



Second Quarter 2024 Earnings Supplement

August 1, 2024 | TARGA RESOURCES CORP.



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 the Company expects, believes or anticipates will or may occur in the future, are forward-looking statements, including statements regarding our projected financial performance, capital spending and payment of future dividends.

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 the Company. Such risks and uncertainties include, but are not limited to, actions by the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC oil producing countries, weather, political, economic and market conditions, including a decline in the price and market demand for natural gas, natural gas liquids and crude oil, the timing and success of our completion of capital projects and business development efforts, the expected growth of volumes on our systems, the impact of pandemics or any other public health crises, commodity price volatility due to ongoing or new global conflicts, the impact of disruptions in the bank and capital markets, including those resulting from lack of access to liquidity for banking and financial services firms, and other uncertainties.

These and other applicable uncertainties, factors and risks are described more fully in the Company’s filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K, and any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The Company does not undertake an obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

We use any of the following to comply with our disclosure obligations under Regulation FD: press releases, SEC filings, public conference calls, or our website. We routinely post important information on our website at www.targaresources.com, including information that may be deemed to be material. We encourage investors and others interested in the company to monitor these distribution channels for material disclosures.



Q2 2024 Highlights

Record quarterly adjusted EBITDA of \$984mm driven by record Permian, NGL transportation, and fractionation volumes

>> Operational Performance

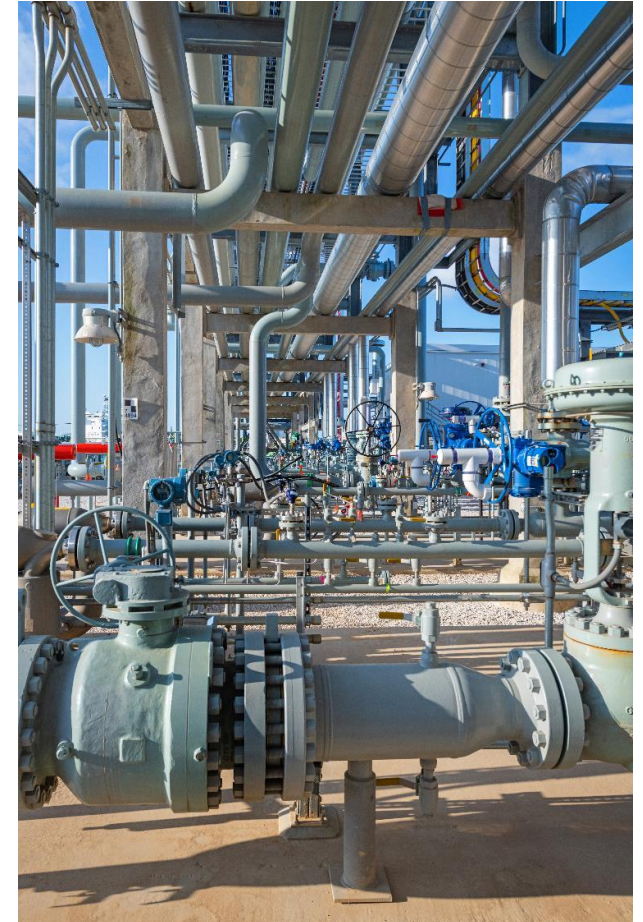
- > Record Permian natural gas inlet volumes
- > Record NGL transportation volumes
- > Record fractionation volumes

>> Growth Capital Program Execution

- > New 120 MBbl/d Train 9 fractionator in Mont Belvieu and 230 MMcf/d Roadrunner II plant in Permian Delaware commenced operations in Q2 highly utilized
- > Remain on-track to complete new plants in the Permian, Daytona NGL Pipeline, and frac Trains 10 and 11 as previously announced
- > In August, announced two new 275 MMcf/d plants in the Permian and an equity investment in the 2.5 Bcf/d Blackcomb Pipeline to support continued Permian natural gas production growth

>> Financial Update and Shareholder Returns

- > Increasing FY24 Adjusted EBITDA⁽¹⁾ estimate to \$3.95B to \$4.05B
- > Increasing FY24 growth capex estimate to ~\$2.7B in response to higher Permian volumes and accelerated infrastructure spend
- > Record \$355 million of common share repurchases during Q2
- > Announced a new \$1.0 billion common share repurchase program



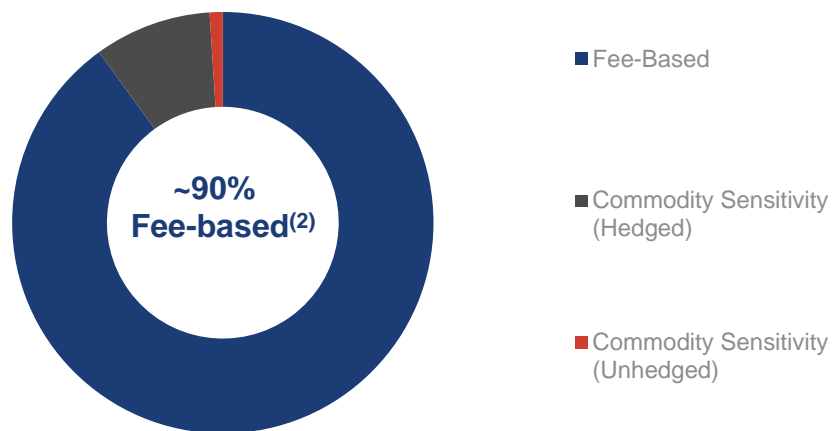
⁽¹⁾ Adjusted EBITDA is a non-GAAP measure. Please see the section of this presentation entitled "Non-GAAP Financial Measures" for a discussion of adjusted EBITDA and a reconciliation of such measure to its most directly comparable GAAP financial measure.



2024 Updated Financial Outlook

Increasing FY 2024 adjusted EBITDA estimate +5%, driven by higher anticipated Permian and integrated system volumes

Updated 2024 Estimates	
Adjusted EBITDA ⁽¹⁾	\$3,950 - \$4,050 million
Net Growth Capex	~\$2,700 million
Net Maintenance Capex	~\$225 million



+13%⁽¹⁾ YoY growth in Adjusted EBITDA driven by:

- ✓ Higher volume growth across Targa's Permian footprint
- ✓ Higher G&P and L&T system volumes
- ✓ Acceleration of growth capital spending in response to higher Permian volume growth
- ✓ Strength and durability of cash flows underpinned by 90% fee-based profile
 - Non-fee G&P margin now hedged ~90% through 2026, which further reduces downside to lower commodity prices
 - Fee floor contracts in G&P business preserve upside to higher commodity prices

(1) Adjusted EBITDA is a non-GAAP measure. Year over year growth based on midpoint of projected 2024 adjusted EBITDA range. Please see the section of this presentation entitled "Non-GAAP Financial Measures" for a discussion of adjusted EBITDA and a reconciliation of such measure to its most directly comparable GAAP financial measure. Full year 2024 adjusted EBITDA estimate assumes commodity prices average \$1.80/MMBtu WAHA natural gas, \$0.65/gallon weighted average NGLs, and \$75.00/Bbl WTI crude oil.

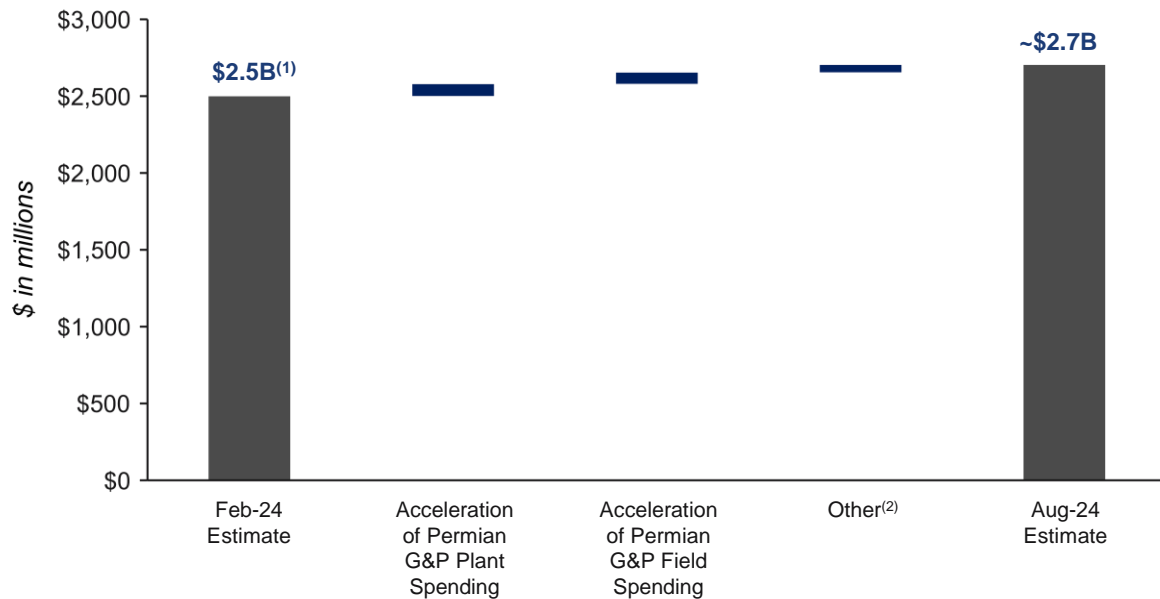
(2) Fee-based profile based on fully consolidated 2024E adjusted operating margin.



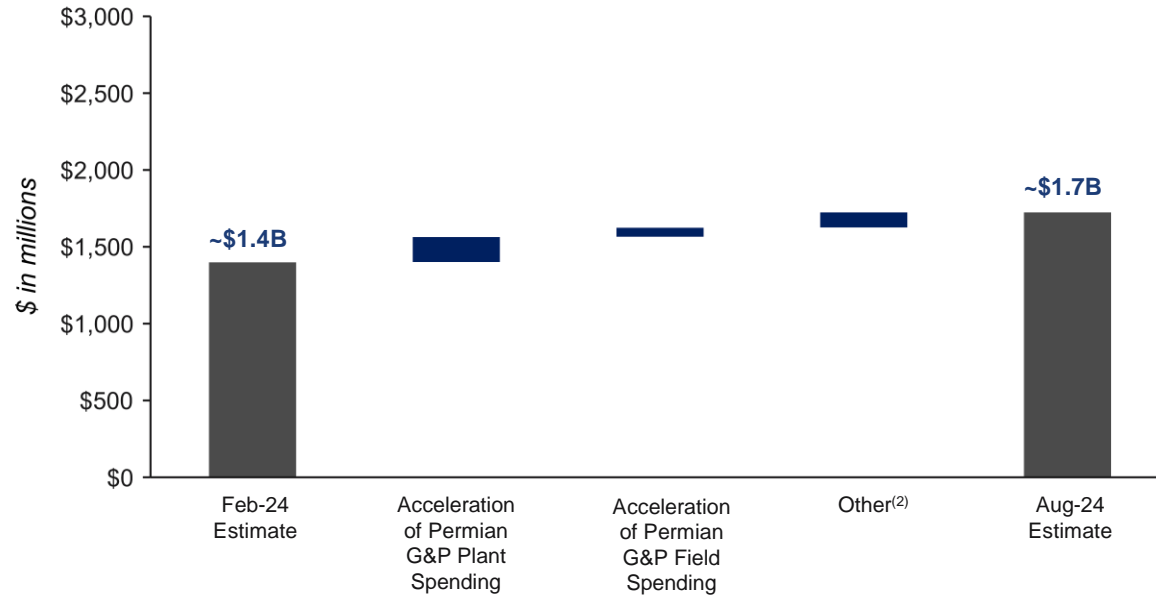
Integrated Growth Opportunities Generate Strong ROIC

Higher volume growth on Targa's Permian systems necessitating acceleration of capital spending at attractive returns

2024E Net Growth Capex Estimate



2025E Net Growth Capex Estimate



Higher Permian volumes and associated capital spending drives stronger FY24 and FY25 adjusted EBITDA outlook; Expect to generate meaningful adjusted Free Cash Flow in 2025⁽³⁾

(1) High-end of previously estimated 2024 capital spending range.

(2) Other category includes spending on downstream connections, carbon capture, residue gas takeaway, etc.

(3) Adjusted EBITDA and adjusted free cash flow are non-GAAP measures. Please see the section of this presentation entitled "Non-GAAP Financial Measures" for a discussion of adjusted EBITDA and adjusted free cash flow and a reconciliation of such measures to their most directly comparable GAAP financial measure.



Operational Performance – Gathering & Processing Segment

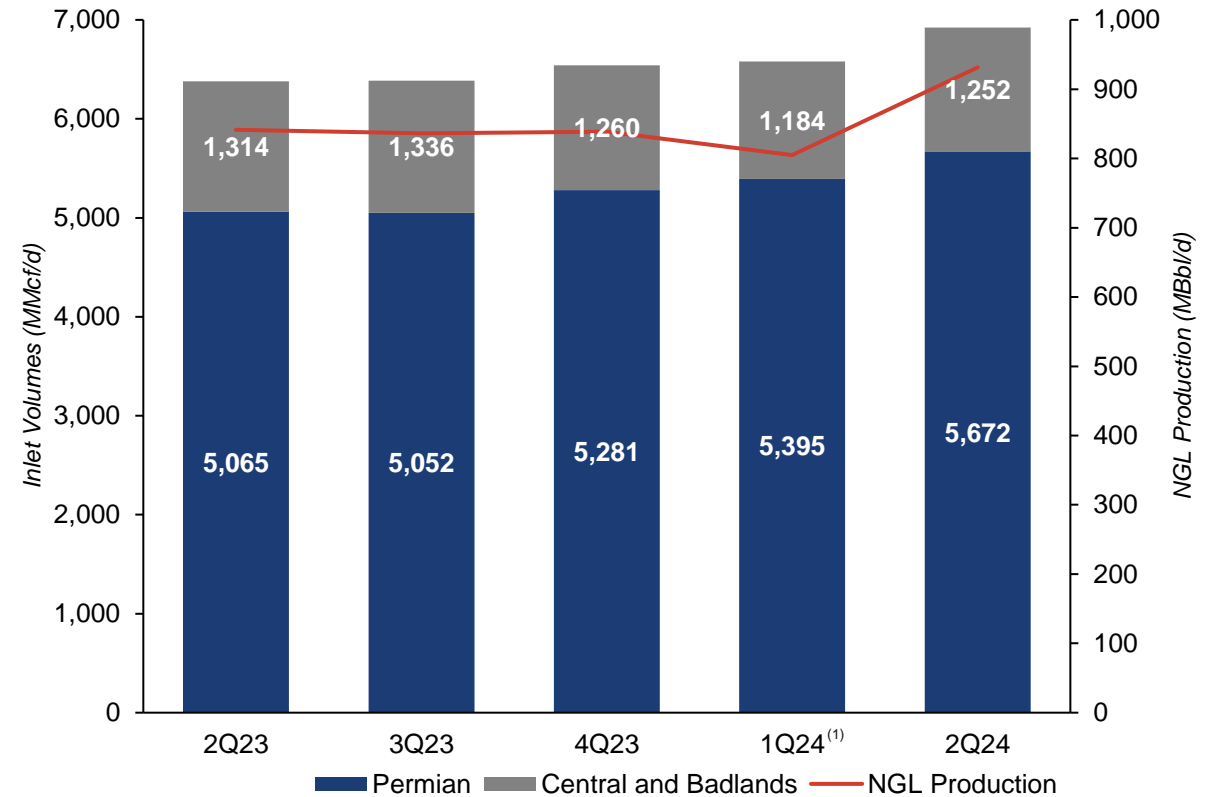
2Q24 Highlights

Field G&P Natural Gas Inlet Volumes

- Record Targa volumes in the Permian Basin attributable to continued strong activity levels across Permian Midland and Permian Delaware systems
 - New 230 MMcf/d Roadrunner II plant in Permian Delaware commenced operations highly utilized during Q2



Field G&P Natural Gas Inlet Volumes and NGL Production



(1) NGL production in 1Q24 reduced due to ethane rejection at certain facilities.

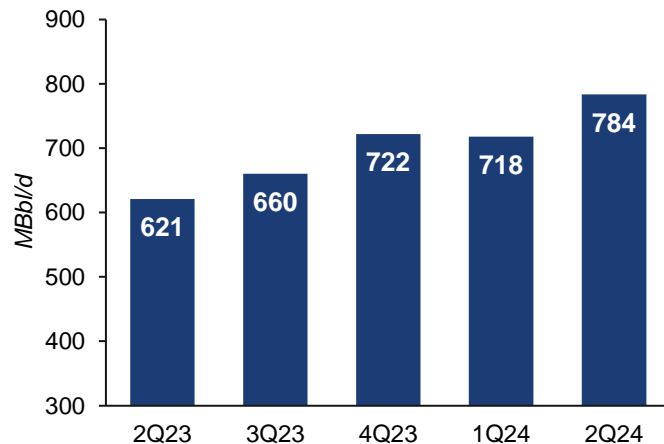
Operational Performance – Logistics & Transportation Segment

2Q24 Highlights

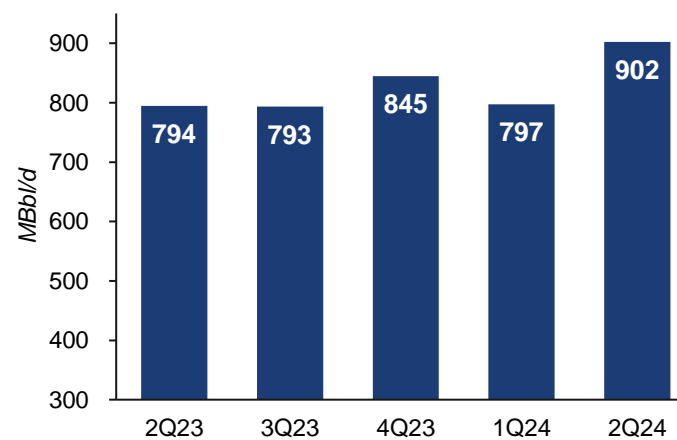
NGL Pipeline Transportation, Fractionation, and LPG Export Services

- Record NGL pipeline transportation and fractionation volumes driven by higher supply primarily from Targa's Permian G&P systems
 - 120 MBbl/d Train 9 fractionator in Mont Belvieu commenced operations highly utilized during Q2
- Reduced LPG export volumes due to scheduled maintenance and required inspections

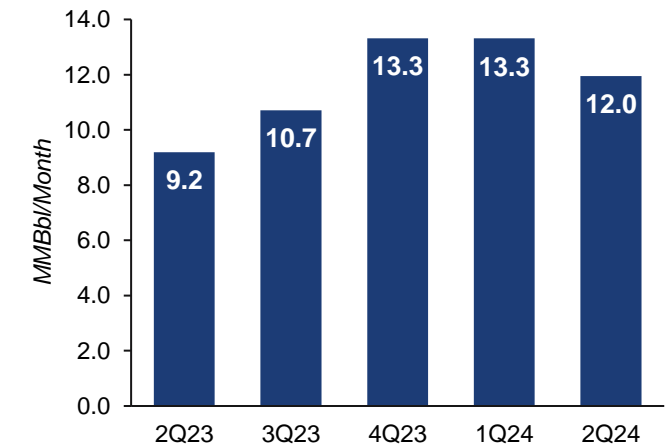
NGL Pipeline Transportation Volumes



Fractionation Volumes

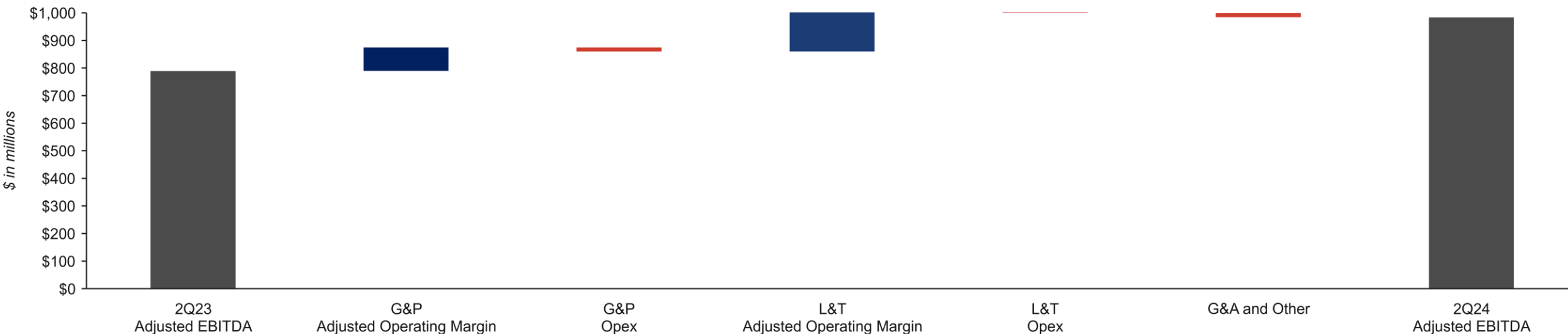


Export Volumes



Financial Performance – 2Q 2024 vs. 2Q 2023

25% increase in adjusted EBITDA⁽¹⁾



G&P segment operating margin increased \$70 million⁽²⁾

- + Higher Permian inlet volumes driven by system expansions and continued strong producer activity
- + Higher fees in the Permian
- Lower natural gas prices
- Higher operating expenses associated with higher Permian volumes and system expansions

L&T segment operating margin increased \$140 million

- + Higher NGL pipeline transportation and fractionation volumes
- + Higher marketing margin
- + Higher LPG export volumes

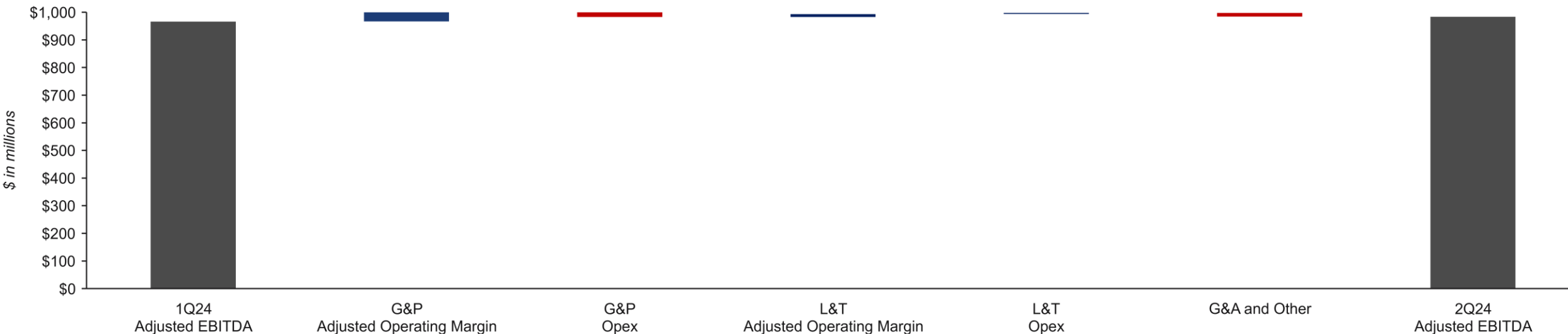
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(2) Inclusive of realized hedge gain/(loss).



Financial Performance – 2Q 2024 vs. 1Q 2024

2% increase in adjusted EBITDA⁽¹⁾



G&P segment operating margin increased \$16 million⁽²⁾

- + Higher Permian inlet volumes driven by system expansions and continued strong producer activity
- + Higher fees in the Permian
- Lower natural gas, NGL, and condensate prices
- Higher operating expenses associated with higher Permian volumes and system expansions

L&T segment operating margin increased \$16 million

- + Higher NGL pipeline transportation and fractionation volumes
- + Lower operating expenses due to lower repairs and maintenance, partially offset by higher compensation and benefits and the addition of Train 9
- Lower marketing margin
- Lower LPG export volume due to scheduled maintenance and required inspections

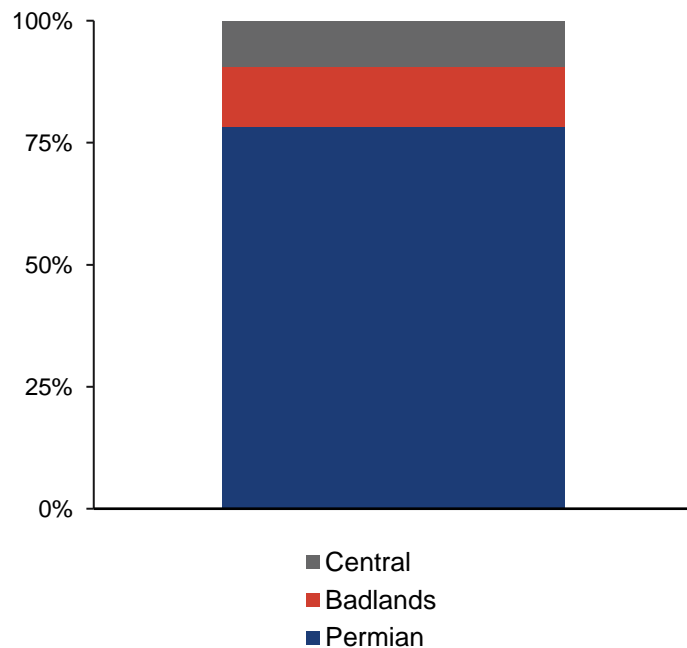
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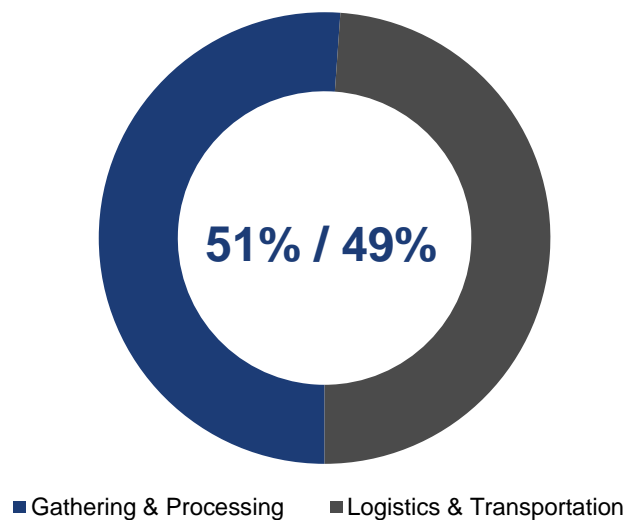


Business Mix – 2Q 2024

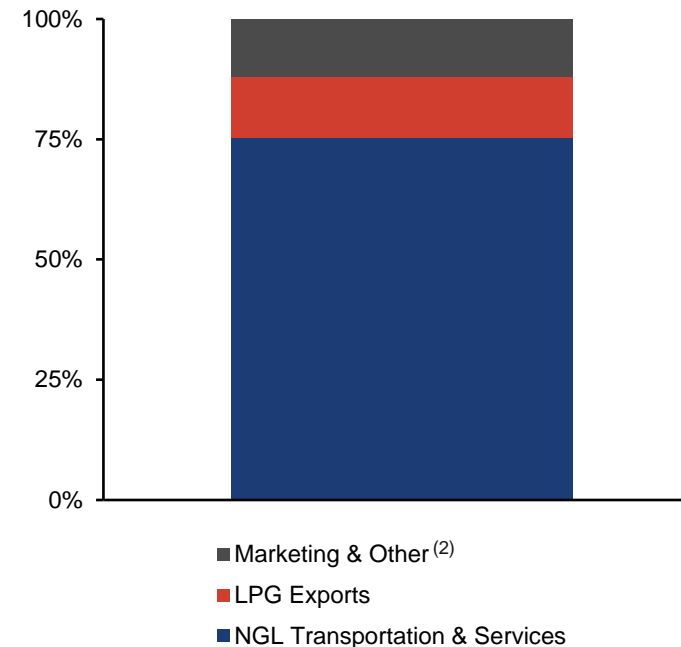
Field Gathering & Processing Operating Margin⁽¹⁾



Business Mix – Segment Operating Margin



Logistics & Transportation Operating Margin



⁽¹⁾ Fully consolidated operating margin; includes 100% interest in Badlands and excludes Coastal.

⁽²⁾ Marketing & Other includes Domestic NGL Marketing, Wholesale Propane, Refinery Services, Commercial Transportation, and Gas Marketing.





Appendix and Reconciliations



Hedge Disclosures

*Hedges provide cash flow stability and reduce exposure to commodity prices on non-fee-based G&P contract exposure;
Non-fee G&P margin now hedged ~90% through 2026*

FIXED PRICE SWAPS	Volumes Hedged		Wtd. Avg. Hedge Price	
	Aug – Dec 2024 ⁽²⁾		2025 ⁽²⁾	
Natural Gas (MMBtu/d; \$/MMBtu)	93,701	\$2.98	79,198	\$3.26
Wtd Avg NGL (Bbl/d; \$/Gal) ⁽¹⁾	26,316	\$0.66	25,813	\$0.61
WTI Crude Oil (Bbl/d; \$/Bbl)	6,973	\$75.16	7,437	\$71.54

⁽¹⁾ Targa's composite NGL barrel comprises 44% ethane, 32% propane, 11% normal butane, 4% isobutane and 9% natural gasoline as of December 31, 2023.

⁽²⁾ Inclusive of hedges executed through July 31, 2024.



Non-GAAP Financial Measures

This presentation includes the Company's non-GAAP financial measures: adjusted EBITDA and adjusted operating margin. The following tables provide reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures.

The Company utilizes non-GAAP measures to analyze the Company's performance. Adjusted EBITDA and adjusted operating margin (segment) are non-GAAP measures. The GAAP measures most directly comparable to these non-GAAP measures are income (loss) from operations, Net income (loss) attributable to Targa Resources Corp. and segment operating margin. These non-GAAP measures should not be considered as an alternative to GAAP measures and have important limitations as analytical tools. Investors should not consider these measures in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Additionally, because the Company's non-GAAP measures exclude some, but not all, items that affect income and segment operating margin, and are defined differently by different companies within the Company's industry, the Company's definitions may not be comparable with similarly titled measures of other companies, thereby diminishing their utility. Management compensates for the limitations of the Company's non-GAAP measures as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into the Company's decision-making processes.

Adjusted EBITDA

The Company defines adjusted EBITDA as Net income (loss) attributable to Targa Resources Corp. before interest, income taxes, depreciation and amortization, and other items that the Company believes should be adjusted consistent with the Company's core operating performance. The adjusting items are detailed in the adjusted EBITDA reconciliation table and its footnotes. Adjusted EBITDA is used as a supplemental financial measure by the Company and by external users of the Company's financial statements such as investors, commercial banks and others to measure the ability of the Company's assets to generate cash sufficient to pay interest costs, support the Company's indebtedness and pay dividends to the Company's investors.

Adjusted Cash Flow from Operations and Adjusted Free Cash Flow

The Company defines adjusted cash flow from operations as adjusted EBITDA less cash interest expense on debt obligations and cash tax (expense) benefit. The Company defines adjusted free cash flow as adjusted cash flow from operations less maintenance capital expenditures (net of any reimbursements of project costs) and growth capital expenditures (net of contributions from noncontrolling interest and contributions to investments in unconsolidated affiliates). Adjusted cash flow from operations and adjusted free cash flow are performance measures used by the Company and by external users of the Company's financial statements, such as investors, commercial banks and research analysts, to assess the Company's ability to generate cash earnings (after servicing the Company's debt and funding capital expenditures) to be used for corporate purposes, such as payment of dividends, retirement of debt or redemption of other financing arrangements.

Adjusted Operating Margin

The Company defines adjusted operating margin for our segments as revenues less product purchases and fuel. It is impacted by volumes and commodity prices as well as by our contract mix and commodity hedging program.

Gathering and Processing adjusted operating margin consists primarily of:

- Service fees related to natural gas and crude oil gathering, treating and processing; and revenues from the sale of natural gas, condensate, crude oil and NGLs less producer settlements, fuel and transport and the Company's equity volume hedge settlements.

Logistics and Transportation adjusted operating margin consists primarily of:

- Service fees (including the pass-through of energy costs included in fee rates); system product gains and losses; and NGL and natural gas sales, less NGL and natural gas purchases, fuel, third-party transportation costs and the net inventory change.
- Adjusted operating margin for the Company's segments provides useful information to investors because it is used as a supplemental financial measure by management and by external users of our financial statements, including investors and commercial banks, to assess:
 - The financial performance of the Company's assets without regard to financing methods, capital structure or historical cost basis; the Company's operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and the viability of capital expenditure projects and acquisitions and the overall rates of return on alternative investment opportunities.



Non-GAAP Measures Reconciliation

	Three Months Ended,		
	June 30, 2024	March 31, 2024 (in millions)	June 30, 2023
Reconciliation of Net income (loss) attributable to Targa Resources Corp. to Adjusted EBITDA			
Net income (loss) attributable to Targa Resources Corp.	\$ 298.5	\$ 275.2	\$ 329.3
Interest (income) expense, net ⁽¹⁾	176.0	228.6	166.6
Income tax expense (benefit)	94.3	82.7	96.4
Depreciation and amortization expense	348.6	340.5	332.1
(Gain) loss on sale or disposition of assets	(0.6)	(1.1)	(1.7)
Write-down of assets	0.3	1.0	1.7
(Gain) loss from financing activities	0.8	—	—
Equity (earnings) loss	(2.9)	(2.8)	(3.4)
Distributions from unconsolidated affiliates	5.9	6.3	6.2
Compensation on equity grants	15.1	14.6	15.0
Risk management activities	46.6	22.0	(151.9)
Noncontrolling interests adjustments ⁽²⁾	1.7	(0.8)	(1.2)
Adjusted EBITDA	\$ 984.3	\$ 966.2	\$ 789.1

(1) Q1 2024 includes \$54.9 million and Q2 2024 includes \$0.9mm of interest expense associated with the Splitter Agreement ruling, respectively.

(2) Noncontrolling interest portion of depreciation and amortization expense.



Non-GAAP Measures Reconciliation

	Three Months Ended,		
	June 30, 2024	March 31, 2024 (in millions)	June 30, 2023
<i>Gathering and Processing Segment</i>			
Operating margin	\$ 572.6	\$ 556.4	\$ 502.5
Operating expenses	205.7	188.1	189.8
Adjusted operating margin	\$ 778.3	\$ 744.5	\$ 692.3
<i>Logistics and Transportation Segment</i>			
Operating margin	\$ 547.7	\$ 532.1	\$ 408.0
Operating expenses	85.4	90.0	82.5
Adjusted operating margin	\$ 633.1	\$ 622.1	\$ 490.5



Non-GAAP Measures Reconciliation

	<u>Full Year 2024E</u>
	(in millions)
Reconciliation of Estimated Net Income attributable to Targa Resources Corp. to Estimated Adjusted EBITDA	
Net income attributable to Targa Resources Corp.	\$ 1,355.0
Interest expense, net ⁽¹⁾	790.0
Income tax expense	360.0
Depreciation and amortization expense	1,355.0
Equity earnings	(15.0)
Distributions from unconsolidated affiliates	25.0
Compensation on equity grants	65.0
Risk management and other	70.0
Noncontrolling interests adjustments ⁽²⁾	(5.0)
Estimated Adjusted EBITDA	<u>\$ 4,000.0</u>

(1) Includes \$55.8 million of interest expense associated with the Splitter Agreement ruling.

(2) Noncontrolling interest portion of depreciation and amortization expense.





Targa is a leading provider of midstream services and is one of the largest independent midstream infrastructure companies in North America. Our operations are critical to the efficient, safe, and reliable delivery of energy across the United States and increasingly to the world. Our assets connect natural gas and natural gas liquids (NGLs) to domestic and international markets with growing demand for cleaner fuels and feedstocks.

**GENERAL INQUIRIES/CORPORATE
HEADQUARTERS**

811 LOUISIANA STREET, SUITE 2100
HOUSTON, TX 77002

PHONE: 713.584.1133

EMAIL: InvestorRelations@targaresources.com

WWW.TARGARESOURCES.COM

