ \$565 million initial cash consideration represents ~9x 2017E EBITDA multiple
 - ◆ Outrigger Permian sellers may receive additional consideration linked to existing contract performance via earn-out payments⁽¹⁾
- ◆ **Targa’s acquisition of the Outrigger Permian assets provides numerous strategic benefits to Targa, including:**
 - ◆ Expands premier Permian footprint deeper into the Delaware and Midland basins
 - ❖ Additional 250,000+ acres dedicated under long-term contracts from a strong mix of active operators
 - ❖ Increases Targa’s gross processing capacity to ~2 Bcf/d across the Permian Basin by year-end 2017
 - ❖ Expect to connect Outrigger Permian assets to existing Targa systems, and acquisition may facilitate eventual connection of Targa Sand Hills and Versado systems in the Delaware
 - ◆ Adds attractive fee-based natural gas gathering and processing and crude gathering assets in the Permian Basin backed by long-term contracts
 - ◆ Accretive to distributable cash flow in 2017 and beyond
- ◆ **Closing expected in Q1 2017, subject to customary regulatory approvals and other closing conditions**



Strategic Rationale – Assets, Operations and Contracts

Highly Complementary to Existing Targa Footprint and Assets

- ◆ **Connected systems allow for operational and capital efficiencies**
 - ◆ Expect to immediately connect Outrigger Delaware assets to Sand Hills and Outrigger Midland assets to WestTX
- ◆ **Expected to provide additional volumes for Targa's downstream assets over time**

Addition of 250,000+ Dedicated Acres in Prolific Delaware and Midland Basins

- ◆ **Significant organic growth potential from continued producer development**
 - ◆ Decades of inventory of highly economic drilling locations
 - ◆ Will benefit from continued improvements in drilling results

Contracts are with High Quality, Active Producers

- ◆ **Several quality pure-play producers moving to development in 2017+**
- ◆ **Strong mix of public and private operators with impressive track records of growth**
- ◆ **Expands Targa's already strong and diverse customer relationships**

Attractive Long-Term Fee Based Contracts

- ◆ **Almost entirely fixed-fee contracts**
- ◆ **Long-term contracts**
 - ◆ Weighted average life of more than 13 years

Introduces Targa to Crude Gathering in the Permian

- ◆ **Opportunity to expand crude gathering operations into the Permian**
- ◆ **Expect new opportunities to leverage system to grow crude gathering footprints**

Strategic Rationale – Structure and Financial Impact

Initial Consideration

- ◆ \$565 million of initial consideration represents an ~9x 2017E EBITDA multiple
- ◆ Expect to fund through capital markets activities and borrowings from the TRP credit facility

Attractive Transaction Structure

- ◆ **Earn-out payments based on realized gross margin on existing contracts**
 - ◆ First earn-out payment based on attractive multiples of realized gross margin from existing contracts from March 1, 2017 through February 28, 2018
 - ◆ Second earn-out payment based on attractive multiples of realized gross margin from existing contracts from March 1, 2018 through February 28, 2019
- ◆ **Earn-out structure de-risks transaction**
 - ◆ As compared to a single significant upfront payment, Targa is paying for performance on existing contracts through earn-out payments over time, and performance drives total consideration
- ◆ **Upside from additional contracts accrues solely to Targa's benefit**

Accretive Transaction to Financial Metrics

- ◆ Transaction expected to be accretive to Distributable Cash Flow in 2017 and beyond
- ◆ Successful asset performance will increase realized gross margin, resulting in larger potential earn-out payments, and importantly, additional accretion for Targa

The merits of the acquisition of the Outrigger Permian assets are strong on an operational and strategic basis, further heightened by a transactional structure that aligns total consideration with existing contract performance

Further Expansion of Targa's Premier Permian Position

~65% of active Permian rigs are on or within 10 miles of pro forma Targa assets

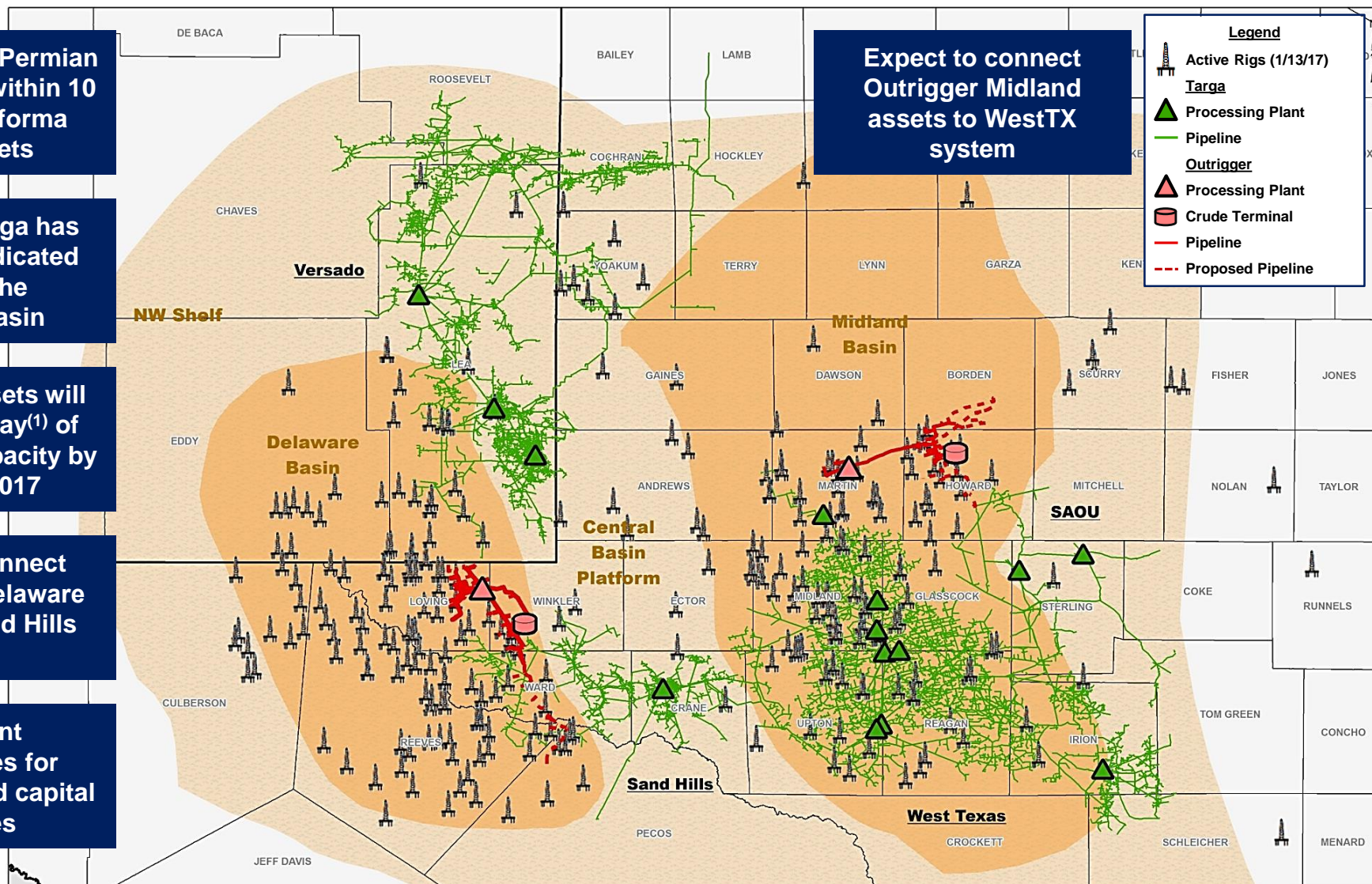
Pro forma Targa has ~2 million dedicated acres in the Permian Basin

Combined assets will have ~2 Bcf/day⁽¹⁾ of processing capacity by year end 2017

Expect to connect Outrigger's Delaware assets to Sand Hills system

Significant opportunities for operational and capital synergies

Expect to connect Outrigger Midland assets to WestTX system



Bolting on the Outrigger Permian assets to Targa's existing footprint increases and strengthens our exposure to active development in the Delaware Basin and the northern Midland Basin

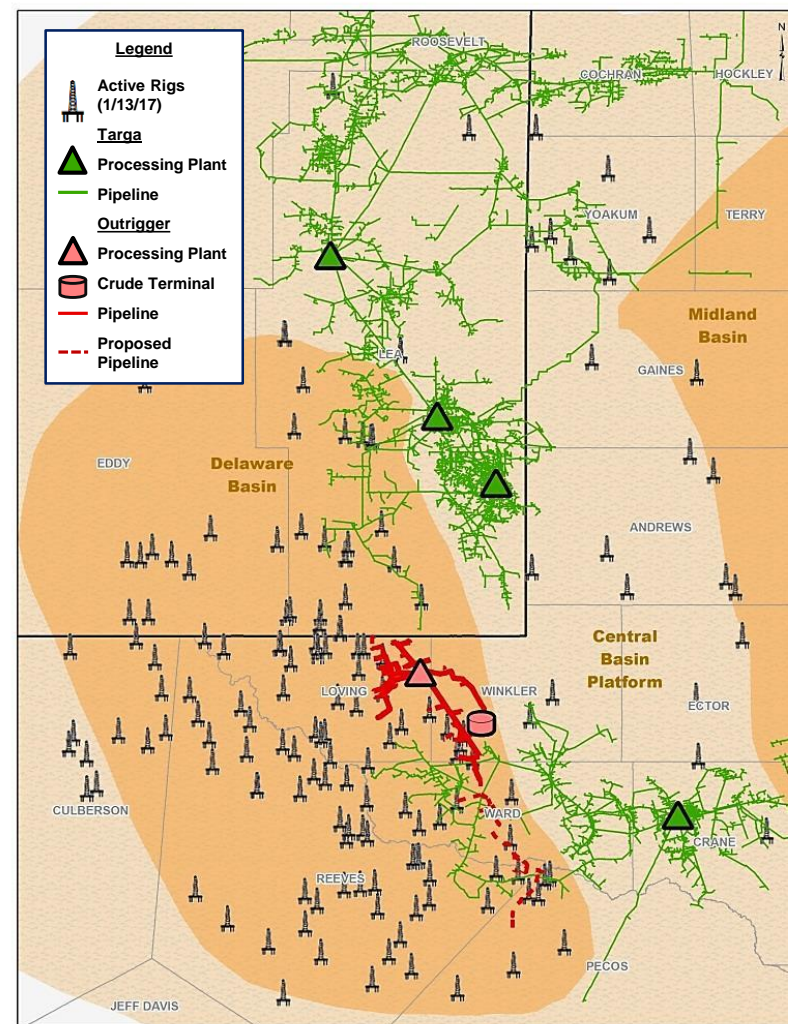
Pro Forma Targa Delaware Basin Assets

Highlights

- ◆ Over 5,000 miles of pipeline across 3 systems (Outrigger Delaware, Sand Hills and Versado)
- ◆ Expect to connect Outrigger Delaware assets to Sand Hills system
 - ◆ Outrigger Delaware, Sand Hills, SAOU and WestTX will be connected
 - ◆ Eventually may connect Versado, creating a fully-connected Permian system
- ◆ ~475 MMcf/d of processing capacity across the Outrigger Delaware, Sand Hills and Versado systems
 - ◆ 70 MMcf/d of additional processing capacity from Outrigger Delaware's Loving Plant
 - ◆ Evaluating adding processing capacity to accommodate expected growth
- ◆ High-quality pure-play producers added to system with very limited crossover of existing upstream customers

Outrigger Delaware's Existing Assets

- ◆ Weighted average system contract length of 14 years
- ◆ Loving Plant
 - ◆ 70 MMcf/d cryogenic processing plant capacity
- ◆ Gas Gathering System
 - ◆ ~60 miles of low pressure gathering lines and ~30 miles of high pressure rich gas lines
- ◆ Crude Gathering System
 - ◆ ~50 miles of pipeline with initial capacity of 40,000 Bbls/d
 - ◆ 10,000 Bbl internal floating roof tank



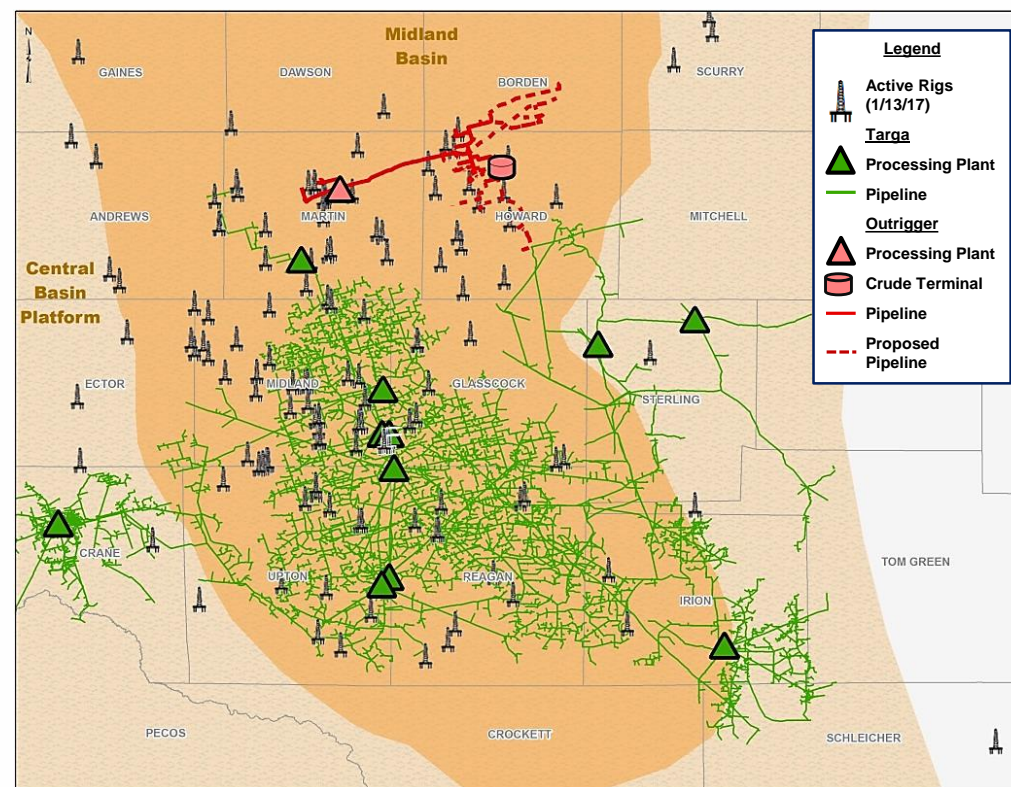
Pro Forma Targa Midland Basin Assets

Highlights

- ◆ Over 5,500 miles of pipeline across 3 systems (Outrigger Midland, WestTX and SAOU)
- ◆ Expect to connect Outrigger Midland assets to existing WestTX system
 - ◆ Outrigger Delaware, Sand Hills, SAOU and WestTX will be connected
- ◆ ~1,450 MMcf/d Midland Basin processing capacity by year-end 2017
 - ◆ Includes the addition of 10 MMcf/d Outrigger Midland Tarzan Plant and previously announced 2017 capacity additions to Targa's WestTX system
- ◆ High-quality pure-play producers added to system with very limited crossover of existing upstream customers

Outrigger Midland's Existing Assets

- ◆ Weighted average system contract length of 13 years
- ◆ Tarzan Processing Facility
 - ◆ 10 MMcf/d cryogenic processing plant
- ◆ Gas Gathering and Compression
 - ◆ ~35 miles of low pressure gathering pipelines in Howard, Martin and Borden counties, ~35 miles of high pressure gas gathering lines in service
- ◆ Crude Gathering System
 - ◆ ~30 miles of pipeline with initial capacity of 40,000 Bbls/d
 - ◆ 10,000 Bbl internal floating roof tank



Summary – Earn-Out Structure

Beneficial Transaction Structure

- ◆ Potential earn-out payments are based on realized gross margin⁽¹⁾ on existing contracts as of the estimated close for the Outrigger Delaware and Outrigger Midland assets
- ◆ \$565 million of Initial Consideration⁽²⁾ representing an ~9x 2017E EBITDA multiple
- ◆ Calculation of Potential Earn-Out Payment #1:
 - ◆ Outrigger Delaware = 9.75 times Actual Outrigger Delaware 2017⁽¹⁾ Gross Margin less Initial Delaware Consideration of \$385 million
 - ◆ Outrigger Midland = 9.25 times Actual Outrigger Midland 2017⁽¹⁾ Gross Margin less Initial Midland Consideration of \$180 million
- ◆ Calculation of Potential Earn-Out Payment #2:
 - ◆ Outrigger Delaware = 8.75 times Actual Outrigger Delaware 2018⁽¹⁾ Gross Margin less (Initial Delaware Consideration of \$385 million + Outrigger Delaware Earn-Out Payment #1)
 - ◆ Outrigger Midland = 8.75 times Actual Outrigger Midland 2018⁽¹⁾ Gross Margin less (Initial Outrigger Midland Consideration of \$180 million + Outrigger Midland Earn-Out Payment #1)

Earn-Out Diagram	Outrigger Delaware	Outrigger Midland	Outrigger Consolidated
Initial Consideration ⁽²⁾	\$385 million	\$180 million	\$565 million
Earn Out #1 Multiple ⁽¹⁾	9.75x	9.25x	N/A
Earn Out #2 Multiple ⁽¹⁾	8.75x	8.75x	N/A
Potential Earn-Out Payments			\$935 million
Potential Total Consideration			\$1.5 billion



(1) Based on Gross Margin generated from existing contracts between March 1, 2017 and February 28, 2018 for Earn Out #1 and (ii) March 1, 2018 and February 28, 2019 for Earn Out #2

(2) \$90 million of initial consideration paid within 90 days of closing, balance at closing

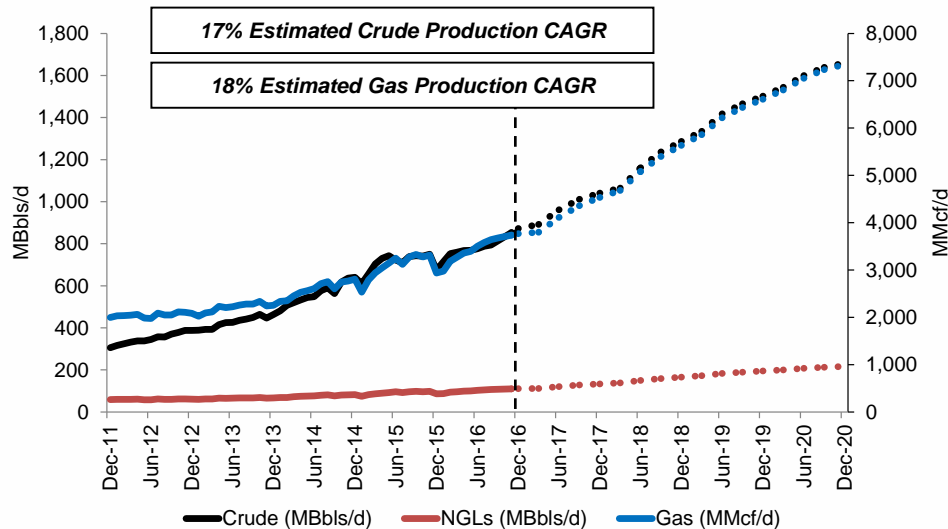


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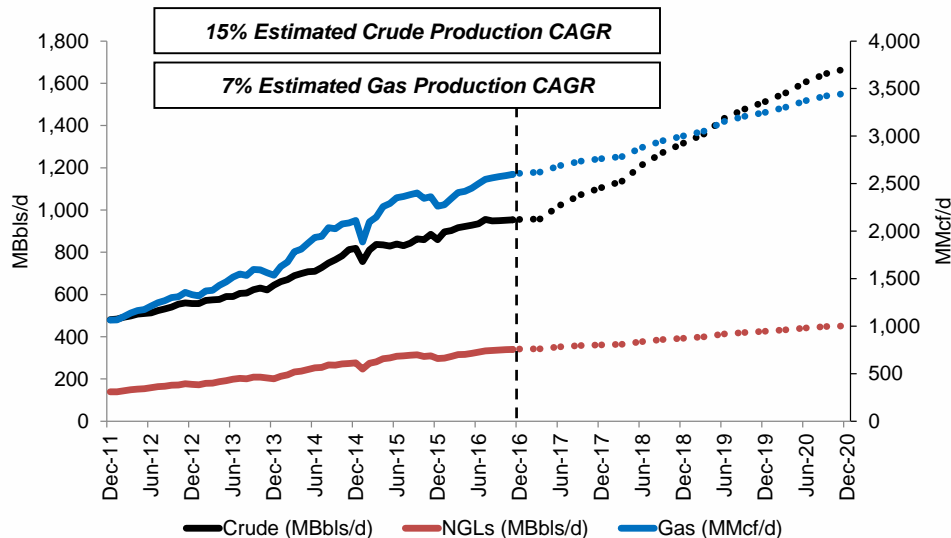
Appendix

Permian Basin Production Forecasts and Rig Activity

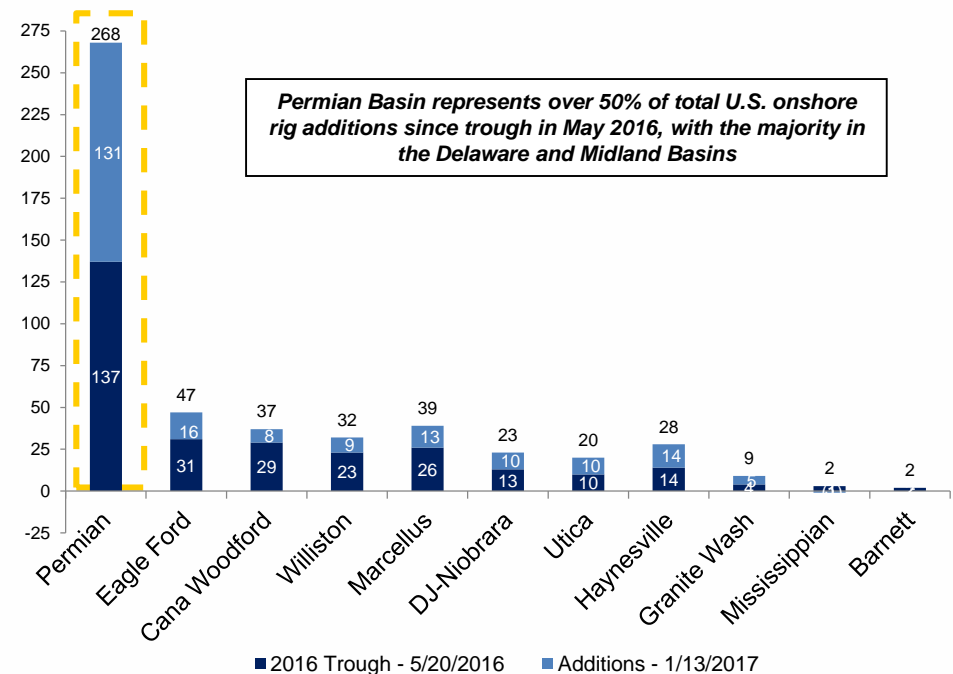
Delaware Basin Production Forecast⁽¹⁾



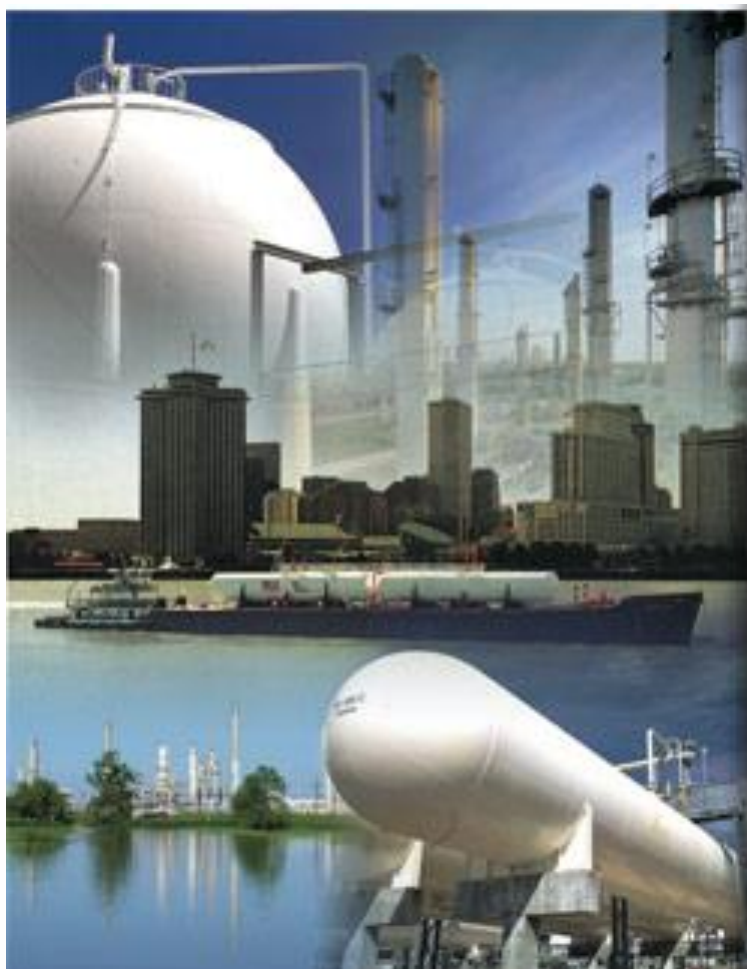
Midland Basin Production Forecast⁽¹⁾



Rig Activity (Trough vs. Today)⁽²⁾



- ◆ Since late May 2016, 255 rigs have been added onshore in the U.S. and 131 rigs in the Permian Basin
- ◆ Permian production remained stable through 2015 and 2016 as the rig count dropped as a result of completion optimization and other technological innovations
- ◆ With growing productivity and best-in-class wellhead economics, the Permian is poised for significant production growth



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